

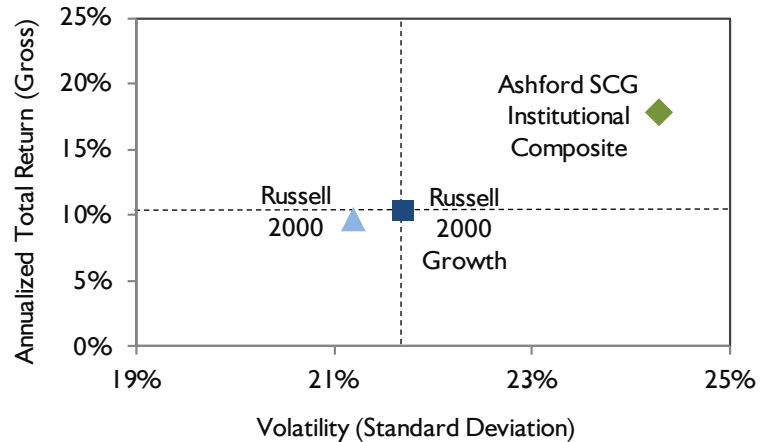
Our Process at Work

It is during periods like this that the investment team relies most heavily on the business criteria we have been using since our founding. We focus on owning companies which have pricing stability, business model visibility, lower-cost platforms, and strong balance sheets so the managements can take advantage of unexpected disruptions in their markets. Furthermore, healthy margins, operating cash flow, and excess cash balances can bring opportunities to enhance shareholder returns through dividends, buybacks, and selected acquisitions of temporarily depressed strategic assets. They can also help to buffer inflationary pressures from higher wages and raw material costs.

In the case of one portfolio company that operates a direct-to-student learning platform, the management team has seen improving visibility in its long-term business model based on subscription price increases and international growth of its core services offering. Management has also used cash on the balance sheet to buy back more than 10% of total shares outstanding in the last several months.

We also had the opportunity to visit a portfolio company recently at its Phoenix, Arizona headquarters. The company has over \$400 million in excess cash and continues to aggressively invest operating cash flow in its new digital evidence and records management offerings. The management also relentlessly looks to find ways to lower production costs for their smart weapons and camera offerings. These initiatives have helped to improve an already strong bookings pipeline.

Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 3.31.22



Ashford Small Company Growth Strategy Performance for Periods Ending 3.31.22

Period	Q1	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	-12.4%	-15.3%	15.8%	17.0%	16.4%
R2000 Growth	-12.6%	-14.3%	9.9%	10.3%	11.2%
R2000	-7.5%	-5.8%	11.7%	9.7%	11.0%

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

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One recent addition to the portfolio is a company that provides business support services for the communications industry for customers including Charter, Comcast, and Dish Networks. Its primarily cloud-based solutions include cable and satellite care and billing, content management, and monetization and payment solutions.

The organic revenue growth of the business has started to accelerate as the updated payments and customer engagement offerings generate new longer-term contracts. Based on the company's robust cash flow and strong balance sheet, the management has been continuously raising its dividend as well as buying back stock.

What Are We Seeing?

Companies in cyclical areas including mining, oil and gas production, and refining are performing well. Our exposure to these business areas is low since they are often connected to commodity price volatility and are traditionally difficult areas for us to find durable, franchise businesses.

We have also seen aggressive selling in faster-growth technology stocks. While we sold two of our smaller portfolio holdings that fall into this category, we are holding the others. Most importantly, the cash flow and revenue growth prospects for these four portfolio companies remain strong and we are looking forward to positive first quarter updates from these managements. We expect the longer-term market trends to remain intact and in selected cases even accelerate.

Where Are We Spending Our Time?

Through our proprietary bottom-up research, we look to take advantage of misunderstood and/or earlier stage growth companies which are often overlooked by other investors.

In our most recent letter, we highlighted our focus on the cybersecurity industry and we have continued our work in this space over the past four months. Our most recent trip took us to a portfolio company in the security awareness training space. This company is a category leader with strong and improving margins and a long runway to build a much larger company. We have talked with several of their clients and believe they will add some of the new compliance products including Security IQ currently in development.

Outlook and Conclusion

While the investment environment has certainly become more challenging, smaller capitalization U.S.-based companies appear to be one of the better neighborhoods to invest in the global economy. We are remaining disciplined with our process and philosophy which has enabled the fund to out-perform over the



long-term. In the near term, as volatility remains elevated, we are focused on improving the portfolio by emphasizing the highest quality criteria companies with the strongest return profiles, managements, and business models and baiting back and selling the weakest participants.

We don't know when this negative market sentiment will dissipate, but our forty-plus years of experience reminds us that tough markets often bring compelling investment opportunities.

On a positive note, we added an additional team member recently as we welcomed a new Administrative Assistant. Jessica Olson has broad administrative support experience and brings initiative and a proactive attitude to our group. We look forward to working with her.

