DECEMBER 31, 2019

Balanced Fund

FOURTH QUARTER RESULTS

MAIRS & POWER

Focused Long-term Investing

Market Overview | Fourth Quarter 2019

2019 was a year for the record books! On the heels of the worst December since the Great Depression, U.S. markets started 2019 with the best January performance in three decades and finished at record highs, posting returns that were among the best in the past 50 years.

Looking at its performance over the past three years illustrates the market's incredible ability to predict market fundamentals. In 2017, with the new Trump administration and a Republican controlled Congress enacting large tax cuts, investors anticipated tax-fueled earnings growth driving the market up 22% that year. Sure enough, in 2018 S&P 500 earnings were up 24%, driven by tax cuts and a strong economy. In 2018 however, despite strong earnings growth, the market was down 4% on the expectation that in 2019 companies would face tough comparisons as the tax induced earnings tail wind faded. Sure enough, 2019 earnings were down slightly through the first three quarters. But in 2019, despite no earnings growth, investors drove the market to record highs and one of the strongest finishes in recent memory in anticipation of a return to better growth in 2020.

For the fourth quarter and full year, the S&P 500 Total Return (TR) was 9.07%, and 31.49% respectively, the Dow Jones Industrial (TR) was 6.67% and 25.34%, and the Bloomberg Barclay's U.S. Government/Credit Bond Index was -0.01% and 9.71% respectively.

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. **Bloomberg Barclay's 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. **S&P 500 TR Index** is an unmanaged index of 500 common stocks 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. **Dividend Yield** is the ratio of a company's annual dividend compared to its share price. **Price-to-cash flow ratio** is a stock valuation indicator that measures the value of a stock's price relative to its operating cash flow per share. **Price-to-earnings ratio** is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Future Outlook

The mood among investors is certainly confident, or should we say less worried.

For most of 2019, short term rates exceeded long term rates (an inverted treasury yield curve), creating fears of a recession. But in the fourth quarter, as the yield on longer maturity bonds moved up and the Fed (Federal Reserve) cut short term rates, we saw a return to a more familiar, positively sloped treasury yield curve, reducing investor anxiety. At the same time, several economic indicators began to improve. The Institute for Supply Management's (ISM) Index for the service sector, which represents two-thirds of the U.S. economy, is signaling continued expansion. Measures of consumer confidence remain high, job growth remains strong and confidence among homebuilders recently hit a 20-year high. An easing of trade tensions and fewer tariff barriers as the Phase One deal with China promises, could further support the earnings growth the market is counting on.

Not every sign is positive, however. A measure of large company CEO confidence hit its lowest level since Q1 of 2009, before recovering some recently. A similar survey of small and mid-sized company CEO confidence reported hitting an 8-year low. The ISM Manufacturing Index took an encouraging slight uptick late in the quarter, but remains stuck below 50%, indicating little growth in the manufacturing sector. Total vehicle sales (autos and light trucks) have remained flat since 2015. Valuations such as dividend yield, price-to-cash flow (PCF), and price-to-earnings (PE) remain above historic averages, making stocks overall somewhat expensive and putting a premium on stock selection.

One additional word of caution is in order. Given the strong finish to 2019, the market may be pricing in earnings growth for 2020 even higher than the consensus of 8%, making the stock market vulnerable to disappointment or negative economic surprises.

Inverted Treasury Yield Curve represents a situation in which long-term debt instruments have lower yields than short-term debt instruments of the same credit quality.

ISM Manufacturing Index measures manufacturing output nationwide.

Consumer Confidence Index measures the degree of optimism on the state of the U.S. economy through savings and spending activities.

Mairs & Power Investment Committee Meeting

Performance Review

The Balanced Fund gained 5.33% for the fourth quarter and 20.32% for the full year compared to its benchmark composite index (60% S&P 500 Total Return Index and 40% Bloomberg Barclay's U.S. Government/Credit Bond Index) which gained 5.38% for the quarter and 22.64% for the full year. Our peer group, the Morningstar Allocation 50%-70% Equity Category was 5.06% for the fourth quarter and 18.89% for the full year.

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, please call Shareholder Services at (800) 304-7404. Expense Ratio 0.72%.

Our overweight position in the Health Care sector, which has been under pressure, and our underweight position in Information Technology, which has been the top performing sector, hurt performance on a relative basis for the year.

On an individual stock basis, Target Corp. (TGT) was among the top contributors to relative performance for the year as the Minneapolis-based retail giant benefited from moves it has been making over the past two years. The company has remodeled its stores and improved merchandising to drive traffic both to its brick and mortar locations and its on-line store, resulting in improved top and bottom line performance. The stock reacted accordingly.

Another name contributing to relative performance for the year that deserves mention was BioTechne (TECH). After a period of declines or no growth, the company has posted a consistent 10%-plus growth rate over the past several quarters, and the stock has responded. The new management team has done an exceptional job in transforming the Minneapolis-based bio-tech firm over the last seven years by expanding its addressable market through acquisitions. One recent tuck-in acquisition, Exosome Diagnostics, introduced a new fluid (blood and urine) bioassay test for prostate cancer that they believe will improve diagnostic accuracy before a tissue biopsy is called for. Company management is enthusiastic about extending this diagnostic platform to cover other medical conditions. We believe the company has a long runway ahead of it.

On the flip side, two industrial sector names, 3M Company (MMM) and C.H. Robinson (CHRW), were among the major factors hurting performance for the year. 3M, one of the Fund's largest holdings, has struggled since it lowered its outlook early in the year due to slowing end markets, particularly automotive, China, and in consumer electronics. In addition, investors have expressed concerns about the company's ongoing environmental liabilities.

We added several new names to the Fund that also deserve highlighting. We took a small position in Rockwell Automation (ROK) due to its leadership position in factory automation. As we have made the rounds of manufacturing companies as part of our research process, we noted that many were making capital investments in automation to help them deal with labor shortages and as a way to increase production with fewer workers. We think increasing automation is a permanent feature of ushering manufacturing companies into the future and Rockwell currently occupies a sweet spot in this space.

After Sherwin Williams (SHW) acquired Twin Cities-based Valspar a few years ago, we watched them to see how they would capitalize on the move. Having been holders of Valspar and familiar with that company's strengths, we liked what we saw in the newly combined company and took a position earlier in the year. They have posted strong earnings growth and a solid return on invested capital (ROIC) as they have become an even stronger competitor in both residential and industrial coatings markets. They dwarf the nearest competition in retail store counts as they replaced their major rival, PPG Industries, Inc. (PPG), at the home improvement giant Lowe's Company (LOW). Since labor, not paint, is the major cost in any commercial or residential painting job and the customer base is highly fragmented, Sherwin Williams enjoys strong pricing power.

We also added a new name, CoreSite Realty Corporation (COR), to the Fund in the quarter. The Denver-based REIT (real estate investment trust) is an IT outsource provider operating multiple data centers across eight large U.S. metropolitan areas. As the demand for outsourced data center management has continued to show strong growth driven by the rising use of streaming video, adoption of next-generation 5G data networks and the growth of cloud-based computing applications, we feel the company is well positioned. Its strategic locations in major markets and a large and growing customer base, provide a sustainable competitive advantage with historically delivering an attractive growth rate and yield for investors.

We exited two large cap names in the fourth quarter, IBM Corporation (IBM) and Exxon Mobil Corp. (XOM). In both instances, we determined the companies were seeing a deterioration in their respective durable competitive advantage. We did not like IBM's earnings profile going forward and we have been trading out of Exxon throughout the year into Chevron Corp. (CVX) as a more attractive integrated energy company investment.

On the fixed income side of the portfolio, the big market news was the return of a normal treasury yield curve, where longer maturity issues have a higher yield than shorter maturity debt. As the FED reversed course and began to ease short term rates, longer rates remained stable and fixed income securities in general saw a recovery from a difficult 2018. While U.S. government treasuries rose 7% overall, the market for corporate debt was up 14%. Our overweight allocation towards corporate debt helped the fixed income returns in 2019. Looking forward, the FED has indicated it will be "data driven" and move on interest rates only if and when indicators of inflation or unemployment prompt them to act. We anticipate rates will remain around their current levels as the FED sits on the sidelines.

As we finish year 11 of the longest bull market in history at all-time highs, we are by some measures in unprecedented territory. Even so, the tools we have relied on in the past to evaluate risk and reward have continued to work and provide us attractive investment opportunities.

Kevin V. Earley, CFA, CIC
Lead Manager
above right

Robert W. Thompson, CFA, CIC
Co-Manager
above left

Mairs & Power Balanced Fund Top & Bottom Performers

TOP RELATIVE PERFORMERS

Fourth Quarter (%) 9/30/2019—12/31/2019

UnitedHealth Group Inc.	26.73
JPMorgan Chase & Co.	10.33
Eli Lilly & Co.	9.14
Bristol-Myers Squibb Co.	18.56
Microsoft Corp.	4.75

Year (%) 12/31/2018—12/31/2019

Microsoft Corporation	26.08
Target Corporation	68.67
JPMorgan Chase & Co.	15.78
QUALCOMM Inc.	29.18
Sherwin-Williams Co.	20.72

WEAK RELATIVE PERFORMERS

Fourth Quarter (%) 9/30/2019—12/31/2019

C.H. Robinson Worldwide	-16.22
Ecolab Inc.	-11.37
Principal Financial Group, Inc.	-11.83
United Parcel Service, Inc. Class B	-10.62
Home Depot, Inc.	-14.35

Year 12/31/2018—12/31/2019

3M Company	-35.75
C.H. Robinson Worldwide	-36.20
Pfizer Inc.	-38.41
Hormel Foods Corp.	-23.63
Johnson & Johnson	-15.28

Performance shown is relative to the S&P 500 TR Index as of December 31, 2019. 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, 2019: 3M Company 2.39%, Bio-Techne Corp. 0.61%, Bristol-Myers Squibb 0.68%, C.H. Robinson Worldwide 1.67%, Chevron Corp. 1.01%, Coresite Realty Corp 0.16%, Ecolab Inc. 2.18%, Eli Lilly and Company 2.00%, Exxon Mobil 0.00%, Home Depot 1.13%, Hormel Foods Corp. 1.72%, IBM Corp. 0.00%, JP Morgan Chase 2.10%, Johnson & Johnson 2.34%, Lowe's Companies 0.00%, Microsoft Corp 2.22%, PPG Industries 0.00%, Pfizer Inc. 1.07%, Princpial Financial Group 1.84%, QUALCOMM Inc. 0.95%, Rockwell Automation 0.24%, Sherwin Williams 0.88%, Target Corp. 0.72%, UnitedHealth Group Inc. 2.22%, United Parcel Service, Inc. Class B 1.49%, Valspar 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 Annualized Returns (%) as of 12/31/2019

Fund/Index	1 YR	5 YR	10 YR	20 YR	SINCE INC
Mairs & Power Balanced Fund[1]	**20.32**	**7.28**	**9.78**	**7.64**	**9.59**
Composite Index[2]	22.64	8.45	9.87	6.00	9.09
Morningstar Category[3]	18.89	5.93	7.39	4.69	—
S&P 500 TR Index[4]	31.49	11.70	13.56	6.06	—
Bond Index[5]	9.71	3.23	3.96	5.14	—

Expense Ratio 0.72% Inception 1/10/1961

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 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] 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.

[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 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.

One cannot invest in an index.

Risks: 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.

MNP001244

mairsandpower.com

MAIRS & POWER

W-1520 First National Bank Building
332 Minnesota Street, St. Paul, MN 55101

Tel 800-304-7404