MAIRS & POWER

BALANCED *fund*

Fourth Quarter Results

December 31, 2018

FOCUSED INVESTING FOR THE LONG-TERM

MAIRS & POWER

BALANCED *fund* *(MAPOX)*

Fourth Quarter Market Overview - December 31, 2018

2018 was like a tale of two years with first and second halves presenting very different markets and investment results. In the first half of the year the market continued its historic decade-long bull run, remaining focused on a narrow group of large cap growth stocks primarily in the Technology sector while value, Industrials and Health Care stocks remained out of favor. But when the market turned down as Technology reversed course, volatility returned with a vengeance and investor confidence was severely tested. There was no Santa Claus rally this year as the fourth quarter of 2018 posted the worst December in decades.

For the fourth quarter, the S&P 500 Total Return (TR) Index fell 13.52%, pulling it down 4.38% for the full year. Similarly, the Dow Jones Industrial Average TR was down 11.31% and 3.48% and the Bloomberg Barclays U.S. Government/Credit Bond Index return was up 1.46% and down 0.42% over the same periods.

Future Outlook

As we turn the page from 2018 to 2019, the questions looming in investors' minds are: "Is this the start of a bear market or is it merely a correction, an interruption but not an end, to the longest bull market in history?" "Is this economic expansion nearing an end or can economic growth continue into 2019 and beyond?" We don't predict market swings and we cannot predict when a recession will occur. However, we remain cautious for 2019 as we are seeing a number of yellow flags signaling an increasing risk of a recession. In addition, the continuing trade tiff, a year-end government shutdown and overall political uncertainty are unnerving the markets and shaking investor confidence.

Our first area of concern is interest rates. In December, The Federal Reserve (Fed) raised the Fed funds rate for the fourth time this year and the ninth time since beginning a normalization process that began three years ago. They have signaled the possibility of two more hikes in 2019, but are watching the data closely and have indicated a willingness to change course as appropriate. It takes time for the broader economy to feel the effect of rising interest rates and we are now starting to see the impact. Small and mid-sized businesses, the primary engines of job creation, are less confident in the outlook. Mortgage rates and consumer loan rates have risen. As a result, construction activity, new home sales and auto sales have declined slightly versus the past year.

Our second area of concern is growth. Where last year saw synchronized global growth, now we are seeing a synchronized global slowdown. GDP (gross domestic product) growth in the U.S. is projected between 1.75% and 2% for 2019, down from 3%+ in 2018[1]. The ISM-Manufacturing Index, while still in expansion mode, has turned down. Two measures that track truck tonnage and shipments, considered reliable barometers of the U.S. economy, have fallen sharply in the past three months and are now projecting a decline in activity. Both Europe and China are experiencing slower growth and some emerging economies are struggling.

Finally, we are watching both the level and quality of corporate profits. S&P 500 earnings per share grew more than 20% in 2018, but we are now projecting it to grow 8% in 2019[1]. Federal tax cuts benefited earnings growth in 2018 but that tailwind disappears this year. In addition, we are seeing signs of inflation in wages, transportation and other input costs. The impact of higher tariffs is becoming evident as manufacturers see materials costs rising, especially for steel. Some report being able to pass along price increases, but pricing-driven earnings growth is generally less valuable to the market than growth from selling more units. Valuation measures such as dividend yield, price-to-earnings and price-to-cash flows have declined and are now at levels inline with long-term averages. However, equity valuations remain vulnerable in a rising rate environment and could have room for further contraction, particularly if earnings growth disappoints.

[1] Source FactShet Research Systems Inc.

Dividend yield is the ratio of a company's annual dividend compared to its share price.

Price-to-earnings is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Price-to-cash flow ratio is a stock valuation indicator that measures the value of a stock's price to its cash flow per share.

Earnings per share is the portion of a company's profit allocated to each share of common stock.

Institute for Supply Management (ISM)-Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries and is based on surveys of more than 300 manufacturing firms by the ISM .

Balanced Fund Performance Review

As a difficult year for investors drew to a close, the Mairs & Power Balanced Fund outperformed its benchmark, finishing the quarter down 6.73% compared to the composite index (60% S&P 500 TR Index and 40% Bloomberg Barclays U.S. Government/Credit Bond Index) which lost 7.63%. For the full year 2018 the Fund was down 2.80% compared to its benchmark index which lost 2.52%.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be lower or higher than the performance quoted. For the most recent month-end performance figures visit www.mairsandpower.com or call Shareholder Services at (800)304-7404. Expense Ratio 0.71%.

Our Market Commentary above describes "a tale of two years" with very different first and second halves. The market focus on a narrow group of large cap growth stocks primarily in the Technology sector presented significant headwinds to the Fund's relative performance that continued through the first half. But when the market turned, the Fund performed much better than the market during a difficult second half, a hallmark of our conservative approach. The ensuing volatility also provided us with an opportunity to increase positions in stocks we like which we believe will benefit investors over the long-term.

Stock selection built on our conservative investment framework was key to the Fund's second half performance. We are overweight in the Health Care sector which returned to investor favor in the second half, outperforming the overall market and contributing significantly to the Fund's relative performance in both the fourth quarter and the year. The names that worked for us included Abbott Laboratories (ABT), Medtronic PLC (MDT), Eli Lilly and Co. (LLY) and Pfizer Inc. (PFE), outpacing both the market and the sector. Hormel Foods Corp. (HRL) in the Consumer Staples sector was also a significant positive contributor in both periods.

Our financial holdings adversely impacted relative results as our regional and money center bank holdings reacted negatively to the continued flattening of the yield curve. The Fund remains underweight in the Tech sector, which was a negative factor for the year but helped relative performance in the second half when the whole group fell out of favor. Names in the Fund that held up relatively well include Alphabet Inc. Class C (GOOG) in the Communication Services sector and two Tech stocks new to the Fund, Microsoft Corporation (MSFT) and VISA Inc. (V).

Microsoft has successfully navigated a difficult transition from a stagnant revenue base back to growth by shifting focus from its core Office products to a subscription-based cloud platform named Azure. We see this as a great opportunity for Microsoft to compete successfully against Amazon Web Services. We traded out of our position in Western Union Company (WU), which has a deteriorating competitive position, replacing it with VISA based on its leadership position in digital payments and the strength of its global network.

General Electric Company (GE), Patterson Companies, Inc. (PDCO), ALLETE Inc. (ALE) and Physicians Realty Trust (DOC) were also eliminated from the Fund during 2018 as we determined that each company had experienced deterioration in its durable competitive advantage to the point where they were no longer attractive as components of the Balanced Fund.

Turning to the fixed income side, the bond market produced mixed results in 2018. The Fed raised rates four times last year, hiking short-term rates 100 basis points (one percentage point) while longer-term Treasury yields only rose by about 30 basis points, causing the yield curve to flatten. In addition, the gap between the yield on Corporate bonds and U.S. Treasuries of the same maturity (known as the corporate bond spread) widened as Corporate yields rose, due to a variety of factors, by nearly 100 basis points to 4.2%. While rising yields certainly make Corporate debt more attractive today than a year ago, bond prices generally drop as yields rise. As a result, the Corporate Bond Index fell 2.5% and the Government Credit Bond Index was down 0.42% while Short-Term Treasuries performed the best posting roughly a 1% gain for the year.

In selecting corporate debt for the Fund, we identify what we beleive to be high quality companies whose bonds carry a yield advantage over the index. Our low turnover philosophy has helped us hold onto that yield advantage over the years, generating excess fixed income returns. In addition, during this prolonged period of historically low interest rates, we have deliberately and incrementally positioned the portfolio toward short maturity instruments, maintaining a portfolio duration that is less than the benchmark. As a result, we hold a lower risk portfolio for a rising rate environment. At the end of the day, fixed income investors generally earn their coupons. We believe we will continue to win by investing in debt instruments issued by high quality companies possessing strong durable competitive advantages.

Kevin V. Earley	Ronald L. Kaliebe	Robert W. Thompson
Lead Manager	Co-Manager	Co-Manager

Mairs & Power Balanced Fund Performers

TOP RELATIVE PERFORMERS

FOURTH QUARTER (9/30/18 - 12/31/18)		YEAR-TO-DATE (12/31/17 - 12/31/18)	
Hormel Foods Corp.	22.33%	Abbott Laboratories	33.42%
Eli Lilly and Company	21.91%	Eli Lilly and Company	44.83%
Roche Holdings Ltd	16.57%	Medtronic PLC	19.57%
Abbott Laboratories	12.51%	Pfizer Inc.	29.20%
Ecolab Inc.	7.79%	Hormel Foods Corp.	24.07%

WEAK RELATIVE PERFORMERS

FOURTH QUARTER (9/30/18 - 12/31/18)		YEAR-TO-DATE (12/31/17 - 12/31/18)	
Schlumberger NV	-26.58%	Principal Financial Group, Inc.	-30.61%
Principal Financial Group, Inc.	-10.27%	Schlumberger NV	-40.25%
Donaldson Company, Inc.	-11.71%	3M Company	-12.53%
Bio-Techne Corporation	-15.45%	U.S. Bancorp	-7.98%
Honeywell Intl. Inc.	-3.10%	General Mills, Inc.	-27.17%

Performance shown is relative to the S&P 500 TR Index as of December 31, 2018. Relative return is the difference between the absolute return and the performance of the market, in which the position is held. Relative contribution is used for ranking, which considers average daily weightings for each holding. Past performance does not guarantee future results.

The Fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary prospectus or full prospectus contains this and other important information about the Fund and they may be obtained by calling Shareholder Services at (800) 304-7404 or by visiting www.mairsandpower.com. Read the summary prospectus or full prospectus carefully before investing.

The stocks mentioned herein represent the following percentages of the total net assets of the Mairs & Power Balanced Fund as of December 31, 2018: 3M Company 2.71%, Abbott Laboratories 2.55%, Allete Inc. 0.00%, Alphabet Inc. 2.59%, Amazon.com 0.00%, Bio-Techne Corporation 0.60%, Donaldson Company 1.05%, Ecolab Inc. 2.54%, Eli Lilly and Company 1.92%, General Electric Company 0.00%, General Mills, Inc. 0.80%, Honeywell International Inc. 2.55%, Hormel Foods Corp. 2.01%, Medtronic PLC 2.83%, Microsoft Corp. 0.94%, Patterson Companies Inc. 0.00%, Pfizer Inc. 1.37%, Physicians Realty Trust 0.00%, Principal Financial Group, Inc. 1.48%, Roche Holdings LTD. 2.01%, Schlumberger NV 0.67%, U.S. Bancorp 2.98%, Visa Inc. 0.35%, The Western Union Company 0.00%.

All holdings in the portfolio are subject to change without notice and may or may not represent current or future portfolio composition. The mention of specific securities is not intended as a recommendation or an offer of a particular security, nor is it intended to be a solicitation for the purchase or sale of any security.

Average Annual Total Returns (%)

As of 12/31/2018	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception
Mairs & Power Balanced Fund[(1)]	-2.80	6.62	5.00	9.87	6.89	9.42
Morningstar Moderate Target Risk Index [(2)]	-5.79	4.71	3.67	8.33	N/A	N/A
Composite Index [(3)]	-2.52	6.56	6.24	9.42	5.49	9.01
S&P 500 TR Index [(4)]	-4.38	9.26	8.49	13.12	5.62	N/A
Bloomberg Barclays U.S. Government/Credit Bond Index [(5)]	-0.42	2.19	2.53	3.46	4.54	N/A

Expense ratio 0.71% **Inception: 11/10/1961**

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. For most recent month-end performance figures visit www.mairsandpower.com or call Shareholder Services at (800) 304-7404.

[(1)] Performance information shown includes the reinvestment of dividend and capital gain distributions, but does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

[(2)] Morningstar Moderate Target Risk Index is designed to benchmark target-date and target-risk investment products. Index is based on well-established asset allocation methodology from Ibbotson Associates, a Morningstar company. Index has 60% global equity exposure and 40% global bond exposure. It is not possible to invest directly in an index.

[(3)] The Composite Index reflects an unmanaged portfolio of 60% of the S&P 500 TR Index and 40% of the Bloomberg Barclays U.S. Government/Credit Bond Index. It is not possible to invest directly in an index.

[(4)] The S&P 500 TR (Total Return) Index is an unmanaged index of 500 common stocks that is generally considered representative of the U.S. stock market. It tracks both the capital gains of a group of stocks over time and assumes that any cash distributions, such as dividends, are reinvested back into the index. It is not possible to invest directly in an index.

[(5)] Bloomberg Barclays U.S. Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment-grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities. It is not possible to invest directly in an index.

All investments have risks. Mairs & Power Balanced Fund is designed for long-term investors.

The Fund's share price can fall because of weakness in the broad market, a particular industry or specific holdings. Investments in small and midcap companies generally are more volatile. International investing risks include among others political, social or economic instability, difficulty in predicting international trade patterns, taxation and foreign trading practices and greater fluctuations in price than U.S. corporations. The Balanced Fund is subject to yield and share price variances with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond total returns will decline and may even turn negative in the short-term. There is also a chance that some of the Balanced Fund's holdings may have their credit rating downgraded or may default.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities.

This commentary includes forward-looking statements such as economic predictions and portfolio manager opinions. The statements are subject to change at any time based on market and other conditions. No predictions, forecasts, outlooks, expectations or beliefs are guaranteed.

ALPS Distributors, Inc. is the Distributor for Mairs & Power Funds.

MAIRS & POWER

MNP001146

W-1520 FIRST NATIONAL BANK BUILDING
332 MINNESOTA STREET
ST. PAUL, MN 55101

TEL. 800-304-7404
mutualfunds@mairsandpower.com
www.mairsandpower.com