

# SMid Core Opportunity Strategy<sup>1</sup>

**STRATEGY:** Our investment premise is that market inefficiencies exist between fixed income and equity valuation techniques. We seek to uncover these inefficiencies, and identify equity investment opportunities in publicly traded stocks of U.S. small and mid capitalization companies in order to pursue long term capital appreciation.

**APPROACH:** We employ a combination of formal quantitative screening followed by bottom up fundamental analysis, unconstrained by style, that results in a high conviction, go anywhere strategy.

**BENEFIT:** The strategy is opportunistic and unconstrained by style, providing management flexibility to focus on securities and industries that are often under researched and believed poised to experience earnings growth.

## Company Snapshot as of 3/31/2018

Company Assets	\$10.7 b
Founded	1985

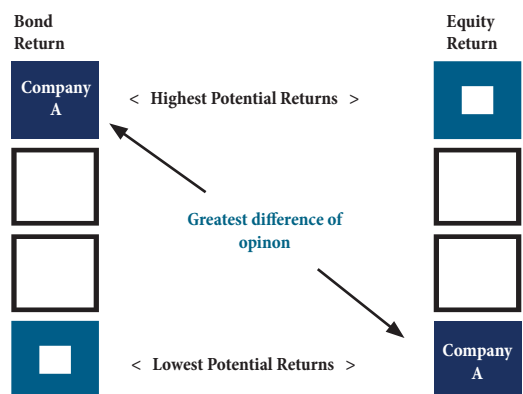
## Investment Committee

## Company Tenure

John Beaver, CFA Committee Chair	2002
Dan Lagan, CFA	1989
Matt Lagan, CFA	2003
John Fitzgerald, CFA	2002
Brian Guild	2000

## Screening for Outliers

Identifying market inefficiencies between fixed income and equity valuations.



## Average Annualized Performance % as of 3/31/2018

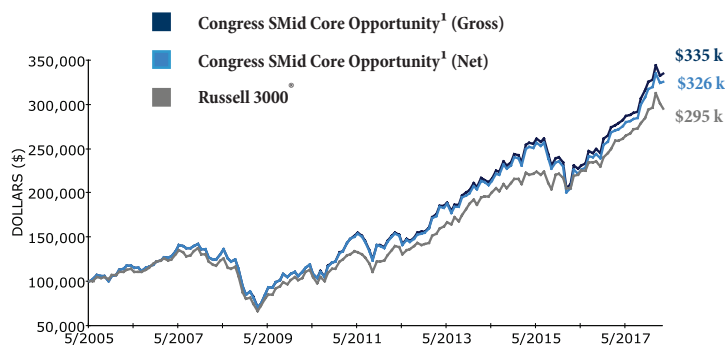
	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 5/31/2005
SMid Core Opportunity <sup>1</sup> - Gross	2.2	2.2	20.1	9.3	12.5	10.3	9.9
SMid Core Opportunity <sup>1</sup> - Net	2.1	2.1	19.7	9.0	12.1	10.0	9.6
Russell 3000 <sup>®</sup>	-0.6	-0.6	13.8	10.2	13.0	9.6	8.8

<sup>1</sup>Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.

Characteristics as of 3/31/2018	SMid Core Opportunity <sup>1</sup>	Russell 3000 Index <sup>®</sup>
Total Assets	\$217 m	-
Number of Equity Holdings	24	2,960
Average Market Cap	\$24.9 b	\$165.9 b
Annual Turnover %	36.7	-
Active Share %	98.1	-
P/E - Trailing 12 Months	24.1x	19.4x
Price/Book	4.8x	3.1x
Yield %	1.09	1.85

Risk Return since inception	SMid Core Opportunity <sup>1</sup>	Russell 3000 Index <sup>®</sup>
Standard Deviation %	16.02	14.30
Beta	1.04	1.00
Sharpe Ratio	0.54	0.53
Alpha	0.89	-
Upside Capture	107	100
Downside Capture	102	100

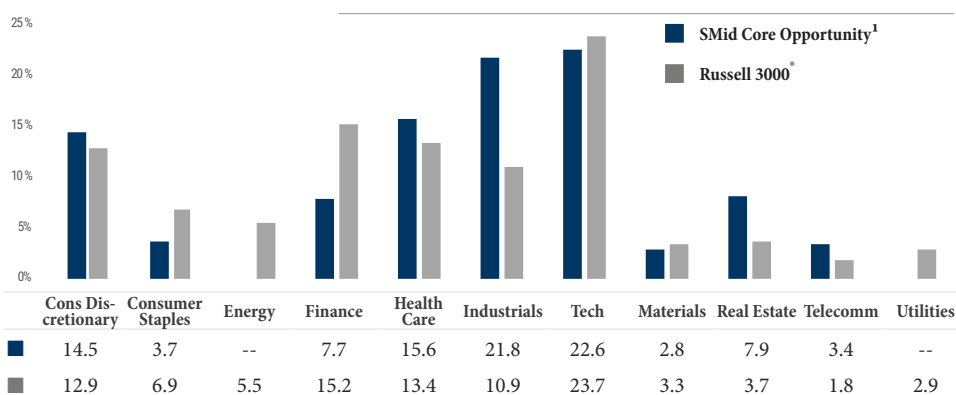
## Growth of \$100,000 5/31/2005 through 3/31/2018



Top Ten Composite Holdings % as of 3/31/2018

ABIOMED, Inc.	5.6
XPO Logistics, Inc.	5.3
Zoetis, Inc. Class A	5.0
NVIDIA Corporation	5.0
Interxion Holding N.V.	4.7
United Rentals, Inc.	4.7
Teleflex Incorporated	4.7
Builders FirstSource, Inc.	4.5
Fortinet, Inc.	4.4
American Tower Corporation	4.3
<b>Total:</b>	<b>48.3</b>

GICS Sector Allocation % ex Cash as of 3/31/2018



**Definitions** **Russell 3000 Index<sup>®</sup>** is composed of 3000 large U.S. companies, as determined by market capitalization. This portfolio of Securities represents approximately 98% of the investable U.S. equity market. **Standard Deviation** measures historical volatility Beta measures the volatility of a portfolio in comparison to an index **Sharpe Ratio** uses standard deviation and excess return to determine reward per unit of risk **Alpha** compares the risk-adjusted performance of a portfolio to an index **Upside Capture Ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark **Downside Capture Ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark.

Calendar Year Returns %

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>SMid Core Opportunity (Gross)<sup>1</sup></b>	-35.7	25.5	19.9	4.8	16.2	30.9	15.1	-3.5	12.9	24.0
<b>SMid Core Opportunity (Net)<sup>1</sup></b>	-35.7	25.4	19.5	4.5	15.8	30.4	14.7	-3.8	12.5	23.6
<b>Russell 3000<sup>*</sup></b>	-37.3	28.3	16.9	1.0	16.4	33.6	12.6	0.5	12.7	21.1

Congress Asset Management Co. SMid Core Opportunity 5/31/2005 - 3/31/2018

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr annualized Dev (%)	Russell 3000 3-Yr annualized Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period (\$ millions)	% of composite represented by non fee paying account	Total Firm Discretionary Assets End of Period (\$ millions)	Total Firm Assets End of Period # (\$ millions)
YTD	2.2	2.1	-0.6	n/a	n/a	263	n/a	141	n/a	7,427	10,727
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	n/a	7,272	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	n/a	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	n/a	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	n/a	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	n/a	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	n/a	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	n/a	6,329	7,014
2010	19.9	19.5	16.9	≤5	n/a	3	n/a	3	n/a	6,416	6,678
2009	25.5	25.4	28.3	≤5	n/a	1	n/a	1	n/a	5,263	5,463
2008	-35.7	-35.7	-37.3	≤5	n/a	1	100%	1	100%	4,292	4,371
2007	11.2	11.2	5.1	≤5	n/a	1	100%	1	100%	5,812	5,846
2006	15.1	15.1	15.7	≤5	n/a	1	100%	1	100%	5,464	5,469
5/31/05 - 12/31/05	7.0	7.0	6.4	≤5	n/a	1	100%	1	100%	4,750	4,751

**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. 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. 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. The standard deviation is not presented for 2005 through 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:** 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 annual percentage of the composite comprised of non-fee paying assets is listed in the table above. 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.

#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<sup>®</sup>) 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 - 6/30/17. 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 - 12/31/16. 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.

<sup>1</sup>Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.