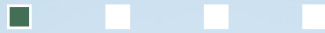


MARCH 31, 202



Growth Fund

FIRST QUARTER RESULTS

MAIRS & POWER

— Focused Long-term Investing —

Market Overview | First Quarter 2023

The big news in the first quarter was the failure of Silicon Valley Bank (SVB) which led to nervousness about the entire banking industry. SVB was closely tied to technology and venture capital businesses in the San Francisco Bay Area. Withdrawals of cash by struggling business customers happened at the same time the bank's bond portfolio, hurt by rising interest rates, declined in value. This impaired the bank's capital base, resulting in a classic "run on the bank." Fears that liquidity problems would ripple more broadly into the financial sector caused bank stocks, which performed well in 2022, to take a significant hit in the quarter.

The overall market responded to the banking situation with some jitters at first, but helped by slightly upbeat economic data, posted positive results for the first quarter. Despite the March plunge, the S&P 500 Total Return (TR) finished up 7.50%, the Dow Jones Industrial (TR) returned 0.93%, and the Bloomberg U.S. Government/Credit Bond Index rose 3.17%. While bank stocks were a drag on first-quarter market performance, they were offset by the Technology sector, which recovered from a sharp selloff in 2022.

We've worked hard to ensure our bank holdings have diversified and stable deposit bases, and we believe that they are not in danger of any serious impairment of their capital. Thanks to the regulatory requirements that arose after the last financial crisis, bigger banks are generally very well capitalized and much less vulnerable to liquidity problems. In fact, larger institutions, perceived to be more secure than smaller ones, have seen an inflow of deposits.

Despite the nervousness about the banking industry, the economy has continued to grow, even if very slowly. U.S. gross domestic product for the fourth quarter of 2022 expanded at a 2.6% annual pace and first quarter growth appears to have accelerated, helped by temporary factors.

The market delivered positive performance in the first quarter despite the continuing decline in growth estimates for corporate earnings, a key long-term driver for the market. It won't be a surprise if earnings ultimately decline slightly more from the 2022 level.

Future Outlook

So far, liquidity problems appear to be confined to a relative handful of smaller banks. One consequence of the current situation that will affect the customers of banks both large and small is that they are likely to be cautious about lending. We are already seeing this in surveys of banks' "willingness to lend," and that could have implications for the broader economy.

Generally speaking, we're seeing negative economic indicators balanced by more positive signs. On the positive side is the consumer. Retail sales have continued to grow, although at a slowing rate. Sales in February were up 5.4% from a year ago, a slowdown from the 7.7% year-over-year growth seen in the prior month. Helping maintain spending has been some recent improvement in consumer confidence. The latest data shows consumer confidence has recovered some from its low from last summer but remains well below its peak in early 2021.

The continued strength of the labor market, while a challenge for the Federal Reserve (The Fed) in fighting inflation, is a key reason why we expect any recession to be relatively mild. Even with many companies announcing sizable layoffs and the most recent data showing an increase in jobless claims, the numbers remain historically low. Unemployment did inch up to 3.5% in March, but that followed a 50-year low of 3.4% in January. Overall, the jobs picture continues to be brighter than one would expect this close to a possible recession.

The Institute of Supply Management (ISM) indices, which are broad measures of economic activity, have continued to soften. The ISM measures for both the services and manufacturing sides of the economy are at levels that indicate a contraction in activity, but not a steep decline.

Despite the housing market's continued weakness, there are signs that activity may be flattening. Existing home sales increased 15% in March from the February level. While still down 24% from a year ago, it was the first monthly increase in 14 months. Mortgage rates, which have drifted down to the current 6.4% level from 7% last fall, may be creating a mild tailwind for housing. Nevertheless, January marked the seventh straight month that home prices declined, according to the Case-Shiller National Home Price Index. We don't expect housing to come roaring back, but it does appear that the downturn may be bottoming out.

Meanwhile, the rate of inflation continues to recede. The consumer price index increased 0.4% in February, which put the annualized inflation rate at 6.0%. That was down from January's 6.4% year-over-year increase and well below the 9.1% rate seen in June 2022.

Still, the pace of that decline is slower than the Fed would like. The central bank is expected to boost interest rates at least once more this year, to slightly over 5%. Worries about fallout from the recent bank failures have resulted in lowered expectations of peak interest rates. But if the banking situation is resolved quickly and especially if inflation numbers remain stubbornly high, further increases may be ahead.

Consumer Price Index measures the overall change in consumer prices based on a representative basket of goods and services over time.

Past performance is not a guarantee of future results.

Performance Review

The Mairs and Power Growth Fund slightly underperformed the S&P 500 index for the quarter. On an absolute basis, the Fund was up 7.27% year-to-date while the index was up 7.50%. However, the Fund did outperform its peer group, as measured by the Morningstar Large Blend Category, which was up 5.81% in the quarter.

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 0.61%.

While stock selection was a positive contributor in the quarter, it was not enough to offset sector allocation. The market started off the year strong and the more cyclical sectors, such as Communication Services and Consumer Discretionary, led the market. But the Fund is underweight both sectors, which hurt relative performance. Sector allocation would have been an even bigger headwind had it not been for Energy, which was the worst performing sector in the quarter. Energy was down nearly 5% in the quarter and the Fund's lack of exposure to this sector helped performance.

Financials were roiled in the quarter thanks to the Silicon Valley Bank and Signature Bank failures. Even though the Fund has a similar weight to Financials as the index, our bank stocks—US Bank (USB), JPMorgan Chase (JPM), Wells Fargo (WFC), and Charles Schwab (SCHW)—fell more than the Financials sector and hurt relative performance. We have performed a thorough analysis of our banking stocks and believe that they will exit this banking event intact, and a few may even benefit from the sector turmoil. For example, JP Morgan, one of the banks deemed “too-big-to-fail,” has benefited from an inflow of deposits from smaller institutions. As such, the Fund took advantage of the volatility in the quarter and added to its position.

As we have mentioned in previous months, we have slowly reduced our underweight position in the Technology sector over the past several years, as we have added a number of names that fit our investment strategy. Many of these investments had impressive returns in the quarter and our relative performance in the tech sector was a bright spot. Four out of our top 5 performing names in the quarter were either Technology or Technology-related names, including: NVIDIA (NVDA), Alphabet (GOOG), Littelfuse (LFUS), and Microsoft (MSFT). The stocks all benefited from a positive shift in investor sentiment in the quarter toward growth stocks, reversing last year's trend. NVIDIA, Alphabet, and Microsoft also all benefited from their exposure to artificial intelligence and the headlines garnered from the widespread launch of ChatGPT a large language model developed by Microsoft partner, OpenAI. In the

current tight labor market, there is a lot of enthusiasm around the efficiency this technology could bring to many industries. Alphabet and Microsoft are working furiously to build it into their products and NVIDIA has benefited as it currently has the best hardware to train and run large AI algorithms.

The largest detractors from relative performance in the quarter were US Bank, Charles Schwab, UnitedHealth Group (UNH), and Hormel (HRL). The first two got caught up in the previously mentioned bank scare. With the selloff in the quarter, we have added to US Bank selectively, but more so to JPMorgan as it appears better positioned to gather deposits in the current environment. UnitedHealth Group was hurt in the quarter as initial rate proposals for Medicare Advantage managed care were more negative than hoped. Fortunately, the final reimbursement rates announced after the quarter are not nearly as ominous. Finally, Hormel struggled in the first quarter with excess inventories and pricing that has not kept up with peers. We have cautiously added to the position, as it will likely take some time for the management team to get its operations in order.

Going forward, the Fund should be well positioned to benefit from the commercialization of artificial intelligence. It should also benefit as interest rates stabilize and bank stocks recover from the volatility in the first quarter. Higher deposit costs will hinder margins, but at the same time higher rates on loans should ease that pain. We will continue to take advantage of short-term volatility when we see long term opportunity.



Andrew R. Adams, CFA
Lead Manager
above left

Pete J. Johnson, CFA
Co-Manager
above right

Mairs & Power Growth Fund Contributors

Year-to-Date (%) 12/31/2022—3/31/2023

LARGEST CONTRIBUTORS TO RELATIVE PERFORMANCE		LARGEST DETRACTORS FROM RELATIVE PERFORMANCE	
NVIDIA Corporation	90.10	Charles Schwab Corp	-36.89
Littelfuse, Inc.	22.03	U.S. Bancorp	-16.22
Microsoft Corporation	20.52	Hormel Foods Corporation	-11.93
Alphabet Inc. Class C	17.21	UnitedHealth Group Incorporated	-10.54
Ecolab Inc.	14.11	Bio-Techne Corporation	-10.39

Largest relative contributors and detractors are securities that were selected based on their contribution to the portfolio as of March 31, 2023. The performance number shown is 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. Past performance does not guarantee future results.

Average Annualized Returns (%) as of 3/31/2023

Fund/Index	1 YR	5 YR	10 YR	25 YR	SINCE INC
Mairs & Power Growth Fund¹	-8.69	10.33	10.35	9.24	11.20
S&P 500 TR Index ²	-7.73	11.19	12.24	7.39	10.27
Morningstar Large Blend Category ³	-7.35	9.09	10.16	6.49	—
Expense Ratio 0.61%	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 top 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.

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 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.

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 March 31, 2023: Alphabet, Inc. 4.75%, Bio-Techne Corp. 2.64%, Charles Schwab Corp 1.06%, Ecolab, Inc. 3.51%, Hormel Foods Corp. 2.61%, JP Morgan Chase 2.50%, Littlefuse Inc. 2.94%, Microsoft Corp. 9.30%, NVIDIA Corp. 4.57%, UnitedHealth Group Inc. 5.24%, US Bancorp 3.21%, Wells Fargo Co. 1.27%.

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.

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.

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

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