MAIRS & POWER

BALANCED *fund*

First Quarter Results

March 31, 2017

FOCUSED INVESTING FOR THE LONG-TERM

BALANCED *fund* *(MAPOX)*

First Quarter Market Overview - March 31, 2017

On rare occasions, a seemingly small change can be an early indicator of a turning point in an important long-term trend with profound implications for the future. We may be witnessing such a tipping point in the first quarter of 2017. After nearly 35 years of generally declining interest rates, the bond market appears to be at an inflection point and interest rates globally may have bottomed. In mid-2016, several of the world's bond markets experienced negative interest rates in either government debt or personal savings rates. Thankfully, the U.S. has not shared that experience, although last July the 10 year Treasury did drop below 1.4 percent, its lowest point ever. If in fact we are seeing a long-term reversal of interest rates trends, this turn in the bond markets could begin to impact investors' approach to both equity and fixed income markets.

In March the Federal Reserve (Fed) raised the Federal Funds rate, as expected, by 25 basis points (0.25 percent), and signaled that several more rate hikes are likely over the next two years. Meanwhile, the 10 year Treasury rose 80 basis points to 2.6 percent, between the election and when the Fed raised rates in mid-March, as the market expects that faster economic growth will finally raise inflation over the Fed's two percent threshold. In fact, we have recently seen the first real signs of wage inflation and the largest increases in the past five years for two key inflation indicators, the CPI (consumer price index) and PPI (producer price index). Nearly eight years into the current economic expansion the economy is running near full capacity and plans by the new administration to reduce business regulations, lower taxes and increase spending on infrastructure could prove to be more inflationary than expansionary. Higher interest rates may be the result.

With an economy already near full employment and seven-plus years into the current economic expansion, the new administration brings with it market expectations for reduced business regulations, reduced business taxes and more fiscal stimulus spending to repair our infrastructure, resulting in slightly higher economic growth. The reality of actually achieving these expectations may prove difficult, however the honeymoon period continues with the stock market up over 13% since the election. For the first quarter, the S&P 500 Total Return (TR) was 6.07 percent. The Dow Jones Industrial Average TR was 5.19 percent. Our other key benchmark, the Bloomberg Barclays Government/Credit Bond Index Return was 0.96 percent.

Dow Jones Industrial Average TR Index is a price-weighted average of 30 significant stocks traded on the New York Stock Enchange 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.

Future Outlook

Rather than merely betting on Washington coming through on campaign promises, we believe the market is responding to fundamentals. The economic outlook across the country is positive as the U.S. economy is running close to full capacity and measures of both consumer confidence and small business confidence have risen to very high levels. Over the past few years, plunging oil prices, a rapid spike in the dollar and slowing growth overseas led to lackluster revenue and earnings growth at many companies. As those conditions begin to reverse, we are seeing acceleration in revenue and earnings growth. The consensus for the S&P 500 over the next two years calls for seven percent annual growth; based on current FactSet consensus estimate. The market has priced that growth into current valuations, which remain at the upper end of their historic trading ranges. There is at least one potential wild card that could positively affect the market further. If the Republican Congress and Trump administration deliver on promised tax cuts, we could see an additional one time bump in stocks.

Balanced Fund Performance Review

The Balanced Fund finished the quarter up 3.11% compared to its benchmark composite index (60% S&P 500 Total Return Index and 40% Barclays Government/Credit Bond Index) which gained 4.01%.

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 0.73%.

On the equity side, an overweight position in the health care sector benefited relative performance, while our position in Target (TGT), discussed below, was the single largest negative factor in performance.

While the majority of stocks in our equity portfolio are large cap, from time to time we will add a smaller regional name where we find value. Two additions to the portfolio this quarter fit that description. They both are smaller Upper Midwest companies and are held in the Mairs & Power Small Cap Fund where we have been able to closely watch them for years. One is Physicians Realty Trust (DOC), a Milwaukee-based Real Estate Investment Trust focused on health care facilities. The company provides exposure in the health care real estate niche and continues to hit all its milestones. It also issues investment-grade debt which we hold as well. Recent investor concerns over agriculture (Ag) sector weakness provided an opportunity for us to add another name, Great Western Bancorp (GWB), a South Dakota-based community bank operating in the Midwest and Southwest. The company is well run and efficient and should benefit from a rising interest rate environment, more than offsetting any sector concerns.

The biggest mover in our portfolio last quarter was Target (TGT) which was down nearly 30 percent in the period and the single largest negative contributor to performance. The company, like many brick-and-mortar retailers, is being hurt by on-line competition. Management has responded and has taken several steps to become more competitive online, as well as to boost in store traffic, which has been declining. While Target's on-line sales have grown, they are less profitable than in-store sales, causing us to re-evaluate our outlook for the company's profitability and growth potential as we continue to hold Target in the Fund. While we have seen many of Target's competitors struggle even more, some even disappearing, we believe Target is a long-term survivor that should benefit from the industry shake up currently underway.

Mairs & Power Balanced Fund Performers

TOP PERFORMERS

FIRST QUARTER (12/31/16 - 3/31/17)

Baxter International Inc.	10.89%
Abbott Laboratories	9.55%
Graco, Inc.	7.23%
Medtronic PLC	7.03%
Roche Holdings LTD	6.20%

WEAK PERFORMERS

FIRST QUARTER (12/31/16 - 3/31/17)

Target Corp.	-29.66%
Exxon Mobil Corp.	-15.21%
Chevron Corp.	-14.85%
Schlumberger, Ltd.	-13.04%
United Parcel Service, Inc. Class B	-12.47%

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

Past performance does not guarentee future results.

As we enter 2017, the bond market is perhaps at an inflection point after more than three decades of generally declining interest rates. The 10 year Treasury has risen 80 basis points to 2.6% since the election as the market expects slightly faster economic growth to finally raise inflation over the Federal Reserve's two percent threshold, which should bring a rise in short-term interest rates. Late in the quarter, Janet Yellen and the Federal Open Market Committee (FOMC) raised the short-term Federal Funds Rate 25 basis points to 0.875%, and stated that the FOMC expects to raise rates two more times in 2017, three times in 2018 and four times in 2019. Although the FOMC usually overestimates economic growth and the number of times it will raise rates, early 2017 marks the first time in several years that the bond market is actually paying attention to Mrs. Yellen and the FOMC.

The interest rate environment of the past several years has given stocks an advantage over bonds. Comparing 3M corporate debt to 3M stock (MMM) illustrates the point nicely. During September 2016, 3M issued a new 10 year bond paying 2.25 percent. Meanwhile the dividend yield on 3M stock was roughly 2.50 percent, creating a significant relative value challenge to the bonds. For example, if you invested $100 in a 3M bond, you would earn $2.25 annually and get your $100 back when the bond matured at the end of 10 years. If you invested $100 in 3M stock with a dividend yield of 2.50 percent, you would expect the dividend to grow (it has grown 15 percent annually for the past five years) and you'd also expect your $100 investment in the stock to be worth more after ten years. Thus, aside from the relative safety of bonds vs. stocks, bonds did not offer a compelling economic advantage over stocks in 2016.

While we don't expect this relative value gap to entirely swing the other way, we do think that the relative attractiveness of bonds could increase as interest rates rise, creating potential opportunities for bond investors. We create laddered bond portfolios of individual fixed income securities that are held to maturity, rather than purchasing bond funds which can decline in value when interest rates rise. As a result, we continue to benefit from bonds purchased eight to ten years ago when interest rates were higher. Bonds purchased more recently have offered lower yields making them less attractive than dividend paying stocks, in some cases. Because of this, for the past several years we have favored shorter maturity bonds. If interest rates rise we will then have the opportunity to reinvest maturing bonds at higher rates.

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.

The stocks mentioned herein represent the following percentages of the total net assets of the Mairs & Power Balanced Fund as of March 31, 2017: Abbott Laboratories 1.80%, Baxter International Inc. 0.73%, Chevron Corp 1.49%, Exxon Mobil Corp. 1.78%, Graco, Inc. 1.98%, Great Western Bancorp 0.31%, Medtronic PLC 2.96%, Physicians Realty Trust 0.32%, Target Corp. 1.15%, 3M Corp. 1.86%, Roche Holdings LTD 1.80%, Schlumberger, Ltd. 1.49%, United Parcel Service, Inc., Class B 2.34%.

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 3/31/2017	QTR[1]	1 Year	3 Year	5 Year	10 Year
Mairs & Power Balanced Fund[2]	3.11	10.27	5.84	8.91	7.07
Composite Index [3]	4.01	10.31	7.39	9.00	6.55
S&P 500 TR Index [4]	6.07	17.17	10.37	13.30	7.51
Bloomberg Barclays U.S. Government/Credit Bond Index [5]	0.96	0.54	2.69	2.46	4.34

Expense ratio 0.73% **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) 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 interst rates and market condidtions. 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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