

October 23, 2018

Bridges Investment Fund had a total return of 8.59% in the third quarter of 2018, which bettered the 7.71% total return for the S&P 500 and trailed the 9.17% total return for the Russell 1000 Growth Index over the same period. For the twelve month period ended September 30, 2018, the Fund had a total return of 20.91% versus 17.91% for the S&P 500 and 26.30% for the Russell 1000 Growth Index. For the three year period ended September 30, 2018, the Fund had an average annual total return of 16.15% versus 17.31% for the S&P 500 and 20.55% for the Russell 1000 Growth Index. For the five year period ended September 30, 2018, the Fund had an average annual total return of 12.78% versus 13.95% for the S&P 500 and 16.58% for the Russell 1000 Growth Index. For the ten year period ended September 30, 2018, the Fund had an average annual total return of 11.17% versus 11.97% for the S&P 500 and 14.31% for the Russell 1000 Growth Index. The Fund's expense ratio is 0.80%.

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of the 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 stated above. Performance data current to the most recent month end may be obtained by calling 866-934-4700.

U.S. stocks posted very solid gains in the third quarter, continuing the rally that has been in place since the mid-February 2016 stock market lows. From February 15, 2016, through September 30, 2018, the S&P 500 has a total return of 65%.

Corporate earnings growth has been the primary driver of the solid year-to-date equity returns in the U.S. Earnings results have consistently exceeded consensus expectations during the first two quarters of 2018; we expect solid earnings results as we enter the third quarter reporting period, but as the current earnings expansion ages, there is risk that at some point, consensus expectations catch up to, or exceed, actual results, which could lead to a sea change in equity market sentiment from generally positive to modestly negative. Such a sentiment change would likely be a catalyst for a meaningful equity market pullback.

We continue to believe that the level and trajectory of corporate earnings remains the single most important factor affecting stock returns for the

remainder of 2018 and into 2019, particularly for high-profile, large cap companies that have largely led the market's advance so far this year.

After a relatively volatile first quarter, stock market trading volatility over the past two quarters has become more muted, similar to the lower levels of stock price volatility experienced in 2017. We expect that stock price volatility will eventually revert to more normal levels. Catalysts for a choppy market environment might include earnings disappointments by some high profile equity market leaders (Apple? Amazon? Google?), an increase in concerns around trade wars, an increase in concerns about higher inflation and/or interest rates, and reaction to mid-term elections in the U.S.

U.S. stocks remain close to our estimate of "fair value" (even though stock price levels are near all-time highs). We believe U.S. equities are currently priced to provide mid-to-high single digit returns from current levels over the next several years, albeit with the prospect of elevated levels of stock price volatility as the current cycle ages. Our fair value target for year-end 2019 for the S&P 500 is 3,200, which would imply total returns of roughly 10% over the next five quarters.

A meaningful stock market correction (a decline of 10% or more) is overdue by historic standards, but the combination of solid corporate earnings growth (driven by positive corporate financial performance, corporate tax rate cuts enacted at year-end 2017, and the continuation of a relatively low interest environment) has supported the equity market's continued advance over the past ten quarters.

The U.S. equity market, despite a strong advance over the first three quarters of the year, is actually slightly cheaper at present than it was at the start of the year, as the strong pace of corporate earnings growth over the course of the first three quarters of the year has driven consensus earnings expectations higher than stock prices have risen. Consensus expectations for S&P 500 earnings at the start of 2018 were \$145 per share for 2018, and \$157 for 2019; currently, consensus earnings are \$163 for 2018 (up 12% from the beginning of 2018) and \$180 per share for 2019 (up 15% from the beginning of 2018).

Despite strong earnings growth to date in 2018, we would not be surprised if stock prices experienced a material (15-20%, or more) correction at some point over the next several quarters. Such a decline from current levels would, in our view, take equity valuations to very attractive levels and provide an excellent entry point for cash. Alternatively, we would be inclined to reduce commitments to stocks (based on stretched valuations) should stock prices move sharply higher (15-20%) in the short term.

As always, we will exercise discipline and vigilance as we look for opportunities to invest the Fund's capital; a focus on market and company-specific valuation

levels, always a central element of our investment process, is even more critical after a period of strong equity market performance. A meaningful decline in stock prices should create more opportunities for us to find attractive long-term investment candidates which meet our quality, growth, and valuation criteria.

A handwritten signature in black ink that reads "Ted Bridges". The signature is written in a cursive, slightly slanted style.

Edson L. Bridges III, CFA
President and Chief Executive Officer

Must be preceded or accompanied by a Prospectus.

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

Click [here](#) for top ten holdings.

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

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.

The S&P 500 Index is a broadly based unmanaged composite of 500 stocks which is widely recognized as representative of price changes for the U.S. equity market in general. The Russell 1000 Growth Index is an unmanaged composite of stocks that measures the performance of the stocks of companies with higher price-to-book ratios and higher forecasted growth values from a universe of the 1,000 largest U.S. companies based on total market capitalization. You cannot invest directly in a specific index.

The Bridges Investment Fund is distributed by Quasar Distributors, LLC