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THE LOST DECADE

2009 was one of the most volatile and unpredictable years for global equity markets in recent history. After declining 25% from the beginning of 2009 through early March, the S&P 500 surged 65% from its March low to close the year with a 23% gain from start to finish. The S&P/TSX Composite closed the year up 31% after suffering a similar early year drop and subsequent rebound.

Despite strong stock market returns in 2009, the year capped off an abysmal ten year period for equity investors, dubbed by many as the "The Lost Decade". From 2000 to 2009, the S&P 500 lost over 9% of its value (including reinvested dividends) and annualized returns over the period were *minus* 1%. Indeed, investment performance for the S&P 500 in the 2000s was worse than any other recent decade as shown in the chart below.

It is interesting to note that the total returns posted by the S&P 500 in the 1980s and 1990s were in the upper teens and were the best back-to-back decades for the stock market in at least the last 100 years.

While it is little comfort to investors, the 2000s may be seen as the decade where investors' systematic mispricing of risk "came home to roost" and the excessive stock market valuations built up over the 1980s and 1990s were necessarily deflated. The good news is that if history is any guide the correction in the 2000s should position us for much better returns over the next decade as poor returns are most often followed by periods of outperformance.

S&P 500 Annualized Returns By Decade

Decade	**Total Annual Return**
1930s	1.0%
1940s	8.7%
1950s	19.2%
1960s	7.7%
1970s	5.9%
1980s	17.5%
1990s	18.2%
2000s	-1.0%

Equity Portfolios

In terms of Bridgeport's client portfolios, we had a strong quarter performance-wise. In Bridgeport's core equity portfolios, we initiated several new positions including investments in the common shares of Uni-Select and Equifax.

Uni-Select operates as wholesale distributor of after-market replacement auto parts and accessories in Canada and the U.S. Headquartered in Quebec, the company serves as a middleman between auto part manufacturers and jobbers who in turn service retail operators and installers. Uni-Select has over 3,500 points of sale and carries over 350,000 parts, making it an important link in the supply of replacement auto parts.

While we are generally not fond of companies which operate in the automotive industry, we like Uni-Select as its business is less capital intensive than auto parts manufacturing and is relatively recession resistant due to consumers' tendency to delay purchasing new cars in tough economic times and their inability to defer car repairs indefinitely. Uni-Select has been an active consolidator of competitors in its industry and is now believed to be the 2nd largest replacement parts distributor in Canada and 7th largest in the U.S. The company generates annual revenue in excess of $1.5 billion and operating earnings of approximately $100 million.

Equifax collects, organizes and manages various financial, demographic, employment and marketing information in the U.S., Canada, the U.K. and Brazil. The company is best known for collecting and providing credit related information about consumers and businesses. Its revenue stream is highly diversified with its largest customer providing less than 2% of total revenue. We have invested in Equifax as it competes with only a few global competitors and operates in an industry with relatively high barriers to entry. Although the company's results have suffered recently as a significant proportion of its sales are to the financial services industry, we expect the business to recover over time and believe the shares are presently undervalued relative to the company's future prospects. Equifax generates over US$1.8 billion in annual revenue and approximately US$600 million of operating earnings.

As reported in our last investment letter to clients, we sold our holdings in Keystone North America in October as the company accepted a buyout offer at a substantial premium from a U.S. competitor, Service Corporation International. We also sold our common shares in Obagi Medical Products and NutriSystem as these U.S. small cap stocks had appreciated significantly relative to our initial purchase prices and we felt better investment opportunities were now available elsewhere.

High Income Portfolios

As most of you are aware, Bridgeport's high income portfolios consist of bonds, convertible bonds, preferred shares and a modest selection of high dividend paying common shares and income trusts (25% of the portfolio). The fourth quarter saw the addition of several new positions to this portfolio including bonds issued by Parkland Income Fund and Iron Mountain.

Parkland is Western Canada's largest independent fuel marketer. The company's retail fuel business consists of a multi-branded gasoline network of over 600 sites that reaches from BC to Ontario and its commercial segment includes a variety of businesses that supply fuel and related products to commercial and industrial businesses. Parkland's balance sheet is relatively unlevered and we believe the company represents a reasonable credit risk. We have purchased bonds in the company which are convertible into common equity at our option and carry a 6.5% annual coupon.

Iron Mountain is a global leader in information storage and protection. The company offers comprehensive records management services, data protection & recovery services and information destruction services. Many of you will have seen Iron Mountain's name on storage boxes in your office as the company provides off-site document storage and retrieval of records to more than 120,000 clients in 38 countries including 95% of the Fortune 1000. Iron Mountain's business model is relatively stable and is characterized by high levels of recurring customer revenue. We have purchased the company's bonds which carry a 7.5% annual coupon and mature in January 2015.

We look forward to an improving economic situation in 2010 and wish you much health, happiness and prosperity in the year ahead.

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

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