

DECEMBER 31, 2025



Growth Fund

FOURTH QUARTER RESULTS

MAIRS & POWER

— Focused Long-term Investing —

Market Overview | Fourth Quarter 2025

Artificial intelligence (AI) and increasing market concentration took center stage again in 2025. The rate of investment in technology and AI infrastructure spending is driving the market narrative with valuations pushing higher, corporate spending accelerating, and bubble-like behaviors percolating beneath the surface.

Despite the dizzying activity, there were also encouraging signs with cooling inflation, a Federal Reserve (Fed) rate cut in the fourth quarter, and continued resilience in corporate earnings. The consistency of corporate earnings is a major reason for the continued strength of the stock market. The S&P 500 is projected to deliver 12% earnings growth in 2025, which is below the beginning of the year forecast for 15% growth, but still a decent result in the face of significant policy uncertainty. Additionally, small cap companies are showing their first signs of earnings growth recovery after three years of contraction, posting 13% growth in 2025. Still, the gap between price and earnings remains wide in many places. While AI-related companies continue to command premium valuations, other sectors, particularly defensives, mid-caps, and many industrial names, remain reasonably priced. This valuation divide continues to guide much of our investment activity.

On the economic front, inflation continued to ease across the CPI, PPI, and PCE measures, landing closer to the Fed's long-term target. Though still imperfect, these readings gave policymakers confidence to begin cutting rates in the fourth quarter, albeit with dissenting opinions. While the labor market cooled in 2025, it remains on solid footing with unemployment still below five percent.

While equity markets marched toward new highs, U.S. consumers felt mounting pressure. Rising costs, including insurance, utilities, property taxes, and groceries, continued to weigh heavily on households. In response, the University of Michigan Consumer Sentiment Index fell to levels typically associated with recessionary conditions. All these data points highlight a disconnect between Wall Street optimism and Main Street anxiety.

Looking at the indices for the fourth quarter, the S&P 500 Total Return (TR) was 2.66% for the quarter and returned 17.88% in 2025. Meanwhile, the Russell 2000 (TR) was 2.19% in the quarter and 12.81% for the year, and the Bloomberg U.S. Government/Credit Bond Index was 0.90% in the fourth quarter and 6.88% for the year.

The Consumer Price Index (CPI) measures the average change over time in the prices paid by consumers for a representative basket of consumer goods and services.

The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers of goods and services.

The Personal Consumption Expenditures (PCE) measures how much U.S. households spend on goods and services.

Past performance is not a guarantee of future results.

Future Outlook

A recent McKinsey report titled, “The cost of compute: A \$7 trillion race to scale data centers,” projects that nearly \$7 trillion in capital expenditures will be needed worldwide by 2030 to build up the infrastructure needed to keep up with AI demand. For comparison, the cost of building out cloud computing infrastructure is estimated to be around \$500 billion. One of the closest comparisons to what McKinsey is estimating would be roughly \$5 trillion spent during the industrial boom, but that process took decades.

While we can't predict all that the new year will hold for the markets, we do believe we are entering a transition period for AI. As we've seen with previous periods of rapid technological innovation, the initial excitement of the building-out phase is often short lived and filled with promises (and companies) that don't ultimately live up to expectations. Given the flood of capital into AI and the increasing use of debt and unusual financing structures, there are signals that the cycle is moving into a higher risk phase.

A helpful data point as we look at 2026 and beyond is the expectation for lower interest rates. That process began in 2024, but accelerated in the second half of 2025, and is expected to further cool in 2026. Interest rate changes, up or down, take time to work their way through the economy, but it typically takes around a year to feel the effects from changes. Also, though there has been an uptick in layoffs at large companies, it is important to remember that small businesses are the real job engine in the economy, accounting for over 80% of employment. Lower rates and more importantly, rising small business profits, would likely support an uptick in hiring, and in turn, consumer confidence.

Finally, more stability in terms of trade and economic policy could also go a long way toward improving the consumer outlook. Thus far tariffs have not proved to be the economic disaster many predicted, largely since they have not been fully implemented. While the legal status of tariffs remains in limbo, a more stable environment would benefit confidence and in turn, hiring and spending.

Our approach to navigating this environment remains firmly centered on identifying businesses that will harness technological advancement (e.g., AI) over the long-term, not just during the initial build-out, which we believe can increase those companies' competitive advantages, and consequently their growth rates. While this can mean missing out on some of the early “excitement,” identifying those companies benefiting most from these secular shifts is consistent with our philosophy and process, and we believe it is a prudent strategy for both compounding and protecting wealth over the long-term.

Executive Summary

- The Mairs & Power Growth Fund underperformed its benchmark and peer group.
- While stock selection over the long-term remains positive, it was a notable headwind in 2025 with Fiserv (FI) and UnitedHealth Group (UNH) as prominent detractors from relative performance in 2025.
- JPMorgan & Chase (JPM) was a prominent contributor to relative performance in 2025, thanks to the company's outsized Corporate & Investment Banking performance, steady interest revenue, and stable credit trends. Roche (RHHBY) was another positive performer in 2025, driven by a robust pipeline of new and innovative drugs making it to market and favorable regulatory approvals.
- The Fund added Zoetis, Inc. (ZTS) and Intuitive Surgical, Inc. (ISRG) during the fourth quarter of 2025.
- Despite recent relative performance headwinds our valuation discipline has caused, we will continue to invest in stocks with durable competitive advantages that we believe are more reasonably valued than many of the stocks driving short-term performance in the benchmark.

Performance Review

The Mairs & Power Growth Fund finished the year up 10.54%, trailing both the S&P 500 Total Return (TR), which ended up 17.88%, as well as its peer group as measured by the Morningstar Large Blend index, which was 15.55% over the same period.

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 the most recent month-end performance figures, please call Shareholder Services at (800) 304-7404. Expense Ratio 0.62%.

While stock selection has historically delivered positive long-term results for our shareholders, it was a notable headwind in 2025, with **Fiserv (FI)** and **UnitedHealth Group (UNH)** standing out as prominent detractors from relative performance. Despite their recent pullbacks, both positions remain substantial long-term winners, appreciating more than 300% and 100%, respectively, since our initial investments.

Both companies experienced significant execution missteps that ultimately resulted in weaker-than-expected reported fundamentals. Prior to the deterioration in reported results, Fiserv announced an unexpected CEO departure, which is always a red flag. Although we had been trimming these positions due to stretched valuations and growing concerns around leadership uncertainty, in hindsight we should have acted more decisively in reducing our exposure to these names.

That said, we believe the challenges at both companies are largely self-inflicted operational issues rather than structural impairments to their franchises. In short, the problems appear fixable but will take time to resolve. We are therefore comfortable maintaining our current positions and believe patient capital will ultimately be rewarded as execution improves.

Our remaining underperformance this year, as in prior years, was largely driven by what wasn't owned rather than shortcomings of holdings in the portfolio. A disproportionate share of S&P 500 returns was generated by a narrow group of companies associated with AI that are trading at exceedingly high valuations. Valuations at these levels imply exceptional multi-year earnings growth and near-perfect execution. Historically, only a small minority of companies that have traded in this rarified valuation territory ultimately prove to be outstanding long-term investments. As such, we remain wary of these companies and even warier of their valuations.

Still, we believe the investments being made in AI today are laying a foundation that could drive outsized economic returns for companies able to harness the technology to accelerate innovation, increase sales, and improve profitability. During the fourth quarter, we added two such companies to the portfolio: Zoetis and Intuitive Surgical.

Zoetis (ZTS) develops, manufactures, and commercializes pharmaceuticals serving both the companion animal and livestock markets. With a portfolio of more than 300 products, the company benefits from scale, enabling sustained investment in R&D, sales, and manufacturing capabilities. Zoetis is at the forefront of integrating generative AI into its R&D processes, with the goal of accelerating drug discovery and shortening development timelines. The animal health market has limited exposure to concentrated buyers, third-party payers, and generic competition, resulting in attractive industry economics. Over the past several decades, we have also observed a steady trend toward the “humanization” of pets, and younger generations appear poised to continue this shift. Zoetis's shares have declined sharply over the past year due to heightened competitive pressures and a high-profile product launch setback, allowing us to start a position at what we believe was an attractive valuation. The company continues to invest aggressively in R&D to address critical unmet needs, including cardiovascular, oncology, and renal treatments, reinforcing our confidence in its long-term growth potential.

Intuitive Surgical (ISRG) revolutionized minimally invasive surgery with its da Vinci family of robotic surgical systems, enabling surgeons to perform complex procedures with greater precision, visualization, and control. The company has an installed base of more than 10,000 systems worldwide, which are used to perform over three million procedures annually. Each system relies on a broad suite of specialized instruments and accessories that must be replaced regularly, creating an attractive, recurring revenue stream. Intuitive Surgical is increasingly leveraging AI to enhance the system's navigation, decision making, and procedures that allow surgeons to operate more efficiently while simultaneously improving patient outcomes.



Andrew R. Adams, CFA
Lead Manager
Left

Pete J. Johnson, CFA
Co-Manager
Right

The advent of AI is not without risk. While its promise of automation and labor productivity improvements is compelling, these advances could ultimately lead to higher unemployment. In economics, this phenomenon is known as structural unemployment, which is the displacement of workers due to technological change. We've seen structural unemployment before (think of the farmer who first encountered the tractor), but the pace of today's transformation appears unusually rapid. Consequently, we are avoiding areas that could be disproportionately affected by rising unemployment driven by AI adoption.

Since its onset, AI has been the dominant theme in the stock market. While we are enthusiastic about AI's long-term potential, we believe a resilient and sustainable economy cannot rely on a single engine of growth. Reflecting this view, the Fund is comprised of investments across sectors, market capitalizations, and investment themes (e.g., technology, infrastructure, reshoring, healthcare, electrification). Our holdings are united not by any one narrative, but by a disciplined investment approach focused on durable competitive advantages, the ability to grow faster than the broader market, management teams with a demonstrated record of thoughtful capital allocation and execution, and reasonable valuation levels. Looking ahead, we remain steadfast that disciplined investing and a diversified approach will continue to create long-term value for our shareholders.

Mairs & Power Growth Fund Contributors

Year-to-Date (%) 12/31/2024—12/31/2025

LARGEST CONTRIBUTORS TO RELATIVE PERFORMANCE

nVent Electric PLC
Roche Holding Ltd. Sponsored ADR
NVIDIA Corp.
JPMorgan Chase & Co.
Microsoft Corp.

LARGEST DETRACTORS FROM RELATIVE PERFORMANCE

Fiserv, Inc.
UnitedHealth Group Inc.
Hormel Foods Corp.
Bio-Techne Corp.
Motorola Solutions, Inc.

Largest relative contributors and detractors are securities that were selected based on their contribution to the portfolio as of December 31, 2025. The performance is based on total return of the security for the period and includes only securities held for the entire period. Total return is the amount of value an investor earns from a security over a specific period and when distributions are reinvested.

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 December 31, 2025: Bio-Techne 1.54%, Fiserv Inc. 1.06%, Hormel Foods Corp. 0.93%, Intuitive Surgical, Inc. 0.51%, JPMorgan Chase & Co. 5.11%, Microsoft Corp. 10.75%, Motorola Solutions, Inc. 2.29%, nVent Electric PLC 2.20%, NVIDIA Corp. 9.40%, Roche Holding Ltd. Sponsored ADR 3.16%, UnitedHealth Group 3.00%, Zoetis, Inc. 0.41%.

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 12/31/2025

Fund/Index	1 YR	3 YR	5 YR	10 YR	SINCE INC
Mairs & Power Growth Fund¹	10.54	19.08	11.49	12.75	11.46
S&P 500 Total Return (TR) Index ²	17.88	23.01	14.42	14.82	10.73
Morningstar Large Blend Category ³	15.55	19.43	12.15	12.56	—
Expense Ratio 0.62%					Inception 11/7/1958

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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 S&P 500 TR Index is an unmanaged index of 500 common stocks that is generally considered representative of the U.S. stock market.

³ Morningstar large-blend portfolio are fairly representative of the overall U.S. stock marketing in size, growth rates, and price. Stocks in the to 70% of the capitalization of the U.S equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

S&P Small Cap 600 TR Index is an index of small-company stocks managed by Standard and Poor's that covers a broad range of small cap stocks in the U.S. The index is weighted according to market capitalization and covers 3-4% of the total market for equities in the U.S. 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 in the index.

Russell 2000 TR Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index.

Bloomberg 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 Growth Fund is designed for long-term investors.

Equity investments are subject to market fluctuations and the Fund's share price can fall because of weakness in the broad market, a particular industry or specific holdings. Investments in small and mid-cap 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.

Forside Fund Services, LLC. is the Distributor for Mairs & Power Funds.

M&PI-865996-2026-01-14

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