

# Balanced Portfolio

Commentary | 1Q25 | Managed Accounts

## Highlights

- The Congress Balanced Portfolio (“the Portfolio”) returned -3.3% (net) vs -1.6% for the 60% S&P 500/40% Bloomberg Int. Govt/Credit Index (“the Index”) in 1Q25. The Portfolio trailed the Index on relatively weaker returns in the equity allocation, while the fixed income allocation largely kept pace. The Portfolio remains ahead of the Index over the trailing 3yr, 5yr, and 10yr periods (net).
- We believe our Balanced Portfolio offers an attractive risk/return profile. Since inception in 1985, the Portfolio has provided 86% of the S&P 500 return (gross of fees) and 79% (net of fees) with only 66% of the volatility (gross of fees\*).
- The Index outperformed the S&P 500 during the quarter as negative returns in the equity allocation were offset by the fixed income allocation, as bonds outperformed stocks by over 600bps. While correlations between stocks and bonds remain historically elevated, bonds mitigated downside risk in the quarter.
- We invest in companies with established profitability, a history of earnings growth, positive free cash flow, and prudent use of debt and leverage.

## Portfolio Review

- 1Q25 was a quarter of distinct halves. The equity portion of the Index had positive returns through mid-February, as continued optimism in the incoming administration drove a risk-on sentiment. However, growing unease over the impact of broad-based tariffs led to a sharp selloff in the back half of the quarter. Fixed income returns were mostly positive, particularly later in the quarter.
  - The Portfolio outperformed in January, aided by strong absolute returns across several sectors. However, we trailed in February and March on weaker equity returns. Our fixed income allocation kept pace throughout the quarter.
- The Portfolio benefited from several holdings across sectors. In Financials, Arthur J Gallagher, an insurance brokerage with consistent organic revenue growth, aided returns. In Industrials, Howmet Aerospace contributed as it delivered another quarter of revenue and margin growth and is well-positioned to benefit from airlines keeping planes in service longer. In Consumer Discretionary, O’Reilly Automotive saw continued market share gains during the quarter and was aided by tariff uncertainty that could lead to consumers holding on to used cars longer.
- Technology was the largest detractor, driven by a pullback in AI enthusiasm following DeepSeek’s release earlier in the quarter. Several holdings, including Arista Networks and ServiceNow, were affected despite posting solid earnings. We remain confident in both positions.
- Within the fixed income allocation, our focus on higher quality issues aided in Financials and Industrials. However, our overweight to corporates detracted as spreads widened during quarter, as did our modestly shorter duration posture.
- We continue to identify opportunities to add companies with established, durable growth profiles.
  - Within equities, we added exposure to Energy through a pipeline company (WMB) that is less beholden to the price of oil. In Industrials we added a rideshare holding (UBER) and in Technology we added a

## Portfolio Review cont.

- chip and software company (AVGO) that is a leader in AI data center and network infrastructure.
- In fixed income, we modestly increased the corporate allocation and extended duration within Treasuries.

## Outlook

- The US economy entered this recent turbulence from a position of strength: 2.8% real GDP growth in 2024, solid corporate balance sheets, continued job creation, and a healthy consumer.
- However, uncertainty around the ultimate impact of tariffs is likely to continue weighing on markets in the near-term. While our holdings are not immune, we believe our focus on high-quality stocks with solid balance sheets, a history of earnings growth, and robust free cash flow will allow the Portfolio to navigate this turbulence and mitigate downside risk.
- In Health Care, we are focused on medical device companies that tend to have more inelastic demand profiles (Boston Scientific, Intuitive Surgical).
- In Materials, we have exposure to companies that provide vital services and materials with high recurring cashflows (Martin Marietta, EcoLab).
- Rates generally fell across the curve during the quarter, particularly in longer maturities, benefiting fixed income returns as investors sought the safety of fixed income amidst the equity market turmoil.
- Corporate bond spreads saw some widening but remain historically narrow, and we continue to believe our relatively conservative positioning is appropriate.
- Our recommended allocation remains 60% equity and 40% fixed income.
- While tariffs have the potential to upset the global trade system, the actual economic impact is unknown. We believe this allocation provides for potential upside should the economic impact of tariffs be less than feared while also providing income and stability to weather anticipated volatility.

## Average Annualized Performance (%) as of 3/31/2025

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (1/1/1985)
Balanced Composite (Gross)	-3.2	-3.2	4.4	7.5	12.1	9.7	10.2
Balanced Composite (Net)	-3.3	-3.3	4.0	7.0	11.5	9.1	9.3
Benchmark <sup>1</sup>	-1.6	-1.6	7.3	6.5	11.5	8.4	9.4

**Past performance does not guarantee future results.** <sup>1</sup>Blended Benchmark: 60% S&P500/40% Bloomberg US Intermediate Govt/Credit Index

\*Characteristics are gross of fees and are computed without the deduction of fees and expenses.

*Data is as of 3/31/2025. Sources: Congress Asset Management, Bloomberg, and Morningstar Direct. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings and sector weightings are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. This information is supplemental to the GIPS Report. Performance returns of less than one year are not annualized. This managed account strategy involves risk, may not be profitable, may not achieve its objective, and may not be suitable or appropriate for all investors. Investors should consider the investment objectives, risks, and fees of this strategy carefully with their financial professional before investing. Actual client account holdings and sector allocations may vary. Performance is preliminary and subject to change at any time.*

## Equity Sleeve

### Top 5 Contributors/Detractors

Stock	Avg. Weight%
Howmet Aerospace, Inc.	2.20
Arthur J. Gallagher & Co.	1.60
O'Reilly Automotive, Inc.	1.63
Boston Scientific Corp.	2.00
Vertex Pharmaceuticals, Inc.	1.23

**Howmet Aerospace, Inc. (HWM)** is a leading manufacturer of jet engine components. HWM delivered another quarter of exceptional revenue growth and operating margin expansion—a rare achievement in a commercial aerospace industry facing persistent supply chain and execution challenges. If Boeing and Airbus follow through on planned production increases this year, Howmet will be well-positioned to deliver ongoing double-digit earnings growth.

**Arthur J. Gallagher & Co. (AJG)** is a leading provider of insurance brokerage, reinsurance brokerage, and third-party claims settlement services. In January, AJG reported strong Q4 2024 results and provided guidance suggesting organic revenue growth in 2025 would align with the 2024 rate, alleviating concerns about a slowdown. Additionally, during a mid-quarter investor conference call, management highlighted that Q1 2025 organic revenue growth is outperforming expectations, further reinforcing investor confidence in the company's growth trajectory.

**O'Reilly Automotive, Inc. (ORLY)** is one of the largest specialty automotive aftermarket parts retailers in the U.S. Although quarterly results were mixed, they reflected continued market share gains. A key driver of ORLY's relative outperformance is its ability to manage tariff costs, along with expectations that the current economic backdrop will lead consumers to keep their vehicles longer, increasing demand for repairs and maintenance.

### Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Arista Networks, Inc.	2.11
The Trade Desk, Inc.	0.99
Nvidia Corp.	3.19
ServiceNow, Inc.	2.05
Broadcom, Inc.	1.00

**Arista Networks, Inc. (ANET)** provides cloud networking solutions. Fears regarding future investments in ANET's data center business led to weakness in the stock. These concerns were compounded by a decline in revenue concentration from the company's largest customer, adding to near-term uncertainty.

**The Trade Desk, Inc. (TTD)** operates a leading digital advertising platform. The company recently missed quarterly guidance for the first time in its history, attributing the shortfall to internal reorganization efforts and a slower-than-anticipated rollout of its new ad-buying platform. The miss has raised investor concerns about execution risk and the growing competitive threat from Amazon's emerging advertising offering. However, the long-term secular trends driving growth in digital advertising and connected TV remain compelling, providing a supportive backdrop for recovery and continued expansion.

**Nvidia Corporation (NVDA)** is a leading semiconductor company specializing in chips for gaming, artificial intelligence (AI), and advanced computing. In late January, concerns surfaced around DeepSeek—a Chinese AI firm—claiming it trained models at significantly lower cost without relying on the most advanced chips. If validated, this development could pose a disruptive risk to ongoing and future investment in high-performance AI chips and data center infrastructure, potentially tempering NVIDIA's long-term growth narrative in AI.

## Fixed Income Sleeve

Security selection in Financial and Industrial corporate issues improved relative performance as higher quality issues outperformed. However, a duration mismatch with the benchmark weakened relative performance as rates fell over the quarter.

### Top 5 Contributors/Detractors

#### Issue

Intel Corp. 11/15/29
UnitedHealth Group, Inc. 05/15/31
Wells Fargo & Co. 07/25/29
Comcast Corp. 10/15/28
Pfizer, Inc. 05/19/28

### Bottom 5 Contributors/Detractors

#### Issue

Lockheed Martin Corp. 01/15/33
AT&T, Inc. 05/31/26
Bristol-Myers Squibb Co. 02/22/34
AT&T, Inc. 02/28/26
Amazon.com, Inc. 05/12/31

Information is as of 3/31/2025. Sources: Congress Asset Management, Bloomberg Finance L.P., and Barclays Investments. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings, sector weightings and securities identified as top contributors and detractors throughout this presentation are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. The securities identified do not represent all the securities purchased, sold or recommended to clients. For information regarding the methodology used to select these holdings or to obtain a list showing the contributions of every holding in the strategy's composite account, please contact us at 1-800-234-4516. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. Past performance does not guarantee future results. Actual client account holdings and sector allocations may vary.

## Transactions

### 1Q 2025 Transaction Summary - Equity Sleeve

Purchases	Sector	Sales	Sector
Broadcom, Inc.	Information Technology	NXP Semiconductors N.V.	Information Technology
Uber Technologies, Inc.	Industrials	Intuit, Inc.	Information Technology
The Williams Companies, Inc.	Energy	The Sherwin-Williams Company	Materials

### 1Q 2025 Transaction Summary - Fixed Income Sleeve

- We sold Target of 4/2029 and bought ConocoPhillips of 1/2030, given relative valuation, in order to pick up spread and yield. This also served to slightly extend duration.
- We sold US Treasury of 5/2025 and bought US Treasury of 7/2028 for duration extension and key rate exposure adjustment.
- We sold AT&T Inc. of 1/2030, trimmed AT&T Inc. of 11/2025, and bought Rio Tinto plc of 3/2030 to increase spread and yield of the Portfolio. This increased the Portfolio's corporate allocation and slightly extended duration.

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## Congress Asset Management Co. Balanced Composite 1/1/2014 - 12/31/2023

Year	Total Return Gross of Fees%	Total Return Net of Fees%	60% S&P 500 40% BUIGCI Blend Return % (dividends reinvested)	CAM Recomm. Allocation %	Composite Gross 3-Yr St Dev (%)	60% S&P 500 40% BUIGCI Blend Return 3-Yr 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)
2023	21.9	21.3	17.6	60/40	13.4	11.6	26	1.17	37	12,146	8,514	20,660
2022	-17.2	-17.6	-13.9	60/40	14.7	13.3	24	0.78	31	10,083	6,799	16,882
2021	17.5	17.0	15.9	65/35	11.0	10.4	34	1.1	50	12,778	8,018	20,796
2020	20.3	19.8	14.3	65/35	11.4	11.2	27	1.44	47	10,746	5,523	16,269
2019	24.5	23.9	21.3	65/35	7.6	7.1	26	1.66	44	8,445	4,083	12,528
2018	2.5	2.0	-2.0	65/35	7.0	6.3	21	0.67	32	7,102	3,132	10,234
2017	19.2	18.5	13.6	70/30	6.7	5.8	10	n/a	15	7,272	3,274	10,546
2016	4.7	4.0	8.1	70/30	7.3	6.3	6	n/a	7	5,693	2,445	8,139
2015	2.4	1.7	1.5	65/35	7.6	6.3	11	0.61	13	5,941	1,153	7,094
2014	8.0	7.3	9.4	65/35	7.1	5.5	15	0.77	20	6,328	1,121	7,449

#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 – 12/31/23. 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 Balanced Composite was created on January 1, 1993, and the inception date of the composite is January 1, 1985, 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 \$500 thousand (US dollars) managed with the recommended asset allocation between large cap equities and fixed income set by the Investment Policy Committee for a minimum of one full month. The current recommendation is a 60/40 allocation and accounts with allocations falling within 15% of the recommendation are eligible for composite inclusion. Accounts with wrap commissions are excluded from the composite. Prior to September 1, 2005, the composite did not include taxable accounts, private client accounts, or accounts with less than \$1 million. For the Balanced Composite we present a custom benchmark, which is a 60/40 blend of the S&P 500 Index and Bloomberg US Intermediate Government / Credit Index. The custom benchmark is calculated by weighting the respective index returns on a daily basis. 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 list of composite descriptions, a list of broad distribution pooled funds, and a list of limited distribution pooled fund descriptions are available upon request. Prior to January 1, 1993, the composite is not in compliance with GIPS.

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. Prior to 2007 net of fees returns were calculated by reducing gross returns by 1/4th of the highest management fee in the Balanced Composite, which was 1.00%, applied quarterly. Effective January 1, 2007, 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.

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.