

Our Process at Work

There has been a lot of discussion about inflation in 2021. In June, Jerome Powell, Chair of the Federal Reserve of the United States, said he expects inflationary pressures to be transitory. He believes select goods and services are seeing one-time price increases based on pent-up demand and temporary supply bottlenecks due in part to the rapid reopening of the economy. Specifically, he cited air travel, hotel and rental car rates, as well as new and used car prices.

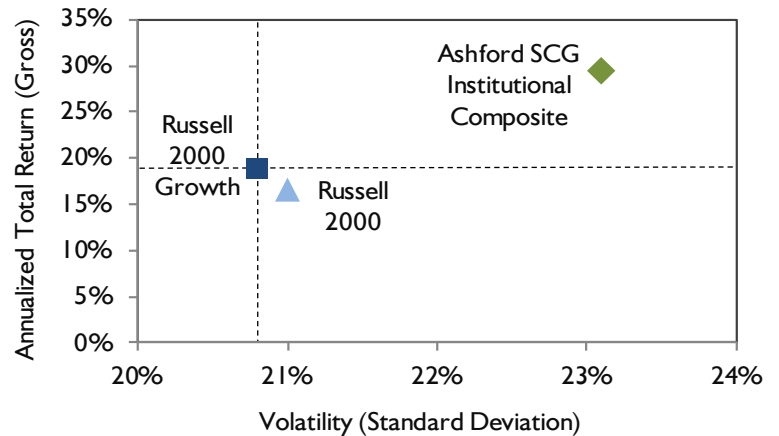
As the inflation discussion has grown louder over the past several months, we have spent time reviewing the companies we own that have pricing power or the ability to pass through higher operating costs to their customers. For us, pricing power has always been an important criterion in a potential new investment.

While our updates are ongoing, we are encouraged by the feedback we are receiving from managements. Only the management teams from two out of our thirty-five holdings have cited specific inflation challenges. In both cases they relate to rising raw material costs, which could persist longer than just the next six months.

What Are We Seeing?

The investment team is starting to travel again: June and July were our busiest travel periods since February 2020. We have become a bit more cautious in August as we study the impact of the Delta Variant, but our goal is to meet with the managements of our existing holdings and pipeline ideas over the remainder of the year.

Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 6.30.21



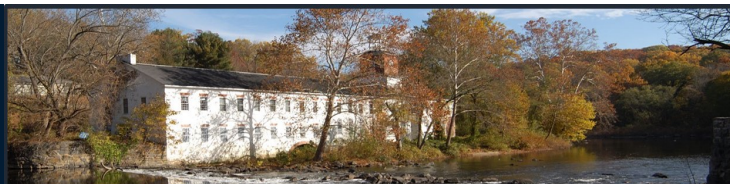
Ashford Small Company Growth Strategy Performance for Periods Ending 6.30.21

Period	Q2	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	4.5%	52.3%	21.2%	28.5%	19.6%
R2000 Growth	3.9%	51.4%	15.9%	18.8%	13.5%
R2000	4.3%	62.0%	13.5%	16.5%	12.3%

* 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**



One of our recent trips took us to California to meet with one of our portfolio companies. The company focuses on becoming one of the most reliable satellite and ground station providers in the world. We met with members of senior management and discussed several of our investment criteria. Our specific questions covered:

- The essential and differentiated nature of their satellite and ground station products including their government program.
- The loyalty, order visibility, and long-term commitment from their largest customers and partners.
- Management's recent capital allocation decisions during the pandemic as well as future areas of focus.
- The competitive landscape especially in relation to Space-X and its Low Earth Orbit satellite initiative.
- Review of their value proposition to build satellite and ground networks to deliver the most bandwidth with low latency to the places the customers need it for the lowest cost.

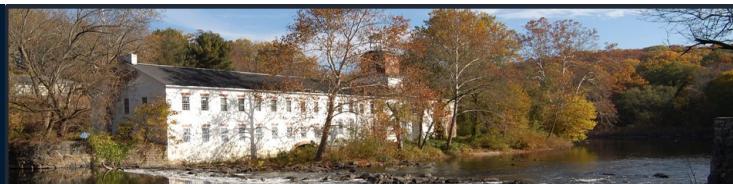
In combination with our interactions with several independent references, the meeting helped build our conviction in the business model and three-year outlook for the company.

Where Are We Spending Our Time?

Over the past year, we have increased our focus on the cybersecurity and identity and access management spaces. With the advances in technology, the hacking of networks and stealing of personal information have continued to grow. To protect themselves, enterprises are faced with the increasingly difficult challenge of defining and managing the roles, privileges, and access of users on their systems with relevant resources at the right time. Specifically, we have been tracking five companies, two of which recently went public and three which have been public for several years. In all five cases we have gotten strong positive references on the management teams, talked to users as well as analyzed the unique platforms the companies are building. We are close to finishing work on two companies and are now evaluating the entry prices we are willing to pay.

Outlook and Conclusion

Across the U.S. economy, the recovery of corporate profits from a pronounced decline last year continues to accelerate through the end of July. This is holding true for companies in our portfolio as well. We waited to write this mid-year letter until many of the companies in the portfolio had provided second quarter updates. In most cases, we have seen widening competitive advantages and improving outlooks for 2022. Certain challenges related to supply chain management and new employee hiring have surfaced in select reports. We will be focused on these issues as the company leadership teams continue to address them over



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Q2 2021 COMMENTARY

the coming months.

While valuations remain elevated in certain market sectors including information technology and consumer discretionary, we continue to believe businesses with the combination of strong leadership, compelling reinvestment opportunities and improving fundamentals will outperform over the long term and serve this portfolio well.

