CONGRESS ASSET
MANAGEMENT COMPANY

4Q 2019

Portfolio Commentary

SMid Core Opportunity[1]

Market Review

Rarely is there such dramatic change in one quarter. The fourth quarter of 2019 was the exception, with major policy developments in several arenas providing at least partial relief from the tensions festering in the summer. Domestically, the Federal Reserve Board (Fed) reduced its federal funds rate by one quarter of one percent during October, the third reduction since July, cementing the reversal of its raise one year prior. The Fed also committed to reflating its balance sheet once again, allaying fears of a credit crunch in short term investment funding circles. The uncharacteristically bold actions by the Fed signaled that they understood clearly the threats to the financial markets from higher rates and economic slowdowns in Europe and China.

The relaxation of trade tensions signaled that both the United States and China realized spiraling trade restrictions dampen sentiment and elevate uncertainty, hindering capital investment. Whether the détente lasts through the new year remains to be seen but a spirit of cooperation broke out in North America with the recently passed USMCA trade deal between the U.S., Mexico, and Canada.

Foreign governments and central banks took their cues from the Fed. To combat the economic pause experienced in 2019, central banks began expanding their balance sheets again, pumping money into the banking system to induce more investment. In addition, over the past few months, over 60 central banks cut interest rates including Mexico, Russia, Turkey, and Brazil. Interest rate and short-term funding arrangements are perceived to be the quickest method to shore up sagging economies.

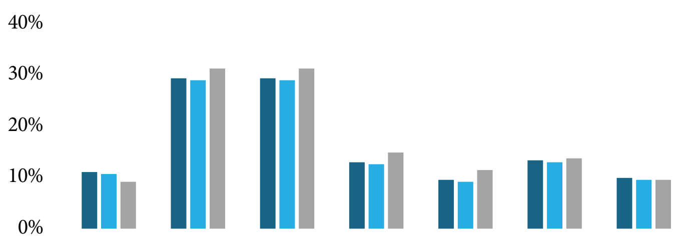
The uncoordinated policies had a salutary effect on U.S. markets. Stocks and bonds had their biggest simultaneous gains in over two decades. The S&P 500 returned about 30% for the year and bond prices rose, pushing the yield on the benchmark 10-year Treasury to under 2%. Oil and gold also returned over 10% for the year.

Performance Overview

For the quarter ending December 31, 2019, the SMid Core Opportunity Portfolio ("the Portfolio") outperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 10.7% gross of fees while the Index returned 9.1% for the quarter.

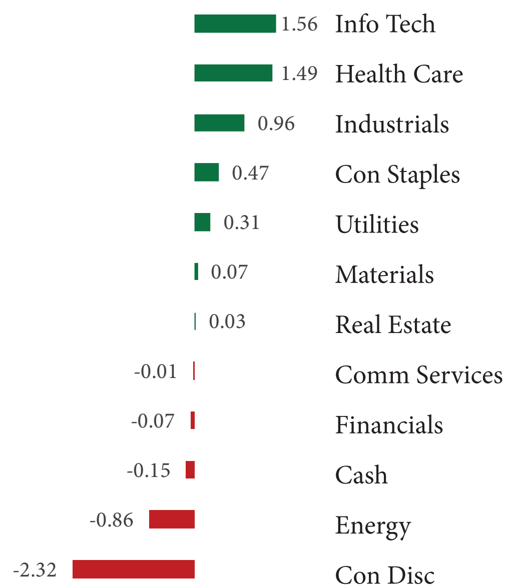
The Portfolio benefited from security selection in Information Technology, Industrials, and Health Care. An overweight allocation to Health Care also contributed to performance during the quarter. However, security selection in Consumer Discretionary and Energy detracted from performance. Finally, an overweight allocation to Industrials slightly detracted from performance during the quarter.

Average Annualized Performance % as of 12/31/2019



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	10.7	29.3	29.3	12.9	9.4	13.2	9.6
SMid Core Opp[1] (Net)	10.6	28.9	28.9	12.5	9.1	12.8	9.4
Russell 3000*	9.1	31.0	31.0	14.6	11.2	13.4	9.4

[3]% Total Effect Portfolio vs. Index (9/30/2019 - 12/31/2019)



[1]Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.

[2]On March 31, 2018, the Portfolio's stated investment strategy was updated to reflect its focus of investing in publicly traded stocks of U.S. small and mid capitalization companies with either growth or value characteristics.

[3]The information shown is for a representative account as of 12/31/2019. Actual client account holdings and sector allocations may vary.

4Q 2019 Attribution Highlights

Overall Contributors

- Security selection in Information Technology, Industrials & Health Care
- Overweight allocation to Health Care

Overall Detractors

- Security selection in Consumer Discretionary & Energy
- Overweight allocation to Industrials

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
Fortinet, Inc.	4.80	1.67
Horizon Therapeutics Plc	5.20	1.59
United Rentals, Inc.	3.68	1.15
STAAR Surgical Company	3.28	1.08
Autodesk, Inc.	4.49	1.02

Bottom 5 Detractors/Contributors

Stock	Avg. Weight%	Detraction%
ServiceMaster Global Holdings, Inc.	3.63	-1.68
TechnipFMC Plc	3.13	-0.73
Darden Restaurants, Inc.	4.33	-0.34
MasTec, Inc.	5.14	-0.05
ABIOMED, Inc.	2.22	-0.04

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT stock increased after posting very good earnings results, including revenue growth of over 20% with many deals coming from large enterprises. The company showed strength across all geographies and suggested that future growth could be bolstered by a product refresh cycle.

Horizon Pharma plc (HZNP) is a biopharmaceutical company which is engaged in the research, development, and marketing of pharmaceutical products. The company's stock gained as investors once again celebrated the advancement of HZNP's Teprotumumab compound through FDA channels. While HZNP is hoping for FDA approval of Teprotumumab in March of 2020, it is already laying the ground work for marketing the product, showing their optimism for likely approval.

United Rentals (URI) is the largest equipment rental company in the world. URI's shares climbed over the last quarter as the company's year-over-year results now include its BlueLine and Baker acquisitions. These additions bolstered its General Rent and its Trench, Power, and Fluid solutions segments, with the latter being a key growth area for the firm.

STAAR Surgical Company (STAA) designs, develops, manufactures, and sells implantable lenses for the eye and systems used to deliver the lenses into the eye. STAA's stock rose after posting good earnings but more importantly announced that the FDA had approved a clinical trial of its implantable lenses. This is the first major step to getting their implantable lens products approved in the U.S., which would significantly increase its addressable market.

Autodesk, Inc. (ADSK) is a maker of design software that addresses multiple end markets and is best known for its AutoCAD program. The company's stock increased after announcing very good organic revenue growth and despite delivering lighter than expected guidance. ADSK continues to make good headway in transitioning its user base from maintenance to subscription-based contracts as well as chasing down non-compliant (i.e., pirate) users.

ServiceMaster Global Holdings, Inc. (SERV) provides commercial and home services through two segments, Terminix and ServiceMaster Brands. SERV's stock plunged after preannouncing its quarterly results and disappointing street analysts. This included a previously unforeseen charge for termite damage claims stemming from a Mobile, AL area infestation, which management insisted was localized and limited.

TechnipFMC Plc (FTI) engages in the provision of solutions for the production and transformation of oil and gas, primarily through its Subsea, Onshore and Offshore, and Surface Technologies segments. FTI saw its stock fall after simultaneously announcing mediocre earnings and that the company would split into two separate entities. This shook the market as the company had only recently been combined through a merger and touted the benefits of its depth and breadth, only now to have management say the company would be better as two stand alone companies.

Darden Restaurants, Inc. (DRI) owns and operates full-service dining restaurants Olive Garden, LongHorn Steakhouse, Capital Grille, Yard House, Bahama Breeze, Seasons 52, Eddie V's Prime Seafood, Wildfish Seafood Grille, and Cheddar's Scratch Kitchen. DRI stock declined last quarter as restaurant traffic at its flagship Olive Garden restaurants dipped lower than expected by analysts. Despite this dip, the company still outperformed industry traffic metrics and posted better traffic at its LongHorn chain.

MasTec, Inc. (MTZ) is an infrastructure construction company that operates in the U.S. and Canada through four major segments: Communications, Oil and Gas, Electrical Transmission, and Power Generation and Industrial. MTZ stock fell slightly last quarter on the odd news that the senior management team had coordinated to monetize a portion of their company stock holdings in order to fund the building of a new stadium for a professional soccer team in Miami. This was head-scratching news for analysts who immediately questioned management's commitment to the company.

ABIOMED, Inc. (ABMD) engages in the research, development, manufacture, and sale of cardiac support, recovery, and replacement devices. ABMD saw its stock retreat in the fourth quarter despite a good earnings report that showed organic growth both domestically and abroad. ABMD again faces pressure from studies purporting that the use of its products produces more negative outcomes than the use of aortic balloon pumps. These studies lack the rigor of past clinical trials that show the opposite results, leaving ABMD's management once again with a battle over public perception.

4Q 2019 Transaction Summary

Purchased

- SPS Commerce, Inc. (SPSC) - Information Technology
- R1 RCM Inc. (RCM) - Health Care

Sold

- Carbonite, Inc. (CARB) - Information Technology
- TechnipFMC Plc (FTI) - Energy

Purchased

SPS Commerce, Inc. (SPSC) provides cloud-based supply chain management services. Its solutions make it easier for retailers, suppliers, grocers, distributors, and logistics firms to orchestrate the management of item data, order fulfillment, inventory control and sales analytics across all channels. We believe that SPSC offers a compelling value proposition to its customers as business models continue to shift to omnichannel sales.

R1 RCM Inc. (RCM) is a provider of technology-enabled revenue cycle management services to healthcare providers, including health systems and hospitals, physician groups, and municipal and private emergency medical service providers. The company seeks to help healthcare providers generate sustainable improvements in their operating margins and cash flows while also enhancing patient, physician and staff satisfaction. We expect RCM to add new large enterprise customers, further expanding its scale and reach across health care providers.

Sold

Carbonite, Inc. (CARB) is a provider of cloud and hybrid backup solutions for consumers and small and medium sized businesses, including backup, disaster recovery, high availability and workload migration technologies. Carbonite was not able to overcome concerns regarding its transition to a data protection-as-a-service platform focused on the small and medium sized business space. The Investment Committee ultimately lost faith that the company would be able to complete this transition.

TechnipFMC Plc (FTI) engages in the provision of solutions for the production and transformation of oil and gas, primarily through its Subsea, Onshore and Offshore, and Surface Technologies segments. FTI announced in late August that the company would split into two companies, an integrated technology and services provider and an engineering and construction provider. The Investment Committee was skeptical of the prospects of the to-be-spun companies given that the company has just combined these elements in its initial merger in 2017.

Outlook

In our opinion the outlook for equities is positive. After a strong 2019 however, it is not difficult to postulate a decline in equity values. At the very least a corrective phase seems a reasonable expectation, and inflammatory headlines constantly offer a rationale for things going dreadfully wrong. Headlines make very poor investment strategy. The gain in stock values in recent years reflects fundamental developments, many of them positive for equity valuations. These include the declines in interest rates and inflation, the best job market since the 1960s, technology induced capacity increases and productivity gains, and an improving housing market. Stock values will increasinglyfollow their individual company and industry fortunes within a generally favorable overall environment for financial investments.

As we view the worldwide financial condition, we find the view of some that the rise in the price of financial assets represents a bubble about to burst, improbable. At virtually full employment, with rising real income wages, stable interest rates, and placid inflation conditions, the forces underpinning the rise are impressive. Despite political controversies, the United States remains an island of stability and a paragon of growth and opportunity in a destabilized world. This does not mean the coming year will be free of crises and just as in the past three years, sudden and steep corrections will occur. A focus on fundamental and a longer-term horizon will serve investors best in this environment.

Information is as of 12/31/2019

Congress Asset Management Co. SMid Core Opportunity Composite 1/1/2010 - 12/31/2019

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 3000 3-Yr annualized ex-post St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period ($ millions)	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2019	29.3	28.9	31.0	15.0	12.2	199	1.19	104	8,445	12,528
2018	-10.2	-10.5	-5.2	16.3	11.2	224	0.80	85	7,102	10,234
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	7,272	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	6,329	7,014
2010	19.9	19.5	16.9			≤5	n/a	3	6,416	6,678

#The "Total Firm Assets" column is provided as supplemental information and also includes unified managed account (UMA) assets

Congress Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Congress Asset Management has been independently verified for the periods 1/1/96 – 12/31/19. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The SMid Core Opportunity Composite has been examined for the periods 4/1/13 – 12/31/18. The verification and performance examination reports are available upon request.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Registration does not imply a certain level of skill or training. CAM manages a variety of public equity, private equity, fixed income and ETF managed portfolios for private and institutional clients. CAM acquired Prelude Asset Management, LLC on March 15, 2010. CAM merged with Congress Capital Partners, LLP on June 30, 2015. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

Composite Characteristics: The SMid Core Opportunity Composite was created on December 31, 2005 and has an inception date of May 31, 2005. This inception date reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. As of March 1, 2018 the All Cap Opportunity Composite was renamed the SMid Core Opportunity composite. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the SMid core opportunity style for a minimum of one full month. The SMid core opportunity strategy's investment premise is that market efficiencies exist between fixed income and equity valuation techniques. We seek to uncover these efficiencies, and identify equity investment opportunities in order to pursue long term capital appreciation. We employ a combination of formal quantitative screening followed by bottom up fundamental analysis. We focus on stocks with market capitalizations between $300 million and $40 billion (at the time of purchase). The strategy is opportunistic, providing management flexibility to focus on securities and industries that are often under researched and we believe poised to experience earning growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The composite benchmark is the Russell 3000 Index. Effective January 1, 2009 the SMid Core Opportunity benchmark was changed retroactively from the S&P 500 Index to the Russell 3000 Index due to closer correlation of returns and market cap allocation. The benchmark returns are not covered by the report of independent verifiers. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The % of the composite represented by non-fee paying accounts at annual period end was 100% 2005-2008. A complete list and description of all firm composites is available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. Monthly composite performance is calculated as an asset-weighted return using the aggregate method. This method aggregates market values and cash flows for all accounts and treats the composite as if it were one account. Monthly composite returns are geometrically linked to produce a time-weighted annual return. Beginning June 1, 2015 the composite is valued daily. Prior to that date, the composite was re-valued on each date that a cash flow exceeded 10% of the total market value of the composite. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated using actual management fees. From inception until mid-2009 the SMid Core Opportunity Composite included one non-fee paying account (which was the only account in the composite). The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Accruals for fixed income and equity securities are included in calculations. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. It is not presented for 2010 as it is not required for periods prior to 2011.

Fee Schedule: The firms' individual account fee schedule is as follows: 1.00% for first $1 million, 0.80% for next $4 million, 0.60% for next $5 million. Management fees for individual accounts with assets under management exceeding $10 million, and for institutional accounts are negotiated. The individual account fee schedule may be subject to negotiation where circumstances warrant. As fees are deducted quarterly, the compounding effect will increase the impact of the fees by an amount directly related to the gross account performance. For example, an account earning a 10% annual gross return with a 1% annual fee deducted quarterly would earn an 8.9% annual net return due to compounding.

Other Disclosures: Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.