BRIDGES | INVESTMENT FUND, INC.

October 18, 2020

Bridges Investment Fund had a total return of 11.12% in the third quarter of 2020, which bettered the 8.93% total return for the S&P 500 over the same period. For the twelve-month period ended September 30, 2020, the Fund had a total return of 25.75% versus 15.15% for the S&P 500. For the three-year period ended September 30, 2020, the Fund had an average annual total return of 15.28% versus 12.28% for the S&P 500. For the five-year period ended September 30, 2020, the Fund had an average annual total return of 14.70% versus 14.15% for the S&P 500. For the ten-year period ended September 30, 2020, the Fund had an average annual total return of 13.16% versus 13.74% for the S&P 500. 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.

There were no purchases in the Fund during the quarter. We trimmed our position in Apple (which ended the quarter at 9.5% of the Fund's portfolio, with a total return of 59% for the first three quarters of the year), and eliminated in positions in Boeing, Capital One, Charles Schwab, Delta Air Lines, and Ulta Salon Cosmetics and Fragrance. We were comfortable raising cash in the portfolio during the quarter given the strong equity market advance between March 23 and the end of the third quarter; cash was 7.1% of portfolio assets at quarter end.

U.S. equities posted strong performance during the third quarter, building on the recovery that began on March 23. The S&P 500 generated a total return of 8.93% during the third quarter, which ended with the S&P 500 at 3,363, 50% above the March 23 closing low of 2,237, and just slightly below the all-time high for the Index, which was posted on February 19, immediately prior to the onset of the global pandemic.

Since the end of the third quarter, stock prices have continued to advance on balance, with the S&P 500 closing at 3,484 on October 16.

In our view, the recovery in stock prices has been driven by: 1) signs of economic recovery from the depths of the recession that was brought on by attempts to mitigate the effects of Covid-19 the February-May time frame; 2) hopes for the development of an effective vaccine to combat the virus; 3) better than expected corporate earnings in the second quarter; and 4) an expansion in common stock valuations driven by declining interest rates in response to the Federal Reserve's acceleration of accommodative monetary policy in early March.

Notwithstanding the recovery in stock prices, investors face a number of salient risks: 1) the virus itself remains a risk, as the incidence of new cases has risen sharply in September and October across the globe; 2) the economic recovery from March-April remains uneven and fragile, with many segments of the economy still struggling and unemployment well above the pre-pandemic lows; 3) election cycle uncertainty, political divisiveness, and social unrest are high; 4) trade relations with China remain strained; and 5) equity valuations have increased materially as stock prices have advanced since the March lows.

We remain constructive on the longer-term outlook for stocks, while being respectful of the shorter-term stock price volatility brought on by the risks outlined above.

We expect that economic conditions will continue to normalize, although the shape, pace, and trajectory of the recovery may be uneven, and there will likely be some significant changes in consumer and business behavior that may be permanent, or materially different compared to "pre-pandemic normal."

Given our expectation of eventual economic normalization, we remain constructive on the longer-term outlook for equities. In our view, current valuations for many companies are reasonable assuming profit normalization in 2021-2022, and a continuation of the current low interest rate environment. We believe that many investors remain skeptical of the sustainability of the recovery and the durability of the low interest rate environment.

While nominal equity valuations are "high" relative to historic averages, they may not fully account for: 1) the historically low level of interest rates and 2) the potential for solid earnings growth over the next five years. The earnings yield on the S&P 500, relative to the yield on the 10 year Treasury, remains well above historical norms, which supports our view that stocks, despite the strong rally this summer, remain more attractive than bonds or cash for investors with lengthy investment horizons.

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 five years, within the context of a continued volatile equity market environment. Our fair value target for year-end 2021 for the S&P 500 is 3,600-3,800, which would imply total returns of roughly 5-7% from current levels (S&P 500 2,975) over the next five quarters.

Our focus remains on identifying companies that have three primary characteristics: 1) Quality – we seek high quality, competitively advantaged businesses with strong fundamentals, strong balance sheets, and franchise characteristics that that allow for superior financial performance over time, notwithstanding background economic conditions; 2) Growth – we seek companies with large and growing addressable markets and a demonstrated ability to capitalize on growth opportunities; and 3) Valuation – we seek businesses that have attractive quality and growth characteristics at valuations that will allow for appropriate long-term returns.

We expect long-term returns from companies that meet our criteria to benefit from 1) growth in underlying business value over time, and 2) an improvement in valuation over time toward our estimate of "fair value."

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 from current levels should create opportunities for us to find attractive long-term investment candidates which meet our quality, growth, and valuation criteria.

Ted Bridges

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.

Opinions expressed herein are those of Edson L. Bridges III and are subject to change. They are not guaranteed 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. It is not possible to invest directly in an index.

TOP TEN HOLDINGS AS OF: 9/30/2020

COMPANY NAME	PERCENT
APPLE INC.	9.5%
MASTERCARD INC.	8.2%
AMAZON.COM INC.	7.2%
ALPHABET INC.	5.3%
MICROSOFT CORP.	5.0%
VISA INC.	3.6%
PAYPAL HLDGS INC	3.1%
BLACKROCK INC.	2.6%
ADOBE INC.	2.7%
FACEBOOK INC.	2.6%

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