ASHFORD
CAPITAL MANAGEMENT

Q3 2020 COMMENTARY

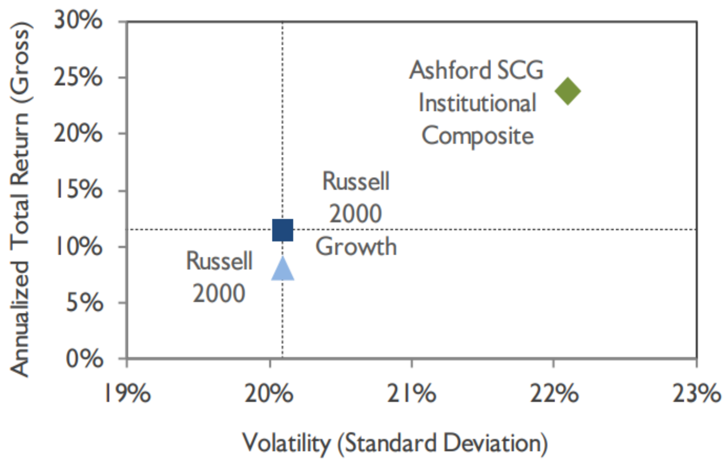
What Are We Seeing As We Execute our Investment Process?

Our view is that most investors were too pessimistic at the start of the quarter. It was hard not to be concerned if you turned on the TV, read a newspaper, or logged on to a favorite internet news site. However, a large percentage of companies executed well, exceeding Wall Street's and even management's expectations. We believe the following three quotes from recent company earnings calls provide insightful color into the acceleration of several trends we are studying:

On the July 15th, 2020 earnings call, United Healthcare CEO David Wichmann stated, "*The COVID-19 crisis has accelerated the adoption of new technologies and approaches to care. We're serving people where they want to be served, and more often in the home, which is becoming a preferred additional care setting through new innovation digital offering. At peak care system closure in April, United Healthcare facilitated more than 4 million digital care visits, that's nearly 30 times the number of visits we enabled in January*."

On July 22nd, 2020 Satya Nadella, CEO of Microsoft, said, "*Organizations that build their own digital capability will recover faster and emerge from this crisis stronger. We are seeing businesses accelerate the digitization of every part of their operations from manufacturing to sales and customer service to reimagine how they meet customer needs from curbside pickup and contactless shopping in retail to telemedicine in healthcare. That's why we are building the full modern technology stack powered by cloud and AI and underpinned by security and compliance to help every organization digitally transform*."

ASHFORD SCG RISK/REWARD FOR THE 5 YEAR PERIOD ENDING 9.30.20



ASHFORD SCG PERFORMANCE FOR PERIODS ENDING 9.30.20

Period	Q3	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	9.1%	37.0%	18.0%	22.9%	18.0%
R2000 Growth	7.2%	15.7%	8.2%	11.4%	12.3%
R2000	4.9%	0.4%	1.8%	8.0%	9.9%

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

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Q3 2020 COMMENTARY

On the July 29th, 2020 earnings call, Shopify President Harley Finkelstein said, *"Over the past few months, we've seen the COVID-19 pandemic fundamentally shift the way businesses and consumers interact. It has catalyzed e-commerce introducing major changes in buyer behavior and pulling forward what retail would look like in 2030 to 2020. Many merchants were caught off guard, and we knew that Shopify needed to act fast to help them survive, so from late March through the second quarter, we dialed up our urgency to enable independent businesses to adapt and compete in this new reality."*

The Ashford team remains focused on certain core sectors including the Internet, Technology, Media, Consumer, and Health Care, where we believe secular growth and the speed of digital transformation remain high. These trends continue to create disruption and business models that should perform well in all economic cycles.

Our Process at Work

During the third quarter, we conducted our own proprietary review and analysis of how COVID-19 is impacting businesses with a questionnaire for management interviews of the partnership's portfolio companies. The following themes emerged:

- Margins will expand in the future;
- The reliability and speed of delivery of goods and services are competitive advantages; and
- Employees will continue to work remotely into year-end.

The fact that most companies expect margins to expand in the future should bode well for the companies in the portfolio over the long-term. If businesses can continue to grow their top line revenue, expanding margins should provide higher net income, cash flow, and return on equity.

A Time for Reflection

We have highlighted the following points in previous letters but they are worth reiterating, especially since we believe the current environment has created dispersion and a positive long-term strategic framework for executing our "bottom-up" investment process:

- Find criteria companies early while they have limited institutional recognition and Wall Street coverage;
- Avoid leveraged companies that are dependent on capital markets and banks;
- Align with management teams that are experienced and executing their growth strategy;
- Seek businesses that are less exposed to economic cycles;
- Focus on obtaining entry prices that meet or exceed our discipline's hurdle rate of return;

- Be prudent by reducing exposure when institutionalization and/or position size reach thresholds established by our risk management process; and
- Look for businesses that can become much larger and that we can own for a long time.

Outlook and Conclusion

This year, the Ashford team has been tested and we remain focused on our disciplines and process. The team continues to work from a hybrid model: remotely from home and in-the-office. In addition, as a firm we understand that to perform at a high level we must maintain a culture of constant improvement. The team continues to work hard to generate competitive risk-adjusted returns for our investors over the long-term.

If you have any questions or comments, we look forward to hearing from you as we move towards the end of the year. We hope you and your families are safe and well. Thank you for your confidence in our team.