CONGRESS ASSET MANAGEMENT COMPANY

Small Cap Value Portfolio

Commentary | 3Q26 | Managed Accounts

Highlights

- **In 3Q26, the Congress Small Cap Value Portfolio (the "Portfolio") returned -10.4% net of fees versus -4.9% for the Russell 2000 Value Index (the "Index"). Underperformance was driven by stock selection, primarily within Information Technology and Health Care.**
- **Portfolio fundamentals remain strong: 78 of the Portfolio's 85 holdings met or beat earnings expectations during the quarter. In addition, most of the quarter's top detractors remain year-to-date contributors. We believe this underscores the importance of staying disciplined and focused on long-term results.**
- **Small-cap value stocks remain cheap relative to large-cap growth. The Index trades at 1.4x price-to-book, nearly 90% below the Russell 1000 Growth Index at 13.3x.**
- **Our all-weather approach aims to remain beta- and sector-neutral relative to the Index, which we believe can create a more consistent return profile that allows our clients to maintain a strategic allocation to the asset class.**
- **Since inception, the Portfolio has compounded capital 5.5x net of fees versus 4.6x for the Index, with 101% upside capture and 91% downside capture (gross of fees*).**

Portfolio Review

- The Index was largely flat through the first two months of the quarter before declining over 5% in September. Despite continued strength in data center investment, the third quarter was marked by rising interest rates and oil prices, along with persistent geopolitical volatility. The Portfolio underperformed due to stock selection, even though 78 of its 85 holdings met or beat earnings expectations. In a market driven more by macro concerns than company results, our emphasis on quality companies with solid fundamentals was not rewarded.
- Information Technology was the largest relative detractor. ACM Research, a semiconductor manufacturing equipment provider and a top year-to-date contributor, underperformed in the quarter as concerns about AI spending and a broad market unwind weighed on the semiconductor industry. This occurred despite the company exceeding earnings expectations: demand for its newer chipmaking tools more than doubled, lifting revenue and earnings above forecasts and prompting management to raise its full-year growth outlook. In Health Care, Tango Therapeutics fell short of expectations due to the absence of collaboration revenue in the quarter. However, the company reported a $1 billion cash balance and underlying clinical progress remained on track. Industrials also detracted, led by MYR Group, which remains a year-to-date contributor. MYR Group sold off in July amid a broad de-rating of the AI "picks and shovels" group as concerns about AI infrastructure spending intensified. A second-quarter earnings beat, sustained customer demand, and a record backlog provided no relief to the stock, but we retain conviction in the long-term thesis.
- Real Estate made a modest positive contribution to relative performance, led by Highwoods Properties. The Sun Belt-focused office REIT reported strong second-quarter results, including a significant occupancy beat and record leasing volume. Although Industrials detracted overall, Huron Consulting contributed. Huron, which helps health care, education, and commercial clients improve operations and implement technology, delivered a broad-based earnings beat as its Digital segment reaccelerated.
- Energy was a slight overall detractor, but crude oil tanker operator DHT Holdings contributed as tight crude supply and continued geopolitical tensions drove record quarterly results.
- Portfolio activity during the quarter favored companies with improving earnings visibility, such as Otter Tail, and identifiable catalysts, such as Flexsteel Industries. The only sale was Hawaiian Electric, as ongoing wildfire settlement obligations and cost pressures could weigh on results for several years.

Outlook

- Small-cap value stocks continue to trade at a steep discount to large-cap growth. The Index trades at nearly a 90% discount to the Russell 1000 Growth Index on price-to-book and an almost 50% discount on forward P/E.
- Looking ahead to the fourth quarter and into 2027, we expect competing forces to sustain uncertainty in equity markets. Against this backdrop, we remain focused on companies with strong balance sheets and cash flows that can potentially navigate a volatile economic environment. In less innovative sectors such as Financials and Energy, we seek companies that may be positioned to manage interest-rate and commodity-price volatility. In more innovative sectors such as Health Care and Information Technology, we favor companies that may have the ability to fund new-product research and maintain their competitive differentiators.
- We believe the Portfolio is well positioned across several potential durable long-term growth drivers:
  - In Industrials and Information Technology, we maintain exposure to AI-related capital spending and data center development through Powell Industries and Alpha & Omega Semiconductor.
  - In Financials, we hold banks with strong capital and credit quality, such as UMB Financial.
  - In Health Care, Tango Therapeutics and Relay Therapeutics provide exposure to the recovering biotechnology industry.

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

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (11/1/2010)
Small Cap Value Composite (Gross)	-10.2	14.1	19.9	20.1	10.3	11.7	12.4
Small Cap Value Composite (Net)	-10.4	13.3	18.7	19.0	9.2	10.6	11.3
Russell 2000 Value®	-4.9	17.0	20.8	17.9	7.8	9.4	10.0

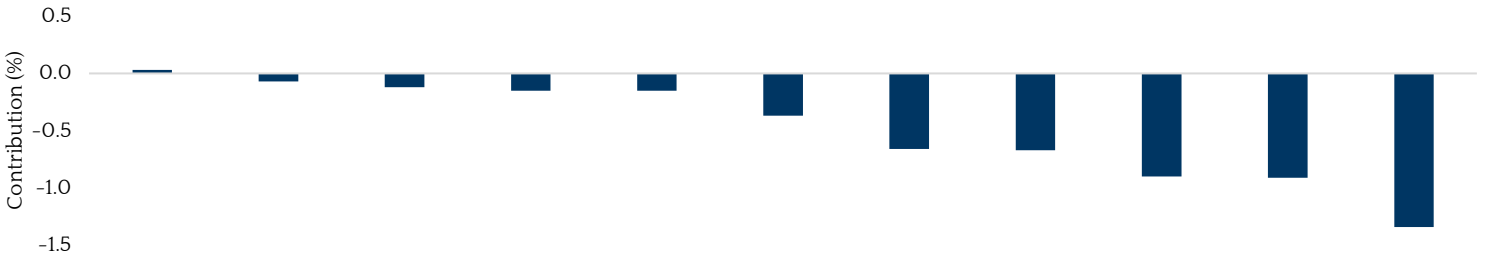
Past performance does not guarantee future results

*Characteristics are gross of fees and are computed without the deduction of fees and expenses. Performance prior to September 15, 2017 was achieved by Century Capital Management.

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% Total Effect Composite vs. Index*

6/30/2026 - 9/30/2026



	Real Estate	Utilities	Energy	Cons Staples	Comm Svcs	Materials	Cons Disc	Financials	Industrials	Health Care	Info Tech
Allocation Effect	-0.05	-0.03	0.00	-0.04	0.00	-0.01	0.13	0.01	0.08	-0.12	-0.13
Selection Effect	0.08	-0.04	-0.12	-0.11	-0.15	-0.36	-0.79	-0.68	-0.97	-0.79	-1.21
Total Effect	0.03	-0.07	-0.12	-0.15	-0.15	-0.37	-0.66	-0.67	-0.90	-0.91	-1.34

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

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Huron Consulting Group, Inc.	1.68
DHT Holdings, Inc.	1.19
CVR Energy, Inc.	0.45
ACV Auctions, Inc.	0.47
Talos Energy, Inc.	1.02

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
MYR Group, Inc.	3.15
ACM Research, Inc.	2.34
The Bancorp, Inc.	2.31
Powell Industries, Inc.	1.11
Winmark Corp.	1.52

Huron Consulting Group, Inc. (HURN) is a professional services firm that helps healthcare, education, and commercial clients improve operations and implement technology and digital transformation initiatives. Shares rose during the quarter after the company reported second-quarter revenue and earnings that exceeded expectations, prompting management to raise its full-year outlook. Growth broadened across the business, with Digital returning to growth, healthcare revenue increasing 12%, and bookings rising across all three segments. The company also continues to benefit from strong demand for artificial intelligence-related services.

DHT Holdings, Inc. (DHT) is an independent crude oil tanker company that owns and operates a fleet of very large crude carriers (VLCCs). DHT's performance was fueled by record quarterly results as tight crude supply and elevated geopolitical risk tied to the Iran conflict drove VLCC spot rates higher.

CVR Energy, Inc. (CVI) operates petroleum refining and nitrogen fertilizer businesses. CVI's performance was fueled by strong refining margins as the Iran and Russia-Ukraine conflicts disrupted refining capacity and tightened fuel supply, driving crack spreads (the difference between crude oil costs and refined product prices) to record highs.

MYR Group, Inc. (MYRG) is an electrical infrastructure contractor. Shares underperformed as investor sentiment toward electrical contractors weakened amid evolving expectations for AI-related infrastructure spending. Given MYR Group's exposure to data center construction, the stock was particularly sensitive to concerns around project timing, customer capital spending, and future profitability, despite no indication of deterioration in the company's underlying business fundamentals and reporting earnings of $3.17 vs expectations of $2.60.

ACM Research, Inc. (ACMR) provides semiconductor manufacturing equipment, with a strong focus on cleaning, plating, and other process technologies serving the global semiconductor industry. Shares underperformed alongside the semiconductor equipment group as AI spending concerns and a momentum unwind weighed on the sector. Gross margin also declined year over year despite a raised full-year revenue outlook and reporting earnings of $0.61 vs. expectations of $0.34.

The Bancorp, Inc. (TBBK) provides banking-as-a-service solutions to fintech partners, including deposit accounts, payments, and card issuance. Shares underperformed after Chime, one of the company's largest fintech partners, agreed to acquire Stride Bank and indicated plans to consolidate its banking operations with the acquired institution. While we believe the financial impact to The Bancorp is limited, the announcement heightened investor concerns about customer concentration and the potential loss of a significant partner relationship despite reporting earnings of $1.45 vs expectations of $1.36.

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Portfolio Activity

Purchases	Sector	Sales	Sector
Prestige Consumer Healthcare, Inc.	Health Care	Hawaiian Electric Industries, Inc.	Utilities
Flexsteel Industries, Inc.	Consumer Discretionary		
Otter Tail Corporation	Utilities		

Prestige Consumer Healthcare, Inc. (PBH) manufactures and markets over-the-counter health and personal care products across categories including gastrointestinal, women's health, and eye and ear care. We believe the company's diversified portfolio of established consumer brands and attractive valuation make it an appealing investment opportunity. In addition, recent acquisitions may support incremental revenue growth while expanding the company's product offering.

Flexsteel Industries, Inc. (FLXS) designs and manufactures residential furniture, including sofas, recliners, and other upholstered seating products. The company has expanded distribution through major retail partners while shifting its product mix toward higher-margin upholstered seating categories. Product innovation and the rapid growth of its wellness-focused brands have contributed to improved operating performance, and we believe these initiatives could support continued earnings growth.

Otter Tail Corp. (OTTR) is a diversified holding company whose operations include a regulated electric utility, PVC pipe manufacturing, and contract metal fabrication businesses. The company recently resolved a significant legal matter related to its pipe segment, removing a source of uncertainty, and subsequently increased its earnings outlook for the year. In addition, its regulated utility business has provided a stable and growing earnings base that, in our view, could help support more predictable financial results over time while complementing the growth opportunities offered by its non-utility operations.

Hawaiian Electric Industries, Inc. (HE) is the holding company for Hawaii's primary regulated electric utility. Recent results were pressured by higher operating costs and interest expense, resulting in earnings that fell short of expectations. In addition, the company continues to face financial obligations associated with the Maui wildfire settlement, which are expected to weigh on results for several years. We believe these factors may limit earnings growth and could create ongoing uncertainty despite the generally stable characteristics of its regulated utility operations.

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. Small Cap Value Composite 1/1/2016 - 12/31/2025

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Value Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2000 Value 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	13.1	12.1	12.6	18.2	19.9	9	0.28	469	14,199	9,000	23,199
2024	15.5	14.4	8.1	21.9	23.4	10	0.08	468	14,207	9,471	23,678
2023	17.2	16.0	14.7	20.2	21.8	9	0.15	400	12,146	8,514	20,660
2022	-12.3	-13.1	-14.5	27.2	27.3	7	0.12	324	10,083	6,799	16,882
2021	33.4	32.2	28.3	25.7	25.0	6	n/a	367	12,778	8,018	20,796
2020	8.8	7.8	4.6	27.1	26.1	≤5	n/a	197	10,746	5,523	16,269
2019	26.2	25.1	22.4	16.5	15.7	≤5	n/a	185	8,445	4,083	12,528
2018	-15.5	-16.3	-12.9	15.7	15.8	≤5	n/a	235	7,102	3,132	10,234
2017	16.9	15.8	7.8	13.9	14.0	≤5	n/a	244	7,272	3,274	10,546
2016	18.4	17.2	31.7	15.4	15.7	≤5	n/a	283	n/a	n/a	n/a

#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 – 12/31/25. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures 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 Small Cap Value Composite was created on March 31, 2014 and the inception date is November 1, 2010. Performance prior to September 15, 2017, was generated by Century Capital Management, LLC. Performance prior to March 1, 2014 was generated before the Portfolio Manager became affiliated with Century Capital Management, LLC. The Portfolio Manager was the only individual responsible for selecting securities to buy and sell and the investment decision-making process remained intact. Accordingly, composite performance is linked to performance generated prior to March 1, 2014. Because CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017, Total Firm Assets are shown as n/a for periods prior to the acquisition date. All portability requirements with respect to GIPS have been met. The composite includes all fully discretionary portfolios with a value over $100 thousand (US dollars) managed in the small cap value style for a minimum of one full month. The small cap value strategy generally invests in the equity of companies with market capitalizations between $50 million and $5 billion or that are within the range of the Russell 2000 Value Index (at the time of purchase) that trade at a discount to intrinsic value or whose earnings growth is under appreciated by the street. Prior to October 1, 2017, there was no minimum value for inclusion. The composite contained proprietary non-fee-paying assets which represented 100% of total composite assets as of December 31, 2014 and 0.14% of composite assets as of December 31, 2015 and 0.17% as of December 31, 2016. The benchmark is the Russell 2000 Value 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. Prior to January 1st, 2021, net of fees returns are calculated by reducing monthly gross returns by 1/12th of the maximum applicable annual management fee, which is 0.95%. Effective January 1st, 2021, net of fee returns are calculated on a daily basis by reducing the daily gross return by a daily equivalent of the highest stated management fee. For periods ended on or before March 31, 2011, the maximum applicable management fee was 1% on the first $50 million. For periods beginning after March 31, 2011, the maximum applicable management fee is 0.95% on the first $50 million of assets. 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 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 typically 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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The Russell 2000 Value Index measures the investment results of an index composed of small-capitalization U.S. equities that exhibit value characteristics. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. Standard Deviation is a measure of the dispersion of a set of data from its mean. It is used by investors as a gauge for the amount of expected volatility. Price-to-Book Ratio ("P/B Ratio"): A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share. Also known as the price-equity ratio.

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Value Company Risk: The stocks of value companies can continue to be undervalued for long periods of time and not realize their expected value and can be more volatile than the market in general.

Small-Capitalization Investing Risk: The securities of small-capitalization companies may be more vulnerable to adverse issuer, market, political, or economic developments than securities of large- or mid-capitalization companies. The securities of small-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than large- or mid-capitalization stocks or the stock market as a whole. There is typically less publicly available information concerning smaller-capitalization companies than for larger, more established companies.

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