

# Small Cap Value Portfolio

Commentary | 4Q24 | Managed Accounts

## Highlights

- The Congress Small Cap Value Portfolio (“the Portfolio”) returned 1.6% (net of fees) vs -1.1% for the Russell 2000 Value Index (“the Index”) in 4Q24, outperforming in each month of the quarter. For the year, the Portfolio returned 14.4% (net) vs 8.1% for the Index, outperforming in 3 of 4 quarters.
- We take an all-weather approach and aim to be market and sector neutral to the Index. Our approach has resulted in consistent outperformance – since inception, the Portfolio outperformed the Index in 75% of 1yr rolling periods by an average of 468bps (gross). Net of fees, the Portfolio outperformed in 66% of periods by an average 411bps.
- Relative outperformance in the quarter was driven by broad-based security selection, with 6 sectors contributing in 4Q24. Energy and Financials were the top contributors, partially offset by Technology and Health Care.
- The Portfolio has outperformed the Index over the trailing 1yr, 3yr, 5yr, 10yr, and since inception periods, net of fees. Since inception, the Portfolio has a 100% up capture and 93% down capture and has compounded capital 4.3x vs 3.5x for the Index, net of fees.

## Portfolio Review

- We take an all-weather approach and aim to be market and sector neutral to the Index. Timing growth and value cycles is difficult, and we seek to outperform the Index across cycles. We combine traditional value investing in less innovative sectors (such as Energy and Utilities) while emphasizing relative value and competitive positioning in more innovative sectors (such as Technology and Health Care).
- Positive absolute returns for the Index in 4Q24 masked significant volatility. November saw almost double-digit positive returns in the post-election rally while negative returns in December, driven by fears of higher for longer rates, were the worst in over 2 years.
  - The Portfolio outperformed in each month of the quarter, particularly in the sell-off late in the quarter as we were able to mitigate downside risk.
- The Portfolio benefited from our holdings across several sectors in 4Q24, notably Energy as our holdings outperformed the Index by almost 2300bps. Within the sector, Solaris Energy Infrastructure was the top contributor, as a recent acquisition has transformed the company into a mobile energy provider with growth prospects, aided by power demand from data centers. Financials also contributed to relative results.
- Technology was the largest detractor, driven by Napco Security Technologies, which lagged on weaker earnings results. We continue to believe the company has strong prospects and the stock contributed to year-to-date performance. Health Care also detracted, particularly Acadia Healthcare, largely due to recent negative publicity. We maintain a favorable view on the stock and its ability to deliver financial performance and provide high-quality healthcare to patients.
- Outperformance in 2024 was aided by broad-based security selection as 8 sectors contributed to relative performance, with 3 adding over 200bps

## Portfolio Review continued

- each. Consumer Discretionary and Energy were the top contributors, partially offset by Health Care and Real Estate.
- Transactions during the quarter were minimal as we added a holding in Financials and sold another in Health Care. During the year three of our holdings were either acquired or grew outside of our market cap range.

## Outlook

- We believe the outlook for value-oriented sectors, particularly Financials and Energy, remains compelling. Banks look attractive on relative valuation, underappreciated quality, and leverage to further rate cuts, and Energy on valuation and continued strength in oil and gas prices.
  - Value remains relatively cheap to Growth as the price to book premium of the Russell 2000 Value is over 1 standard deviation cheap to the Russell 2000 Growth and over 1.5 standard deviations cheap to the Russell 1000 Growth.
- We remain focused on companies with better balance sheets and cash flows that can navigate economic uncertainty.
  - In less innovative sectors, (such as Utilities and Energy) we look for companies that can navigate higher interest rates and have the fundamental strength to weather oil price uncertainty.
  - In more innovative sectors, we look for companies that can fund new product research and maintain their competitive advantages in a volatile economic environment.

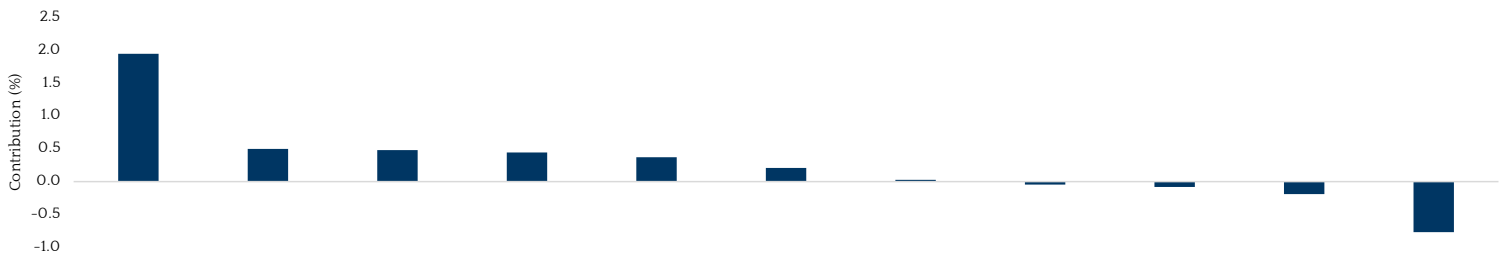
## Average Annualized Performance (%) as of 12/31/2024

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (11/1/2010)
Small Cap Value Composite (Gross)	1.9	15.5	15.5	5.9	11.5	8.9	12.0
Small Cap Value Composite (Net)	1.6	14.4	14.4	4.9	10.5	7.9	10.9
Russell 2000 Value®	-1.1	8.1	8.1	1.9	7.3	7.1	9.2

**Small Cap Value Account Composite excludes accounts associated with wrap sponsors. Congress fees only. Past performance does not guarantee future results.**

*Data is as of 12/31/2024. Sources throughout this presentation: Congress Asset Management, Bloomberg, Russell Investments, and Morningstar Direct. Frank Russell Company (“Russell”) is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell’s express written consent. Russell does not promote, sponsor or endorse the content of this communication. Performance is preliminary and subject to change at any time.*

% Total Effect Portfolio vs. Index  
9/30/2024 - 12/31/2024



	Energy	Cons Staples	Financials	Comm Svcs	Industrials	Materials	Real Estate	Utilities	Health Care	Cons Disc	Info Tech
Allocation Effect	-0.03	0.06	-0.08	0.03	0.04	0.02	0.08	-0.05	0.03	-0.10	-0.18
Selection Effect	1.97	0.43	0.55	0.40	0.32	0.19	-0.07	0.00	-0.12	-0.09	-0.60
Total Effect	1.94	0.49	0.47	0.44	0.37	0.21	0.01	-0.05	-0.09	-0.19	-0.78

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Solaris Energy Infrastructure, Inc.	1.51
MYR Group, Inc.	2.25
Cal-Maine Foods, Inc.	1.75
Telephone and Data Systems, Inc.	1.28
Virtu Financial, Inc.	2.57

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Acadia Healthcare Co., Inc.	1.19
JELD-WEN Holding, Inc.	0.91
M/I Homes, Inc.	1.62
Evolent Health, Inc.	0.44
Patrick Industries, Inc.	2.66

**Solaris Energy Infrastructure, Inc. (SEI)** provides mobile, scalable equipment solutions for distributed power generation and the management of raw materials used in oil and natural gas well completions. SEI's acquisition of Mobile Energy Rentals in July 2024 transformed the company from a provider of wellsite frac sand storage with limited growth potential to a mobile energy provider with strong growth prospects, driven by increasing demand for power across various end markets, including powering data centers.

**MYR Group, Inc. (MYRG)** is a leading specialty contractor serving the electric utility infrastructure, commercial, and industrial construction markets. In the most recent quarter, the company made progress on previously identified challenged projects, with no new negative developments. This bolsters confidence in margin and earnings improvement for 2025. Importantly, demand for MYRG's services remains strong, as utility customers plan to invest in critical electrical transmission and distribution infrastructure.

**Cal-Maine Foods, Inc. (CALM)** is the largest producer and distributor of eggs in the United States. The company reported strong quarterly results, driven by favorable demand and higher selling prices. Egg prices have risen across the industry due to rising production costs and reduced supply from avian flu outbreaks.

**Acadia Healthcare Company, Inc. (ACHC)** provides behavioral health services, including addiction and mental health facilities nationwide. Recent negative publicity surrounding its business practices has caused a disconnect between the company's fundamental performance and its share price. We believe the media reports are misguided and that ACHC can overcome the bad publicity to maintain its referral base. While this presents a short-term headwind for the stock, we continue to have a favorable view of ACHC's end market and its ability to deliver strong financial performance while providing high-quality care to patients.

**JELD-WEN Holding, Inc. (JELD)** is a leading designer and manufacturer of interior and exterior doors, windows, and related building products. The challenging consumer building products environment has led to continued deterioration for JELD-WEN sales volumes in both North America and Europe. Inflationary cost pressures are also pushing margins lower as management has struggled to raise prices at an equivalent pace. While near term dynamics are turbulent, there is the prospect for a recovery in market demand later in 2025.

**M/I Homes, Inc. (MHO)** is a leading builder of single-family homes. Homebuilder stocks faced challenges during the quarter as interest rate expectations shifted toward "higher for longer," and inventories in key markets grew faster than anticipated. Margins for homebuilders may be at risk if they need to offer more incentives to address affordability challenges and stimulate demand.

Information is as of 12/31/2024. Sources: Congress Asset Management and Bloomberg. 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 contribution of every holding in the strategy's composite account, which we believe is most representative to both a current and/or prospective client, 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.

## Portfolio Activity

Purchases	Sector	Sales	Sector
Amalgamated Financial Corp.	Financials	Editas Medicine, Inc.	Health Care

**Amalgamated Financial Corp. (AMAL)** offers traditional banking, investment, and custody products to both retail and commercial customers. The company has significant loan exposure to NYC multi-family properties, including some that are rent-controlled. On the deposit side, AMAL's portfolio is notably concentrated in unions and PACs. While market expectations for earnings growth are modest—largely due to concerns over the riskier nature of its assets and a potentially less stable deposit base compared to other banks—we believe these factors are more than adequately reflected in the stock's current valuation.

**Editas Medicine, Inc. (EDIT)** is a biotechnology company that develops genome editing technology to treat diseases. The company recently shifted its strategy to focus more on drug discovery, which carries higher risk and requires additional capital. Given the high development risk, we decided to sell the position.

Congress Asset Management Co. Small Cap Value Composite 1/1/2014 - 12/31/2023

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Value Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-3-Yr annualized ex- post St Dev (%)	Russell 2000 Value 3-Yr annualized ex-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)
2023	17.2	16.0	14.7	20.2	21.8	9	0.15	400	12,146	8,514	20,660
2022	-12.3	-13.1	-14.5	27.2	27.3	7	0.12	324	10,083	6,799	16,882
2021	33.4	32.2	28.3	25.7	25.0	6	n/a	367	12,778	8,018	20,796
2020	8.8	7.8	4.6	27.1	26.1	≤5	n/a	197	10,746	5,523	16,269
2019	26.2	25.1	22.4	16.5	15.7	≤5	n/a	185	8,445	4,083	12,528
2018	-15.5	-16.3	-12.9	15.7	15.8	≤5	n/a	235	7,102	3,132	10,234
2017	16.9	15.8	7.8	13.9	14.0	≤5	n/a	244	7,272	3,274	10,546
2016	18.4	17.2	31.7	15.4	15.7	≤5	n/a	283	n/a	n/a	n/a
2015	-7.6	-8.4	-7.5	13.6	13.7	≤5	n/a	266	n/a	n/a	n/a
2014	6.2	5.2	4.2	12.5	13.0	≤5	n/a	0.4	n/a	n/a	n/a

#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 Small Cap Value Composite was created on March 31, 2014 and the inception date is November 1, 2010. Performance prior to September 15, 2017, was generated by Century Capital Management, LLC. Performance prior to March 1, 2014 was generated before the Portfolio Manager became affiliated with Century Capital Management, LLC. The Portfolio Manager was the only individual responsible for selecting securities to buy and sell and the investment decision-making process remained intact. Accordingly, composite performance is linked to performance generated prior to March 1, 2014. Because CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017, Total Firm Assets are shown as n/a for periods prior to the acquisition date. All portability requirements with respect to GIPS have been met. The composite includes all fully discretionary portfolios with a value over \$100 thousand (US dollars) managed in the small cap value style for a minimum of one full month. The small cap value strategy generally invests in the equity of companies with market capitalizations between \$50 million and \$5 billion or that are within the range of the Russell 2000 Value Index (at the time of purchase) that trade at a discount to intrinsic value or whose earnings growth is under appreciated by the street. Prior to October 1, 2017, there was no minimum value for inclusion. The composite contained proprietary non-fee-paying assets which represented 100% of total composite assets as of December 31, 2014 and 0.14% of composite assets as of December 31, 2015 and 0.17% as of December 31, 2016. The benchmark is the Russell 2000 Value Index. 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.

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 January 1st, 2021, net of fees returns are calculated by reducing monthly gross returns by 1/12th of the maximum applicable annual management fee, which is 0.95%. Effective January 1st, 2021, net of fee returns are calculated on a daily basis by reducing the daily gross return by a daily equivalent of the highest stated management fee. For periods ended on or before March 31, 2011, the maximum applicable management fee was 1% on the first \$50 million. For periods beginning after March 31, 2011, the maximum applicable management fee is 0.95% on the first \$50 million of assets. 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 2011 and 2012 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 typically 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.

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The materials are being provided for illustrative and informational use only. Performance returns of less than one year are not annualized. Prior performance results are based on accounts that do not participate in a wrap delivery program with investment and operational differences such as account size and/or level of customization. There may be other reasons why the performance results differ from those of an individual account managed in the same or a substantially similar investment strategy. For example, individual accounts may differ from the strategy when applying client-requested restrictions.

There is no guarantee that the wrap portfolio will continue to hold any particular security and securities are held in varying percentages. Holdings are subject to change since the portfolio is actively managed. Holdings are intended to illustrate the composition and characteristics. Across client portfolios, there may be variations in holdings, characteristics and performance information as dictated by reasons such as diversification needs, specific client guidelines, account size, cash flows, the timing and terms of execution of trades, and differing tax situations.

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**Past performance does not guarantee future results.**