ASHFORD
CAPITAL MANAGEMENT

Q2 2020 COMMENTARY

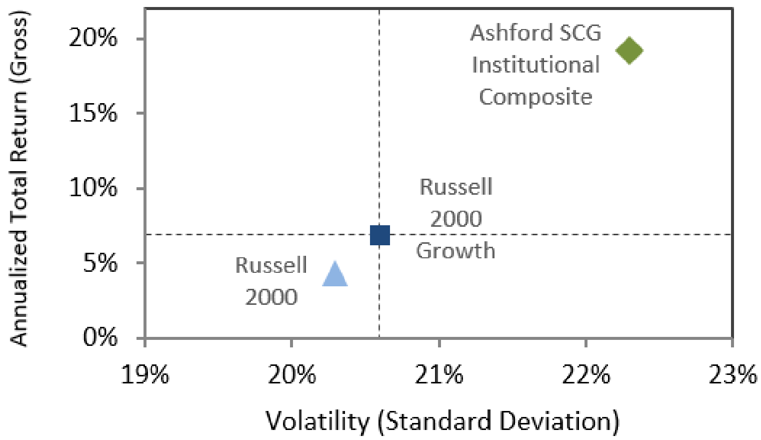
What Are We Seeing As We Execute our Investment Process?

The COVID-19 pandemic continues to cause volatility in society, the economy, and global markets. The duration of the pandemic and the shape of the economic recovery remain uncertain as indicated by the recent delayed reopening of many businesses and several states around the country. On a positive note, the Federal Reserve and Treasury acted swiftly with unprecedented stimulus to focus on taking the worst-case scenarios off the table. We are also seeing a growing number of healthcare companies race to develop an effective vaccine.

Our portfolio showed its durability in the first quarter, holding up better on the downside as asset prices fell (see chart on next page). As markets improved in the second quarter, we experienced a strong recovery on the upside.

Our focus on durable businesses with experienced management teams, strong balance sheets, and growth companies offering essential and innovative products and services has helped us build a balanced portfolio that has performed well in both down and up markets in the first half of 2020. We believe these higher-quality characteristics will continue to gain attention, especially given the uncertainty of the economic recovery. We also anticipate these characteristics should provide some downside protection as volatility persists.

ASHFORD SCG RISK/REWARD
FOR THE 5 YEAR PERIOD ENDING 6.30.20



ASHFORD SCG PERFORMANCE
FOR PERIODS ENDING 6.30.20

Period	Q2	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	44.1%	15.5%	18.1%	18.3%	18.2%
R2000 Growth	30.6%	3.5%	7.9%	6.9%	12.9%
R2000	25.4%	-6.6%	2.0%	4.3%	10.5%

* *Performance represents Ashford Small Company Growth Institutional Composite, net of investment management fees.*

IN THIS UPDATE

How Are We Handling This Period?

We have spent the last three months continuing to work remotely, while team members go into the office on a flexible schedule. Our tenure together as a team and the rapid implementation of our

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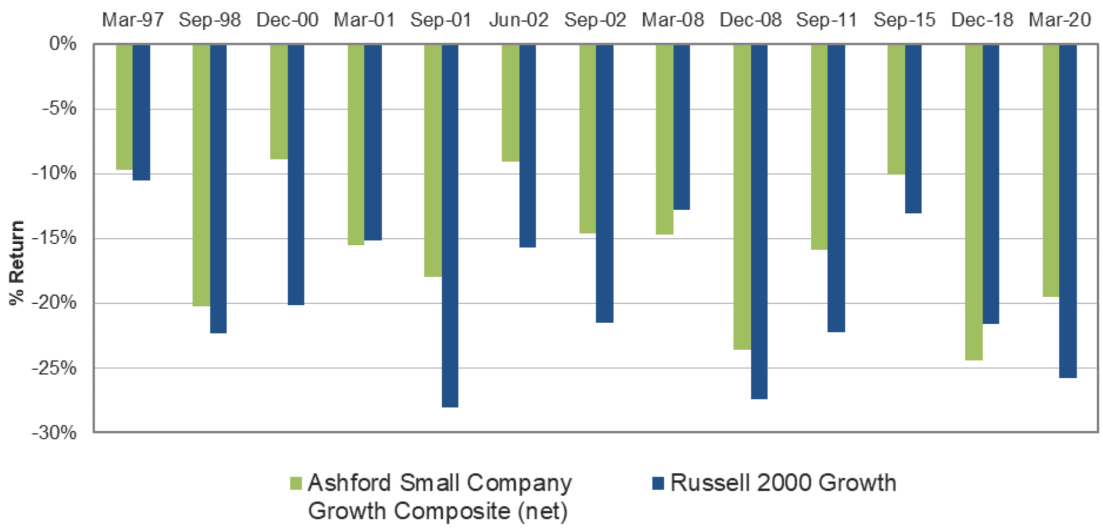
Ashford Outperformance in Down Markets



Includes quarters since 1/1/97 where the Russell 2000 Growth declined 10% or more in a quarter.

communication and collaboration platform enables us to perform at a high level. Fortunately, our employees and their families are safe and healthy.

While we have been conservative about reopening the firm, we have spent an increasing amount of time updating a process and plan for the team to return to a safe work environment. Similar to our investment discipline, we are working hard to identify and reduce the risks as we update the plan.

Our Process at Work—Quality Matters

The true value of fundamental research is often proven in periods of challenge and adversity. The time we spend identifying durable growth businesses with managements which have thought ahead, have evaluated their strengths and weaknesses, and have developed detailed plans for growth in tougher times is usually rewarded in two ways. First, longer-term investors are reluctant to sell well-managed companies and this reluctance is strengthened by actual operating performance. Stocks of these companies often go down less than stocks perceived to be higher risk due to the lack of free cash flow, questionable business models, and weak balance sheets. Second, turbulent times can bring opportunities: opportunities to move ahead when others are confined to driving through the rear-view mirror; opportunities for improved positioning, for consolidation, for adding talent, for winning new customers, and for using financial resources advantageously. When the markets turn as they did in April, these are often the companies that emerge as leaders and attract more investors. We have multiple portfolio holdings which fit this profile.

These times are challenging and will continue to test the focus and discipline of investment firms. The team at Ashford Capital has been able to perform at a high level by remaining calm and focused, and by

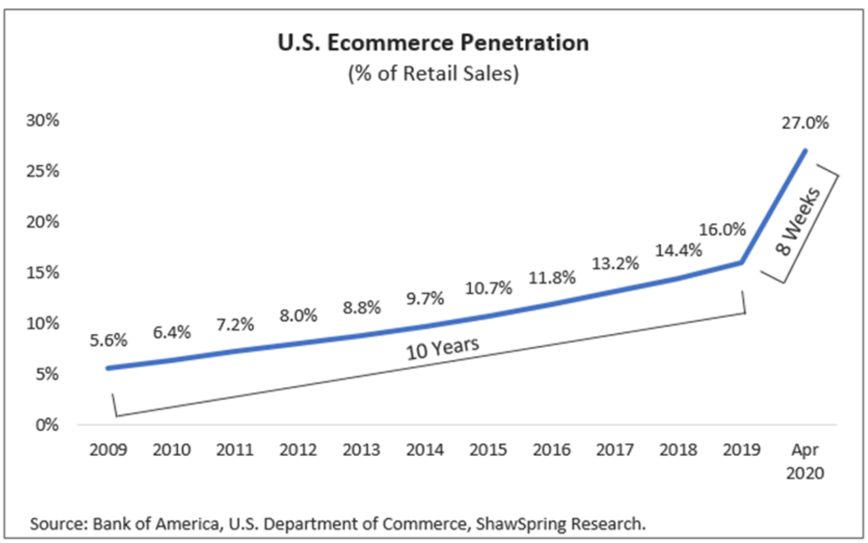
following our investment process. While we have been able to protect and build our culture that promotes curiosity, self-starting, and long-term thinking, we also know there are likely more unique management and market challenges to come in the months and years ahead.

Putting Capital to Work

Since the beginning of the year, we have added seven new market-leading companies at competitive entry prices and six have already contributed to fund returns. In each case, we believe our team has identified an innovative growth business which is driven by core principles that outline what the organization stands for and how it operates. These are crucial guideposts during a challenging period like the one we are in now.

Most of these new holdings have come from “prepared-mind” areas such as the digitalization of health care, financial technology innovation, mobility-as-a-service, and the evolution of the workplace. We have relied on our network of existing managements and private investors to test our insights about the business models and the managements’ records of execution.

The digital revolution continues, and in some cases picked up momentum in the first half of 2020. For example, the chart below depicts the recent dramatic acceleration of U.S. ecommerce penetration as a percentage of retail sales. It took approximately ten years for ecommerce penetration to reach a rate of 16% by the end of 2019. In April of 2020, U.S. ecommerce penetration reached 27%, an 11% increase in share over the prior two months. We realize this momentum may seem moderate, but we see a paradigm shift in



the way people will interact in the future. "Contactless" ways to provide goods and services will continue to accelerate and likely create multiple winners going forward.

Outlook and Conclusion

As we write this letter, we are seeing a spike in COVID-19 cases which brings with it more market volatility. The rate of and reasons for the spread of the virus remain uncertain. We also understand selected areas of the market have run up quickly since bottoming in March. We will continue to update our assumptions and outlooks for the businesses in the portfolio and execute our risk management processes.

With a market that can be driven by emotion and overreaction, we continue to believe process-driven fundamental stock selection will outperform passive indexing. We work in an inefficient area of the market where we believe fundamental research adds value. Our careful research will remain our primary key to success in achieving superior returns for our investors.