Dividend Growth Portfolio

Commentary | 1Q25 | Managed Accounts

Highlights

- The Congress Dividend Growth Portfolio ("the Portfolio") returned -1.4% (net of fees) vs -4.3% for the S&P 500 ("the Index").
- Our Financials holdings contributed to absolute returns, aided by our exposures that benefited from market volatility as well as our holdings that should benefit from less restrictive regulations. Health Care and Energy also contributed. This was offset by Technology, particularly our exposure to megacap tech stocks which saw weaker performance.
- 1Q25 was a quarter of two halves for the Index. Risk-on sentiment, driven by optimism for the incoming administration's perceived pro-growth agenda offset concerns around the DeepSeek announcement, which bruised confidence in AI and AI-related stocks. However, market sentiment soured in the second half of the quarter due to growing economic uncertainty.
- The Portfolio seeks to provide a more stable return stream than the Index and focuses on investing in companies with dividend growth commensurate with earnings. 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 Index had positive returns through mid-February, as continued optimism in the incoming administration drove a risk-on sentiment. However, growing unease over policy uncertainty, notably the implementation and impact of broad-based tariffs, led to a sharp selloff in the back half of the quarter and the Index ultimately gave up all its post-election gains.
    - The Portfolio outperformed the Index in every month of the quarter. In January, we saw positive absolute returns and were ahead by 53bps (net) on strength across several sectors. While absolute returns were negative in February and March, we outperformed the Index and had a downside capture ratio of 32% (gross of fees*) in the quarter.
- The Portfolio benefited from its Financials holdings, particularly CME Group. CME is the largest futures exchange in the U.S and recent market volatility is expected to continue to drive revenue and earnings. Visa also contributed on continued expansion of digital payments as well as the expectation of less restrictive regulation under the Trump administration. Within Health Care, Amgen reported strong quarterly results and full year guidance. In Energy, Chevron benefited from projected production increases and rising natural gas prices.
- Technology was the largest detractor, notably Nvidia and Apple. Nvidia saw weakness on concerns of a pullback in AI demand on the Deepseek announcement, while Apple reported disappointing earnings and was hurt by growing tariff concerns.
- We continue to identify opportunities to add companies with established, durable growth profiles that meet our dividend growth guidelines. During the quarter we added Broadcom, a chip and software company that is a leader in AI data center and network infrastructure.

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 strong balance sheets, a history dividend growth commensurate with earnings, 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 (Stryker, Steris).
    - In Materials, we have exposure to companies that provide vital services and materials with high recurring cashflows (Martin Marietta).
- We continue to believe investors benefit from diversification, particularly in times of volatility.
    - Despite the underperformance of market cap weighted indices in 1Q25, valuations continue to be well-above historical averages. The forward P/E of the S&P 500 is at a 20% premium to its equal weight counterpart, over 1.5 standard deviations rich.

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

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (10/31/2010)
Dividend Growth Composite (Gross)	-1.3	-1.3	3.4	6.2	14.9	11.0	12.1
Dividend Growth Composite (Net)	-1.4	-1.4	3.1	5.8	14.6	10.6	11.7
S&P 500	-4.3	-4.3	8.3	9.1	18.6	12.5	13.5

Past performance does not guarantee future results.

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

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Cintas Corp.	3.52
Amgen, Inc.	2.21
Chevron Corp.	2.18
CME Group, Inc.	2.29
Visa, Inc.	3.03

Cintas Corp. (CTAS) serves over 1 million businesses across the U.S., Canada, and Latin America, providing products and services that enhance customer image while helping keep facilities and employees clean. The company has consistently delivered revenue growth and operating margin expansion, even amid concerns about economic growth. Additionally, management's conservative earnings guidance for the year positions CTAS to exceed expectations.

Amgen, Inc. (AMGN) discovers, develops, manufactures, and delivers innovative medicines to combat some of the world's most challenging diseases. The company reported strong fiscal fourth-quarter revenue performance and provided initial full-year revenue and earnings guidance that exceeded market expectations. Management also reaffirmed their expectation of achieving $500 million in pre-tax synergies from the Horizon acquisition within three years.

Chevron Corp. (CVX) is a global integrated oil and gas company with upstream and downstream assets. Management has projected a 6%-8% production increase in 2025, followed by an additional 3%-6% growth in 2026, leading to an incremental $20 billion in free cash flow by the end of 2026. Additionally, rising natural gas prices in Q1 provided a catalyst for the stock.

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Nvidia Corp.	2.79
Apple, Inc.	3.77
Alphabet, Inc. - Class A	2.39
Oracle, Corp.	2.71
Dell Technologies, Inc.	1.82

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.

Apple, Inc. (AAPL) designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories, alongside a range of related services. Apple's fiscal Q1 earnings were disappointing, primarily due to weak iPhone growth and a cautious Q2 guidance for overall product revenue. Additionally, concerns have risen about the potential impact of reciprocal tariffs on Apple's supply chain.

Alphabet, Inc. - Class A (GOOGL) is a global technology leader focused on how people connect with information. The company generates revenue primarily through cost-effective online advertising. To meet growing customer demand, Alphabet is making significant investments in cloud infrastructure, which will impact profitability. However, demand remains strong for Alphabet's core businesses—Search, YouTube, and cloud computing—and the company is committed to finding additional efficiencies to offset these investments.

Portfolio Activity

Purchases	Sector	Sales	Sector
Broadcom, Inc.	Information Technology	Honeywell International, Inc.	Industrials

Broadcom, Inc. (AVGO) is a leader in semiconductor chips and enterprise-grade infrastructure software. AVGO is well-positioned to benefit from an improving semiconductor cycle and its leadership in key secular growth areas, including AI data center chips and networking infrastructure. The company's unique enterprise software business also helps reduce cyclicality while delivering higher margins and strong cash flow, thus facilitating consistent reinvestment.

Honeywell International, Inc. (HON) is a diversified multi-industrial manufacturer that develops technologies to address global challenges in energy, safety, security, air travel, productivity, and urbanization. Headwinds across its business segments, both market-wide and company-specific, have led to slower earnings growth compared to peers. In February, management announced plans to separate its Automation and Aerospace businesses, aiming to create more focused companies that are better positioned to compete. However, the separation process is expected to take until the second half of 2026 to complete.

Congress Asset Management Co. Dividend Growth Composite 1/1/2014 – 12/31/2023

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P 500 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	S&P 500 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	11.7	11.4	26.3	16.2	17.3	570	1.03	273	12,146	8,514	20,660
2022	-9.3	-9.5	-18.1	19.4	20.9	558	1.18	287	10,083	6,799	16,882
2021	26.2	25.7	28.7	16.2	17.2	493	0.56	300	12,778	8,018	20,796
2020	13.9	13.5	18.4	16.8	18.5	495	0.97	326	10,746	5,523	16,269
2019	33.7	33.2	31.5	11.1	11.9	394	0.86	205	8,445	4,083	12,528
2018	-0.9	-1.2	-4.4	10.3	10.8	359	0.36	161	7,102	3,132	10,234
2017	19.7	19.3	21.8	9.7	9.9	321	0.64	157	7,272	3,274	10,546
2016	13.6	13.2	12.0	10.1	10.6	254	0.46	119	5,693	2,445	8,139
2015	-2.8	-3.2	1.4	10.3	10.5	174	0.38	81	5,941	1,153	7,094
2014	11.6	11.2	13.7	8.6	9.0	111	0.29	65	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 creation and inception date of the Dividend Growth Composite is November 1, 2010, 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 dividend growth style for a minimum of one full month. The dividend growth strategy invests in the equity of high-quality companies with market capitalizations greater than $1 billion exhibiting consistent dividend growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016, the composite minimum was $50 thousand (US dollars). The primary composite benchmark is the S&P 500 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. 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 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 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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