CONGRESS ASSET MANAGEMENT COMPANY

SMid Growth Portfolio

Commentary | 3Q26 | Managed Accounts

Highlights

- In 3Q26, the Congress SMid Growth Portfolio (the "Portfolio") returned -6.9% net of fees, outperforming the Russell 2500 Growth Index (the "Index") return of -10.4%. Stock selection was the primary driver, contributing nearly 450 bps.
- After a speculative, AI-driven rally in 2Q26, SMid-cap growth stocks reversed in 3Q26. July brought a sharp unwind in AI and high-momentum names, compounded by an oil price spike and rising rates later in the quarter. For the quarter, the Index's highest-beta stocks fell 17% and non-earners, which make up 23% of the Index, fell 11%. The Portfolio's focus on profitable growth companies helped limit the drawdown.
- The Portfolio outperformed the Index in every month of the quarter, offering downside protection in July and September while also leading in August's rally.
- The Portfolio is ahead of the Index year to date. One-year relative results have improved but still reflect the low-quality rallies of 4Q25 and 2Q26, environments that tend to challenge our quality-focused approach.
- Since inception, the Portfolio has compounded capital 3.3x net of fees versus 2.5x for the Index, with 96% upside capture and 80% downside capture (gross of fees*).
- Net of fees, the Portfolio has outperformed the Index in 86% of rolling three-year periods by an average of 670 bps, and in 100% of rolling five-year periods by an average of 601 bps.

Portfolio Review

- The Index fell 8% in July amid AI-related concerns, rebounded in early August, then sold off through quarter-end as rates and oil prices rose and the Federal Reserve tightened policy. The Portfolio outperformed in each month of the quarter.
- Health Care was the largest contributor to relative performance, with stock selection adding over 330 bps. Repligen, a bioprocessing supplier that gives us picks-and-shovels exposure to biotech, reported strong results on improving biotech demand and optimism that AI could accelerate drug development. Halozyme, a biotech company that develops products that facilitate drug delivery through subcutaneous self-injection, delivered robust second quarter results and raised guidance, driven by continued growth from three blockbuster drug-delivery technologies, new approvals for existing products, and five new licensing and collaboration agreements that could broaden its growth prospects. Consumer Staples contributed more than 100 bps, mostly from stock selection. Shares of e.l.f. Beauty rose after an earnings beat-and-raise, fueled by strength in its Rhode acquisition and enthusiasm around Rhode's Sephora Europe launch.
- Consumer Discretionary was the largest detractor. Dutch Bros, a drive-thru beverage chain, fell after management guided to a softer second half of 2026 amid rising competitive concerns. We believe the company has multiple levers for transaction growth and that the outlook may prove conservative. Industrials also detracted, led by Sterling Infrastructure, as margins compressed following its lower-margin CEC acquisition and management flagged a potential sequential backlog decline. Data center spending concerns also weighed on shares, though the company reported no project delays or cancellations. Carpenter Technology declined as investors reassessed profit growth expectations amid a leadership transition, despite record fiscal 2026 results in its core Specialty Alloys business.
- During the quarter, portfolio activity centered on staying style pure, adjusting our AI-capex exposure, adding to Health Care, and exiting positions whose investment theses deteriorated.

Outlook

- In our view, SMid caps remain a compelling opportunity, offering the stability of mid caps with the return potential of small caps. They also offer attractive valuations relative to large caps, solid expected earnings growth, diversification benefits, and direct exposure to secular growth trends.
- Our focus on quality has supported performance this year. Year to date, non-earners within the Index have trailed the Index return by nearly 800 bps, while the highest-ROE quintile has outperformed by over 400 bps. Balance sheet strength has also been rewarded: in 3Q26, the Index's lowest-leverage stocks outpaced its highest-leverage stocks by over 250 bps, extending their year-to-date lead to almost 1,000 bps. If rates remain elevated, refinancing risk could pressure earnings across the Index's lower-quality segment. Uncertainty persists around rates, oil prices, and geopolitical tensions, but we believe our emphasis on quality potentially positions the Portfolio to navigate this environment.
- The June reconstitution significantly changed the Index's composition and broadly reduced quality metrics such as ROE, margins, and free cash flow yields. The Portfolio, by contrast, remains focused on profitable companies with potentially durable earnings growth, expanding free cash flow, and solid margins. We are monitoring the upcoming December reconstitution and its possible impact on the Index.
- We believe the Portfolio is positioned across several potentially durable growth themes, including:
  - In Technology: AI-related capital spending (Rambus), software development (JFrog), and data security (Rubrik).
  - In Industrials: aerospace and defense (Curtiss-Wright and Karman).
  - In Health Care: "picks-and-shovels" exposure to the biotech industry's recovery (Halozyme and Repligen).
  - In Consumer: value-oriented retail (Ollie's Bargain Outlet) and resilient discretionary spending (Boot Barn).

Average Annualized Performance (%) as of 9/30/2026

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (4/1/2017)
SMid Growth Composite (Gross)	-6.7	8.1	2.7	12.7	4.9	13.9
SMid Growth Composite (Net)	-6.9	7.7	2.1	12.1	4.5	13.4
Russell 2500 Growth®	-10.3	7.3	7.6	14.9	3.5	10.2

Past performance does not guarantee future results *Characteristics are gross of fees and are computed without the deduction of fees and expenses.

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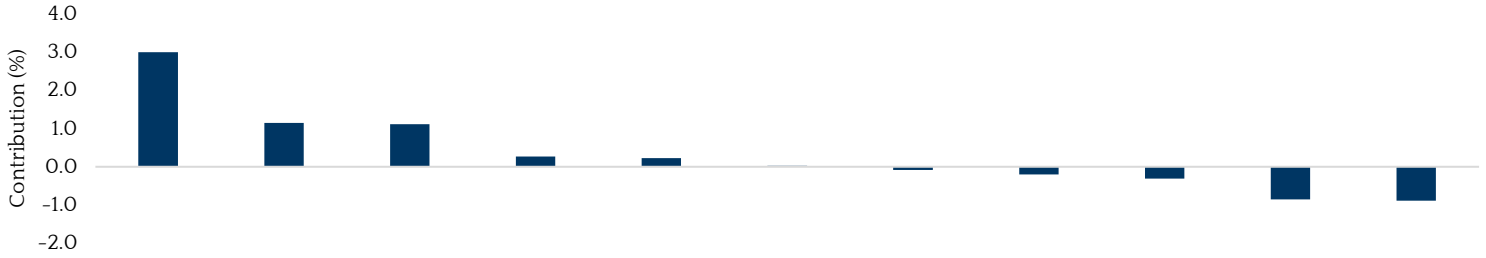
% Total Effect Composite vs. Index*

6/30/2026 - 9/30/2026



	Health Care	Cons Staples	Info Tech	Materials	Real Estate	Utilities	Energy	Comm Svcs	Financials	Industrials	Cons Disc
Allocation Effect	-0.38	0.05	-0.03	0.01	0.01	0.03	-0.02	-0.22	-0.03	-0.53	0.10
Selection Effect	3.38	1.10	1.15	0.26	0.22	0.00	-0.07	0.02	-0.28	-0.32	-0.98
Total Effect	3.00	1.15	1.12	0.27	0.23	0.03	-0.08	-0.20	-0.31	-0.85	-0.88

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

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Rubrik, Inc.	3.75
Halozyme Therapeutics Inc.	3.33
Repligen Corp.	3.10
e.l.f. Beauty, Inc.	2.10
Medpace Holdings, Inc.	2.79

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Sterling Infrastructure, Inc.	2.57
Carpenter Technology Corp.	3.33
Curtiss-Wright Corp.	3.72
Dutch Bros. Inc.	1.83
Valmont Industries, Inc.	3.45

Rubrik, Inc. (RBRK) provides a cloud-native data security platform that helps organizations protect, monitor, and recover their data across enterprise, cloud, and SaaS environments. Outperformance this quarter was driven by an increasing demand for cyber security products over fears of AI driven attacks. Rubrik Agent Cloud, a product that manages and secures AI agents, also continues to show promising initial traction, in our view.

Halozyme Therapeutics, Inc. (HALO) develops drug delivery technologies that improve the efficiency and administration of injectable therapeutics. Shares benefited from better-than-expected quarterly results, driven by strong performance across the business. Royalty revenue continued to grow, supported by both established blockbuster therapies and increasing contributions from newer products. Reflecting this momentum, management raised its full-year financial guidance.

Repligen Corp. (RGEN) is a leading provider of bioprocessing technologies and fluid management systems used in the manufacture of biologic drugs. Shares benefited from better-than-expected quarterly results, with management highlighting strong demand from emerging biotechnology customers as that market continues to recover. We believe Repligen is well positioned for continued growth, supported by further improvement in emerging biotech spending, increased demand for capital equipment driven by onshoring initiatives, and accelerating adoption of its ATF product platform.

Sterling Infrastructure, Inc. (STRL) is a specialty infrastructure contractor serving data centers, semiconductor facilities, industrial projects, and transportation infrastructure. While STRL reported strong growth in its E-Infrastructure segment, profitability declined due to the addition of the lower-margin CEC electrical business, and management indicated backlog could decline sequentially in the third quarter. With more than 40% of revenue tied to data center projects, shares were sensitive to investor concerns about data center construction and customer capital spending. However, the company reported no project delays, pauses, or cancellations, and margin pressure was primarily driven by the CEC acquisition.

Carpenter Technology Corp. (CRS) manufactures and distributes specialty metals and alloys. Shares underperformed as investors reassessed expectations for fiscal 2027 operating profit growth amid a leadership transition, despite the company delivering record fiscal 2026 operating profit and margins in its Specialty Alloys Operations segment. CRS also authorized an additional $1.0 billion share repurchase program, while demand and profitability in its aerospace-focused specialty materials business remained strong.

Curtiss-Wright Corp. (CW) manufactures highly engineered products and critical technologies for the aerospace and defense, commercial nuclear power, and industrial markets. Shares declined as investors awaited clarity on the timing of orders for coolant pumps used in nuclear reactors, while management provided little change to its near-term outlook. Although second-quarter operating profit increased 12% year over year and full-year guidance was raised, the pace of margin improvement moderated. Investor concerns surrounding future defense spending also weighed on the broader defense sector.

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Portfolio Activity

Purchases	Sector	Sales	Sector
MSG Entertainment Corp.	Communication Services	Celsius Holdings, Inc.	Consumer Staples
JFrog Ltd.	Information Technology	CommVault Systems, Inc.	Information Technology
MYR Group, Inc.	Industrials	Comfort Systems USA, Inc.	Industrials

Madison Square Garden Entertainment Corp. (MSGE) owns and operates several premier sports, music, and live entertainment venues. We believe that the company's portfolio of iconic assets positions it to benefit from continued consumer preference for experiences over goods, supporting relatively visible and potentially durable revenue streams. In addition, management has opportunities to improve asset utilization and increase per-attendee spending, which could provide a source of incremental revenue growth over time.

JFrog Ltd. (FROG) provides a platform that enables developers to manage, secure, and deploy software. The company has benefited from increasing software complexity, AI accelerating the pace of application development, and the need for greater automation and security in developer workflows. JFrog has also continued to expand its platform and customer adoption across large enterprises. In our view, growing demand for secure and automated software delivery could support a long runway for growth and improvements to profitability.

MYR Group, Inc. (MYRG) provides electrical construction services for utilities and commercial customers, including transmission lines, distribution networks, and electrical systems for data centers and other facilities. The company has benefited from higher commercial and industrial activity, improved margins, and a record backlog, while recent transmission project awards increased visibility into future utility work. We believe that longer-term growth opportunities may be supported by utility investment in higher-voltage transmission infrastructure, including 500 kV and 765 kV lines, while its Valley and Comet acquisitions have expanded MYR Group's geographic reach and service capabilities. In our view, the combination of sustained grid investment, improving margins, and a diversified customer base positions the company favorably relative to other engineering and construction firms.

Celsius Holdings, Inc. (CELH) is a beverage company whose portfolio includes the Celsius, Alani Nu, and Rockstar energy drink brands, supported by distribution through PepsiCo's direct-store-delivery network. While the company maintains a strong position within the growing energy drink category, sales of its core Celsius brand have remained under pressure, and management has pushed the expected timing of a recovery into next year. As a result, near-term revenue growth and earnings visibility appear more limited, leading us to believe the risk-reward profile is currently less compelling than other opportunities within the consumer sector.

CommVault Systems, Inc. (CVLT) provides software solutions that help organizations protect data and enhance cyber resilience across hybrid and multi-cloud environments. The position was sold due to concerns over slowing growth, margin pressure, and management turnover. We also believe competition from newer cloud-native data protection vendors has increased.

Comfort Systems USA, Inc. (FIX) installs and services mechanical, electrical, and plumbing systems for commercial and industrial facilities across the United States. Over the past several years, the company benefited from increased investment in data centers, manufacturing, and other technology-related facilities, while its backlog expanded significantly. The position was sold due to its size relative to the Index.

Specific investments mentioned should not be considered recommendations. The reader should not assume that investment decisions identified and discussed were or will be profitable.

Congress Asset Management Co. SMid Growth Composite 4/1/2017 - 12/31/2025

Year	Total Return Gross of Fees%	Total Return Net of Fees%	Russell 2500 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2500 Growth 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)
2025	6.2	5.7	10.3	17.4	18.8	460	0.36	672	14,199	9,000	23,199
2024	13.0	12.4	13.9	21.4	22.8	280	0.57	400	14,207	9,471	23,678
2023	18.8	18.3	18.9	19.8	21.0	195	0.56	173	12,146	8,514	20,660
2022	-21.5	-21.7	-26.2	22.8	25.2	158	0.51	96	10,083	6,799	16,882
2021	28.4	27.9	5.0	18.5	22.0	98	0.91	79	12,778	8,018	20,796
2020	50.3	49.7	40.5	20.7	23.9	47	0.62	55	10,746	5,523	16,269
2019	28.7	28.2	32.7	n/a	n/a	14	n/a	37	8,445	4,083	12,528
2018	1.3	0.9	-7.5	n/a	n/a	≤5	n/a	27	7,102	3,132	10,234
3/31/17–12/31/17	12.8	12.5	17.1	n/a	n/a	≤5	n/a	35	7,272	3,274	10,546

#The "Total Firm Assets" column includes unified managed account (UMA) assets

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Composite Characteristics: The creation and inception date of the SMid Growth Composite is April 1, 2017, 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 SMid growth style for a minimum of one full month. The SMid growth strategy invests in the equity of high-quality companies with market capitalizations between $300 million and $20 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. The primary composite benchmark is the Russell 2500 Growth Index. The benchmark returns are not covered by the report of the 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 periods prior to 2020 because 36-month returns were not available.

Fee Schedule: The firm's 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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