CONGRESS ASSET
MANAGEMENT COMPANY

Portfolio Commentary

2Q 2023

SMID GROWTH PORTFOLIO

Market Review

Our current economic state resembles Goldilocks in her quest for the perfect porridge. For some observers, our economy is too strong and faced with prolonged, elevated inflation. For others, the economy is too weak and stands on the precipice of recession. The villain, for most, is the Federal Reserve Board (FRB), which increased short term interest rates at 10 consecutive FRB meetings, until recently pausing. To be sure, the economy occupies a unique spot where declining inflation is juxtaposed with full employment, complicating the outlook. Historical precedence and current economic markers suggest that the economy continues along its slow growth path with a heightened risk of slowing further in 2024.

Unlike Goldilocks, one never attains a "just right" economy. Pandemic-related distortions continue to influence the economy's path. The consumer, responsible for almost 70% of Gross Domestic Product (GDP), has replaced spending on goods for experiential opportunities. The strong labor market has bolstered the consumer as unemployment remains below 4% and compensation measures stay strong. Excess savings from the pandemic, while down from their highs, are estimated at almost $1.5 trillion dollars and consumer debt burden as a percentage of disposable income is modest.

Continued consumer robustness is key to avoiding a recession. The preponderance of data suggests that spending will support growth, but dark clouds are forming. As strong as the labor market has been, the weekly Continued Unemployment Claims report, an early indicator of economic vitality, is trending higher. Mortgage rates are approaching 7% again, potentially crimping home buyers or purchases of big-ticket items. In addition, banks have begun to tighten lending standards across consumer and commercial loans, which could weigh on growth going forward.

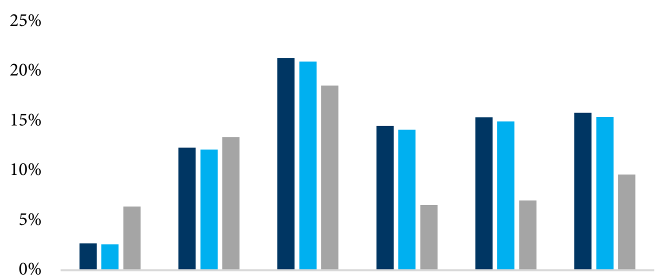
Post pandemic, the developed world is struggling with inflation and higher interest rates. The United Kingdom's inflation rate was running at 8.7% through May. Domestically, inflation has cooled significantly from last year, but the Consumer Price Index (CPI) is still running at a 4% annual rate. With the upper limit of the Federal Funds rate set at 5.25%, the U.S. has an inverted yield curve, usually a precursor to recession. Also, the FRB continues the more arcane practice of shrinking its balance sheet, the second part of its two-pronged fight against inflation. Fed actions work with long and variable lags suggesting that the FRB should cease raising rates for this cycle.

Performance Overview

The Congress SMid Growth Portfolio ("the Portfolio") returned 2.7% (gross of fees) and 2.6% (net of fees) during the quarter, while the Russell 2500 Growth Index returned 6.4%.

The Portfolio benefited from security selection in Materials and Consumer Staples. An underweight allocation to Financials and overweight allocation to Health Care also aided performance during the quarter. However, security selection in Financials, Industrials, Health Care, and Communication Services detracted from performance.

% Average Annual Returns as of 6/30/2023

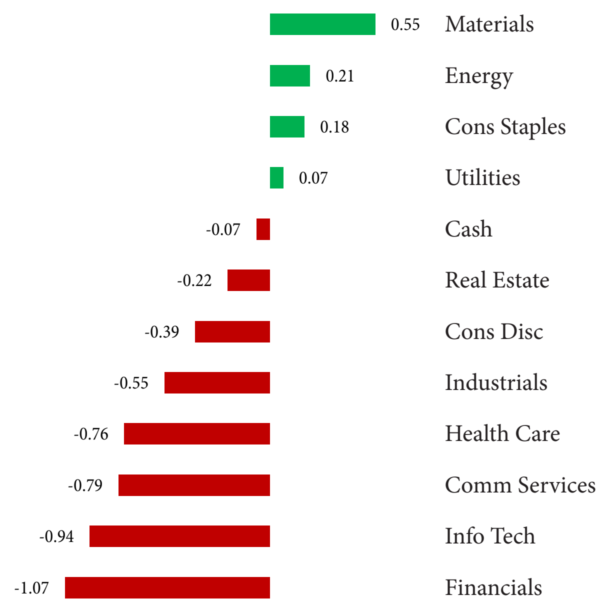


	QTD	YTD	1 Yr	3 Yrs	5Yrs	Inception (4/1/2017)
SMid Growth Composite (Gross)	2.7	12.3	21.3	14.5	15.4	15.8
SMid Growth Composite (Net)	2.6	12.1	21.0	14.1	15.0	15.4
Russell 2500 Growth®	6.4	13.4	18.6	6.6	7.0	9.6

Performance is preliminary and subject to change at any time.

% Total Effect Portfolio vs. Index[1]

3/31/2023 - 6/30/2023



2Q 2023 Attribution Highlights

Overall Contributors

- Security selection in Materials & Consumer Staples
- Underweight allocation to Financials
- Overweight allocation to Health Care

Overall Detractors

- Security selection in Financials, Industrials, Health Care & Communication Services

Top 5 Contributors/Detractors

Stock	Avg. Weight%
e.l.f. Beauty, Inc.	4.53
Entegris, Inc.	2.17
UFP Technologies, Inc.	1.74
Medpace Holdings, Inc.	2.92
SPS Commerce, Inc.	2.83

e.l.f. Beauty (ELF) is a leading beauty products company offering high-quality cosmetics at value prices. Quarterly results were better than expected, fueled by rapid and accelerating market share gains. Management's guidance for the coming year anticipates sales growth of more than 20%, well ahead of expectations as the brand attracts new customers through product innovation, effective marketing, significant traction with national and international retailers, and consumer trade-down behavior.

Entegris, Inc. (ENTG) develops, manufactures, and supplies micro-contamination control products, specialty chemicals, and advanced materials handling solutions for use in semiconductor and other high-tech manufacturing processes. The company is growing its market share, primarily due to its expanding range of products. Additional capacity should benefit ENTG as semiconductor chip production is expected to rebound in the latter half of the year. Furthermore, ENTG's focus on cost control and debt reduction should further bolster its earnings in the upcoming quarters.

UFP Technologies, Inc. (UFPT) is an innovative designer and custom manufacturer of components, subassemblies, products, and packaging utilizing highly specialized foams, films, and plastics primarily for the medical market. The company's revenue growth accelerated meaningfully in its most recent quarter as elective procedures bounced back sharply. This market demand is expected to remain elevated which should result in higher earnings for UFPT.

Medpace Holdings, Inc. (MEDP) is a contract research organization that provides outsourced clinical development services to biotechnology and pharmaceutical companies. In the context of cautious industry commentary and results, MEDP delivered resilient growth in quarterly revenue and new business awards of over 30%. Full year guidance was raised as management saw improvement in prior areas of caution around customer cancellations and biotech funding challenges.

SPS Commerce, Inc. (SPSC) offers online software solutions for supply chain management to retailers, suppliers, and logistics customers. The company has benefited from retailers' adoption of an omni-channel approach. SPSC is also increasing its market share by providing products that enable retailers to operate with greater efficiency, allowing SPSC to capture a larger portion of clients' business.

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
MarketAxess Holdings, Inc.	2.22
Perion Network Ltd.	2.72
BJ's Wholesale Club Holdings, Inc.	2.70
Glacier Bancorp, Inc.	0.58
WNS (Holdings) Ltd.	1.88

MarketAxess Holdings, Inc. (MKTX) operates an electronic fixed income trading platform with a leading market share in US High Grade and High Yield Corporates markets. Following a positive start to the year, the market backdrop moved against MKTX, as the banking failures led to heightened uncertainty within fixed income markets, resulting in softer trading volumes through April.

Perion Network Ltd. (PERI) provides innovative digital advertising solutions to brands, agencies, and publishers. Quarterly results showed continued above-market growth in a weak advertising market, but growth experienced some deceleration. Also, while its Microsoft Bing partnership is seeing a jump in volumes following the launch of ChatGPT, the associated revenue growth was not commensurate in the quarter due to the seasonality of search pricing.

BJ's Wholesale Club Holdings, Inc. (BJ) operates a membership-only warehouse club chain. The company faced challenges in the most recent quarter due to external factors in the macro environment, such as moderating food price inflation and increased promotional activities. However, BJ's core initiatives aimed at enhancing merchandising, boosting digital sales, and improving credit card conversion rates, are all showing positive progress. The company's sales of owned brands are also surpassing expectations as consumers seek more affordable options.

Glacier Bancorp, Inc. (GBCI) offers a wide range of banking products and services including retail banking, business banking, real estate and commercial loans, and mortgage orientation. GBCI bank deposits continued to shrink in its most recent quarter and funding costs moved sharply higher, putting more pressure on the company's margin than anticipated.

WNS (Holdings) Ltd. (WNS) is a leading Business Process Management (BPM) company combining industry knowledge with technology, analytics, and process expertise to create digitally led transformational solutions for clients in various industries. Speculation around the long-term impacts of Generative AI, including fears that BPM firms could lose work to in-house AI-based solutions, weighed on WNS. However, generative AI could also be a benefit, enhancing the efficiency of BPM solutions.

2Q 2023 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• Increase in Health Care	• Halozyme Therapeutics, Inc. (HALO) - Health Care • UFP Technologies, Inc. (UFPT) - Health Care • Calix, Inc. (CALX) - Information Technology • Kinsale Capital Group, Inc. (KNSL) - Financials	• Horizon Therapeutics Plc. (HZNP) - Health Care • Fabrinet (FN) - Information Technology • Glacier Bancorp, Inc. (GBCI) - Financials

Purchased

Halozyme Therapeutics, Inc. (HALO) is a biopharmaceutical technology platform focused on the development of products that enable drug delivery through subcutaneous self-injection or auto-injection. HALO generates royalty revenues by licensing its proprietary enzyme to drug companies, taking advantage of market opportunities for existing drugs. This model allows the company to benefit from their success without the risk associated with developing its own drugs, as is typical for traditional biotech companies. Additionally, HALO's delivery products offer lower-cost alternatives to legacy infusion methods, providing cost benefits to the healthcare system.

UFP Technologies, Inc. (UFPT) is an innovative designer and custom manufacturer of components, subassemblies, products, and packaging utilizing highly specialized foams, films, and plastics primarily for the medical market. UFPT stands to gain share in a market where underlying medical demand is rising from trends such as robotic surgery and sterilization. This should lead to accelerating organic growth and structurally higher earnings power.

Calix, Inc. (CALX) provides cloud-based software solutions, services, and systems for Broadband Service Providers (BSPs) to simplify and enhance their operational capabilities. CALX is well positioned with smaller BSPs that are accelerating the deployment of new broadband access technology, which should improve its growth and revenue mix. Additionally, the shift towards higher margin recurring software and services revenues should support increased earnings growth in the coming years.

Kinsale Capital Group, Inc. (KNSL) is a property and casualty insurer based in the United States. The company specializes in underwriting Excess & Surplus (E&S) lines, which involve providing coverage for businesses with high risk or adverse loss history. The E&S market is currently undergoing rapid growth and offers increased pricing and coverage options compared to standard insurers. This favorable market environment, combined with KNSL's conservative approach and emphasis on technology, should allow the company to achieve significant earnings growth.

Sold

Horizon Therapeutics Plc. (HZNP) develops therapies for orphan diseases, specifically uncontrolled gout, and thyroid eye disease. In mid-December, HZNP entered into an agreement to be acquired by Amgen for an enterprise value of $28.3B in cash. In addition to a lack of catalysts supporting the stock to trade above the deal price, there is also a risk the FTC will block the proposed acquisition.

Fabrinet (FN) is a leading provider of advanced optical packaging and precision optical, electro-mechanical, and electronic manufacturing services. The company primarily targets the optical communications, networking, industrial laser, and sensor markets. FN continues to grapple with supply constraints that have limited the revenue growth it could realize from a robust demand environment. Telecommunication demand is also at risk of moderating later this year given the sharp rise in interest rates.

Glacier Bancorp, Inc. (GBCI) offers a wide range of banking products and services including retail banking, business banking, real estate and commercial loans, and mortgage origination. The company faces potential challenges in the form of a structural decline in bank deposits stemming from a combination of elevated short-term yields and regional bank failures. As a result, GBCI may experience higher funding costs and a potential impact on its earnings growth.

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 three sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Health Care weighting.

Outlook

The stock market, as measured by the S&P 500 has returned close to 15% this year, belying economic concerns, the failure of three influential regional banks, and the debt ceiling histrionics. Generative artificial intelligence (AI) captured investors' attention in the second quarter, benefiting a small group of technology companies in advance of any real earnings impact. AI has the potential to be a generational change in how companies and organizations use technology which should create numerous investment opportunities. Large capitalization stocks such as Apple, Microsoft, and Nvidia have carried the load this year, accounting for most of the year-to-date returns, but some of the initial exuberance may be overdone. We anticipate this will change as smaller companies and those in other industries will benefit from supply chain improvements and moderating inflation.

Current bond yields remain attractive for more conservative investors given the substantial increase over the past year and with real yields now positive. Enticing returns for ultra-short fixed income investments have led investors to money market funds, with balances now exceeding $5 trillion. An overreliance on short-term instruments, however, may introduce re-investment risk or limit the opportunity for capital appreciation in the future.

The rise in stock market indices has increased valuations. We anticipate earnings will grow next year to support stocks, but volatility will likely increase as index leadership broadens. Stock returns in the second half of the year are unlikely to match the first. We believe our focus on high-quality companies with demonstrated profitability and growth will continue to benefit our portfolios given the uncertainty ahead.

Congress Asset Management Co. SMid Growth Composite 4/1/2017 - 12/31/2022

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 Advisory-Only Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2022	-21.5	-21.7	-26.2	22.8	25.2	158	0.51	96	10,083	6,799	16,882
2021	28.4	27.9	5.0	18.5	22.0	98	0.91	79	12,778	8,018	20,796
2020	50.3	49.7	40.5	20.7	23.9	47	0.62	55	10,746	5,523	16,269
2019	28.7	28.2	32.7	n/a	n/a	14	n/a	37	8,445	4,083	12,528
2018	1.3	0.9	-7.5	n/a	n/a	≤5	n/a	27	7,102	3,132	10,234
3/31/17–12/31/17	12.8	12.5	17.1	n/a	n/a	≤5	n/a	35	7,272	3,274	10,546

#The "Total Firm Assets" column 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 – 12/31/22. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers 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 creation and inception date of the SMid Growth Composite is April 1, 2017, which reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary portfolios 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 Index. 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 list of composite descriptions, a list of broad distribution pooled funds, and a list of limited distribution pooled fund descriptions are available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. 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 for periods prior to 2020 because 36-month returns were 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 investments, calculating performance, and preparing GIPS Reports 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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.