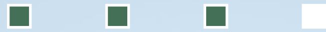
SEPTEMBER 30, 2023



Growth Fund

THIRD QUARTER RESULTS

MAIRS & POWER

Focused Long-term Investing

Market Overview | Third Quarter 2023

The stock market started the third quarter positively, building on the performance of the first half of the year. However, it declined in August and September as a result of rising interest rates. The S&P 500 Total Return (TR) ended the third quarter at -3.27%. Meanwhile, the Dow Jones Industrial (TR) was -2.10%, and the Bloomberg U.S. Government/Credit Bond Index was down -3.00%. Still, the S&P 500 is up 13.07% year-to-date and the Dow Jones is up 2.73%, while the Bloomberg U.S. Government/Credit Bond Index is down -0.85%.

The economy has continued to sidestep recession and maintain a fairly steady pace of growth. The federal government reported in late September that gross domestic product (GDP) increased at an annualized rate of 2.1% in the second quarter. This is in line with the average annual GDP growth rate of 2.2% from 2017 through 2022.

Other economic indicators are sending mixed signals. The ISM manufacturing index was 49.0 in September, a moderate improvement over August's 47.6 but still under 50, which indicates slight contraction in that part of the economy. As for inflation, core prices rose at a 2.2% annualized rate over the summer. That's very close to the 2% target inflation rate the Federal Reserve (Fed) would like to hit. Additionally, data released late September shows that U.S. consumers boosted their spending in August 0.4%, a decent growth rate, though less than July's 0.9% increase. But much of the increased spending was driven by this past summer's jump in gasoline prices, with oil prices rising 30% in the third quarter. Thanks largely to the jump at the pump, inflation-adjusted household incomes actually fell in August for the second straight month.

The market has also been experiencing big swings between growth and value stocks. Last year, value outperformed growth by 23%. This year, we've been seeing the opposite: the Russell 1000 growth index is up 25% and value index is up just 1%. Why the swings? Investors have been trying to get a handle on where interest rates are going. If rates are low, growth stocks become more attractive. If rates stay high, value holdings will have more appeal.

Meanwhile, the labor market remains tight. The economy added 336,000 jobs in September, the biggest gain since January, while unemployment held steady at 3.8%. Interestingly, wage growth has softened a bit, with hourly earnings rising just 0.2%. That's despite the sudden explosion in union activity this year. So far in 2023, there have been roughly 312 work stoppages, with 453,000 workers having gone on strike, the highest number of workers on the picket lines since 1986. While wage growth has slowed, unions have been winning significant raises for their members. Contracts ratified in the first quarter of the year showed an average first-year increase of 7%, the highest increase since tracking started in 1988. Recent strike activity by U.S. auto workers and health care provider, Kaiser Permanente, suggests that unions will continue to flex their muscles.

Future Outlook

After falling in the first quarter, earnings expectations have been stabilizing, and the trends for earnings look positive for the next two years. Meanwhile, the positive performance for the market year-to-date has caused valuations to remain elevated. The price-to-earnings ratio is currently 18 times earnings, compared to 17.5 times at the beginning of the year and the 20-year average of 15.5. Still, the market's strength remains narrow, with a handful of major Technology firms keeping that valuation number high. With the changes in the labor market, the use of technology and artificial intelligence (AI) to create efficiencies becomes more crucial. But outside of those few AI and tech companies, stock valuations are closer to the long-term average.

Increased union strength could forecast stronger middle-class finances. It also should create opportunities for investment in technology companies utilizing AI to create efficiencies in the workforce and even bonds. The long-term outlook for fixed income looks more positive. While rising interest rates have erased most of the gains bond portfolios had enjoyed in the first half of the year, the 10-year Treasury yield is above 4%, and most corporate bond yields are between 5-6%. Even longer-term bonds are becoming more attractive after seeing yields closer to 0% at the start of the pandemic until recently. The forward rates mean we're seeing some of the best fixed income deals in years.

But in the short term, union activism could boost costs for many companies and cut into their earnings. That, along with the tight labor market, could keep inflation higher than the Fed wants it to be, which could mean another rate increase, and rates staying higher for longer. Continued high rates would make it harder for small businesses to expand and that could also keep mortgage rates elevated, further hurting an already sluggish housing market.

Uncertainties about inflation, interest rates, and consumption suggest that the economy and the market will be sending more mixed signals for the rest of this year. One new source of concern: the resumption of federal student loan debt repayments in October after the pandemic pause, which could cause a further slowdown in consumer spending.

Despite market upheaval, we remain committed to investing for the long-term, seeking companies we believe have proven track records and durable competitive advantages. We invest for entire economic cycles and not the short-term, favoring companies that are likely to benefit from recent advancements in AI, capable of leveraging the shifts in labor dynamics, and those we believe have the strength to weather economic turbulence. We are dedicated to the same investment process and philosophy that has brought investment success for more than 90 years.

Price-to-earnings ratio is a stock valuation metric that compares a company's share price to its earnings per share (EPS).

Past performance is not a guarantee of future results.

Performance Review

After a positive start to the year, the Mairs & Power Growth Fund gave back some of its performance in the third quarter but remains up 12.19% for the year. For comparison, the S&P 500 Total Return (TR) is up 13.07% year-to-date and the Morningstar Large Blend category is up 9.74% year-to-date.

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%.

The Fund's underperformance this year can be attributed entirely to sector allocation. The Growth Fund has a healthy overweight position in the Industrial and Healthcare sectors, both of which have lagged the market considerably this year. As has been mentioned in previous reports, most of the S&P 500's return this year has been driven by a handful of stocks, the bulk of which can be found in the Technology sector. Thankfully, we have worked hard to add a number of Technology names to the portfolio that fit our investment criteria: durable competitive advantages, above-average growth prospects, impressive management teams, and attractive valuations. Consequently, Technology's outperformance this year has not been a drag on performance like it has been in previous years.

Artificial intelligence (AI) remains in the forefront of investors' minds. We believe that AI will have a profound effect on the economy and society over the coming years. Yet, we are also cognizant that new technologies can often take years, if not decades, before they develop into profitable businesses. We remain skeptical of the lofty valuations of these names and have been trimming our holdings accordingly.

We believe AI will have the largest impact in the near term on large enterprises that can harness AI to increase the productivity of their workforces and improve the experience of their customers. For instance, JPMorgan Chase & Company (JPM) employs more than 900 data scientists, 200 AI researchers, and 600 machine learning engineers, and is building out its own AI data center. The company expects to deliver more than $1.5 billion in business value from AI efforts in 2023. Healthcare is another area that can benefit greatly from AI. In particular, we believe UnitedHealth Group (UNH) will be able to deliver care more efficiently while improving patient outcomes by utilizing AI. We added to both positions in the quarter.

Stock selection remains a positive impact for the year and almost offset the performance headwind from sector allocation. Many of our Technology-related names—Amazon (AMZN), Alphabet (GOOGL), Microsoft (MSFT), and NVIDIA (NVDA)—have driven the bulk of this outperformance. Additionally, nVent (NVT), a Minnesota-based Industrials company, was a positive contributor and is connected

to AI and technological advancements. nVent's management team has done a remarkable job of reinvigorating the company's organic growth. They also did a better job of navigating through the supply chain disruptions and input shortages than most. The company's liquid cooling capabilities will likely be in high demand for the foreseeable future to prevent AI servers from overheating.

Not all our stocks have worked out perfectly this year. Toro Company (TTC) has been weak recently as its Residential division finally slowed after years of exceptional growth. While Residential is not an insignificant business for the company, most of the company's revenue and profitability is driven by its Professional segment, which is firing on all cylinders. The company's Golf market is the strongest it has been in years and its Underground division should benefit from the Infrastructure Investment and Jobs Act that calls for significant investments in broadband, charging stations, power grid, and water/sewer infrastructure. Our long-term view of Toro is positive, and we have taken advantage of the recent weakness to add to our position.

Thanks to the excitement around AI, we are finding attractive opportunities in so-called old economy industries and/or value-orientated names. One such opportunity that we added to in the quarter was Verizon Communications (VZ). Verizon is the largest wireless operator in the United States and benefits from large barriers to entry thanks to government regulation and the billions of dollars needed to maintain a cellular network. T-Mobile (TMUS) has historically been a thorn in Verizon's side but recently has become more disciplined on pricing. In fact, T-Mobile's most recent unlimited data phone plan is more expensive than both AT&T's (T) and Verizon's. We are also excited about Verizon's fixed wireless access opportunity, in which the internet is delivered to consumers' homes via cellular network instead of cable. In addition to long-term potential, Verizon offers an attractive 8% dividend yield.

Our Technology investments have paid off over the past few years and we believe we are well positioned to take advantage of the growing interest in AI. At the same time, we remain true to our investment philosophy and our strict valuation discipline. At present, we are on the hunt for more value-oriented names, especially ones that can potentially take advantage of AI to improve sales and profitability. Many of these companies have been largely ignored by investors due to the excitement around AI, and we are finding compelling opportunities.

A final note: We expect to report a 2023 capital gain estimate in mid-November, so please check our website then for the estimate. Thanks to our utilization of ReFlow, we expect capital gains to be significantly lower than last year.

Andrew R. Adams, CFA Lead Manager **Pete J. Johnson, CFA** Co-Manager

Mairs & Power Growth Fund Contributors

Year-to-Date (%) 12/31/2022—9/30/2023

LARGEST CONTRIBUTORS TO RELATIVE PERFORMANCE		LARGEST DETRACTORS FROM RELATIVE PERFORMANCE	
NVIDIA Corporation	197.76	Charles Schwab Corp	-33.25
Amazon.com, Inc.	51.33	Toro Company	-26.09
Alphabet Inc. Class C	48.60	U.S. Bancorp	-20.89
nVent Electric PLC	39.38	Bio-Techne Corporation	-17.62
Microsoft Corporation	32.56	Hormel Foods Corporation	-14.84

Largest relative contributors and detractors are securities that were selected based on their contribution to the portfolio as of September 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 September 30, 2023: AT&T 0.00%, Alphabet, Inc. 5.00%, Amazon.com, Inc. 5.57%, Bio-Techne Corp. 2.45%, Charles Schwab Corp. 1.08%, Hormel Foods Corp. 2.57%, JPMorgan Chase & Co. 3.93%, Microsoft Corp. 9.68%, nVent Electric PLC 2.27%, NVIDIA Corp. 4.57%, T-Mobile 0.00%, Toro Company 3.15%, UnitedHealth Group Inc. 5.88%, US Bancorp 2.62%, Verizon Communications 1.73%.

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 9/30/2023

Fund/Index	1 YR	5 YR	10 YR	25 YR	SINCE INC
Mairs & Power Growth Fund[1]	**18.53**	**8.63**	**9.79**	**10.10**	**11.18**
S&P 500 TR Index[2]	21.62	9.92	11.91	7.92	10.27
Morningstar Large Blend Category[3]	18.89	7.91	9.68	6.64	—

Expense Ratio 0.63%   Inception 11/7/1958

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] 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.

The Dow Jones Industrial (TR) is a price-weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and Nasdaq.

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.

The Russell 1000 Index represents the top 1000 companies by market capitalization in the United States. The Growth index is composed of large- and mid-capitalization U.S. equities that exhibit value characteristics . The Value index is composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.

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.

M&PI-442469-2023-10-19

mairsandpower.com

MAIRS & POWER

30 East 7th Street, Suite 2500
St. Paul, MN 55101

Tel 800-304-7404