BRIDGES | INVESTMENT MANAGEMENT

April 15, 2025

Bridges Investment Fund had a total return of -6.23% in the first quarter of 2025, compared to the -4.27% total return for the S&P 500 over the same period.

For the twelve-month period ended March 31, 2025, the Fund had a total return of 8.00% versus 8.25% for the S&P 500. For the three-year period ended March 31, 2025, the Fund had an average annual total return of 8.87%, versus 9.06% for the S&P 500. For the five-year period ended March 31, 2025, the Fund had an average annual total return of 18.38% versus 18.59% for the S&P 500. For the ten-year period ended March 31, 2025, the Fund had an average annual total return of 11.95% versus 12.50% for the S&P 500. The Fund's expense ratio is 0.73%

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. The 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.

The Fund's performance has been helped in 2025 by strong performance of its holdings in the Financials sector, particularly Progressive Corporation and Berkshire Hathaway. Technology and Consumer Discretionary stocks have been the largest detractors from performance over the past three months.

The U.S. stock market entered 2025 riding the optimism of above-average earnings growth expectations, a growing economy and moderating inflation. In a matter of weeks, a seemingly orderly market rotation quickly escalated into a historic rout following extraordinary trade policy changes.

In our view, risk premiums at the start of the year were not properly discounting the potential economic repercussions of a prolonged trade war. Perhaps this will be considered an overreaction in time, but for now, we believe the stock market is rapidly adjusting to the increased uncertainty of paralyzed global trade activity, raising the probability of a recession and/or stagflation for the economy in the short-term.

As a result of these growth concerns, Treasury bond yields have moved lower and expectations for rate cuts have increased since the start of the year. In our opinion, the Fed's ability to meaningfully cut rates in an environment of low unemployment and/or rising inflation will be very difficult, especially when graded against their dual mandate.

Over the long-term, we believe the U.S. maintains structural advantages for capital formation, supported by a more pervasive entrepreneurial and pro-business mindset. American businesses have shown incredible resiliency, adapting to various political and economic regimes over time.

In the near-term, we believe corporate earnings estimates are too high and are likely to be revised down in the coming months as companies revise or simply remove their outlooks due to prevailing uncertainty. As of April 11, 2025, consensus earnings estimates for the S&P 500 imply 10.6% growth for 2025 and 14.2% growth for 2026.

While most businesses are likely to feel the effects of an economic slowdown or potential stagflation scenario, we believe companies with relatively strong pricing power and defensible balance sheets can weather this environment better, on average.

As such, we continue to seek companies that have durable competitive advantages, meaningful growth opportunities, and management that have a demonstrated ability to increase shareholder value over time through disciplined capital allocation. We also favor companies with high quality balance sheets that may help to navigate through more difficult economic environments, such as now.

When we started the year, we lowered our return expectations for U.S. large cap equities for the second half of this decade, primarily due to elevated valuations. With the recent market sell-off, valuations are starting to look more reasonable with the S&P 500 P/E ratio down to 19x, below its 5-year average.

Further, when we have periods of indiscriminate selling, it affords us opportunities to acquire or increase our conviction in high quality companies at discounts to what we see as their long-term intrinsic value. Understanding things may get worse before they get better, we stand ready to take advantage of these opportunities in the coming months.

We appreciate your investment and patience as we navigate a more volatile period for Fund performance. We continue to be very constructive about the long-term prospects for the businesses we own.

Jack Holmes
Chief Investment Officer

Must be preceded or accompanied by a Prospectus.

The opinions expressed herein are those of Jack Holmes and are subject to change. They are not guarantees and should not be considered investment advice.

As of 3/31/25 please click here for top ten holdings. Holdings are subject to change at anytime.

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.

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). EPS is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

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 Bridges Investment Fund is distributed by Quasar Distributors, LLC.