BRIDGES INVESTMENT FUND, INC.

January 11, 2021

Performance

Bridges Investment Fund had a total return of 26.44% for the one-year period ending December 31, 2020. By comparison, the S&P 500 had a total return of 18.40%. The Fund had annualized total returns of 17.15%, 16.00%, and 13.41% for the 3, 5, and 10-year periods ending December 31, 2020, compared to total returns of 14.18%, 15.22%, and 13.88% for the S&P 500. Three, five, and ten-year periods are annualized. The Fund's gross 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 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 stated above. Performance data current to the most recent month end may be obtained by calling 866-934-4700.

Review of 2020 and Outlook for 2021

U.S. stocks recorded positive returns on balance in 2020, which ended up as one of the most volatile on record.

The year saw the fastest large decline for stock prices in U.S. history, as the S&P 500 fell 35% in the 23 trading days between February 19 (which saw the S&P 500 set an all-time high at 3,386) and March 23 (which proved to be the low S&P 500 close for 2020 at 2,237). From the March 23 low, the S&P 500 advanced 68%, to close the year at a new all-time high level of 3,756, resulting in a total return for the Index of 18.39%.

The strong performance of stocks stood in stark contrast to the headlines across the year, which included the onset of a global pandemic, rising Coronavirus cases throughout the year, a global recession brought on by efforts to mitigate the effects of the pandemic through physically distancing, and in the U.S., a sharp rise in social unrest and a rancorous election cycle.

We believe several factors contributed to the stock market's advance in 2020, notwithstanding troubling and deteriorating headlines over the course of the year:

1. The Federal Reserve and Congress acted quickly to provide liquidity and support to individuals and businesses at the outset of the pandemic in the U.S.

2. The Fed continued to work proactively throughout the year, resulting in excess liquidity, some of which found its way into equities. The Fed also actively supported trading the credit markets.

3. Interest rates dropped to historically low levels, supporting rising valuations for equity securities.

4. The sharp stock market decline in February-March created a disconnect between stock prices in the moment and longer-term valuations for companies; investors with long-term investment horizons were willing to deploy capital during the decline, anticipating an eventual economic recovery and normalization of corporate profits.

5. Actual corporate financial performance after the onset of the pandemic was not as nearly as bad as initially feared. At the outset of the pandemic the economy was brought to a full stop (in order to mitigate the effects of the virus), which caused an immediate recession; positive surprises for both revenues and earnings predominated over the course of the second and third quarter earnings reporting periods.

In 2020, as was the case in 2019, investors accorded higher equity valuations to stocks over the course of the year. The S&P 500 began the year at 3,231, trading at 18.0x estimated 2020 earnings of $180 per share; the S&P 500 ended 2020 at 3,756, trading at 22.8x estimated 2021 earnings of $165 per share.

We believe the expansion in equity valuations during 2020 was justified given the ongoing decline in interest rates to historically low levels. In 2019, the yield on the ten-year Treasury fell from 2.69% to 1.92%, while the one-year forward P/E on the S&P expanded from 14.3x to 18.0x; in 2020, the yield on the ten-year Treasury fell from 1.92% to 0.92%, in part driving an expansion in the one year forward S&P 500 P/E from 18.0x to 22.8x.

In our view, the expansion in equity valuations during 2020 was warranted, given the historically low level of interest rates. The ten-year Treasury yield of 0.92% at its year-end 2020 close stood well below its average yield over the past decade (2.16%). Lower interest rates, in our view, materially increase the value of future cash flows for shareholders in high quality publicly traded businesses; further, the earnings yield spread of the S&P 500 to the ten-year Treasury yield ended 2020 at 346 basis points (3.46%), well above long-term average for that relationship.

While stock prices ended 2020 at all-time highs, valuations, while higher than average, and stretched from late 2018 levels, remain below prior stock market peaks. The S&P 500 reached 28x estimated 2000 earnings in late 1999, with the ten-year Treasury yielding 6%; at present, the S&P 500 trades at 23x estimated 2021 earnings with the ten-year Treasury yield at 1%. In our view, stocks are not cheap, but they are not overvalued given our expectation of continued earnings recovery over the next several years, and a low interest rate environment.

Our outlook for 2021 and beyond is constructive. Our constructive stance is based on an expectation of a continuation of the economic recovery that started in the middle of the second quarter of 2020, but our view is tempered by several risks, including: 1) the fact that equity valuations are higher than average on an absolute basis (the strong rebound in stock prices in late 2020 may have already discounted much of the economic growth that lies ahead), 2) the fact that pandemic continues to spread, causing continued damage to society and the global economy, and 3) the potential for higher taxes as part of the Biden Administration's policy agenda.

We expect corporate earnings to improve on balance over the course of 2021, and we expect an eventual normalization of economic conditions and capital markets volatility and valuations. Given the uncharted nature of the pandemic and the recession, we expect higher than normal levels of capital markets volatility for the foreseeable future.

We have established a 2021 year-end fair value range of 3,600-3,900 for the S&P 500 (22x estimated 2021 earnings of $165-175). Our preliminary year-end 2022 fair value range is 4,050-4,400 (22x estimated 2022 earnings of $185-200). Our single point year-end fair value estimates for 2021 and 2022 are 3,900 and 4,100, respectively.

We expect equity market volatility to remain relatively high in 2021, and we would not be surprised if stocks traded 20-25% below and above the 2020 year-end level of the S&P 500 of 3,756 during the upcoming year.

While we expect 2021 to be volatile and challenging, we are constructive on the long-term outlook for equities in general given the level of current equity valuations and interest rates, and our expectation that long-term corporate earnings growth will be positive, and that over the next several years, the economy recovers and normalizes from the damage inflicted by the pandemic.

Our Portfolio

The Fund's portfolio continues to be comprised primarily of companies with strong balance sheets, high levels of profitability, and a demonstrated ability to grow business value over the long-term despite periodically challenging economic conditions.

The Fund's ten largest individual stock holdings as of December 31, 2020:

Apple	10.01%
MasterCard	7.93
Amazon	6.82
Microsoft	4.85
Alphabet, Inc.	5.88
Visa	3.67
Paypal	3.44
Blackrock	3.02
Facebook	2.52
Adobe	2.52

The following table summarizes the changes we made in the Fund in 2020:

New Buys:

BWX Technologies
Casey's
Edwards Lifesciences
Intercontinental Exchange
Nvidia
Terminix

Adds:

Adobe
Alcon
Autodesk
Home Depot
IAA
Lowe's
Microsoft
Old Dominion
Salesforce
SVB Financial
Transunion
United Healthcare

Trims:
Apple
Booking Holdings
Chevron
Comcast
Iqvia
MasterCard
Wells Fargo

Sells:
Ameriprise
Boeing
Capital One
Continental Resources
Delta Air Lines
Este Lauder
iShares
iShares
Schwab
Ulta Beauty

The companies that were the most additive to the Fund’s return in 2020 included Apple, Amazon, PayPal, Microsoft, MasterCard, and Nvidia.

The companies that were the largest drag on performance in 2020 included Wells Fargo, Capital One, Continental Resources, and Delta Air Lines.

We believe the Fund’s holdings are both 1) well-positioned to grow their business value over the next several years, and 2) valued at levels that are reasonably attractive over the long run given our assessment of their long-term business value growth potential.

From a valuation standpoint, we believe the Fund’s holdings are attractively valued looking out over the next several years. At present, the Fund’s portfolio trades at 36x estimated 2021 earnings and 28x estimated 2022 earnings, with a projected long-term annual earnings growth of 10-14%, which compares with the 23x 2021 P/E, 18x 2022 P/E, and 5-6% long term annual earnings growth projected for the S&P 500.

Investment Philosophy and Process

We continue to rely on our investment philosophy and investment process to provide a framework for our portfolio management of the Fund. Strong investment process is critical always, but especially within the context of challenging and volatile capital markets conditions.

Our investment philosophy is based on the notion that long-term investment in high quality, structurally advantaged businesses that are well-managed and that have opportunities for significant business value growth can provide shareholders with satisfactory long-term returns. We expect that over time, business value growth and share price performance should approximate each other: we seek to derive our investment return over the long run from being business owners, not from the fact that the businesses that we own are traded in the public equity market. We are “business dependent” for return, not “stock market dependent.”

We seek to effectuate our investment philosophy through our investment process, which entails three core elements: **quality** (the higher the better), **growth** (the faster and more consistent, the better), and **valuation** (the lower the better, given the first two considerations).

We seek to own high quality businesses that have durable structural or competitive advantage, because we believe that high quality businesses with competitive advantage can deliver attractive returns over time, given a demonstrated ability to successfully exploit their competitive advantage.

We seek businesses that have significant long-term opportunities to grow, and a demonstrated ability to effectively convert growth opportunities into rising free cash flows over time.

Finally, we apply rigorous approaches to valuation in order to identify companies that are priced attractively from a long-term perspective given the quality of their franchise and the size of their business growth opportunities.

Our primary investment goal is to identify and own companies that have strong franchise characteristics and attractive valuation metrics, such that the business value growth that our companies generate over the long-term leads to positive shareholder returns. A long time horizon is critical to our approach, because it allows sufficient opportunity for our companies to compound business value at attractive rates, such that share price can appropriately reflect growth in underlying business value.

Over time, we expect to benefit from our investment approach in two ways: 1) from an improvement in valuation, as our companies move from being undervalued relative to our appraisal of fair value toward our estimate of fair value (positive change in valuation), and 2) from the growth in our companies' underlying business value over time, which is driven by increasing revenues, earnings, dividends, and free cash flow.

We believe that our investment approach should be effective over the long run, as stock prices tend to track underlying changes in business value over time. Periods of broad stock market weakness create opportunities for us to identify attractive new equity investment candidates, and/or to add to existing holdings at attractive valuation levels.

We are very grateful for your continued investment in Bridges Investment Fund.

Ted Bridges

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

Must be preceded or accompanied by a Prospectus.

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.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Current and future portfolio holdings are subject to risk.

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. You cannot invest directly in a specific index.

Yield spread is the difference between **yields** on differing debt instruments of varying maturities, credit ratings, issuer, or risk level, calculated by deducting the **yield** of one instrument from the other. This difference is most often expressed in basis points (bps) or percentage points.

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Cash Flows: The total amount of money being transferred into and out of a business, especially as it affects liquidity.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

The Price-to-Earnings Ratio or P/E ratio is a ratio for valuing a company that measures its current share price relative to its per-share earnings.

Earnings growth for a Fund holding does not guarantee a corresponding increase in market value of the holding or the Fund.

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.

While the fund is no-load, management fees and other expenses still apply.

The Bridges Investment Fund is distributed by Quasar Distributors,