ASHFORD
CAPITAL MANAGEMENT

Q4 2022 COMMENTARY

In the fourth quarter, equity markets had a positive return although December saw some giveback. Multiple sectors of the portfolio performed well while only two lagged, Consumer Staples and Technology. In addition, two portfolio companies were acquired in the fourth quarter.

On a macro level, 2022 was a difficult year for both stocks and bonds as the Federal Reserve continued to tighten monetary policy to fight inflation. Higher interest rates, geopolitical tensions, and tough comparisons from temporary pandemic demand surges undermined growth stock prices with the Russell 2000 Growth index returning -26.4% and the Nasdaq index declining -33.1%.

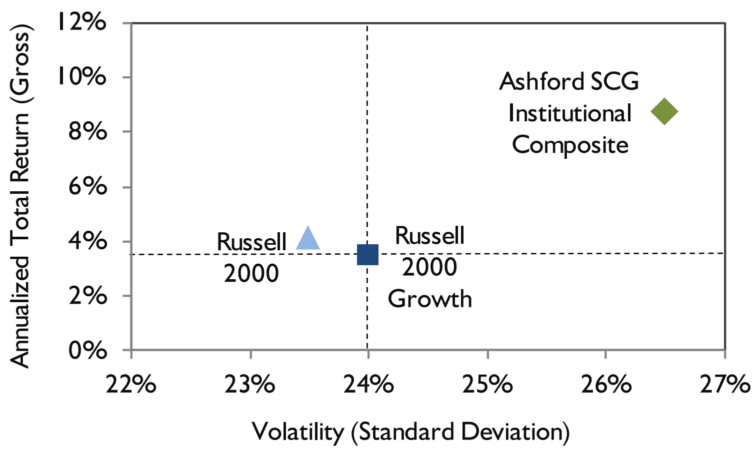
For the full year 2022 on a high-level portfolio absolute return basis, selected stocks in Healthcare and Energy performed well while Industrials, Technology, and Financials lagged.

What Are We Seeing?

The probability of an economic recession appears to be growing but is not inevitable. We base this view on ongoing interactions we are having with managements of companies in the portfolio.

We have spoken with managements of more than 20 holdings over the past three months and they remain cautiously optimistic on their growth outlooks for 2023. In selected cases, there are references made to deferral of orders, elongation of their sales cycles, as well as ongoing reviews of their cost structures.

Ashford Small Company Growth Strategy
Risk/Reward for the 5 Year Period Ending 12.31.22



Ashford Small Company Growth Strategy
Performance for Periods Ending 12.31.22

Period	Q4	1 Year	3 Year	5 Year	10 Year
Ashford SCG*	6.3%	-29.6%	4.8%	**7.9%**	14.0%
R2000 Growth	4.1%	-26.4%	0.6%	3.5%	9.2%
R2000	6.2%	-20.4%	3.1%	4.1%	9.0%

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

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We have also surfaced several positive indicators in our discussions including:

- Supply chain challenges are beginning to subside
- Raw material input costs have started to normalize
- Competition for new hires is moderating

We will continue to update our views throughout the year by attending trade shows and industry conferences as well as cultivating other sources of primary research.

We also expect the landscape for mergers and acquisition activity to increase. As we mentioned, two companies in the portfolio were bought out in the fourth quarter 2022. We expect larger, well-financed companies to look to take advantage of more reasonable valuations to supplement their growth. We view three additional portfolio companies as potential acquisition candidates.

Following a year where macro issues seemed to drive the narratives, we believe we are reentering a period where returns will be driven more directly by company fundamentals and management execution. One portfolio company offers an example of a high-quality business with durable competitive advantages which recently posted a strong year-end business update and is being rewarded by the market after getting little to no credit in 2022. They operate the leading electronic fixed income trading platform in the United States. The platform electronically connects broker dealers with institutional investors as well as All to All trading functionality called Open Trading that provides anonymous trading between all market participants. The company benefits from the network effect of the business model. As more clients are attracted to the platform for cost efficiency and liquidity, trading volumes increase and spread costs tighten. The company reported accelerating earnings and cash flow in its recent report to shareholders. The management cited improvement in market share across several products as well as new product initiatives which should accelerate growth in 2023. The management also raised its dividend and plans to continue its share buyback program.

Our Process at Work

Ashford Capital Management remains committed to active management which involves extensive analysis of businesses and the leaders who run them. We feel fortunate to have the experience of working in prior market cycles and our focus on the following time-tested criteria remain important tenets of our investment process:

• Accelerating organic growth and free cash flow that is self-financed
• Balance sheet strength (i.e., financial stability)
• Well-run businesses with defensive characteristics
• Proprietary products and secular leaders regardless of the economic cycle
• Improving fundamentals with extra catalyst

We are seeing larger players in the waste management and energy spaces become more interested in this fast-growing niche. This past summer, one portfolio company announced a joint venture to co-develop over 30 landfill sites. On October 17, 2022, there was a bid to acquire the company for $4.1 billion ($26 per share) as larger companies expand into low carbon fuels. While we will lose our position, we have recently added two businesses in the space to our new idea list.

Outlook and Conclusion

We continue to execute our investment playbook which requires patience and discipline. We believe the investment landscape will remain volatile given the expected broader slowdown in the economy and the variability of results this environment should produce across companies and business sectors. Our focus on high-quality companies with strong balance sheets and compelling business models should produce long-term returns on your capital in excess of market expectations.

We have cash in the portfolio and plan to take advantage of market volatility to continue to allocate this capital in our highest conviction companies. Specifically, we are looking forward to the 2022 year-end reporting cycle (February and March 2023) which managements use to update their outlooks for 2023.

Thank you for your support as the team continues to work hard to earn your trust. Please reach out with any comments or questions.