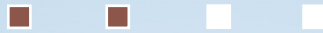


JUNE 30, 2025



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# Balanced Fund

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SECOND QUARTER RESULTS

MAIRS & POWER

— Focused Long-term Investing —

## Market Overview | Second Quarter 2025

The stock market entered bear territory in early April (20% below its peak), only to rise 25% from that low by the end of the quarter, exemplifying an unsettled environment. Tariff uncertainty, conflicts in the Middle East, rising national debt, and the worst start to a year for the dollar since 1973, have created volatility that led the markets right back to where they started at the beginning of the year.

Looking at the indices for the second quarter, the S&P 500 Total Return (TR) was 10.94% for the quarter and is 6.20% for the year. Meanwhile, the Russell 2000 (TR) was 8.50% in the quarter and is -1.79% year-to-date, and the Bloomberg U.S. Government/Credit Bond Index was 1.22% in the second quarter and is 3.95% so far in 2025. Growth stocks once again took a leadership position, particularly in Information Technology and Communication Services, while Energy and Health Care lagged. In all, nine of 11 sectors finished the quarter in positive territory.

Despite ongoing hectic headlines, the economic backdrop has remained relatively stable. The pace of inflation continues to decelerate, with the Consumer Price Index (CPI) rising just 2.4% year-over-year in June, down from 3.1% in February. Additionally, the ISM manufacturing and services surveys both improved in recent months, though manufacturing remains in contractionary territory. On the consumer front, the University of Michigan's Index of Consumer Sentiment rebounded for the first time in six months as expectations improved around tariffs and inflation.

On the negative side, the job market is showing some softening. As of the June ADP National Employment Report, private sector employment declined by 33,000 jobs, marking the first monthly drop in more than two years. While the Labor Department's employment report showed unexpectedly positive job growth and a lower unemployment rate, nearly half of the increases in nonfarm payrolls came from the government sector, suggesting private employers are pulling back on hiring due to an ongoing uncertain environment.

After contracting in the first quarter of the year, equity market valuation levels expanded back into above-average territory during the second quarter. Currently, the forward 12-month price-to-earnings ratio for the S&P 500 is 22 times earnings, above its five-and-10-year average. However, as has been the case for a while now, the S&P 600 Small Cap Index P/E is 15 times earnings, which is below both its 5-and-10-year average, indicating a persistent undervaluation of smaller companies in the current environment.

The Consumer Price Index (CPI) presents the percentage change in prices that consumers pay for goods and services.  
Price-to-earnings (P/E) Ratio is a stock valuation metric that compares a company's share price to its earnings per share (EPS).

## Future Outlook

The mixed economic data has led the Federal Reserve (Fed) to maintain its wait-and-see approach, holding interest rates steady as it monitors the potential impact from tariffs, which remain a wild card. Yet, with inflation pressure easing and the labor market cooling, the likelihood of additional Fed rate cuts in the second half of the year appears to be increasing.

A key support for the recent stock market rally has been the resiliency of corporate earnings, which have been remarkably stable despite the unsettled macro environment. Analysts expect 9% growth for the full year, a reduction from the 13% projected at the beginning of 2025 but an indication that companies are navigating the volatile environment with minimal disruption so far. However, trade uncertainty is likely to remain, and we expect more twists and turns ahead.

Beyond tariffs, inflation, and interest rates, the fervor around artificial intelligence (AI) came roaring back in the second quarter. We expect this to continue as the technology and investment surrounding AI, automation, and robotics are moving at breakneck speed. We're seeing impacts and upgrades within a year, if not a few months.

We believe these technological innovations promise to reshape not just markets, but the way businesses operate. We also believe these are the early days of disruption to entire industries, companies, and the economy. Regardless of how far along those innovations are and what's yet to come, the pace of technological advancement in recent months is nothing short of extraordinary. We remain positive on the long-term prospects for AI, automation, and robotics. From logistics to healthcare to software development, companies are already realizing gains in productivity and efficiency. Still, we are focused on our valuation discipline to find opportunities in the market. We continue to seek companies with durable competitive advantages and especially those with the scale and wisdom to sacrifice short-term profits for long-term investments in the technological advancements needed to stay ahead of their competitors.

Past performance is not a guarantee of future results.

## Executive Summary

- The Fund underperformed its benchmark by 2.77% due to equity underperformance.
- UnitedHealth Group (UNH) underperformed and is a large holding in the Fund. The stock was hampered by financial missteps, pulled guidance, and an abrupt CEO departure. We have confidence going forward but have not meaningfully adjusted our position.
- Fiserv (FI) also underperformed and is a large holding in the Fund. Lower guidance on the growth of its Clover cloud-based payment platform was to blame, but we remain convinced that Fiserv is well-positioned long-term.
- During the first half of 2025, the Fund added WEC Energy Group (WEC) and Amazon (AMZN), exited Neogen (NEOG) and Principal Financial (PFG), and trimmed Alphabet (GOOG) and U.S. Bancorp (USB).
- Fixed income outperformed due to credit selection and shorter maturities in the Fund, in general, which benefited from curve steepening (short-term rates down, long-term rates up).

## Performance Review

The Mairs & Power Balanced Fund finished the first half of 2025 up 2.66%. The Fund underperformed both the benchmark composite index (60% S&P 500 Total Return Index and 40% Bloomberg U.S. Government/Credit Bond Index), which was up 5.43%, and the Morningstar Moderate Allocation peer group, which rose 5.67%.

*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 0.71%.*

The Fund's overweight to equities generally dragged on performance due to the selection of securities during the first half, which impacted performance meaningfully. The bonds in the Balanced Fund had positive mid-single-digit total returns.

The Fund's overweight to the Health Care sector, combined with its exposure to specific names in the sector, negatively impacted relative performance during the first half of 2025. UnitedHealth had a surprising decline in the first six months of 2025 as the company mispriced its business and saw an abrupt management change. The company is likely to fix its pricing issues for new members, while it has some work to improve its Medicare Advantage managed care business. In mid-May, the company's CEO left rather abruptly while the previous CEO, Stephen Hemsley, is leaving retirement to "steady the ship." It also suspended its earnings guidance, creating unease among market participants. The company still has an enviable earnings profile and historically has proven its ability to manage through

temporary disturbances. We are holding our UnitedHealth position in the Balanced Fund and have not adjusted the Fund's position in the company since the most recent set of news. Additionally, BioTechne (TECH), which makes high quality ingredients for biopharmaceutical research and production, underperformed due to uncertainty around the industry's funding environment given recent federal funding cuts and a weak venture capital funding environment. We have taken advantage of the recent weakness to add to our Bio-Techne holdings. Offsetting these, Abbott Laboratories (ABT) outperformed as organic results improved driven by its medical devices business, specifically its core diabetes business.

The Fund's Industrials sector overweight aided results in the first half of 2025, but selection within the sector more than offset this, resulting in an overall negative relative impact for the Fund. Toro (TTC), where the Fund has a meaningful position, reported slowing revenue growth on weaker consumer sales, and the company lowered its guidance, leading the stock to fall. Offsetting this slightly was Fastenal (FAST), whose continued growth suggested market share gains as the company faces similar end market weakness on slowing industrial demand.

The Fund's overweight to the Financials sector aided performance in the first half of 2025 but was also offset by stock selection within the sector. Fiserv had a difficult first six months of 2025 as the company revised its guidance lower for its Clover product, a cloud-based payment platform, which is at the core of its growth in merchant acceptance. The company has performed well in recent years, and the Clover product has been a meaningful part of that growth. Although we remain confident in the company's future, the downward revision of expectations had an outsized impact on stock performance. Offsetting this, JPMorgan & Chase (JPM), Wells Fargo (WFC), and Visa (V) all outperformed as the expectation of a recession has diminished and a trend toward deregulation should benefit the banking and payments sectors. Wells Fargo further benefited as several consent decrees, which outline specific reforms and improvements, were lifted by various regulators. The most impactful of these was the Fed's restriction on growth, which was unprecedented and lasted seven years. With these restrictions being largely lifted, the company is now in a much better position for future growth. Separately, as evidence mounts of a declining durable competitive advantage at what has been a long-term core holding in U.S. Bancorp, the Fund meaningfully trimmed its position in the bank.

The Fund built a new position in WEC Energy during the first half of the year. This was for two reasons. WEC operates in one of the most balanced regulatory environments for a utility



**Brent S. Miller**  
Co-Manager  
*Left*

**Kevin V. Earley**  
Lead Manager  
*Right*

in Wisconsin combined with a stable service area which led us to add the name early in the quarter. Additionally, the Fund is overweight equities, and this provides a quasi-fixed income holding in Utilities where a utility has a limited return profile within its regulatorily defined returns.

The Fund also started a new position in Amazon in the second quarter, where the company is well positioned to continue capturing market share in retail while also growing its market-leading cloud business. The Fund took advantage of weakness in the stock during April to start the position as tariff news and a precipitous market decline provided an opportunity to build a position.

Alphabet led underperformance in the Communications sector during the first half of the year as there is increasing concern about the impact of generative AI on Alphabet's search business and whether it will be able to meaningfully respond. We have been trimming the Fund's holdings in Alphabet as part of the transition to Amazon but also to reflect lower confidence in the company's ability to maintain its competitive advantage longer term.

Since the beginning of the year, looking through the volatility and shifting narratives, short-term interest rates have fallen while 20-30 year interest rates have largely stood still. This has benefited the Fund as there are very few longer-term securities held in the Fund. Credit spreads, which were reflective of a benign credit environment at the beginning of the year, expanded with the market selloff in April but quickly retreated at the end of June. We have found fewer opportunities to opportunistically find excess spread lately and have generally been raising credit quality in the portfolio in small increments. We will continue to execute our strategy in fixed income, whereby we seek pockets of value and selectively research and buy bonds to help us achieve long-term outperformance.

Our equity style leads us to select companies with durable competitive advantages and attractive long-term growth prospects as this generally leads to sustainable investment returns. We seek to enter and build positions in companies at reasonable valuations. With the recent equity gyrations, the opportunities to build positions at attractive valuations have been improving, where we recently did this with Amazon. Additionally, new layers of analysis are required with the shifting geopolitical dynamics. Notably, as it relates to this, we have long had a general preference for domestic equities and domestic fixed income, which we believe leaves us less exposed to some emerging risks. While we do not make big calls on interest rates or credit cycles, we have increasingly positioned the fixed income to be less volatile in a credit cycle and continually work to improve the portfolio for the long run. This should allow us to take advantage of dislocations in the marketplace should they occur. We believe our consistent investment approach to both stocks and bonds will deliver sustainable performance over the long haul.



Mairs & Power Balanced Fund Contributors

Year-to-Date (%) 12/31/2024—6/30/2025

LARGEST CONTRIBUTORS TO RELATIVE PERFORMANCE

Casey’s General Stores, Inc.  
JP Morgan Chase & Co.  
Abbott Laboratories  
Ecolab, Inc.  
Texas Instruments, Inc.

LARGEST DETRACTORS FROM RELATIVE PERFORMANCE

UnitedHealth Group, Inc.  
Bio-Techne Corp.  
Fiserv, Inc.  
Toro Company  
Alphabet, Inc. Class C

Largest relative contributors and detractors are securities that were selected based on their contribution to the portfolio as of June 30, 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](http://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 June 30, 2025: Abbott Laboratories 2.15%, Alphabet Inc. 2.07%, Amazon.com 1.25%, Bio-Techne Corp. 0.76%, Casey’s General Stores Inc. 1.20%, Ecolab Inc. 2.36%, Fastenal Co. 1.51%, Fiserv Inc. 2.40%, JP Morgan Chase & Co. 2.37%, Neogen 0.00%, Principal Financial 0.00%, Texas Instruments 2.59%, Toro Company 1.83%, UnitedHealth Group Inc. 1.83%, US Bancorp 0.58%, Visa Inc. 2.07%, WEC Energy Group 1.16%, Wells Fargo & Co 1.19%.

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 6/30/2025

Fund/Index	1 YR	3 YR	5 YR	10 YR	SINCE INC
<b>Mairs &amp; Power Balanced Fund<sup>1</sup></b>	<b>6.67</b>	<b>8.83</b>	<b>8.33</b>	<b>7.35</b>	<b>9.33</b>
Composite Index <sup>2</sup>	11.54	12.78	9.57	9.08	9.08
Morningstar Category <sup>3</sup>	10.39	10.51	8.66	6.76	—
S&P 500 TR Index <sup>4</sup>	15.16	19.71	16.64	13.65	—
Bloomberg Bond Index <sup>5</sup>	5.89	2.61	-0.83	1.92	—
Expense Ratio 0.71%				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.*

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Morningstar Moderate Allocation Category seeks to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash. It is not possible to invest directly in an index.

<sup>4</sup> 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 is not possible to invest directly in an index.

<sup>5</sup> 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.

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.

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

The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

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.

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

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