

### Our Process at Work

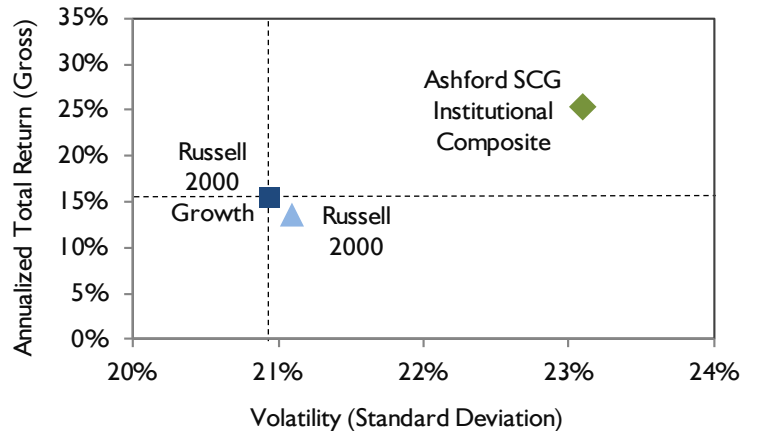
In the past, we have talked about our bait back strategy and its importance to our risk management process. It is especially relevant now given several companies have experienced outsized benefits from the onset of the Covid 19 virus, most notably online services and health providers. In each of these cases, we exercised our full bait back discipline as valuations appreciated aggressively and the companies became outsized holdings in the portfolio. As these businesses report updates for the current quarter, we are paying close attention to the long-term organic growth rates we expect them to deliver.

### What Are We Seeing?

During the third quarter, we increased our travel schedules as a growing number of managements began returning to their offices. We updated our work on several existing and prospective holdings and we continue to schedule more on-site meetings for the remainder of the year. In each of these valuable conversations we discussed the real-world issues mentioned above. While the relevance of the issues varied by company, an encouraging theme emerged: demand remains strong.

Management of one manufacturing company in the portfolio cited an acceleration in backlog from \$140 million last year to \$296 million this year as well as an increase in order sizes from several large customers. They also stated that improved semiconductor component availability and increased capacity should support a near-term step-up in revenues as the company is better able to service this growth in backlog.

### Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 9.30.21



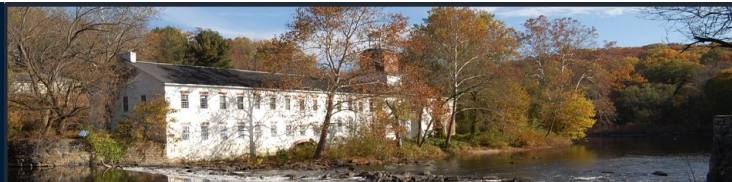
### Ashford Small Company Growth Strategy Performance for Periods Ending 9.30.21

Period	Q3	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	-2.8%	35.6%	18.3%	24.4%	21.3%
R2000 Growth	-5.7%	33.3%	11.7%	15.3%	15.7%
R2000	-4.4%	47.7%	10.5%	13.5%	14.6%

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

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One of our portfolio companies in the insurance sector reported strong growth in the third quarter of over 36% in gross written premiums driven by higher submission activity from brokers. This trend is expected to continue as the company benefits from competitors pulling out of certain product lines, the shorter quote periods the offer to brokers, and the superior data they are collecting and analyzing to inform their underwriting and claims decisions.

Another company in the portfolio is a leading provider of dredging services in the United States. While the management has been challenged by the Covid 19 pandemic from lost workdays and short-term dry dock periods, the bidding activity for port deepening, port maintenance, and coastal protection and restoration projects continues to be strong. In early October, the company was awarded a \$95 million dollar contract to widen a portion of the Galveston, Texas ship channel from 530 feet to 700 feet. This contract along with others in New Jersey, Florida, and North Carolina have contributed to an expanding backlog and positions the company for accelerated top line growth over the next several years.

### Where Are We Spending Our Time?

We mentioned our focus on cybersecurity in our last letter. We have since completed our work establishing a new position with a company in the field. This software company help enterprises and individuals using Apple products become more productive and secure. The flagship product is an application used by IT administrators to configure and automate tasks for Mac IOS and iPad IOS platforms. The company currently works with over 57,000 customers running more than 25 million devices.

One of this management's top priorities relates to the protection of end points (points of access on an enterprise network such as laptops and mobile devices) from malicious attacks. At the company's recent user conference, management cited the expansion over the past two years of new endpoint products tailored to support Apple security and privacy. Specifically, we expect their newer security initiatives will not only improve the customer retention rate but likely accelerate adoption going forward.

We also continue to complete our work on two other businesses in the security and identity access spaces. We expect to visit them again before year end and we are also expanding our reference network to better understand their innovative platforms and their long-term market opportunities.

### Outlook and Conclusion

Our research-driven culture continues to lead us to identify and analyze businesses before they are more broadly discovered and obvious in the numbers. We mentioned in our previous letter that valuations in certain market areas remain elevated. Therefore, we need to be even more discriminating as investors,



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## Q3 2021 COMMENTARY

especially in relation to the entry prices we are willing to pay. Fortunately, we are continuing to identify businesses where our due diligence process can provide a tangible advantage and we believe are mispriced.

