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CONGRESS ASSET MANAGEMENT COMPANY

Mid Cap Growth Portfolio

Commentary | 4Q24 | Managed Accounts

Highlights

- 2024, particularly 4Q24, was challenging for the Congress Mid Cap Growth Portfolio ("the Portfolio"). The Russell Midcap Growth Index ("the Index") experienced unprecedented concentration and increasingly narrow market leadership. Two stocks, Palantir and AppLovin, both with market caps over $100bn, were 8% of the Index and accounted for over 50% of the 4Q24 return and over 30% in 2024. Active managers struggled in this environment, with only 11% beating their index in 4Q and 17% in 2024.
- Technology accounted for over 1100bps of underperformance in 2024, driven by a combination of stocks we would not own as well as weakness in some of our holdings. Not owning Palantir and AppLovin, which did not meet our profitability criteria when they were within our market cap guidelines, detracted over 550bps for the year.
- We are disappointed in our recent performance and have taken steps to address it. Eric Meyers, Portfolio Manager and Director of Research, joined the Mid Cap Investment Policy Committee in 3Q and was promoted to co- Chair in 4Q, bringing over 25 years of research experience to the group. In October we adjusted the Portfolio's market cap range, as we have done historically as needed. We increased the initial purchase ceiling from $30bn to $60bn, bringing us more in line with the Index, expanding our opportunity set, and providing flexibility to hold names that have grown.
- We also turned over approximately 50% of the Portfolio, improving our growth profile in Technology and other sectors. In Health Care we reduced our exposure to research and drug development given prolonged weaker market dynamics and reinvested in medical devices (Penumbra and Dexcom), particularly in non-elective procedures. In Consumer Staples we added companies benefiting from market share gains and multiple sources of growth (Casey's, Sprouts, US Foods).
  - Our holdings in Consumer Staples outperformed the Index sector by almost 4000bps in 2024 while our Health Care stocks outperformed by almost 500bps.
- Our high-quality, style-pure investment philosophy remains unchanged, and we continue to focus on consistency of earnings over absolute growth. Despite recent underperformance, since inception, the Portfolio has an 92% upside capture and 67% downside capture and has compounded capital 18x (gross) vs 8.6x for the Index. Net of Max Platform Fee*, the Portfolio has an 83% upside capture and 74% downside capture and has compounded capital 8.6x.

Portfolio Review

- The dominant theme in the Index during 2024, and even more magnified in 4Q24, was unprecedented concentration and narrow market leadership, driven by the largest stocks in the Index. Index performance was dominated by Technology, particularly Palantir and AppLovin which had market caps of $172bn and $115bn, above our ceiling of $75bn and 2-3x larger than the next largest stock. These stocks accounted for over 50% of 4Q24 Index returns and over 30% in 2024.
  - The top 10 largest stocks in the Index made up almost 20% of the Index, over 3 standard deviations above the 10 year average of 11%.
  - 31% of Index constituents outperformed in 2024 versus 41% in an average year.
- 4Q Index returns were driven by the post-election rally in November, which saw strong performance in the largest stocks in the Index as well as more speculative stocks. While the Portfolio had positive absolute returns during the month, we trailed the Index significantly in this environment.
- The Portfolio benefited during the quarter from some of our holdings in Consumer Discretionary, notably Deckers, which saw another strong quarter across its UGG and HOKA brands. In Health Care, Penumbra, a leading provider of medical devices for thrombectomy procedures, was a top contributor. For 2024, our holdings in Consumer Staples and Health Care were the most significant contributors.

Outlook

- We believe mid caps continue to offer an attractive value proposition.
  - Mid cap companies have achieved a level of maturity and dependability, yet still possess significant growth potential. Mid cap companies also tend to have better access to capital markets and more stable financial profiles than small caps, providing a buffer in market downturns.
  - The forward P/E of the Index relative to the Russell 1000 Growth Index is at 10% discount to long term averages, over 1 standard deviation cheap, with similar earnings growth projections for 2025 (+21.0% vs +19.9%)
- We continue to believe investors are best served by well-diversified portfolios. While AI will continue to play a dominant role in 2025, the benefits will continue to broaden beyond the megacap tech names. We have exposure across a broad swath of Technology and Industrial names that we believe are well-positioned to benefit from this trend.
  - In Industrials we have several names that continue to benefit from data center and infrastructure buildout (including EMCOR, Crane, and nVent).
  - Within Technology, we own a disruptive company in the data storage market, Pure Storage, that has consistently taken share from traditional storage and is poised to benefit from usage by hyperscalers.

Average Annualized Performance (%) as of 12/31/2024

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (10/1/1999)
Mid Cap Growth Composite (Gross)	-0.8	5.5	5.5	-3.2	9.4	10.8	12.2
Mid Cap Growth Composite (Net of Max Platform Fee*)	-1.5	2.4	2.4	-6.1	6.1	7.6	8.9
Russell Midcap Growth®	8.1	22.1	22.1	4.0	11.5	11.5	8.9

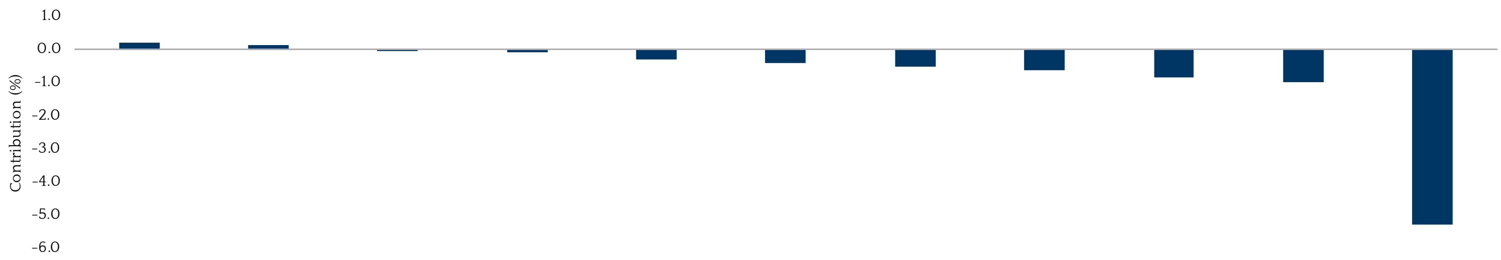
*Net Performance excludes a fee of 3.0%, applied monthly. Past performance does not guarantee future results.

This presentation is for illustrative purposes only. The performance presented is based on portfolios Congress actually manages directly in its own strategy based on the same or similar model that Congress views as reasonably representative of its management style for the Sponsor's strategy. However, since these results are not the sponsor's performance results, the performance results are hypothetical and may differ from the sponsor's actual results. This material must be reviewed and considered in conjunction with the actual sponsor performance. Performance is preliminary and subject to change at any time.

Data is as of 12/31/2024. Sources throughout this presentation: Congress Asset Management, Bloomberg, Russell Investments, and Morningstar Direct. Performance is preliminary and subject to change at any time.

% Total Effect Portfolio vs. Index

9/30/2024 - 12/31/2024



	Real Estate	Comm Svcs	Materials	Utilities	Cons Staples	Cons Disc	Health Care	Energy	Financials	Industrials	Info Tech
Allocation Effect	0.19	-0.05	-0.28	-0.10	-0.42	0.12	-0.22	-0.09	-0.08	-0.25	-0.25
Selection Effect	0.00	0.17	0.27	0.00	0.10	-0.55	-0.29	-0.54	-0.77	-0.75	-5.05
Total Effect	0.19	0.13	-0.01	-0.10	-0.32	-0.43	-0.51	-0.63	-0.86	-1.00	-5.29

Top 5 Contributors/Detractors

Stock	Avg. Weight%
Deckers Outdoor Corp.	2.87
Raymond James Financial, Inc.	3.00
Penumbra, Inc.	2.92
Pure Storage, Inc.	2.41
Take-Two Interactive Software, Inc.	2.33

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
Monolithic Power Systems, Inc.	2.07
American Eagle Outfitters, Inc.	2.24
Booz Allen Hamilton Holdings, Inc.	2.94
Onto Innovation, Inc.	2.00
MarketAxess Holdings, Inc.	1.92

Deckers Outdoor Corporation (DECK) is a footwear and apparel company known for its popular casual lifestyle and high-performance brands, including UGG, HOKA, and Teva. DECK reported another solid quarter, driven by HOKA's successful product launches, which exceeded expectations, and UGG's effective marketing and merchandising strategies, which sustained full-price sales. These positive results led to increased earnings projections and subsequent gains in the company's stock price.

Raymond James Financial, Inc. (RJF) is a diversified financial services company providing wealth management, asset management, banking, and capital markets solutions to individuals and institutions. RJF's fiscal fourth quarter report highlighted broad-based strength across all four of its business segments, with notable performance in wealth management and capital markets. The favorable market trends that contributed to these positive results are expected to continue into 2025.

Penumbra, Inc. (PEN), a leading provider of medical devices for mechanical thrombectomy and embolization procedures, reported strong Q3 2024 financial results, which drove shares higher during the quarter. The key U.S. thrombectomy segment performed well, and the company provided an optimistic outlook for fiscal year 2025. Investors are closely watching advancements in computer-aided thrombectomy for stroke treatment in the U.S. market, as well as growth in international thrombectomy, supported by new product launches. The forward-looking commentary on both areas was positive.

Monolithic Power Systems, Inc. (MPWR) is a semiconductor company specializing in high-performance power solutions. The stock declined in mid-November due to concerns that the company might lose market share in power management and voltage regulation modules within NVDA's AI-chip platform. While management has acknowledged this risk, they still expect (albeit more moderate) growth in this area, along with a cyclical rebound in their key Auto, Industrial, and Communications businesses.

American Eagle Outfitters, Inc. (AEO) is a specialty casual apparel retailer. AEO's quarterly results fell short of expectations, impacted by warm weather and hurricanes in early fall. Consumer demand was also inconsistent throughout the quarter. As a result, management adopted a more conservative outlook and lowered guidance. On a positive note, cost controls partially offset these challenges, with overhead expenses coming in better than projected.

Booz Allen Hamilton Holding Corp. (BAH) provides consulting and technology engineering solutions, including digital strategy, cyber risk consulting, analytics, and engineering, to defense, intelligence, civil, and commercial markets. The stock declined this quarter following news that the incoming Trump administration plans to reduce government spending. However, we see continued growth opportunities for BAH, as much of its work supports critical government departments that are unlikely to face draconian budget cuts.

Portfolio Activity

Purchases	Sector	Sales	Sector
Ollie's Bargain Outlet Holdings, Inc.	Consumer Discretionary	Ulta Beauty, Inc.	Consumer Discretionary
MarketAxess Holdings, Inc.	Financials	Charles River Laboratories Intl., Inc.	Health Care
Sprouts Farmers Market, Inc.	Consumer Staples	Pool Corporation	Consumer Discretionary
GoDaddy, Inc.	Information Technology	Fabrinet	Information Technology
DexCom, Inc.	Health Care	Hologic, Inc.	Health Care

Ollie's Bargain Outlet Holdings, Inc. (OLLI) is an extreme value retailer offering brand-name merchandise and private label goods. The company's growth strategy focuses on expanding its store base, with plans to more than double its locations by infilling existing markets and expanding westward. With productivity from new units, a solid balance sheet, and ample real estate opportunities, this strategy is highly achievable. Ollie's is well-positioned to perform as consumers increasingly seek value amid growing macroeconomic pressures.

MarketAxess Holdings, Inc. (MKTX) is a leading electronic fixed income trading platform. MKTX is well-positioned to deliver earnings growth and margin expansion, driven by the launch of new trading products, growing adoption of electronic trading, and a favorable macro environment for bond volatility and velocity.

Sprouts Farmers Market, Inc. (SFM) operates specialty grocery stores offering a unique selection of fresh, natural, and organic products. The company has shown consistent sales growth, robust store traffic, and margin expansion. We believe SFM will continue to attract customers with its differentiated product offering and capitalize on the growing 'better-for-you' food trend.

GoDaddy, Inc. (GDDY) offers a cloud-based platform that helps small businesses, web design professionals, and individuals connect with customers, manage operations, and improve online visibility. The company has refocused on profitability and expects to achieve a 20% annual growth rate in free cash flow through 2026. GoDaddy is experiencing success with its e-commerce solutions and recently launched an AI tool to help entrepreneurs streamline the process of acquiring a domain name and building a website.

Dexcom, Inc. (DXCM) manufactures continuous glucose monitors and other diabetes management tools. Following a recent salesforce reorganization, the company experienced a reset in revenue and earnings expectations. However, we believe these challenges are now resolved, positioning Dexcom for a return to revenue and earnings growth. We were able to acquire Dexcom shares at an attractive valuation, which we believe more than compensates for short-term risks and undervalues the company's long-term growth and earnings potential.

Ulta Beauty, Inc. (ULTA) is a leading beauty retailer specializing in makeup, skincare, and fragrances. This year, growth in the beauty category has been more moderate than management initially anticipated. Furthermore, a significant expansion in distribution points by a key competitor, combined with ineffective marketing execution in the previous quarter, has created uncertainty around Ulta's long-term outlook, prompting the decision to sell the stock.

Charles River Laboratories International, Inc. (CRL) provides research tools and services to support drug discovery and development. Recently, the financial health of CRL's customer base has weakened, as biopharmaceutical companies have scaled back spending on new projects. While CRL remains a leader in the drug discovery space, we believe its near-term prospects for revenue growth and margin expansion face significant challenges.

Pool Corp. (POOL) is the largest wholesale distributor of swimming pools and related backyard products. Persistently weak demand for new pool construction, compounded by the impact of hurricanes in the recent quarter, prompted management to lower their outlook for this segment. Given the challenging environment and the stock's valuation near multi-year highs, we made the decision to sell.

Fabrinet (FN) is a leading provider of optical packaging and precision manufacturing services, with expertise in optical, electro-mechanical, and electronic manufacturing. The company's data center business, which has seen substantial growth through its partnership with NVIDIA (NVDA), is expected to slow as NVDA diversifies its supply chain by incorporating additional suppliers of optical networking components. This development increases the risk that Fabrinet may struggle to offset the potential revenue loss with growth in other areas.

Hologic, Inc. (HOLX) develops and markets diagnostic systems, medical imaging systems, and surgical products. We believe the company's potential for margin expansion is more limited than the market expects, due to a lower growth outlook—particularly in above-average-margin segments—and ongoing logistical challenges that hinder margin expansion. Additionally, we aimed to reduce subsector concentration risk within the portfolio by selling the position.

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

Year	Total Return Gross of Fees%	Total Return Net of Fees 3%	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell Mid Cap 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)
2023	17.1	13.7	25.9	19.8	21.1	745	0.62	2,535	12,146	8,514	20,660
2022	-26.7	-28.9	-26.7	23.0	24.5	758	0.81	2,307	10,083	6,799	16,882
2021	30.6	26.8	12.7	18.3	20.2	719	0.41	3,243	12,778	8,018	20,796
2020	32.0	28.2	35.6	19.8	21.5	629	1.14	2,729	10,746	5,523	16,269
2019	35.8	31.9	35.5	12.8	13.9	558	0.49	954	8,445	4,083	12,528
2018	-3.5	-6.3	-4.8	12.2	12.8	506	0.45	850	7,102	3,132	10,234
2017	17.7	14.3	25.3	10.8	10.9	447	0.65	763	7,272	3,274	10,546
2016	13.9	10.5	7.3	12.0	12.2	105	0.54	431	5,693	2,445	8,139
2015	1.9	-1.2	-0.2	11.4	11.3	50	0.42	221	5,941	1,153	7,094
2014	13.0	9.6	11.9	10.8	10.9	41	0.51	145	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 – 12/31/22. 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. The Mid Cap Growth Composite has had a performance examination for the periods 10/1/99 – 12/31/22. The verification and performance examination reports are available upon request.

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 Mid Cap Growth Composite is October 1, 1999, which reflects the first full month in which 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 mid cap growth style for a minimum of one full month. The mid cap growth strategy invests in the equity of high-quality companies with market capitalizations between $800 million and $15 billion (at the time of purchase) 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). Prior to September 1, 2005, the composite did not include private client accounts or accounts with less than $1 million. The primary composite benchmark is the Russell Midcap Growth 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. The % of the composite represented by non-fee paying accounts at annual period end was 100% 1999-2001, 36% in 2002, 20% in 2003, 15% in 2004, 13% in 2005, 22% in 2006 and 18% in 2007. 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 performance reflects the deduction of a maximum annual model delivery fee of 3%, or 0.25% monthly. 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.

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.

IMPORTANT ADDITIONAL INFORMATION

The materials are being provided for illustrative and informational use only. Performance returns of less than one year are not annualized. Prior performance results are based on accounts that do not participate in a model delivery program with investment and operational differences such as account size and/or level of customization. There may be other reasons why the performance results differ from those of an individual account managed in the same or a substantially similar investment strategy. For example, individual accounts may differ from the strategy when applying client-requested restrictions.

There is no guarantee that the model portfolio will continue to hold any particular security and securities are held in varying percentages. Holdings are subject to change since the portfolio is actively managed. Holdings are intended to illustrate the composition and characteristics. Across client portfolios, there may be variations in holdings, characteristics and performance information as dictated by reasons such as diversification needs, specific client guidelines, account size, cash flows, the timing and terms of execution of trades, and differing tax situations.

This 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. Principal loss is possible. Past strategy returns are dependent on the market and economic conditions that existed during the period. Future market or economic conditions can adversely affect the returns. Past performance does not guarantee future results.

Under no circumstances does the information contained within constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation to buy, hold or sell securities.