Multi-Cap Growth Portfolio

Commentary | 1Q25 | Managed Accounts

Highlights

- The Congress Multi-Cap Growth Portfolio ("the Portfolio") returned -6.0% (net of fees) vs -4.5% for the S&P 1500 Index ("the Index") during the quarter.
- Our Health Care holdings contributed to absolute return, as several of our positions posted strong quarterly results. Several holdings within the Consumer Discretionary and Industrials sectors also had positive absolute performance. This was offset by our Technology holdings.
- 1Q25 was a quarter of two halves for the Index. Risk-on sentiment, driven by optimism on 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.
- 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 absolute 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.
  - The Portfolio outperformed the Index in January as our returns were aided by our Health Care and Technology holdings. However, we trailed in February and March, particularly on small cap weakness as those positions were more impacted by the economic uncertainty.
- The Portfolio benefitted from its Health Care exposure, notably Halozyme Therapeutic, which reported solid 4Q24 earnings and guided to double digit forward earnings growth. Boston Scientific also outperformed on continued positive quarterly results. In Consumer Discretionary, O'Reilly Automotive was a standout. O'Reilly 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 from absolute performance. While we saw strength in Okta and IBM, this was offset by weakness in several other names on a pullback in market enthusiasm for AI, particularly Arista Networks and Nvidia. These companies generally had solid earnings and we maintain conviction in both.
- We continue to identify opportunities to add companies with established, durable growth profiles. During the quarter we added exposure to Industrials with Uber, a rideshare company. In Health Care we added Intuitive Surgical, which manufactures robotic surgery systems. We also added Palantir, a Technology company that provides platforms for data-driven decision-making and is becoming the preferred vendor for artificial intelligence.

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 of earnings growth, and robust free cash flow may 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).
- 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)
Multi-Cap Growth Composite (Gross)	-5.9	-5.9	3.6	6.7	17.8	11.3	10.5
Multi-Cap Growth Composite (Net)	-6.0	-6.0	3.3	6.4	17.4	10.9	10.0
S&P 1500	-4.5	-4.5	7.3	8.6	18.4	12.1	10.5

Past performance does not guarantee future results.

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Halozyme Therapeutics, Inc.	2.16
O'Reilly Automotive, Inc.	1.84
Okta, Inc.	1.23
HEICO Corp.	2.39
Boston Scientific Corp.	2.31

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Arista Networks, Inc.	3.37
The Trade Desk, Inc.	1.47
e.l.f. Beauty, Inc.	1.29
Nvidia Corp.	4.10
Onto Innovation, Inc.	2.52

Halozyme Therapeutics, Inc. (HALO) develops products for the efficient delivery of injectable therapeutics. After underperforming last quarter, the stock has recovered as investors refocus on HALO's strong core business following a failed acquisition attempt. The company's operations remain robust, and there is potential for additional upside from an ongoing intellectual property dispute related to a high-profile therapeutic, which could further enhance market value.

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.

Okta, Inc. (OKTA) is a leading provider of identity and access management solutions for securing enterprise workforces. OKTA's efforts to reaccelerate its business are beginning to show results, with record salesforce productivity following a recent realignment, leading to improvements in its backlog. It is also achieving success with new product sales and larger deals, while remaining optimistic about growth opportunities linked to the increasing use of AI agents.

Arista Networks, Inc. (ANET) provides cloud networking solutions, including high-performance switching and routing platforms. In late January, investor concerns emerged following claims by Chinese AI developer DeepSeek that it trained models at substantially lower cost and without relying on top-tier AI chips. If validated, this could disrupt the expected wave of AI-related infrastructure investment—an important growth driver for Arista's data center business. 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) provides an online advertising platform for managing campaigns across multiple channels. TTD disclosed that a large-scale reorganization and slower-than-expected rollout of its new ad-buying platform led to its first-ever earnings guidance miss. This has raised concerns that Amazon's competing product may be gaining traction. Despite these execution missteps, the secular trends driving the shift to digital advertising and connected TV remain intact, positioning TTD for long-term growth.

e.l.f. Beauty, Inc. (ELF) is a leading beauty products company. ELF continues to drive sales through product innovation, effective marketing, and expanded distribution. While ELF's sales growth has outpaced the broader beauty category, the rate of growth has slowed as the company matures, contributing to recent stock underperformance. Despite this deceleration, ELF remains well-positioned in the value-driven beauty segment with continued opportunities for market share gains.

Portfolio Activity

Purchases	Sector	Sales	Sector
Uber Technologies, Inc.	Industrials	ChampionX Corp.	Energy
Palantir Technologies, Inc.	Information Technology	Simulations Plus, Inc.	Health Care
Intuitive Surgical, Inc.	Health Care	Hershey Company	Consumer Staples

Uber Technologies, Inc. (UBER) is a multinational transportation company that provides ride-hailing, courier, food delivery, and freight transport services. UBER's strong network offers a competitive edge and exposure to the rapidly growing rideshare industry. Additionally, its cash flow generation is expected to enhance its service quality and expand its market presence.

Palantir Technologies, Inc. (PLTR) provides platforms for data-driven decision-making and operations. PLTR has developed a leading data platform with a broad set of use cases and is becoming a preferred vendor for artificial intelligence. PLTR has penetration within the U.S. government and military and is also seeing rapid adoption of its platform among commercial customers as enterprises integrate AI into their operations.

ChampionX Corp. (CHX) is an oilfield service and equipment provider. In April 2024, CHX announced an agreement to be acquired by Schlumberger in an all-stock transaction which is expected to close in the second half of 2025.

Simulations Plus, Inc. (SLP) provides software solutions for drug discovery and clinical development. Clinical trial investment is likely to remain subdued as pipelines are reprioritized, and funding remains constrained. While SLP offers a leading solution, we identified better opportunities and the position was sold.

The Hershey Company (HSY) is the leading chocolate producer in North America, also offering non-chocolate confections and snacking products.

Purchases continued

Intuitive Surgical, Inc. (ISRG) manufactures robotic surgery systems and related instruments. ISRG is in position to maintain its significant competitive advantage while driving further penetration of robotic surgery. A new product offering lowers the barriers for adoption and creates multiple new revenue streams that we believe can contribute to sustained high revenue and earnings growth.

Sales continued

HSY faces two key headwinds: rising cocoa costs and a value-seeking consumer, both of which are likely to persist in the near term. Additionally, the company has been losing market share in the chocolate category. As a result, the position was sold.

Congress Asset Management Co. Multi-Cap Growth Composite 1/1/2014 - 12/31/2023

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P Composite 1500 Return % (dividends reinvested)	Russell 3000 Growth % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	S&P Composite 1500 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	30.2	29.9	25.5	41.2	20.9	17.4	20.3	29	1	325	12,146	8,514	20,660
2022	-27.5	-27.7	-17.8	-29.0	24.2	21.1	23.4	32	0	287	10,083	6,799	16,882
2021	22.6	22.1	28.5	28.7	19.2	17.5	17.2	34	1	403	12,778	8,018	20,796
2020	39.6	39.1	17.9	18.4	20.7	18.9	18.5	30	1	324	10,746	5,523	16,269
2019	33.4	32.9	30.9	31.5	13.4	12.1	11.9	27	1	242	8,445	4,083	12,528
2018	-3.4	-3.8	-5.0	-4.4	12.4	11.0	10.8	23	0	187	7,102	3,132	10,234
2017	25.4	24.9	21.1	21.8	10.3	9.9	9.9	23	1	215	7,272	3,274	10,546
2016	0.5	0.1	13.0	12.0	11.4	10.7	10.6	6	n/a	131	5,693	2,445	8,139
2015	2.7	2.3	1.0	1.4	10.8	10.5	10.5	≤5	n/a	135	5,941	1,153	7,094
2014	7.0	6.6	13.1	13.7	10.4	9.1	9.0	≤5	n/a	134	6,328	1,121	7,449

#The "Total Firm Assets" column includes unified managed account (UMA) assetsCongress 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 Multi-Cap Growth Composite is July 1, 2003, 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 multi cap growth style for a minimum of one full month. The multi-cap growth strategy invests in the equity of high quality companies with market capitalizations over $500 million exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016, the composite minimum was $500 thousand (US dollars). The primary composite benchmark is the S&P Composite 1500 Index, and the S&P 500 Index is a supplemental index. Effective April 1, 2021, the Multi-Cap Growth Composite benchmark was changed retroactively from the Russell 3000 Growth Index to the S&P Composite 1500 Index in order to better represent the investable universe. 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. The % of the composite represented by non-fee paying accounts at annual period end was 1% in 2008. 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 2007 net of fees returns were calculated by reducing gross returns by 1/4th of the highest management fee in the Multi-Cap Growth Composite, which was 0.63%, 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 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.