Although the third quarter was strong for equity returns across most markets, appreciation in the Canadian dollar relative to the US dollar has continued to adversely impact investment performance this year.

Since reaching its 2017 high in May through the end of September, the US dollar has depreciated over 9% against the Canadian dollar. As a result when US dollar assets are converted into Canadian dollars, they are now effectively worth 9% less, lowering investment returns by the same percentage in nominal Canadian dollar terms.

The decline in the greenback versus our dollar has been surprising as 2017 started off with strong investor enthusiasm for US investment and high hopes for corporate tax reform and financial deregulation under Trump. US dollar momentum petered out mid-year, however, as Trump has struggled to find support in Congress for his legislative agenda. At the same time, the Canadian economy began to unexpectedly post strong GDP growth numbers, leading the Bank of Canada to implement two rate hikes in July and September of this year. The combination of all these factors caused a steep devaluation of the US dollar as the year unfolded.

While difficult to predict, we expect the US dollar will recover to some extent in the coming months as Canadian dollar bullishness seems a bit overdone and more recent data suggests that our economy may not be as strong as the Bank of Canada originally thought. A snapback in the US dollar would help boost investment returns across several of our pooled funds.

As the year goes by, it is also becoming clear that the U.S and Canada are going in the opposite direction in terms of tax policy. South of the border, the Trump administration is seeking to simplify the tax code and reduce corporate tax rates from 35% to 20%. Meanwhile, the Trudeau government has rolled out a series of tax reforms that will effectively increase tax rates for many business owners and will significantly complicate the tax code. If Trump and Trudeau both succeed with implementing their desired tax policy, it is hard to see how Canada's attractiveness as a destination for foreign capital will not diminish.

From a portfolio perspective, we made a handful of new investments during the quarter including initiating new positions in Alphabet in our Bridgeport US Equity Fund and E-L Financial in our Bridgeport Canadian Equity Fund.

Alphabet, previously known as Google, is a firm with which most of you are undoubtedly familiar. The company is a behemoth in the online advertising space that enjoys large competitive moats (controls 60% of the global search engine market) and an attractive growth profile. Google is poised to benefit from the strong growth in digital advertising as corporations of all sizes continue to shift their advertising budgets from traditional media (TV, radio and newspaper) into digital content such as search engines, company websites and video websites including YouTube, which is a wholly owned subsidiary. In addition to having an enviable market position in a growing sector, Alphabet is also attractively valued, trading at around 12x operating earnings – a compelling valuation in our opinion given the competitive position of the company and the fact that it is expected to grow revenue and earnings by 20% over the next few years.

We believe that Alphabet's current valuation discounts, or potentially omits, the value of certain assets. These include YouTube, which the company is beginning to monetize; the Android ecosystem, which powers 70% of all mobile devices across the world; its driverless cars subsidiary, Waymo; and Alphabet's venture capital investments in Uber, Lyft and Airbnb. Currently these businesses don't materially add much to Alphabet's earnings, however it is conceivable that one or more of them will generate significant results for shareholders in the future.

Unlike Alphabet, E-L Financial is a company that has flown under the radar for several decades. E-L is a holding company for Hal Jackman (former lieutenant governor of Ontario) and the Jackman family. Since the late 1960s, the Jackmans have been prudent stewards of capital and have generated strong returns for their investors, as well as themselves. The key assets within E-L are Empire Life, a leading Canadian property and casualty insurance (P&C) company, and a $4.6 billion portfolio of liquid stocks and bonds. We are attracted to E-L because we believe that the

Company's asset portfolio is significantly undervalued by the market. Our valuation work indicates that Empire Life and E-L's portfolio of assets trades at a 25%-40% discount to its intrinsic value. E-L should be able to pull multiple levers to narrow this discount over time and Bridgeport is happy to wait for this to occur as the company continues to build value in its businesses.

Finally, this quarter marks the ten year anniversary of Bridgeport's founding. It has been a privilege to have had the opportunity to work with all of you and we sincerely appreciate the trust you have placed in us as stewards of your wealth.

As we reflect on our first decade in business, there has definitely never been a dull moment! Bridgeport commenced business at what turned out to be one of the most interesting and difficult financial moments in the last century. From almost the day we got started in late 2007, the S&P 500 began its spiral downwards, dropping almost 56% from its 2007 peak to its early 2009 low. What I remember as most remarkable was that despite many high quality stocks trading at what were ridiculously low earnings multiples, many so-called financial experts and economists were predicting that the market would likely drop another 50% before bottoming out and that stocks were not yet cheap enough to buy!

Thankfully, we moved past those dark days and markets have taken other seemingly unnerving news in stride such as a possible US government debt default, Grexit, Brexit and Donald Trump's improbably successful Presidential campaign. Through all these challenges and upheavals, we have generated equity portfolio returns for our clients of 10% per annum over the last ten years (including the period covering the Great Recession) and 15% over the last five years. Our High Income portfolio has similarly earned close to 7% over the last nine years for investors. We have achieved these results with relatively low portfolio volatility by focusing on investing in quality businesses using a long term, value-oriented approach and doing our best to filter out the daily short term noise of the market.

As Bridgeport's business has grown, I have been fortunate to welcome a great team of talented and dedicated people to the firm who have been instrumental to our success. In that vein, a growing team also requires more space and so with our current lease term ending, we are planning to move our office across the street to 77 Bloor Street West (at Bay Street) at the end of this year. We will advise you about all the details regarding the firm's new location shortly and look forward to your paying us a visit in 2018!

We thank you for your continued support and wish you all the best in the upcoming holiday season. As always, please feel free to reach out with any questions.

Yours truly,

John Fisher

John Fisher, CPA, CFA