BRIDGES | INVESTMENT FUND, INC.

January 11, 2022

Performance

Bridges Investment Fund had a total return of 25.93% for the one-year period ending December 31, 2021. By comparison, the S&P 500 had a total return of 28.71%. The Fund had annualized total returns of 28.14, 19.82%, and 15.99% for the 3, 5, and 10-year periods ending December 31, 2021, compared to total returns of 26.07%, 18.47%, and 16.55% for the S&P 500. Three, five, and ten-year periods are annualized. The Fund's gross expense ratio is 0.78%.

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 2021 and Outlook for 2022

U.S. stocks posted strong gains for a third straight year as strong corporate earnings, low interest rates, excess liquidity, and progress around global Covid-19 vaccination rates combined to extend the positive environment for equities.

Unlike 2020, which was one of the most volatile years on record, stock price volatility was remarkably un-volatile in 2021: the S&P 500 had one 5% correction and set 70 record highs over the course of a year. The S&P 500 recorded positive total returns in all four quarters, culminating with an 11.02% return in the fourth quarter. The year was characterized by, and notable for, the persistent upward march in stock prices, with very few meaningful pullbacks along the way.

The S&P 500 ended the year with a 28.71% total return, and a trailing three-year total return of 100.29% (26.03% annualized), the best three year stretch for the Index since its 123.99% total return (30.68% annualized) between 1994-1997.

Despite the strong price performance for stocks during 2021, equity valuations remained constant over the course of the year. The S&P 500 began the year trading at 22.8x twelve-month forward consensus earnings and finished the year at 21.7x forward earnings. Corporate earnings showed strong positive surprises across the year, which supported stock prices.

We remain constructive on the outlook for U.S. equities on balance over the next several years, but we expect the environment for equity investing to be more challenging for a variety of reasons: 1) we expect the Fed will begin to raise interest rates at some point in 2022, ending a long period of accommodative policy that has pushed interest rates lower and expanded stock valuations; 2) we expect quarterly corporate earnings comparisons will become more difficult as the easier comparisons to pandemic-depressed earnings of 2020 are lapped; and 3) we expect much higher levels of stock price volatility, as investors adjust to a new regime of rising interest rates and slower (albeit still strong) earnings growth.

Our constructive intermediate to longer-term view on equities is based on: 1) the expectation that corporate earnings growth will remain positive as the global economy continues to recover and normalize as the pandemic eventually recedes; 2) interest rates will remain at relatively low levels (despite inflation running above normal levels until global supply chains recover), supporting equity valuations at or near current levels; and 3) our expectation that excess liquidity will eventually find its way into risk-based assets if and as interest rates remain low.

We have established a 2022 year-end fair value range of 4,700-5,000 for the S&P 500 (22x estimated 2022 earnings of $210-230). Our preliminary year-end 2023 fair value range is 4,950-5,400 (22x estimated 2023 earnings of $235-250). Our single point year-end fair value estimates for 2022 and 2023 are 4,900 and 5,250, respectively.

We expect equity market volatility to increase markedly in 2022 versus 2021 levels. We would not be surprised if stocks traded 20-25% below and above the 2021 year-end level of the S&P 500 of 4,766 during the upcoming year.

While we expect 2022 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, our expectation that long-term corporate earnings growth will be positive, and our belief that over the next several years, the global economy will continue to recover and normalize as it exits from pandemic conditions.

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, 2021 were:

Apple	10.9
Alphabet	8.6
MasterCard	6.6
Microsoft	6.5
Amazon	6.2
Nvidia	4.3
Meta Platforms	3.4
Visa	3.2

Old Dominion	3.2
SVB Financial	3.0

The following table summarizes the changes we made in the Fund in 2021:

New Buys:
American Tower
Cable One
Chemed
Iqvia
Sherwin-Williams
Texas Pacific
Ulta Beauty

Adds:
Alcon
BWX Technologies
Casey's General Stores
Edwards Lifesciences
IAA
Intercontinental Exchange
Lowe's
Meta Platforms (Facebook)
Progressive
Terminix
Thermo Fisher Scientific
Transunion
Wells Fargo

Trims:
Apple
BlackRock
MasterCard
Union Pacific

Sells:
Amgen
Aptar
BWX Technologies
Booking Holdings
Chevron
Comcast
Disney
Eaton

Ecolab
Fiserv
Johnson & Johnson
PepsiCo
Roper

The companies that were the most additive to the Fund’s return in 2021 included Alphabet, Apple, Microsoft, Nvidia, Old Dominion, and SVB Financial.

The companies that were the largest drag on the Fund’s return in 2021 included Amazon, MasterCard, PayPal, Terminix, and Visa.

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 32.8x estimated 2022 earnings and 27.4x estimated 2023 earnings, with a projected long-term annual earnings growth of 10-12%, which compares with the 21.7x 2022 P/E, 19.9x 2023 P/E, and 7-8% 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 lengthy 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,