CONGRESS
ASSET MANAGEMENT COMPANY

Dividend Growth Portfolio

Commentary | 3Q24 | Managed Accounts

Highlights

- The Congress Dividend Growth Portfolio ("the Portfolio") returned 7.7% (net of fees) vs 5.9% for the S&P 500 Index ("the Index").
- There were no changes to the Portfolio holdings during the quarter.
- Our Industrials holdings contributed to absolute returns, aided by construction stocks that benefitted from exposure to infrastructure buildout and falling interest rates. This was partially offset by weakness in Energy.
- 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

- The Portfolio benefitted from its Industrial holdings, particularly Cintas which continues to report healthy earnings growth despite concerns of labor market softness. Caterpillar also contributed on normalized dealer inventory levels and renewed demand given falling interest rates and Chinese stimulus. Within Consumer Discretionary, Home Depot saw positive performance as lower interest rates should be a boon to the housing market.
- Energy detracted, particularly Chevron, as disappointing quarterly results and uncertainty on the completion of a significant project weighed on the stock price.
- The Portfolio typically has limited turnover quarter-over-quarter and there were no transactions during the quarter.

Outlook

- The fourth quarter is likely to see elevated volatility, particularly given the upcoming election and uncertainty around the pace and timing of Fed rate cuts.
  - The VIX index, which estimates expected volatility in the S&P 500, is 20% higher on average in the fourth quarter in election years vs non-election years.
  - Given the potential volatility, we believe investors seeking a more stable return stream may benefit from high quality stocks with growing dividends.
- We believe long-term investors will continue to benefit from portfolio diversification.
  - The forward P/E of the S&P 500 is trading at 25% premium to the equal weight Index, over 2 standard deviations rich to its long-term average.
  - The Portfolio holds the largest Technology stocks that drove year-to-date performance but also maintains broad exposure across sectors and themes: including AI, the buildout of data centers and reshoring of manufacturing.

Average Annualized Performance (%) as of 9/30/2024

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (10/31/2010)
Dividend Growth Composite (Gross)	7.8	16.4	28.5	10.6	12.9	12.0	12.9
Dividend Growth Composite (Net)	7.7	16.1	28.0	10.2	12.5	11.6	12.5
S&P 500	5.9	22.1	36.4	11.9	16.0	13.4	14.2

Past performance does not guarantee future results.

Data is as of 9/30/2024. Sources throughout this presentation: 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. Past performance does not guarantee future results. 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. Past performance does not guarantee future results. Performance is preliminary and subject to change at any time.

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Cintas Corp.	3.57
Oracle Corp.	2.47
Caterpillar, Inc.	2.77
Allstate Corp.	2.56
Home Depot, Inc.	2.46

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Merck & Co., Inc.	2.51
Microsoft Corp.	3.57
Chevron Corp.	2.09
T. Rowe Price Group, Inc.	1.69
Honeywell International, Inc.	1.89

Cintas Corporation (CTAS) provides corporate identity uniforms and related business services. CTAS continues to deliver healthy earnings growth despite ongoing fear that a softening labor market will weigh on uniform rental demand. This consistent execution leaves investors more confident in the long-term prospects of the company and has enabled the equity valuation to re-rate higher.

Oracle Corporation (ORCL) is a multinational technology company that specializes in database software, cloud engineering, and enterprise software. Oracle showed revenue growth acceleration in the quarter due to better-than-expected Oracle Cloud Infrastructure performance. The company also announced a strategic partnership with Amazon's AWS subsidiary and set long term targets that reflect revenue compounding at a mid-teens rate through the end of this decade.

Caterpillar, Inc. (CAT) is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. The amount of CAT inventory on dealer lots is near historical averages, which is favorable for growth. Additionally, the prospect of rising construction machinery demand has increased due to the Federal Reserve's decision to begin cutting interest rates and the Chinese government's move to stimulate its economy.

Merck & Co., Inc. (MRK) is one of the largest pharmaceutical companies in the world. In the second quarter, Merck reported weaker sales of its Gardasil vaccine in China, which protects against human papillomavirus (HPV). Despite this, management maintained its long-term guidance for the product.

Microsoft Corporation (MSFT) is the world's largest software company, with products ranging from PC operating systems and enterprise applications to cloud-based solutions. However, the company is facing increasing investor skepticism regarding its investments in artificial intelligence. Additionally, Microsoft's cloud software saw a revenue slowdown and is expected to experience further deceleration in the coming quarter. Despite these challenges, Microsoft remains a key beneficiary of several secular trends: cloud computing, cybersecurity, and enterprise productivity.

Chevron Corporation (CVX) is an integrated oil and gas company with upstream and downstream assets worldwide. CVX reported disappointing second-quarter earnings due to weak results in its upstream business and lower margins in its international downstream operations. There is also growing uncertainty regarding the completion of the TCO project in Kazakhstan and CVX's ability to ramp up production from TCO amid OPEC+ quotas.

Portfolio Activity

Purchases	Sector	Sales	Sector
None	N/A	None	N/A

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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.

2024_Q3_DIV_01