The capital markets in 2017 were perhaps best characterized by investors' "fear of missing out".

While markets hit record-setting highs in 2017 in the wake of Trump's election based on expectations of corporate tax cuts and deregulation, the areas of the market that really soared were those with the greatest momentum that drove people to invest out of fear that they would miss out on the next great thing.

This is obviously nothing new. Investment bubbles have been around for at least 500 years, beginning with Tulip Mania in Holland in the 1630s where the price of tulips soared and then crashed based on rampant investor speculation. More recent bubbles include the Nifty 50 in the 1970s (50 blue chip stocks that every investor had to own irrespective of valuation) and the dotcom bust of the late 1990s.

Today, investors can't seem to get enough of cannabis stocks, cryptocurrencies and blockchain companies. Prices for all of these investments soared in 2017 without much regard for their underlying businesses cases. We believe that meaningful profits will be made in the marijuana business, although determining the winners in the sector and the size of the end consumer market are still unknowns. Despite the level of uncertainty and associated risks with these companies, investors seem to be willfully ignoring possible downside scenarios. The collective stock market capitalization of Canadian marijanua companies is now over $30 billion relative to total current annual industry revenues of appromixately $70 million.

Given the number of competitors who are entering into the space, it seems hard to justify valuations in the sector unless smoking or ingesting pot becomes as popular as drinking Coca-Cola (which if true would not exactly do wonders for Canada's labour productivity numbers!). It would also seem that certain marijuana company executives are in agreement with this view given the level of insider share sales over the last year.

The case for cryptocurrencies such as bitcoin is even murkier since such instruments possess no real intrinsic value, have proven to be insecure at times, are not widely accepted as a unit of exchange and offer little stability as a store of value (i.e. the value of most world currencies does not go up or down 50% or more over short periods of time). While it is clear that the blockchain technology underpinning cryptocurrency will have wide application across many industries, it seems the primary investment appeal of cryptocurrencies is that their price action over the last few years have made a handful of people fabulous amounts of money. Stay tuned as this story has the potential to end badly.

Against this market backdrop, our equity portfolios generated reasonably gains over the last year, despite our adhering to a value-oriented investment philosophy (which is somewhat out-of-favour right now) and maintaining reasonable cash positions in our funds so that we can pounce opportuntistically when certain stocks we like fall in price.

As mentioned in previous letters, our portfolio performance in Canadian dollar terms has been adversely impacted by an approximate 7% decrease in the value of the US dollar relative to the Canadian dollar in 2017. This currency impact was a factor in our High Income, US Equity and Small & Mid Cap Equity Funds which all have material allocations to US equities and bonds. To mitigate currency issues going forward in our funds, we have now hedged some of this currency risk away through the use of forward contracts.

Our equity fund returns were bolstered in 2017 by positions in Cogeco (+65%), Wal-Mart (+45%) and Great Canadian Gaming (+35%). Notable detractors in the equity portfolio included Clearwater Seafoods (-35%), EPR Properties (-4%) and Speedway Motorsports (-10%). New additions to our equity portfolio in the fourth quarter include SNC Lavalin and Element Fleet Management.

SNC Lavalin (SNC) is a top-tier global engineering and construction firm based in Montreal, Quebec. The company has offices in more than 50 countries and is engaged in construction, design and engineering projects across several industries including infrastructure, oil & gas, power and mining. Our interest in SNC's shares peaked when the company announced its acquisition of WS Atkins, a UK based competitor that specializes in engineering and project design in the infrastructure sector.

The acquisition has lessened SNC's exposure to project flows in volatile resource sectors, as energy and mining projects previously accounted for almost 50% of the company's revenues. Resource exposure is now down to approximately 35% and SNC's exposure to infrastructure projects has increased from 30% to 47%, which we think is positive for the business given the fiscal stimulus that has been promised by various governments around the world. In addition, SNC owns a unique portfolio of valuable infrastructure assets including a highly-prized 16%+ stake in Toronto's 407 Highway. Bridgeport believes that the value of SNC's asset portfolio plus the value of its engineering and construction business far exceeds its current share price.

Element Fleet Management (EFN) is the world's largest publically traded fleet management company. EFN leases cars, panel vans, pickup trucks and transport trucks to corporations that require large vehicle fleets. The company serves customers across a wide range of of industries including transportation & logistics, utilities, telecommunications and consumer goods.

Along with leasing fleets to corporations, EFN provides support and management services for the fleet including accident management (fixing vehicles and coordinating rental cars), fuel management (app that tells drivers where the cheapest gas is, fuel cards with rebates, fuel spend analytics), fleet re-sale, vehicle maintenance and telematics. Through its two core business segments, EFN generates a stream of recurring revenue from a high quality roster of global customers. We acquired our shares in the company at an attractive valuation (approximately 10x estimated earnings and 1x book value per share) and are happy to collect a 3% dividend yield while the company continues to grow and we wait for the stock to appreciate to a more reasonable level.

Within Bridgeport's High Income Fund, we have added the bonds of Servicemaster Global Holdings (SERV) and Multi-Color Corporation (MCC). SERV provides pest control services and home warranties in the United States, while MCC is one of the largest label making companies in the world. Although these companies operate in different sectors, they are similar in that they both generate steady revenue streams and cash flow.

Finally, we wanted to remind you again that we are moving across the street at the end of January to 77 Bloor Street West (Suite 1104) at the southwest corner of Bay and Bloor. Visitors are always welcome so hopefully you will come see us at some point in the near future!

We thank you for your continued support and wish you all the best for a healthy, happy and prosperous 2018. As always, please feel free to reach out with any questions.

Yours truly,

John Fisher

John Fisher, CA, CPA, CFA