MAIRS & POWER

BALANCED *fund*

Fourth Quarter Results

December 31, 2017

FOCUSED INVESTING FOR THE LONG-TERM

MAIRS & POWER

BALANCED *fund* *(MAPOX)*

Fourth Quarter Market Overview - December 31, 2017

The market started 2017 on a strong positive trend, welcoming the new administration and a Republican Congress in anticipation of investor friendly legislation and de-regulation. The bull market continued its run throughout the year, setting multiple record highs and, as the year came to a close, long-anticipated tax cuts were signed into law delivering a strong year for absolute returns even in conservative portfolios, particularly on the equity side.

For the fourth quarter and full year the S&P 500 Total Return (TR) was 6.64% and 21.83%, and the Dow Jones Industrial Average TR was 10.96% and 28.11%, respectively. Our other key benchmark, the Bloomberg Barclays U.S. Government/Credit Bond Index return was 0.49% and 4.00% for each period.

The market continued to favor large cap technology stocks in 2017, and the Information Technology sector is now both the largest component and the most significant factor in performance of the S&P 500 Index. Driven by a small number of names such as Facebook, Alphabet (Google), Netflix, Microsoft and Apple, the tech sector was up nearly 40% for the year, almost double the overall market.

There is much good news on a macroeconomic level. We are in an environment of widespread, synchronized economic growth around the world, yet inflation remains in check. The U.S. economy extended its most prolonged period of economic growth in recent history, and we ended the year with the third consecutive quarter of better than 3% annualized GDP (gross domestic product) growth. Consumer confidence is at a 17-year high while unemployment is at 17-year low, and small business confidence, the highest in more than a decade, is approaching historic all-time highs.

One cautionary signal is found in the fixed income market. The Federal Reserve (Fed) once again hiked the federal funds rate by 25 basis points in December, and has signaled a continued slow increase in short-term rates in 2018 with at least three rate hikes expected of an estimated 25 basis points each time. As short-term yields rose, the yields on longer maturity securities held fairly constant. While a flattening of the yield curve, which we've seen for several quarters now, often presages a slowdown in the economy. But the interest rate environment is anything but typical right now with more than $9 trillion in foreign government debt instruments issued globally currently trading at negative yields.

Dow Jones Industrial Average TR Index is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. It is not possible to invest directly in an index.

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.

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.

Basis point is a unit of measure where one basis point is equal to 1/100th of 1% or 0.01%, or 0.0001.

Future Outlook

The impact of the tax cuts on the economy will be watched closely in the coming year. Prior to the recent move, Congress had enacted seven major tax cuts since the 1960s. The average unemployment rate at the initiation of those earlier tax cuts was seven percent. With an unemployment rate of only four percent now, the current tax cuts provide a fiscal stimulus onto a fully utilized economy, an action which some have likened to "pouring gasoline on a fire."

The corporate tax cut will provide a one-time boost to earnings, especially for domestically oriented companies such as retailers, banks and smaller cap stocks that have little or no international exposure. Large cap companies with significant overseas operations may not see as large a benefit. Companies are likely to use the tax cuts for wage increases, dividend hikes, share buybacks and capital spending. The combination of wage hikes and lower personal taxes could provide a kick to consumer spending which will be positive for the economy. Wage hikes may create inflationary pressures, however, if employers are successful in pushing price hikes to offset higher labor costs. If they are not successful, higher labor costs could begin to pressure profit margins. Either scenario would create a headwind for the market.

For the first time in our memory, the market posted gains every month of 2017. In the ninth year of the second longest bull market in history, investor confidence remains at very high levels. Valuations remain near the high end of historical trading ranges, so the market is not cheap. With corporate earnings up ten percent but the market up twice that in 2017, we believe the anticipated benefits from tax cuts are already substantially priced into stocks. As a result, our outlook is for a flat market in 2018. But even a flat market can provide plenty of opportunities for patient investors with a clear plan and a strategic approach to investing.

Balanced Fund Performance Review

The Balanced Fund gained 4.01% for the fourth quarter and 11.90% for the full year 2017 compared with its benchmark composite index (60% S&P 500 Total Return Index and 40% Bloomberg Barclays U.S. Government/ Credit Bond Index) which gained 4.16% and 14.41% and the Morningstar Moderate Target Risk Index which gained 3.74% and 14.66%, for the fourth quarter and full year respectively.

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 0.72%.

Our Fund topped the $1 billion mark in early 2018 aided by very strong absolute performance, up double digits, in the previous two years. While the Fund outperformed its peer group, the Morningstar Moderate Target Risk Index, in 2016, in 2017 it lagged the peer group. While our investment approach does not exceed the market returns every year, our long-term philosophy of investing in strong, mainly mid-west, companies with a durable competitive advantage has historically produced excellent long-term results over complete market cycles and speaks for itself.

On the equity side, our portfolio had another great year with many of our companies up over 20% to 30%. However, performance in the S&P 500 was driven by a small number of large cap technology names such as Facebook, Apple, Netflix, Microsoft and Alphabet (Google), most up over 40% and a difficult bogey to beat in 2017. While we do own some Alphabet (GOOG), the Fund's relative underperformance in 2017 can be primarily attributed to our under exposure to the large cap tech sector.

The current market brings to mind the famous quote attributed to Mark Twain: "History never repeats itself but it rhymes." Over the past 25 years, we have seen Technology lead the market toward the end of two of the past three investment cycles. Our "style" has tended to lag the market towards the end of these investment cycles as excess returns become more concentrated in the biggest winners (big tech stocks in 2017). As we enter year nine the current cycle is the second longest in history. We cannot say for certain when the current cycle will end, but, similar to other long term investors such as Warren Buffett, we do not chase the top performers during the later stages of an investment cycle. We maintain our long term, disciplined approach of sticking with less cyclical companies with strong balance sheets and great businesses that hold up well in economic downturns. In the current growth-oriented market, with valuations at the high end of historic ranges, we still are finding reasonably priced opportunities to invest in solid companies exhibiting strong durable competitive advantages.

Donaldson Company (DCI) was a new name we added to the portfolio in the fourth quarter. We have been following the industrial filtration manufacturer for some time and found an opportunity toward the end of the year to acquire the

Mairs & Power Balanced Fund Performers

TOP PERFORMERS

FOURTH QUARTER (9/30/17 - 12/31/17)		YEAR-TO-DATE (12/31/16 - 12/31/17)	
Home Depot, Inc.	9.81%	Graco Inc.	43.78%
C.H. Robinson Worldwide, Inc.	11.05%	Abbott Laboratories	30.17%
3M Company	6.06%	Honeywell International Inc.	13.26%
Hormel Foods Corp.	7.20%	Home Depot, Inc.	22.78%
QUALCOMM Inc.	17.88%	UnitedHealth Group Inc.	17.99%

WEAK PERFORMERS

FOURTH QUARTER (9/30/17 - 12/31/17)		YEAR-TO-DATE (12/31/16 - 12/31/17)	
General Electric Company	-33.98%	General Electric Co.	-64.75%
United Parcel Service, Inc. Class B	-6.70%	Schlumberger, Ltd.	-39.19%
U.S. Bancorp	-6.11%	Exxon Mobil Corp.	-25.63%
Roche Holding Ltd.	-7.96%	U.S. Bancorp	-15.22%
Schlumberger	-9.28%	Western Union Company	-31.12%

Performance shown is relative to the S&P 500 TR Index as of December 31, 2017. 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.

stock at an attractive valuation as we see its end markets improving. We like the company's strategy and markets. In addition, as a Minneapolis-based company, it fits with our investment approach of sticking close to home.

Hormel (HRL) is a long-time Mairs & Power holding. Decades ago, the Austin, Minnesota-based food company was a pure commodity processor. Through the years it has successfully transitioned to become a maker of branded, value-added consumer products. That transition was accelerated recently with acquisitions. Acquired brands include Applegate Organic Meats, Skippy Peanut Butter, and CytoSport (the maker of Muscle Milk products). As it moved up the value-chain, Hormel's solid branding and merchandising capabilities strengthened these newly acquired businesses beyond the results they could have achieved as stand-alone entities. The stock sold off sharply earlier last year over market concerns about short-term pricing pressures in the commodity meat processing industry. Because we understood the company's overall strategy and remained confident that the pressures they faced were temporary, we took the opportunity to add to our position. Late last year, the market began to recognize the value creation strategy we have recognized all along and the stock has performed quite well.

Disney (DIS) is another portfolio holding that was up strongly in the fourth quarter. The move was driven by the announcement of a deal to acquire 21st Century Fox's film and television production business as well as a large catalog of movies. The acquisition, which is expected to close in 12 to 18 months, is a smart strategic move by Disney, demonstrating that their growth strategy is all about the content. They are positioning themselves to compete by offering bundles of valuable content whether delivered via cable or on-line streaming.

Turning to the fixed income side, our Balanced Fund Bond portfolio produced another year of good returns that beat the Bond Market as our average coupon of 4.5% carries a nice yield advantage over the benchmark. The Bond Market overall returned about 4%, which included the average coupon of 2.9% plus some appreciation as long bond yields actually declined in 2017 while the yield curve continued to flatten. (Remember when yields go down, bond prices rise). At Mairs & Power most bonds are held until they mature. The FED has indicated it will continue its slow rate increases in 2018 and we expect three or four rate hikes in the coming year.

In selecting bonds, we utilize one of our core Mairs & Power competencies of identifying high quality companies. We invest in corporate bonds from these companies, bonds that carry a yield advantage over the Index. Our philosophy of low turnover has helped us hold onto that yield advantage over the years and generate excess fixed income returns for our investors. In addition, during this prolonged period of historically low interest rates we have deliberately and incrementally positioned the portfolio toward short maturity instruments over the past couple of years. As a result, we maintain a portfolio duration that is less than the benchmark. This means we generally have a less risky portfolio in 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 bonds of good high quality companies with a strong durable competitive advantage.

Almost nine years into the second longest bull market in history, investor confidence remains at very high levels. The recent BitCoin phenomenon has captured a fair amount of attention as well. Amid such headlines of seemingly easy money, it can be tempting for investors to "jump off" their discipline and follow the crowd. That is not what we are going to do.

Over the past few years we have seen retirements of long-serving leaders here at Mairs & Power, with a new generation taking the reins. Even so, our philosophy of long-term value investing will not change. With decades of experience, we know that in times like these, it's important to remain disciplined and stick with what has served us and our investors so well over the long-term.

Ronald L. Kaliebe Kevin V. Earley
Lead Manager Co-Manager

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.

A coupon rate is the yield paid by a fixed-income security; a fixed-income security's coupon rate is the annual coupon payments paid by the issuer relative to the bond's face or par value.

BitCoin is a type of digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank.

The stocks mentioned herein represent the following percentages of the total net assets of the Mairs & Power Balanced Fund as of December 31, 2017: Abbott Laboratories 2.21%, Alphabet Inc. 1.32%, Apple Inc. 0.00%, Bristol-Myers Squibb Co. 0.77%, C.H. Robinson Worldwide, Inc. 1.64%, Donaldson Inc. 0.68%, The Walt Disney Company 1.37%, Exxon Mobil Corp. 1.33%, Facebook 0.00%, Graco, Inc. 1.81%, General Electric Co. 0.82%, H.B. Fuller Company 0.75%, Hormel Foods Corp. 1.91%, Home Depot, Inc. 1.86%, Honeywell International Inc. 2.55%, Microsoft 0.00%, Netflix 0.00%, Patterson Companies 0.50%, Schlumberger, Ltd. 1.28%, Target Corp. 1.03%, 3M Company 2.11%, Western Union Co. 1.01%.

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 12/31/2017	QTR[1]	1 Year	3 Year	5 Year	10 Year
Mairs & Power Balanced Fund[2]	4.01	11.90	6.71	9.34	7.60
Morningstar Moderate Target Risk Index [3]	3.74	14.66	6.93	7.95	5.81
Composite Index [4]	4.16	14.41	7.87	10.27	7.02
S&P 500 TR Index [5]	6.64	21.83	11.41	15.79	8.50
Bloomberg Barclays U.S. Government/Credit Bond Index [6]	0.49	4.00	2.38	2.13	4.08

Expense ratio 0.72%

Inception: 11/10/1961

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[1] Periods less than one year are not annualized.

[2] 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.

[3] 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.

[4] 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.

[5] 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.

[6] 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.

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