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BRIDGEPORT
ASSET MANAGEMENT INC.

Q1 2010
Investment Commentary

After posting solid gains in the latter half of 2009, the North American equity markets continued to march ahead in the first quarter of 2010. While the stock market's climb from its low last year has been impressive and swifter than anyone could have imagined, we would not characterize investor sentiment as euphoric or necessarily even optimistic.

Indeed, most retail investors are proceeding with an abundance of caution after sitting on the sidelines for most of 2009. For its part, the media is full of commentary from so-called experts who tell us that another stock market crash is coming soon. Our own view is that North American stock markets as a whole are trading within a reasonable band around fair value such that they are neither significantly overvalued nor undervalued. Unfortunately, this middle-of-the- road view rarely makes newspaper headlines as it is less interesting than an extremely pessimistic or optimistic viewpoint which is guaranteed to grab the public's attention.

In our January 2009 investment letter, we wrote that we believed that equities in general were very inexpensive on a fundamental basis, although we could not predict the direction the markets would head in the short term. While we were obviously correct in our valuation assessment, we had no idea that the price of equities would recover so quickly.

As compared to early 2009 when virtually all stocks were fundamentally undervalued, the environment today lends itself more towards Bridgeport's bottom-up, individual stock selection approach as many high quality individual stocks remain inexpensive despite the fact that we believe the stock market as a whole may be reasonably valued.

We intend to continue to proceed cautiously in making investments for Bridgeport's equity portfolios. We are committed to seeking out stocks issued by public companies with durable business models, solid profitability and good prospects for growth. Our bias is to invest in businesses which are less sensitive to the business cycle given that economic growth may be weak going forward.

In the fixed income markets, it is clear that many retail investors have become so fixated on earning better interest rates than are currently available from GICs and money market funds that they are willing to disregard the credit quality of more risky, income-oriented investments. While investors ignore credit quality at their own peril, the situation has obviously made for a great environment for companies to raise capital and we have seen many relatively weak companies take advantage of the situation by issuing long term bonds at low rates. Given the forgoing, we have become very cautious about compromising on credit quality when evaluating income-oriented securities and strive to ensure that we are adequately compensated from a return perspective given the level risk we are taking with each investment.

In general, we have positioned our income-oriented client investment portfolios to have shorter average terms to maturity as we believe interest rates are likely to rise over the next one to two years and we want to minimize the susceptibility of our portfolios to rising rates.

We wish you all the best for the upcoming summer season. As always, please feel free to call should you have any questions or wish to discuss anything about your portfolio.

Thanks for your continued support.

Yours truly,

John Fisher, CPA, CFA