



MAIRS & POWER

GROWTH *fund*

Third Quarter Results

September 30, 2018

FOCUSED INVESTING FOR THE LONG-TERM

GROWTH *fund* (MPGFX)

Third Quarter Market Overview - September 30, 2018

Economic fundamentals remain strong with second quarter gross domestic product (GDP) growth above 4% and the third quarter come in at 3.5%. Both business and consumer confidence remain near all-time highs and solid job growth has pushed the unemployment rate down to a historically low 3.7%.

Even though the market recently backed off of its all-time highs, stock market fundamentals remain strong as well. Annual revenue growth for S&P 500 companies has continued to accelerate, likely reaching 9% in the third quarter. Year-over-year earnings growth was 25% for the first two quarters of 2018 and is estimated to stay in the high teens in the third quarter. The stock market in the U.S. has transitioned from a focus on a handful of fast growing technology stocks to broader market participation. With healthcare and industrials leading the way, every market sector in the third quarter had a positive return, with the exception of energy stocks.

For the third quarter, the S&P 500 Total Return (TR) was 7.71% and was 10.56% for the first nine months of the year. The Dow

Jones Industrial Average TR was 9.63% and 8.83%, respectively and the Bloomberg Barclays U.S. Government/Credit Bond Index return was 0.06% and -1.85% over the same periods.

Please note that we expect to report our estimate of capital gains for the year in mid-November for all three Funds. Please check our website for these estimates, www.mairsandpower.com.

Past Performance is not a guarantee of future results.

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 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

While economic and market fundamentals are strong, we remain cautious in our outlook for the near-term. We calculate that about half of the growth in earnings this year is due to lower corporate tax rates. We believe this tax benefit tail wind will disappear in 2019. Wage growth has been gradually accelerating, putting pressure on corporate profits. Inflation is slowly moving higher and now stands above the Federal Reserve (Fed) target rate of 2%. This is an important factor behind the Fed's plans to continue moving interest rates higher. We have seen three hikes so far this year, expect a fourth before year-end and at least two more next year. Higher interest rates put equity valuations at risk and disproportionately impact small and mid-sized companies, which are the primary drivers of job growth.

We also watch the housing and auto sectors, important drivers in our consumer-led economy. As home prices and mortgage rates continue to move higher, the housing affordability index has fallen significantly. Thirty-year fixed rates are now above 4.5% and sales of existing homes have declined over the past six months. Auto sales are also affected by interest rates and have been in decline for the past year. The continuations of these two trends could single pressure on economic growth.

We are seeing transitions on the international front as well. The period of synchronized global growth we had seen for several quarters has stalled with emerging markets running into trouble. High debt levels and declining currencies, exacerbated by uncertainties caused by U.S. tariffs, have pushed several emerging markets into bear market territory. Interest rates are rising in most developed economies and the era of negative rates appears to have come to an end. Finally, while we think we are seeing more of a trade "tiff," tariff hikes are a potential threat to industrial sector stocks if a real trade war does break out.

The bull market and economic expansion are setting longevity records as they approach the ten year mark. While we are not calling a turn here, we may be in the autumn of the current cycle.

Growth Fund Performance Review

The Mairs & Power Growth Fund gained 10.91%, the S&P 500 Total Return (TR) benchmark gained 7.71% and the Lipper Multi Cap Core Funds Index of peers gained 6.01% in the third quarter. For the nine months year-to-date, the Growth Fund is up 8.41%, while the S&P benchmark and the peer index are up 10.56% and 8.50% 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 0.64%.

While pleased with the Fund's strong performance in the quarter, our focus remains on long-term investment returns. In last quarter's report to fund holders, we reviewed the Mairs & Power investment strategy built on our long-term style, our disciplined approach to buying companies showing higher average returns at attractive valuations, our focus on companies in the Upper Midwest and our multi-cap approach. We believe the third quarter results illustrate some of the benefits of our strategy.

The stock market in the U.S. seems to be transitioning from a focus on a handful of fast growing technology stocks that had characterized the past several quarters and had negatively impacted the Fund's relative performance, since we are underweight in the sector. Market interest is now broadening and in the third quarter all sectors, with the exception of energy, showed positive returns. Tech still leads the way, up 25% for the year, followed by consumer discretionary, up 22%, though healthcare was the top performing sector in Q3.

Stock selection was the most significant positive contributor to the Fund's relative performance in the quarter and year-to-date. Both healthcare and communication services sectors were top contributors in both periods, with industrials also a positive contributor in the third quarter but not for the full year. With an aging population globally and rising wealth in emerging economies, we regard healthcare as a growth market. We remain overweight in the sector and benefited from the strong move. Our holdings in Abbott Laboratories (ABT), Eli Lilly and Company (LLY), Pfizer Inc. (PFE) and Bio-Techne Corp (TECH) were significant contributors, outperforming both the healthcare sector and the broader market in both the quarter and year-to-date. Abbott led the sector with improving fundamentals built on solid execution and good news from recent FDA approvals for new medical devices.

The industrial sector, which has been under pressure this year, enjoyed a bit of a bounce back in Q3. Donaldson Company Inc. (DCI), a Twin Cities-based industrial filter supplier, illustrates the value of our disciplined approach of investing, at reasonable prices, in solid companies with durable competitive advantages. The company has been making substantial investments in technology, new products, and international marketing, which had caused some investors concerns. We looked past those worries, viewing the negative sentiment as an opportunity to add to our position, recognizing the company was implementing a strategy that strengthens its competitive advantage. The benefits of that strategy became evident in the quarter and the stock was rewarded.

As we mentioned in the market commentary, we expect to report an estimate of capital gains for the year in mid-November, please check our website for these estimates www.mairsandpower.com. For the Mairs & Power Growth Fund we currently expect the gains in 2018 to be lower than they were in 2017.

Mark L. Henneman Andrew R. Adams
Lead Manager Co-Manager

Mairs & Power Growth Fund Performers

TOP RELATIVE PERFORMERS

THIRD QUARTER (6/30/18 - 9/30/18)		YEAR-TO-DATE (12/31/17 - 9/30/18)	
Bio-Techne Corp.	30.49%	Bio-Techne Corp.	47.96%
Donaldson Company	21.94%	Abbott Laboratories	19.78%
Abbott Laboratories	13.11%	Medtronic PLC	13.32%
Medtronic PLC	8.45%	Ecolab Inc.	7.27%
Fastenal Company	13.69%	Donaldson Company	9.87%

WEAK RELATIVE PERFORMERS

THIRD QUARTER (6/30/18 - 9/30/18)		YEAR-TO-DATE (12/31/17 - 9/30/18)	
Schlumberger NV	-16.09%	3M Company	-19.30%
H.B. Fuller Company	-11.19%	General Mills, Inc.	-35.96%
Toro Company	-8.18%	Principal Financial Group, Inc.	-25.26%
Wells Fargo & Company	-12.21%	U.S. Bancorp	-10.11%
General Mills, Inc.	-9.67%	Toro Company	-18.02%

Performance shown is relative to the S&P 500 TR Index as of September 30, 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 Growth Fund as of September 30, 2018: 3M Company 3.99%, Abbott Laboratories 3.14%, Bio-Techne Corp. 3.01%, Donaldson Company 3.80%, Ecolab Inc. 4.86%, Eli Lilly and Company 0.92%, Fastenal Company 2.40%, General Mills, Inc. 1.50%, H.B. Fuller Company 1.78%, Medtronic PLC 4.01%, Pfizer Inc. 1.81%, Principal Financial Group 1.95%, Schlumberger NV 1.73%, Toro Company 2.19%, U.S. Bancorp 4.68%, Wells Fargo & Company 1.16%.

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 9/30/18	QTR ⁽¹⁾	1 Year	3 Year	5 Year	10 Year
Mairs & Power Growth Fund ⁽²⁾	10.91	15.20	15.65	10.96	11.03
S&P 500 TR Index ⁽³⁾	7.71	17.91	17.31	13.95	11.97
Lipper Multi-Cap Core Funds Index ⁽⁴⁾	6.01	15.25	15.49	11.76	11.13
Expense ratio 0.64%			Inception: 11/07/1958		

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⁾ 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 S&P 500 Total Return (TR) 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.

⁽⁴⁾ Lipper Multi-Cap Core Funds Index measures the performance of the 30 largest mutual funds that invest in a variety of capitalization ranges, without concentrating 75% or more of their equity assets in any one market capitalization range over an extended period of time, as determined by Lipper, Inc. It is not possible to invest directly in an index.

All investments have risks. Mairs & Power Growth 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.

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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