Balanced Portfolio

Commentary | 2Q25 | Managed Accounts

Highlights

- The Congress Balanced Portfolio ("the Portfolio") returned 10.0% (net of fees) vs 7.2% for the 60% S&P 500/40% Bloomberg Int. Govt/Credit Index ("the Index") in 2Q25. The Portfolio outpaced the Index on strong returns in the equity allocation and the fixed income allocation also modestly outperformed. The Portfolio remains ahead of the Index over the trailing 3yr, 5yr, and 10yr periods (net of fees).
- Equities benefited from a strong rebound in market sentiment following the initial tariff announcements early in the quarter. Fixed income returns were also positive, aided by falling short- and medium-term interest rates. While correlations between stocks and bonds remain historically elevated, they trended lower over the quarter.
- The Portfolio had positive absolute returns in each month of the quarter and saw positive returns in 9 of 11 sectors. Our holdings in Technology, notably those with exposure to AI, were the largest contributors to return. Industrials also contributed, particularly our exposure to secular growth themes of infrastructure, datacenter buildout, and aerospace and defense. This was modestly offset by our exposures in Health Care and Energy.
- Since inception in 1985, the Portfolio has provided 88% of the S&P 500 return (gross of fees) and 81% (net of fees) with only 67% of the volatility (gross of fees*).

Portfolio Review

- Markets began the quarter in a dour mood as the selloff in the S&P 500 that began in mid-February accelerated following the expanded tariffs, falling over 12% from April 2nd through April 8th. After the Trump administration paused the most extreme measures, sentiment reversed and investors refocused on growth opportunities, fueling a strong rebound.
  - The Portfolio outperformed in each month of the quarter, notably in April when the Index return was modestly negative, and the Portfolio was positive, aided by strong equity returns.
- The Portfolio benefited from several holdings across sectors. In Technology, NVIDIA and Broadcom rose on healthy earnings and continued AI enthusiasm and data center buildout. Performance in Industrials was supported by Howmet Aerospace and Eaton Corp. Howmet benefited from a strong aerospace environment, while Eaton saw strength on continued data center buildout.
- Health Care was the largest detractor, particularly Eli Lilly which is seeing pressure from its GLP-1 drugs and was sold from the Portfolio. Thermo Fisher Scientific also detracted on tariff concerns and reduced academic and government research funding. Within Energy, Baker Hughes had weaker results on international market weakness and was sold.
- Within the fixed income allocation, our overweight to Industrials and Financials contributed as corporate spreads tightened during the quarter. This was modestly offset by our high-quality bias as lower-quality issues generally outperformed.
- Within equities, we added two holdings in Technology: Motorola, a leading provider of communications hardware, and Dynatrace, which may benefit from continued cloud migration. In Real Estate we added Welltower, a healthcare REIT focused on senior housing. We also purchased TKO Holdings, a sports entertainment company with strong margins and significant cash flow.
- In Fixed income, we extended duration and picked up yield in our Treasury allocation.

Outlook

- We believe the Portfolio is well positioned and has exposure to areas of the economy with durable, long-term growth drivers.
  - In Industrials, we maintain exposure to AI-related capex spending and data-center buildout (Eaton) and aerospace and defense (Howmet, Parker Hannafin).
  - Within the Consumer sectors, we own companies that typically benefit from value-oriented spending (Costco, TJX), keeping vehicles longer (O'Reilly) and other areas of growth including fast casual restaurants (Chipotle).
- Overall bond yields remain historically attractive and high-quality bonds generally offer strong liquidity.
  - We believe normalizing stock and bond correlations should continue to allow fixed income to offer a diversified return stream.
- Our recommended allocation remains 60% equity and 40% fixed income.
  - The impact of tariffs and government spending cuts has thus far been less than anticipated, and the US economy continues to show resilience.
  - We believe this allocation may provide for potential upside should the economic impact of tariffs continue to be less than feared while also potentially providing income and stability to weather anticipated volatility.

Average Annualized Performance (%) as of 6/30/2025

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (1/1/1985)
Balanced Composite (Gross)	10.1	6.6	12.0	15.8	10.9	10.9	10.4
Balanced Composite (Net)	10.0	6.4	11.6	15.3	10.4	10.3	9.5
Benchmark[1]	7.2	5.5	11.9	13.2	10.2	9.1	9.5

Past performance does not guarantee future results. [1]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 6/30/2025. 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. Peformance is preliminary and subject to change at any time.

Equity Sleeve

Top 5 Contributors/Detractors

Stock	Avg. Weight%
NVIDIA Corp.	3.14
Howmet Aerospace, Inc.	2.61
Broadcom, Inc.	1.57
Microsoft Corp.	2.26
Netflix, Inc.	1.56

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Eli Lilly & Co.	1.13
Thermo Fisher Scientific, Inc.	1.00
Baker Hughes Company	1.42
Apple, Inc.	1.92
Arthur J. Gallagher & Co.	1.60

NVIDIA Corp. (NVDA) is a leading semiconductor company specializing in chips for gaming, AI, and advanced computing. Shares rose as investor concerns over potential competition from DeepSeek—a Chinese developer of open-source AI models—eased. Disclosures from major cloud providers (hyperscalers such as Amazon, Microsoft, and Google) also continued to signal strong investment in AI infrastructure. NVIDIA capped the quarter with better-than-expected results, supported by robust demand, and provided solid forward guidance.

Howmet Aerospace, Inc. (HWM) is a leading manufacturer of advanced components for jet engines. The company reported growth across both its defense and commercial aerospace portfolios, with particular strength in its spares business—sales of high-margin replacement parts for in-service aircraft. Management expressed confidence in navigating potential tariff-related costs, noting they had declared a force majeure event to help renegotiate contract terms and limit financial exposure.

Broadcom, Inc. (AVGO) is a leader in semiconductor chips and enterprise infrastructure software. Shares were supported by easing competitive concerns and sustained customer spending, as quarterly results came in roughly in line with expectations. Management expressed continued optimism about the company's AI initiatives. The software segment is performing well, with the VMware integration progressing ahead of expectations.

Eli Lilly & Co. (LLY) develops, and markets pharmaceutical products. Shares declined as growth in the GLP-1 drug category began to moderate and pricing concerns weighed on investor sentiment. We believe the company's pipeline is unlikely to fully offset a potential slowdown in GLP-1 revenues, and ongoing government efforts to lower drug costs add further uncertainty. The position was sold during the quarter.

Thermo Fisher Scientific, Inc. (TMO) provides instruments and services to the life sciences industry. The stock faced pressure as sector headwinds intensified, driven by rising tariff concerns and reduced academic and government research funding. However, we believe TMO is well-positioned to navigate the current environment and stands to benefit from a potential recovery in biotechnology and pharmaceutical R&D spending.

Baker Hughes Company (BKR) is an energy technology firm. The company's Oilfield Services & Equipment (OFSE) segment was negatively impacted by broad weakness in capital spending as lower oil prices and economic uncertainty led international energy companies to delay project activity. As a result, management withdrew full-year 2025 guidance for the segment. The position was exited during the quarter due to limited visibility into when order growth will resume.

Fixed Income Sleeve

Sector allocation in Industrial and Financial corporate issues improved relative performance as spreads tightened over the quarter and corporates outperformed Treasuries. A duration mismatch with the benchmark assisted relative performance as mid-curve rates fell over the quarter.

Top 5 Contributors/Detractors

Issue
Intel Corp. 11/15/2029
US Treasury 02/28/2026
Amazon.com, Inc. 05/12/2031
US Treasury 05/15/2027
US Treasury 7/31/2028

Bottom 5 Contributors/Detractors

Issue
Goldman Sachs Group, Inc. 07/23/2030
Pfizer Corp. 05/19/2028
ConocoPhillips 01/15/2030
Bank of America Corp. 12/20/2028
UnitedHealth Group, Inc. 05/15/2031

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Transactions

Portfolio Activity

Purchases	Sector	Sales	Sector
Motorola Solutions, Inc.	Information Technology	Salesforce, Inc.	Information Technology
Dynatrace, Inc.	Information Technology	Eli Lilly and Co.	Health Care
Welltower, Inc.	Real Estate	Baker Hughes Company	Energy
TKO Group Holdings, Inc.	Communication Services		

2Q 2025 Transaction Summary – Fixed Income Sleeve

- We sold US Treasury of 02/15/2028 and bought US Treasury of 10/31/3031 to extend duration, adjust key rate exposures and increase yield.
- We sold US Treasury of 03/31/2027 and bought US Treasury of 11/15/2032 to extend duration, adjust key rate exposures and increase yield.

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Congress Asset Management Co. Balanced Composite 1/1/2015 – 12/31/2024

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)
2024	16.2	15.7	15.9	60/40	13.2	11.7	20	0.95	22	14,207	9,471	23,678
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	1.10	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

#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 – 12/31/24. 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.

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Definitions: S&P500 is a market-capitalization weighted index, which measures price movements of the common stock of 500 large U.S. companies within leading industries. The Bloomberg US Intermediate Govt/Credit Index tracks the performance of intermediate term U.S. government and corporate bonds. Standard Deviation measures historical volatility