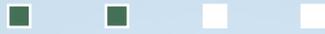


JUNE 30, 2023



Growth Fund

SECOND QUARTER RESULTS

MAIRS & POWER

— Focused Long-term Investing —

Market Overview | Second Quarter 2023

After a period in bear territory, the market has risen 24% from its low last fall. Improvement on the inflation front and better than expected economic news have boosted investor confidence. In the second quarter, the S&P 500 Total Return (TR) gained 8.74% and the S&P SmallCap 600 Total Return (TR) was up 3.38%, while the Bloomberg U.S. Government/Credit Bond Index was -0.93%. For the year, the S&P 500 TR is up 16.89%, the S&P 600 TR is at 6.03%, and the Bloomberg U.S. Government/Credit Bond Index returning 2.21%.

But the overall performance so far this year masks the fact that most of the market has actually been flat or down. In fact, the top six stocks in the S&P 500 have accounted for virtually all of the market's return this year. Of the remaining stocks in the index, the net return was essentially zero, even though some were up, and some were down. Much of this increase was from the Technology sector which has been driven by investor excitement over artificial intelligence (AI), and they've been posted mostly by five or six big Technology names, such as Alphabet (GOOGL), Amazon (AMZN), Microsoft (MSFT), and Nvidia (NVDA). Strip out those AI-connected powerhouses from the data, and the performance numbers are notably lower.

Additionally, the next 12 months (NTM) price-to-earnings ratio for the S&P 500 continued to expand into overvalued territory at 19.1 times earnings, above the 10-year average of 17.4 times earnings, driven by those same large technology stocks. Valuations outside of tech are more reasonable and sit closer to the long-term average.

That imbalance has also been reflected in uneven earnings numbers, a key to market performance. While results for the first quarter were better than expected, estimates of earnings growth are being reduced, and those estimates vary substantially across sectors of the market.

In 2022, despite the bear market, earnings grew 9%. However, this was well below expectations at the beginning of the year. That trend has continued in 2023. While the consensus estimates call for 2% earnings growth for this year, that number has been reduced over the past several months as well.

All this to say, there's an unusual amount of uncertainty about where we're headed.

Price-to-earnings ratio is a stock valuation metric that compares a company's share price to its earnings per share (EPS). Earnings per share is a company's net profit divided by the number of common shares it has outstanding.

Future Outlook

While some economic indicators remain positive, others suggest unsettled conditions on the horizon. These mixed signals have given rise to a divergent range of forecasts for the rest of the year. Some observers predict a significant recession. Others think that the landing will be a soft one. Still others believe there will be no recession at all, and that the market will continue to post gains.

On the negative side, industry surveys indicate that banks are becoming significantly less willing to lend. In addition, retail spending has slowed to a crawl, particularly for higher priced discretionary goods. The Institute of Supply Management (ISM) index shows a weakening manufacturing sector, with data levels suggesting that recession is likely. And while GDP grew 1.1% in the first quarter, this was a marked slowdown from the 2.6% growth rate in the fourth quarter of 2022.

On the other hand, the ISM services index still indicates growth, and has even improved recently. Additionally, the labor market remains remarkably strong. Despite some major layoffs, U.S. employers have added more than 1.5 million jobs this year through June, unemployment remains near historic lows, and average hourly earnings have been rising at a healthy clip. Also, consumer confidence has improved, helped by the slowing pace of inflation.

The housing sector, meanwhile, has been sending mixed messages of its own. In June, the Case-Shiller National Home Price Index fell 1.7% year over year. With mortgage rates at 6.8%, the sales of existing homes have fallen 36% from the peak in early 2021, when interest rates were significantly lower. However, housing turnover has slightly improved recently as buyers adjust to the higher rates. Homeowners with low interest rate mortgages are reluctant to move, so the inventory of homes for sale remains low, keeping prices high.

All this continues to challenge the Federal Reserve (Fed) in its battle against inflation. The headline inflation rate slowed to an annual rate of 3.0% in June, though core inflation, which excludes food and energy, was 4.8% and has shown only moderate improvement this year. At the beginning of the year, there were hopes that the central bank would cut rates in 2023. While the Fed did forgo a rate hike in June, Chairman Jerome Powell has recently signaled at least two more increases are likely as the Fed pursues its goal of getting inflation down to 2%.

As always, we keep a long-term view of the market. We continue to have a favorable long-term view on Technology given the growth in artificial intelligence, automation, and cloud computing but are cautious near-term as valuations appear to be over-extended. While AI has received much of the media coverage of late, we also see value in traditional companies with the ability to utilize a new wave of technological advancement.

Overall, we are witnessing valuations going up due to a narrow market, earnings expectations coming down, and a host of mixed economic signals. However, our outlook for the market remains positive, even if there may be some turbulence in the near term.

Past performance is not a guarantee of future results.

Performance Review

The Mairs and Power Growth Fund has had a positive start to the year, up 18.82%. This compares favorably with the S&P 500 TR Index, which was up 16.89% and the peer group as measured by the Morningstar Large Blend category, which was up 13.39%.

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 0.63%.

While sector weights relative to the index were a slight drag on relative performance, the real driver of relative outperformance in the first half was stock selection. An underweight of the outperforming Consumer Discretionary sector and overweight of the underperforming Healthcare and Industrial sectors hindered performance, while holding no Energy stocks in that underperforming sector helped relative performance.

Regarding stock selection in the first half, Nvidia (NVDA) was a massive outperformer, up 189.54%. Amazon and Microsoft were also positive contributors, up 55.19% and 42.66%, respectively. All three stocks benefited from a renewed interest in growth stocks by investors in the first half of the year. Nvidia is the leading provider of processors used for artificial intelligence (AI) computation for both learning and inferencing, and its stock rallied significantly on a massive earnings report in the first quarter as cloud data center companies invested heavily in AI.

Amazon (AMZN) had an impressive first half of the year as well with growth out of its retail segment but slightly slower growth in its cloud business. Customers optimized workloads for existing capacity they were already paying for rather than adding incremental capacity in the current environment. We remain very excited about the opportunity for the company to reduce the labor needs of its retail segment through the use of technology and automation in the future.

Microsoft (MSFT) was another positive contributor to performance in the first half. The company continued to take share in cloud computing. Its strong relationships with customers, as well as knowledge of their businesses, differentiates its offering, which is also helped by leading investments in AI. We expect the company will continue to integrate AI tools into most of its productivity suite of software in the not-too-distant future. This should help with employee productivity and the labor constraints of most of its customers.

Notable detractors to performance in the first half were US Bank (USB), Charles Schwab (SCHW), and UnitedHealth Group (UNH), which were down 22.09%, 31.65%, and 8.65%, respectively. US Bank, based in Minnesota, was caught up in the recent mini crisis in the banking industry. The company recently acquired Union Bank for \$8 billion, which hit its capital reserve levels, and the timing was unfortunate given the selloff in the industry following that acquisition. However, we believe US Bank should be able to rebuild its capital reserve over the coming quarters, putting it in a better position to withstand future negative events in the industry.

Charles Schwab was also caught up in the banking selloff in March. The company's earnings will likely be pressured in the near term from lower deposit balances and higher-cost funding, but we believe these headwinds will eventually abate. In the meantime, the company continues to take share from its competitors thanks to its low-cost position.

Another detractor from relative performance was UnitedHealth Group, which was down 8.65%. However, we have a positive long-term view of the company, headquartered in Minnesota, and especially its potential when it comes to harnessing its vast amounts of patient data via AI. Additionally, its Optum unit, which provides technology and data-driven care delivery, has AI-enabled tools that can help healthcare providers drive more efficient and accurate care to patients.

Much like the inception of the internet, we believe the recent advancements in artificial intelligence can pave the way for large-scale improvements in productivity in the future. While it won't happen overnight, we are excited to see the companies that can provide or enable the new technology, and the advantages they can harness into the future.

Most of this year's market outperformance has been led by just a handful of stocks primarily in the Technology sector. Many other sectors of the economy have not performed nearly as well, and we are finding particularly attractive valuations in so-called old-economy industries such as: healthcare, financials, and utilities. As long-term investors, we are currently taking advantage of these companies' short-term weakness and adding to our positions in names such as: US Bank, JPMorgan (JPM), and Alliant Energy (LNT).



Andrew R. Adams, CFA
Lead Manager

Pete J. Johnson, CFA
Co-Manager

In summary, stock selection was the primary driver of relative outperformance in the first half. While the Fund has historically been underweight the Technology sector, we took advantage of a selloff in that sector last year to build up the Fund's Technology position to nearly a market weight. That addition has allowed the Fund to perform well during a massive rally in the Technology sector in the first half. We are pleased that this positioning has allowed our positive stock selection to shine through in the first half of the year. In addition, the uncertain market conditions have allowed us to take advantage of opportunities to invest in companies with durable competitive advantages at reasonable valuations, and we believe will lead to positive performance over the long term.

Mairs & Power Growth Fund Contributors

Year-to-Date (%) 12/31/2022—6/30/2023

LARGEST CONTRIBUTORS TO RELATIVE PERFORMANCE		LARGEST DETRACTORS FROM RELATIVE PERFORMANCE	
NVIDIA Corporation	189.54	Charles Schwab Corp	-31.65
Amazon.com, Inc.	55.19	U.S. Bancorp	-22.09
Microsoft Corporation	42.66	Hormel Foods Corporation	-10.55
Alphabet Inc. Class C	36.33	Toro Company	-9.59
Graco Inc.	29.24	UnitedHealth Group Incorporated	-8.65

Largest relative contributors and detractors are securities that were selected based on their contribution to the portfolio as of June 30, 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.

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 June 30, 2023: Alphabet, Inc. 4.25%, Amazon.com, Inc. 5.51%, Charles Schwab Corp. 1.08%, Graco Inc. 4.08%, Hormel Foods Corp. 2.52%, Microsoft Corp. 9.78%, NVIDIA Corp. 4.99%, Toro Company 3.29%, UnitedHealth Group Inc. 5.09%, US Bancorp 2.86%.

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 6/30/2023

Fund/Index	1 YR	5 YR	10 YR	25 YR	SINCE INC
Mairs & Power Growth Fund¹	19.75	12.19	11.29	9.74	11.33
S&P 500 TR Index ²	19.59	12.31	12.86	7.61	10.37
Morningstar Large Blend Category ³	16.66	10.03	10.65	6.26	—
Expense Ratio 0.63%					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.

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.

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

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