

2020: Turning Disruption Into A Positive

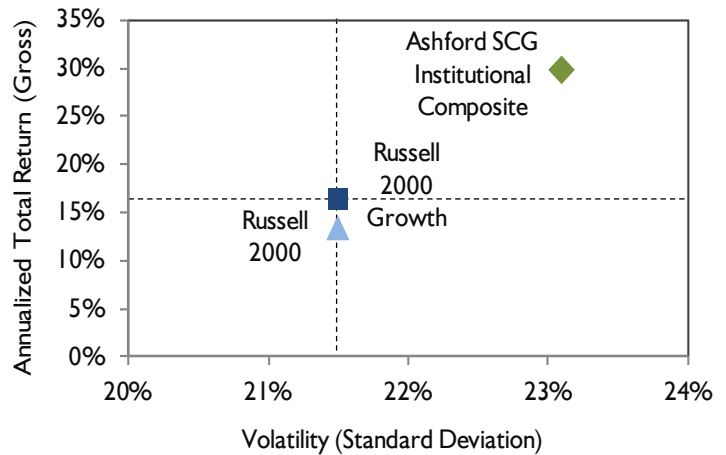
Disruption was a key theme in 2020. The year was clearly a unique period that none of us had experienced before. We wrote in past letters that we expect to take some hits in this business, and we took a few during the year. Fortunately, the Ashford team was up to the test. We adapted to the challenging landscape by focusing on turning disruption into a positive. During March and April, we followed our entry price disciplines and took advantage of market weakness to reallocate capital to several businesses that could benefit from the challenges we are facing.

One of the criteria companies we bought in 2020 was one of a small number of public insurance companies that focuses primarily on the excess and surplus lines insurance markets. It specializes in hard-to-place property, casualty, and special risks and is run by a superior management team led by a CEO who has extensive experience in the industry. The company is gaining market share as it continues to lower its expense structure, build out its end-to-end technology platform, as well as grow its underwriting advantages which include pushing back on coverage exclusions. We believe this last point has been especially valuable during the pandemic.

What Are We Seeing As We Execute Our Investment Process?

Businesses continue to recover unevenly. Our independent work along with feedback from several management teams leads us to believe that the pace of digital transformation will continue to be strong and in certain instances even accelerate. Volatility also remains elevated in many areas of the public markets as we adapt to a new administration and continue to fight COVID-19.

Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 12.31.20



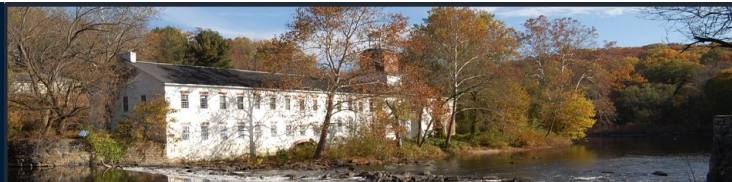
Ashford Small Company Growth Strategy Performance for Periods Ending 12.31.20

Period	Q4	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	31.7%	66.6%	28.5%	28.7%	19.8%
R2000 Growth	29.6%	34.6%	16.2%	16.4%	13.5%
R2000	31.4%	20.0%	10.2%	13.3%	11.2%

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

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This landscape will continue to challenge the team to stay focused on the most important tenets of our investment philosophy. These include:

- Going to primary sources for information
- Studying businesses and managements we can understand
- Aligning with people and companies that we can live with for the long-term
- Finding companies with durable competitive advantages

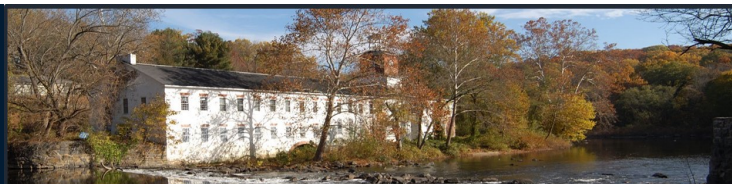
Our Process at Work

The majority of the new ideas we bought in the portfolio in 2020 were sourced from “prepared mind” themes. As we have highlighted, the team continuously works to build knowledge, experience, and relationships in areas of innovation.

Our focus on the growth of digital services brought us to a company that has developed a platform to connect businesses and freelancers around the world and enable remote work to be done digitally. The management’s vision is to give users the ability to buy and sell digital services in the same fashion as physical goods on an e-commerce platform. The pandemic has certainly helped accelerate growth in the freelance economy near-term for this company’s services including graphic design, coding, website building, and video animation. We expect this company to continue to take advantage of the ongoing digital transformation of the workplace for years to come.

Our prioritization of the trend toward collaborative work management helped us uncover a company that has developed a flexible, cloud-based collaboration platform that gives teams and organizations the ability to better manage, automate, and report on work at scale. The nature of work has changed with an increasing amount of unstructured, dynamic, and distributed work leading this company to become "the single source of truth" across an organization. The customer ROI is tangible, and our work suggests this company can improve productivity by 20-25%. The references we talk with cite the reduced time they spend on administrative work as well as the opportunity to track and produce faster and better business results. We believe the shift to collaboration and automation via low-code/no-code applications is still very early, and we expect this trend to accelerate.

A third example is our work on virtual banking services. Our team has been focused on the accelerating adoption of these services for several years. During the drawdown in the market in the first half of 2020, we added a company to the portfolio that offers cloud-based services to banks and credit unions that are facing more complex demands from their customers. This company has been a pioneer in the digital banking space by building the leading platform that allows banks to better manage their customer relationships over the web. They utilize data generated by the digital banking process to add more valuable services such as loan



underwriting, marketing offers, and client onboarding. Digital banking adoption has increased during the pandemic.

Our Team

This past year of challenges has tested our entire team, from the portfolio managers and analysts to the financial, operations, and support staff. Each of us has had to adapt in unexpected ways, but the camaraderie and teamwork that has been built over the years have allowed us to adapt to remote work seamlessly and successfully. The team has always been focused on its core mission of investment excellence, and this year's challenges have highlighted the importance of collaboration, support, and mutual respect to that mission. As a result, our team is stronger and even more resilient.

Outlook And Conclusion

After strong returns in 2020 from many companies in the portfolio, several are more aggressively valued. We will continue to mitigate risk by managing position sizes as well as updating our long-term assumptions about the fundamentals of the businesses.

Similar to 2020, we believe there will be continued dispersion between management execution levels, company operating performance, and market returns. Stock selection will remain critical in 2021. We continue to have a strong pipeline of new businesses to own. Our ongoing challenge will be to remain disciplined and buy them at compelling entry prices.

To finish on a positive note, improving economic conditions could lead to greater business and consumer confidence, which can drive improved corporate earnings growth in 2021. Thank you for your continued confidence in and support of the Ashford team especially during this challenging period. As we enter 2021, we will continue to keep our focus on finding the highest quality managements and businesses that fit our long-term strategy.

