Market Comments
July 5, 2017

S&P 500	2,433
10 Year yield	2.33%

What are the most important things investors should know at the halfway point of 2017?

1. Capital markets returns for the second quarter, first half of 2017, and the last twelve months are summarized below:

Index	Second Quarter	First Half	Last 12 Months
S&P 500 Index	3.09	9.33	17.87
S&P MidCap Index	1.97	5.99	18.55
S&P Small Cap Index	1.71	2.78	22.35
MSCI World Index - ex U.S.	5.94	14.42	21.03
Barclays U.S. Aggregate Bond Index	1.45	2.27	-0.31

2. The S&P 500 ended the second quarter at 2423, up slightly from 2363 at the end of the first quarter, and up 8.22% (9.33% total return) from 2239 at the end of 2016. Midcap and small cap stocks trailed large cap stocks in the first half. International stocks, after a multi-year stretch of poor performance relative to U.S. equities, were the best performers over the second quarter, year-to-date, and trailing twelve months intervals. We expect equity market conditions to be increasingly choppy in the second half of 2017 and into 2018; it would not be a surprise to see either a 15-20% decline or gain, or both, in the S&P 500 over the next twelve months.

3. U.S. stocks remain close to our estimate of "fair value." We believe U.S. stocks are currently priced to provide mid-to-high single digit returns from current levels over the next several years, albeit with increasing levels of interim volatility. If stocks were to decline by 15-20%, we believe they would provide excellent long-term value; we would be inclined to reduce commitments to stocks in the event of a 20% increase in stock prices in the short-term.

4. We currently estimate "fair value" for the S&P 500 at 2400-2450 for year-end 2017 (18.5x estimated earnings of $130-135), and 2675-2775 for year-end 2018 (18.5x estimated 2018 earnings of $145-150). Our fair value estimates imply flattish total returns for stocks in the second half of 2017, and 10-15% from current levels through the end of 2018. We define "fair value" for stocks as the valuation level from which long-term future returns will be dependent solely on earnings growth and dividends, with no change in underlying valuation

(because valuation, in terms of the price-earnings multiple investors place on stocks, is "fair" – the level at which stocks are neither significantly undervalued nor overvalued relative to a reasonable estimate of their long-term growth in business value). At present, we believe stocks are fairly valued at roughly 18.5x earnings, which is slightly higher than long-term historical average valuations for U.S. equities. If long-term interest rates remain between 2-3% (the 10- year Treasury yield of 2.33% is currently near an all-time low), we believe that a somewhat higher P/E for stocks (around 20x) would be justified. We believe that stock valuations currently discount an eventual return of interest rates to 3.0-4.0%.

5. In our view, bonds remain unattractive because current interest rates remain low on both a nominal and real (nominal yield less inflation) basis. Given the unattractiveness of bonds, we remain both underweighted in bonds relative to stocks, and defensively postured within bond portfolios. If interest rates rise from current levels (2.0-2.5%) to 3.0-4.0% over the next several years, it is likely that bond returns will be flat to slightly negative. We continue to expect that stocks will outperform bonds over the next three to five years, or until such time as interest rates return to more normal levels.

6. Corporate earnings growth remains the most important variable in our constructive long-term outlook for stocks. U.S. corporate earnings performance has been solid since the first quarter of 2016; this has been the primary factor behind the strong appreciation in U.S. equities since mid-February of 2016 (the S&P 500 is up 34% since February 15, 2016). The level of positive earnings surprises remains strong; we will be closely watching management guidance for earnings for the second half of 2017 and 2018 during the second quarter earnings reporting period. Aggregate S&P 500 earnings are being slowed by a stronger dollar, lower energy prices, and very low interest rates; these factors have been a drag on earnings over the past six quarters, but may be reaching an inflection point. We continue to believe that aggregate earnings approaches to gauge "valuation" in the current environment are less useful than normal, given the wide disparity in profitability across different economic sectors. Rather, our approach to valuation remains highly sector and company-specific, and we continue to believe that over the next several years, company-specific differentiation will be critical against the backdrop of a global overall economic climate characterized by below-average strength.

7. We expect to continue to increase our exposure to international equities on balance. International equities are "cheaper" than U.S. equities, and the strong dollar has increased the attractiveness of non-U.S. stocks, but economic growth outside the U.S. remains sluggish; long-term, we continue to favor U.S. equities over international stocks, but valuation disparities between international and U.S. equities argue to somewhat higher international weightings.

8. At the start of 2017, our research work suggested that technology, health care, and financial services offered the best long-term opportunities. We believed consumer staples, telecom, and utilities were the least attractive areas, based on a combination of well-above average valuations and below average expected earnings growth. During the first half of 2017, technology and health care generally performed well, but financial services companies struggled. A review of our work at mid-year yields similar conclusions: technology, health care, financial services, and some industrials remain attractive; consumer staples, telecom, and utilities are far less attractive because of elevated valuations, and low to modest growth rates. We continue to focus on companies that we believe are well-positioned to generate above average financial performance over the long run, and which have attractive valuation characteristics. The strong rise in stock prices over the past five quarters has made finding "attractive valuation characteristics" much more difficult. That said, we believe that great companies with strong operating franchises and demonstrated records of strong financial performance will continue to be rewarding investments over time.

Summary

Stock market returns during the first half of 2017 exceeded our expectations, with returns over the first six months approximating our full-year expectations. Consequently, we have tempered expectations for the second half of 2017, because valuations are now close to our estimate of "fair." We expect rising equity market volatility; we would view a material stock market correction as an excellent opportunity to add to equity holdings assuming corporate earnings progress in the second half of the year remains positive.

We continue to focus equity investments on those companies with strong and enduring business franchises, demonstrable records of growing shareholder value, growing levels of free cash flow, and attractive long-term valuation characteristics.

In the current low interest rate environment, we remain very defensively postured with respect to bonds.

Ted Bridges, CFA
President

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company; any may be obtained by calling 1.866.934.4700 or by visiting www.bridgesfund.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Small and medium capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. The

Fund invests in foreign securities which involve political, economic and currency risks, greater volatility and differences in accounting methods. Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform other asset types during given periods. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. All investments contain risk and may lose value.

Earnings growth is not a measure of the Fund's future performance.

The Bridges Investment Fund is distributed by Quasar Distributors, LLC.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

The S&P MidCap 400 Index, more commonly known as the S&P 400, is a stock market index from S&P Dow Jones Indices. The index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap Index in existence.

The S&P 600 SmallCap Index measures the small cap segment of the U.S. equity market.

The MSCI World Index – ex U.S. is a stock market index of 1,643 'world' stocks. It is maintained by MSCI Inc., formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds. The index includes a collection of stocks of all the developed markets in the world, as defined by MSCI.

The Barclays U.S. Aggregate Bond Index is a broad based index maintained by Barclays Capital, and is often used to represent investment grade bonds being traded in the United States.

Forward return is defined as the normalized free cash flow yield plus real growth plus inflation.

Free Cash Flow is earnings before depreciation, amortization, and non-cash charges minus maintenance capital expenditures.

The price-earnings ratio (**P**/**E** Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio can be calculated as: Market Value per Share / Earnings per Share.

Duration is a measure of the sensitivity of the price – the value of principal –of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Bond prices are said to have an inverse relationship with interest rates. Therefore, rising interest rates indicated bond prices are likely to fall, while declining interest rates indicate bond prices are likely to rise.

Opinions expressed herein are those of Ted Bridges and are subject to change. They are not guarantees and should not be considered investment advice.

It is not possible to invest in an index.