

We experienced a persistent rise in inflationary expectations during the first quarter of 2021. Yields rose for eight consecutive weeks, bringing more volatility to the markets and the portfolio. We took advantage of this volatility to add to six companies as well as start positions in two new holdings. Most importantly, the businesses you own continue to execute well and, in a growing number of cases, are seeing improving demand for their products and services.

Our Process at Work

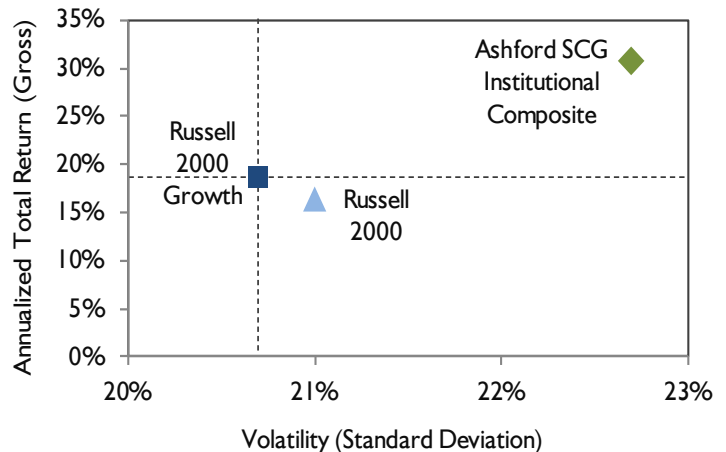
RISK MANAGEMENT

We entered the year holding several high-conviction businesses which had appreciated aggressively over the last several months of 2020. We have followed our risk management disciplines and executed bait backs on several of these holdings including Magnite Inc., Fiverr International Ltd., and Axon Enterprise Inc. While they remain core holdings and their competitive positions and outlooks remain strong, our bait back discipline helps us mitigate risk by managing position sizes based on valuations with respect to our models and multi-year return expectations.

IDEA GENERATION

Strong idea flow from our team consistently has us evaluating positions to insure we are concentrating our exposure in our best ideas. We are focused on rebalancing exposure from positions where stock price gains have outpaced earnings and cash flow growth and into our highest conviction growth businesses. One of the recent additions is Sprout Social Inc., a leading provider of social media management solutions. Customers are quickly realizing

Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 3.31.21



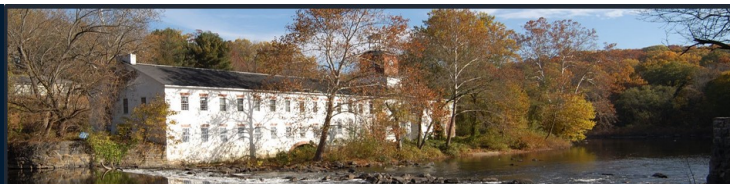
Ashford Small Company Growth Strategy Performance for Periods Ending 3.31.21

Period	Q1	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	1.5%	110.1%	26.0%	29.8%	18.9%
R2000 Growth	4.9%	90.2%	17.2%	18.6%	13.0%
R2000	12.7%	94.9%	14.8%	16.4%	11.7%

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

IN THIS UPDATE

- **Our Process at Work**
- **What Are We Seeing?**
- **Where Are We Spending Our Time?**
- **Outlook and Conclusion**



the value social media can have on driving business outcomes and addressing customer service issues. Sprout offers a centralized platform and system of record that reduces the time and manpower needed to log onto and monitor disparate social channels including Twitter, LinkedIn, Instagram, Glassdoor, Reddit, etc. Over the past ten years, Sprout has been expanding its product offerings and analytical tools to allow users the opportunity to save considerable data collection cost and time and generate more relevant insights. The feedback from our work over the past 15 months is that their single code platform is very affordable, easy to install and administer, and delivers measurable ROI to customers. Clients including Shopify, Roku, Discover, and Loews Hotels are using Sprout to uncover trends and collaborate with their customers as well as become more visible on the most relevant social channels.

What Are We Seeing?

Business fundamentals are recovering across a growing number of sectors in the U.S. economy. The vaccines are a strong stimulus as more people start to refocus on more normal day-to-day activities. The NFIB February 2021 survey report saw notable increases in expectations for the economy, current job openings and corporate earnings trends¹.

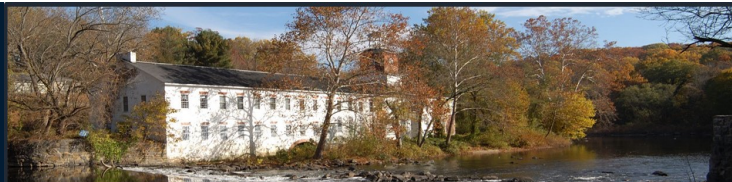
Given this context, we still believe operating leverage remains underappreciated. Our recent work on several holdings including Chegg Inc., Twilio Inc., Goosehead Insurance, and The Trade Desk Inc. has convinced us that these businesses are in an extended period during which their capital can be reinvested at a high and, in select cases, expanding NPV. The bottom line is that profit margins in many of the companies in the portfolio are expected to improve as the operations continue to scale and this trend could continue over the next several years.

Where Are We Spending Our Time?

We remain focused on what has worked for our firm and our clients for the last 40+ years: independent thinking and proprietary research. We continue to work hard to find companies with the following fundamental characteristics:

- Aligned management – vision, passion, depth, and accretive capital allocation through a proven process
- Strong balance sheet – ability to fund internal growth and strategic growth initiatives
- Large and expanding market – often with changing industry dynamics
- Durable competitive advantage – cost advantage, network effect, switching cost
- High ROI to the customer – proven value proposition, high benefit to cost ratio
- Business visibility – recurring revenue, backlog, customer retention

¹ NFIB Small Business Economic Trends February 2021; <https://assets.nfib.com/nfibcom/SBET-Feb-2021-final.pdf>.



We introduced Sprout Social earlier in this letter, and the company fits many of these criteria. Our new idea pipeline includes other businesses which also exhibit many of these characteristics, but our investment disciplines call for us to wait for better entry prices.

Outlook and Conclusion

The investment team relies on qualitative evaluations of companies as a critical part of the investment process and is looking forward to getting back on the road to do more of this interactive work. Most of the Ashford Capital team members have gotten their first vaccination shots and are expecting to receive a second in the next several weeks. Given this timeframe we have started to schedule trips for early summer to visit managements from existing holdings as well as research new ideas.

Interest rates are still low, but we expect to see them continue to move higher as the global economic recovery accelerates. Given this landscape and our expectations that volatility and valuations will likely remain elevated, the results from individual companies are critical. Fortunately, our conviction in our investment process and the long-term outlook for the companies in the portfolio remains strong.

