

# Small Cap Growth Portfolio

Commentary | 4Q24 | Managed Accounts

## Highlights

- The 4th quarter was a challenging environment for the Congress Small Cap Growth Portfolio ("the Portfolio") as performance of the Russell 2000 Growth Index ("the Index") was dominated by lower-quality stocks (low ROE and non-earners). Stocks in the Index with negative earnings outperformed those with positive earnings by over 600bps. The Portfolio returned 0.2% (gross) and -0.6% (net of max platform fee\*) vs 1.7% for the Index.
- The Portfolio outperformed the Index in 2024, returning 20.4% (gross) and 16.9% (net of max platform fee\*) vs 15.2%, with strong performance across sectors. Four sectors contributed over 100bps to relative returns.
- Relative performance in 4Q24 was driven by broad-based security selection in Health Care and strong results in Materials. This was offset by Industrials and Technology.
- The Portfolio has shown an ability to participate in up markets and mitigate risk in down markets, relative to its Index. Since inception, the Portfolio has a 108% up capture and 71% down capture and has compounded capital 5x vs 3x for the Index (gross). Net of Max Platform Fee\*, the Portfolio has a 97% upside capture and 77% downside capture and has compounded capital 3.6x.

## Portfolio Review

- Positive absolute performance in 4Q masked significant volatility, particularly later in the quarter. November's double-digit return was the strongest monthly return since the COVID rebound in April 2020, driven by a strong post-election risk-on rally, particularly in lower quality stocks. This reversed in December, which had the weakest return in over 2 years, as rate expectations shifted higher on the hawkish commentary from the Fed's meeting.
  - The Portfolio trailed early in the quarter on mixed earnings results and strong performance from lower quality stocks. We modestly outperformed in November and December, aided by security selection in Health Care and positive earnings reports.
- The Portfolio benefited from broad-based security selection in Health Care where we outperformed the Index by 1000bps. Vericel, a provider of cell therapies for cartilage repair and skin replacement, was the top contributor on positive physician feedback and strong quarterly results. Selection in Materials also aided, driven by Knife River which, despite missing quarterly earnings estimates, made a well-received acquisition and continues to benefit from infrastructure spending.
- Industrials, one of the top contributing sectors for the year, was the largest detractor in 4Q. AeroVironment, which develops and manufactures drones, was hurt by a decline in Ukraine-related sales. Technology also detracted, particularly Calix, a provider of broadband access and communication systems that fell on weaker quarterly results.
- The Portfolio outperformed on broad-based security selection in 2024. We saw positive selection in 6 sectors with Materials, Health Care,

## Portfolio Review continued

Consumer Discretionary and Industrials contributing 100bps or more to relative performance. This was partially offset by Technology, which was primarily due to not owning Super Micro as well as weakness in some of our holdings.

- During the quarter we continued to find stocks with better growth profiles. We sold 3 holdings, including one that had grown outside of our market cap range. In Industrials, we added a position with exposure to investment in the electric grid and growing power demand from data centers. We also added holdings in Technology.

## Outlook

- Small caps continue to offer an attractive value proposition.
  - The Index trades at a significant discount to its larger cap peers - the forward P/E of the Russell 2000 Growth relative to the Russell 1000 Growth is at a over 30% discount to long term averages, almost 2 standard deviations cheap.
- We are committed to staying high quality and remain focused on persistent growth, profitability, and strong balance sheets. We believe this is particularly important as -25% of the Index has negative trailing earnings.
- We believe AI will continue to play a dominant role in 2025 and the benefits will broaden beyond the megacap tech names. We have exposure across a broad swath of Technology and Industrial holdings that we believe are well-positioned to benefit. For example, in Industrials we have several positions involved in data center and infrastructure buildup.

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

	QTD	YTD	1 Yr	3 Yrs	5Yrs	10 Yrs	Since Inception (7/1/2013)
Small Cap Growth Composite (Gross)	0.2	20.4	20.4	3.0	16.0	14.6	15.2
Small Cap Growth Composite (Net of Max Platform Fee*)	-0.6	16.9	16.9	-0.1	12.6	11.2	11.8
Russell 2000 Growth®	1.7	15.2	15.2	0.2	6.9	8.1	9.4

\*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.**

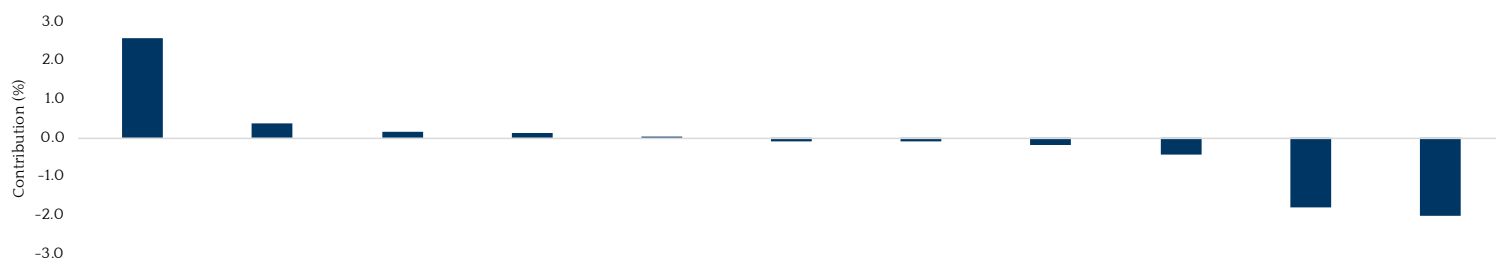
Data is as of 12/31/2024. Sources throughout this presentation: Congress Asset Management, Bloomberg, Russell Investments, and Morningstar Direct. Performance is preliminary and subject to change at any time.

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## % Total Effect Portfolio vs. Index

9/30/2024 - 12/31/2024



	Health Care	Materials	Real Estate	Energy	Utilities	Financials	Cons Staples	Comm Svcs	Cons Disc	Info Tech	Industrials
Allocation Effect	0.54	-0.09	0.16	-0.07	0.03	-0.09	0.05	0.02	0.06	0.17	0.00
Selection Effect	2.03	0.48	0.00	0.20	0.00	0.01	-0.15	-0.21	-0.51	-1.97	-2.03
Total Effect	2.57	0.38	0.16	0.13	0.03	-0.08	-0.09	-0.19	-0.44	-1.81	-2.03

### Top 5 Contributors/Detractors

Stock	Avg. Weight%
Sterling Infrastructure, Inc.	3.90
Vericel, Inc.	2.64
Interdigital, Inc.	2.27
Stride, Inc.	2.50
Sprouts Farmers Market, Inc.	3.41

### Bottom 5 Contributors/Detractors

Stock	Avg. Weight%
MGP Ingredients, Inc.	0.46
Aerovironment, Inc.	2.79
UFP Technologies, Inc.	2.45
ICF International, Inc.	1.94
Bootbarn Holdings, Inc.	2.79

**Sterling Infrastructure, Inc. (STRL)** is a leading provider of construction solutions in the U.S., specializing in large-scale site development services for industrial, public infrastructure, and residential markets. Sterling's increased focus on returns has driven profit margin expansion exceeding expectations. The demand outlook continues to be supported by an elevated backlog and pipeline of data center and advanced manufacturing construction projects, enhancing the outlook for growth and profitability.

**Vericel Corp. (VCEL)** is a leading provider of cell therapies for cartilage repair and skin replacement, focusing on the sports medicine and burn care markets. Early physician feedback on the newly launched arthroscopic version of its MACI cartilage repair product has been favorable, bolstering confidence in sustained revenue growth over the medium term. Quarterly financial results reinforced confidence, as surgeon adoption of VCEL's products continues to drive surprising revenue growth and margin expansion.

**InterDigital, Inc. (IDCC)** develops foundational technologies that power wireless connectivity and video streaming technology. IDCC continues to grow its revenue base by securing licensing agreements with smartphone manufacturers who are utilizing its intellectual property without proper compensation. This quarter's successes included a licensing agreement with Oppo, a leading Chinese smartphone producer, and a settlement with Lenovo is expected to lead to a licensing deal in the near future.

**MGP Ingredients, Inc. (MGPI)** produces premium distilled spirits, food ingredients, and branded spirits. MGPI preannounced quarterly results below expectations, including a surprising revenue decline as sluggish whiskey demand met elevated industry inventory. As this supply/demand imbalance was both unanticipated by management and expected to persist, the stock was sold from the Portfolio following this preannouncement.

**AeroVironment, Inc. (AVAV)** develops, and manufactures advanced robotic systems, providing related services to governments and commercial customers. Quarterly results showed a drop in Ukraine-related drone sales and, following the US election, defense stocks declined broadly on concerns around both Ukraine and federal spending cuts. Outside of Ukraine, adoption of AVAV drones continues, benefiting from US defense programs and demand from allied countries.

**UFP Technologies, Inc. (UFPT)** manufactures and designs custom components, products, and packaging using specialty foams, films, and plastics, primarily for the medical market. Despite quarterly results that exceeded expectations, the stock was pressured later in the quarter. The increased visibility of a key customer's insourcing initiative raised some concern that UFPT's future growth could be impacted.

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## Portfolio Activity

Purchases	Sector	Sales	Sector
InterDigital, Inc.	Information Technology	Comfort Systems USA, Inc.	Industrials
ACI Worldwide, Inc.	Information Technology	MGP Ingredients, Inc.	Consumer Staples
Rambus, Inc.	Information Technology	ICF International, Inc.	Industrials
Primoris Services Corporation	Industrials		

**InterDigital, Inc. (IDCC)** develops foundational technologies that power wireless connectivity and video streaming. The company has consistently developed, patented, and licensed its technology portfolio across multiple generations of technology standards, supporting its profitable and cash generative financial profile. Targeting double digit growth over the long term, IDCC expects growth from continued penetration of its wireless customer base as well as its emerging growth opportunity in video streaming technology.

**ACI Worldwide, Inc. (ACIW)** provides mission-critical payment software solutions to banks, intermediaries, merchants, and billers. Deeply embedded in bank customer operations, ACIW enjoys high levels of recurring revenue, profitability, and cash flow. Secular tailwinds including the digitization of payments and e-commerce have supported growth, now accelerated by ACIW's initiatives in areas such as real-time payments, fraud management, and products for a new customer base in mid-tier banks.

**Primoris Services Corp. (PRIM)** is a leading utility services contractor in the US specializing in electricity transmission and distribution, utility-scale solar power, and fossil fuel energy infrastructure. Growth is supported by utilities' capital investments including those made in the electric grid, enhanced by demand from data centers and the electrification of US industry. PRIM's small projects offer stable growth while its focus on penetrating faster growth markets - large renewables and power delivery projects - is complementary to growth, profitability, and cash generation.

**Rambus, Inc. (RMBS)** is a leading provider of chips and silicon intellectual property. With a 40% market share in the latest generation of server memory chips, RMBS is well-positioned to benefit from an expected server upgrade cycle in the coming years. RMBS technology also plays a critical role in addressing the need for efficient memory solutions in AI data centers. RMBS monetizes its technology through a licensing model; the benefits to profitability and cash flow have funded share repurchases and complementary acquisitions.

**Comfort Systems USA, Inc. (FIX)** provides mechanical and electrical contracting services across non-residential markets, supporting new construction, existing construction, and building services. FIX was sold as the stock exceeded the Portfolio's market cap guidelines.

**MGP Ingredients, Inc. (MGPI)** produces premium distilled spirits, food ingredients, and branded spirits. MGPI preannounced quarterly results below expectations, including a surprising revenue decline as sluggish whiskey demand met elevated industry inventory. As this supply/demand imbalance was both unanticipated by management and expected to persist, the stock was sold from the Portfolio.

**ICF International, Inc. (ICFI)** provides professional services and technology-based solutions to both government and commercial clients. The incoming Trump administration is expected to reduce government spending, which could negatively impact ICFI. Two key focus areas for the company—public health and energy efficiency— could become primary targets for spending cuts.

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

Year	Total Return Gross of Fees %	Total Return Net of Fees 3%	Russell 2000 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2000 Growth 3-Yr annualized ex-post St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period (\$ millions)	% of composite represented by non fee paying accounts	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	21.9	18.4	18.7	19.8	21.8	410	0.83	1,073	<1%	12,146	8,514	20,660
2022	-25.6	-27.9	-26.4	24.1	26.2	322	0.47	537	<1%	10,083	6,799	16,882
2021	41.7	37.6	2.8	20.6	23.1	303	1.24	390	<1%	12,778	8,018	20,796
2020	35.8	31.8	34.6	23.8	25.1	206	1.64	84	<1%	10,746	5,523	16,269
2019	22.9	19.3	28.5	16.9	16.4	128	0.90	41	<1%	8,445	4,083	12,528
2018	2.1	-0.9	-9.3	17.4	16.5	103	0.69	30	<1%	7,102	3,132	10,234
2017	22.4	18.9	22.2	14.8	14.6	69	0.62	25	<1%	7,272	3,274	10,546
2016	17.3	13.8	11.3	16.2	16.7	15	n/a	9	1%	5,693	2,445	8,139
2015	3.0	0.0	-1.4	n/a	n/a	≤5	n/a	1	n/a	5,941	1,153	7,094
2014	6.1	3.0	5.6	n/a	n/a	≤5	n/a	0.6	n/a	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 Small Cap Growth Composite has had a performance examination for the periods 1/1/18 - 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 Small Cap Growth Composite is July 1, 2013, 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 small cap growth style for a minimum of one full month. The small cap growth strategy invests in the equity of high-quality companies with market capitalizations between \$300 million and \$4 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 \$50 thousand (US dollars). The primary composite benchmark is the Russell 2000 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 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. It is not presented prior to 2016 because 36-month returns were not available.

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.

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