CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

4Q 2019

SMid Growth Portfolio

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.

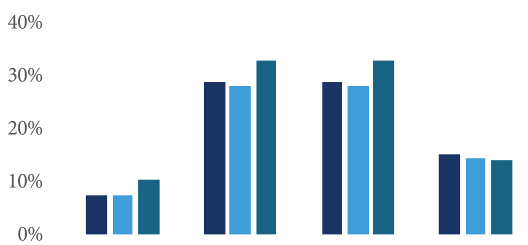
The uncoordinated policies had a salutary effect on U.S. markets. Stocks and bonds had their biggest simultaneous gains in over two decades. The S&P 500 returned about 30% for the year and bond prices rose, pushing the yield on the benchmark 10-year Treasury to under 2%. Oil and gold also returned over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

Performance Overview

The Congress SMid Growth Portfolio ("the Portfolio") returned 7.5% gross of fees during the quarter, while the Russell 2500 Growth Index returned 10.6%.

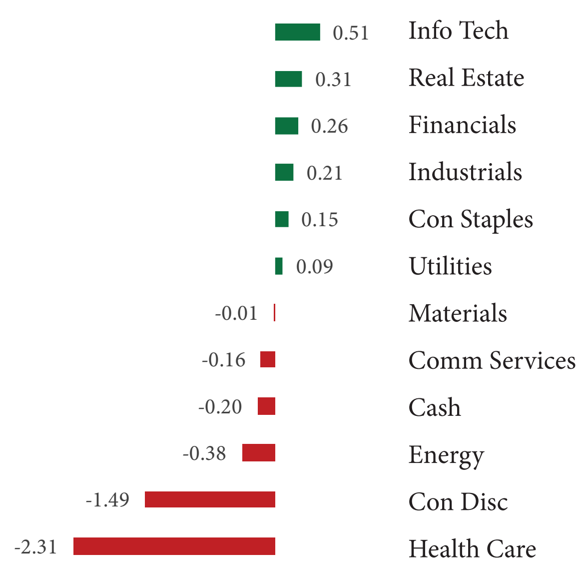
The Portfolio benefited from security selection in Information Technology, Consumer Staples, and Financials. In addition, a lack of exposure to Real Estate added to performance during the quarter. However, security selection in Health Care, Consumer Discretionary, and Energy detracted from performance. Finally, an underweight relative allocation to Health Care detracted from performance.

% Average Annual Returns as of 12/31/2019



		QTD	YTD	1 Yr	Inception (4/1/2017)
SMid Growth (Gross)	■	7.5	28.7	28.7	15.1
SMid Growth (Net)	■	7.4	28.2	28.2	14.6
Russell 2500 Growth *	■	10.6	32.7	32.7	14.1

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



[1]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, Consumer Staples & Financials
- Underweight allocation to Real Estate

Overall Detractors

- Security selection in Health Care, Consumer Disretionary & Energy
- Underweight allocation to Health Care

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Paycom Software, Inc.	3.68	0.86
Generac Holdings Inc.	2.55	0.67
Repligen Corporation	3.02	0.59
MarketAxess Holdings Inc.	3.39	0.56
Zebra Technologies Corporation	2.24	0.49

Detractors

*Sold during the quarter

Stock	Avg. Weight%	Detraction%
ServiceMaster Global Holdings, Inc.*	0.52	-0.51
Etsy, Inc.	1.89	-0.50
HMS Holdings Corp.	2.01	-0.36
Core Laboratories NV	1.33	-0.25
RBC Bearings Incorporated	2.62	-0.13

Paycom Software, Inc. (PAYC) provides comprehensive cloud-based human capital and payroll management solutions. PAYC continues to see solid execution from its employee engagement strategy, which drove recurring revenue growth of 31% and margin expansion. Management noted that PAYC has only a 4% share of a $20 billion market, implying there is significant potential for continued strong growth.

Generac Holdings Inc. (GNRC) is a leading global designer and manufacturer of a wide range of power generation equipment. Generac reported a strong third quarter with continued momentum in residential home standby generator sales and commercial sales driven by demand from telecommunications companies ahead of the 5G launch. GNRC also benefitted from the recent planned maintenance outages in response to the California wildfires and the strong interest in standby power it created. Generac raised organic growth guidance and showed gross margin expansion from increased pricing and lower commodity costs.

Repligen Corporation (RGEN) is a leading provider of advanced bioprocessing technology and solutions used in the process of manufacturing biologic drugs. Third quarter earnings continued to show organic growth of about 30%, leading to another increase to full year guidance. Strong demand from antibody, vaccine, and gene therapy customers for RGEN's filtration and chromatography solutions is driving 40% growth in the direct business.

MarketAxess Holdings Inc. (MKTX) operates as an electronic trading platform that allows investment industry professionals to trade corporate bonds and other types of fixed-income instruments. MKTX's third quarter showed continued strong revenue growth from product adoption and market share gains. Total operating expense guidance was maintained, which is seen as a positive as expense has trended upward in prior quarters.

Zebra Technologies Corporation (ZBRA) is a global leader in the Automatic Identification and Data Capture (AIDC) and Enterprise Asset Intelligence (EAI) markets. Its products include mobile computing, data capture, radio frequency ID devices, barcode printing, and other automation products and services that help improve operational efficiency. The quarter was highlighted by a major new contract win with the U.S. Postal Service, which will initially cover 300,000 mobile computers. In addition, management laid out a solid strategy to mitigate the impact of List 4 tariffs that should enable the company to continue expanding margins with minimal business disruption.

ServiceMaster Global Holdings, Inc. (SERV) provides residential and commercial services such as termite and pest control, restoration, commercial cleaning, cabinet and furniture repair, and home inspections. The company recently lowered full year EBITDA guidance due to a combination of issues from increased damage claims, customer losses due to price increases, and execution missteps in its outsourced fumigation services. A management change was announced in conjunction with its earnings preannouncement and SERV is currently operating above its target level of financial leverage. As a result, SERV was sold from the Portfolio during the quarter.

Etsy, Inc. (ETSY) operates an online global marketplace for unique and creative goods such as shoes, clothing, bags, and accessories. Etsy lowered full year EBITDA guidance as part of its third quarter report due to pressure from new state sales taxes and a greater than expected negative impact from its free shipping initiative. Etsy also closed on its acquisition of Reverb.com and implemented its new Etsy Ads platform. The combination of all these moving pieces reduced investor confidence in management's ability to successfully deliver on their growth plans.

HMS Holdings Corp. (HMSY) is the leading provider of cost containment solutions in the U.S. healthcare marketplace. Third quarter results were disappointing as the Coordination of Benefits segment missed expectations and the Population Health segment struggled to gain momentum. Coordination of Benefits results should improve over the next few quarters as the shortfall was the result of delayed timing of recoveries at certain customers.

Core Laboratories NV (CLB) is a leading provider of reservoir description and production enhancement services and products to the oil and gas industry. US land activity declined more rapidly than expected during the fourth quarter, causing CLB to reduce its guidance. The dividend was also cut as slower progress in international and offshore projects will limit growth in the near term, while dividend payments have exceeded cash flow in recent quarters.

RBC Bearings, Inc. (ROLL) engages in the design, manufacture, and marketing of engineered precision bearings and products. RBC's second quarter fiscal year report showed positive results in its Aerospace and Defense business as supply chain pressures continue to moderate. However, the Industrial segment continues to experience weakness as oil and gas and mining customer orders were down. The stock was also impacted by Boeing's December announcement that it was halting production of the 737 MAX.

4Q 2019 Transaction Summary

Sector Allocation Changes

- Increase in Information Techology
- Decrease in Consumer Discretionary

Purchased

- Tractor Supply Company (TSCO) - Consumer Discretionary
- CDW Corp. (CDW) - Information Technology
- Curtiss-Wright Corporation (CW) - Industrials
- Teledyne Technologies, Inc. (TDY) - Industrials

Sold

- Oxford Industries (OXM) - Consumer Discretionary
- BJ's Restaurants, Inc. (BJRI) - Consumer Discretionary
- ServiceMaster Global Holdings, Inc. (SERV) - Industrials
- Hyatt Hotels Corporation - Class A (H) - Consumer Discretionary
- Xylem, Inc. (XYL) - Industrials

Purchased

Tractor Supply Company (TSCO) is the largest rural lifestyle retailer in the U.S., focused on supplying the needs of recreational farmers and ranchers. The company has shown consistent revenue growth via both new store expansion and positive same store sales as its business has proven resilient to the pressures of e-commerce disintermediation. The company is looking for margin improvement from waning freight cost pressure and internal measures to improve its operating systems. TSCO maintains a strong balance sheet and its valuation is favorable.

CDW Corporation (CDW) purchases products from original equipment manufacturers (OEMs) and wholesalers for re-sale to over 250,000 end customers. The company also helps customers define and fulfill their IT requirements. CDW has developed a stable business model, generating about 16% in gross margin. In addition, the company's consistent outperformance to IT spending is due in part to its diverse end markets, breadth of products, and strong customer relationships managed by an experienced sales team.

Curtiss-Wright Corporation (CW) is a globally-diversified manufacturing and service company that designs, manufactures, and overhauls precision components and highly engineered products and services for the aerospace, defense, general industrial, and power generation markets. The company will benefit from a ramp up in U.S. defense spending and revenue from its work to outfit nuclear power on the CVN80 aircraft carrier. In addition, the nuclear business could see an uplift from increased demand in emerging markets. CW has solid end market prospects, the potential for margin expansion, a strong balance sheet, and defensive end market characteristics.

Teledyne Technologies, Inc. (TDY) provides electronic and communication products for wireless and satellite systems. The company is broadly diversified, both in terms of end markets and geographies. TDY's strategy emphasizes growth in its core markets of instrumentation, digital imaging, aerospace and defense electronics, and engineered systems. Theses core markets are characterized by high barriers to entry and include specialized products and services that are not likely to be commoditized.

Sold

Oxford Industries, Inc. (OXM) is a global apparel company that designs, sources, markets, and distributes products under brands such as Tommy Bahama, Lilly Pulitzer, and Southern Tide. Oxford sells these products both directly to consumers via retail stores, e-commerce, and restaurant operations as well as wholesale to retail partners. Oxford has experienced a slowing in its business along with most of the apparel industry, and inventory positioning and marketplace competition create some concerns around performance going forward.

BJ's Restaurants, Inc. (BJRI) operates casual dining restaurants, primarily under the BJ's Restaurant and Brewery name. BJ's has experienced slowing same store sales despite initiatives to improve menu offerings and kitchen operations. The company has also seen significant restaurant margin level contraction as minimum wage rate increases pressure labor costs.

ServiceMaster Global Holdings, Inc. (SERV) provides residential and commercial services, including termite and pest control, restoration, commercial cleaning, cabinet and furniture repair, and home inspections. SERV's two primary brands are Terminix and ServiceMaster Brands. The company recently lowered full year EBITDA guidance due to a combination of issues resulting from increased damage claims, customer losses due to price increases, and execution missteps in its outsourced fumigation services. A management change was also recently announced and SERV is currently operating above its target level of financial leverage.

Hyatt Hotels Corporation - Class A (H) is a global hospitality company with widely recognized, industry leading brands including Hyatt, Grand Hyatt, Hyatt Regency, Hyatt Place, and Exhale. Hyatt has reported a series of disappointing quarterly results that have included slowing revenue per available room growth rates and lower group business trends in addition to weakness from its China market. Hyatt has been slow to deliver on its asset recycling program and is experiencing difficulties with its Miraval brand.

Xylem, Inc. (XYL) is a leading global water technology company that designs, manufactures, and services highly engineered solutions across applications in the water and oil and gas sectors. For the past three quarters, the company lowered its guidance as its shortcycle business experienced significant slowdown. As a result, the mid-single digit revenue guidance for 2020 it issued may not be achievable.

Positioning

Portfolio investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals, emphasizing earnings growth consistency, free cash flow and solid balance sheet metrics. There were four purchases and five sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Information Technology weighting, while reducing the Consumer Discretionary weighting.

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 increasingly follow 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.

Congress Asset Management Co. SMid Growth Composite 4/1/2017 - 12/31/2019

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2500 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2500 Growth 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	28.7	28.2	32.7	n/a	n/a	14	n/a	37	8,445	12,528
2018	1.3	0.9	-7.5	n/a	n/a	≤5	n/a	27	7,102	10,234
3/31/17–12/31/17	12.8	12.5	17.1	n/a	n/a	≤5	n/a	35	7,272	10,546

#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. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

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 Growth Composite was created on April 1, 2017. This inception date reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the SMid growth style for a minimum of one full month. The SMid growth strategy invests in the equity of high quality companies with market capitalizations between $300 million and $20 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. The primary composite benchmark is the Russell 2500 Growth. The benchmark returns are not covered by the report of the 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. The composite is valued daily. 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 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 because 36-month returns are not available.

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.