

Returns for the last 12 months show the strategy up 7.6% compared to 9.6% for the Russell 2000 Growth[®] and 8.9% for the Russell 2000[®].

What Are We Seeing?

During the third quarter, the market continued to be led by a small number of larger technology companies and small growth stocks remained out of favor. The Federal Reserve also signaled it expects to keep interest rates higher for longer and the geopolitical tensions expanded from Eastern Europe to Israel.

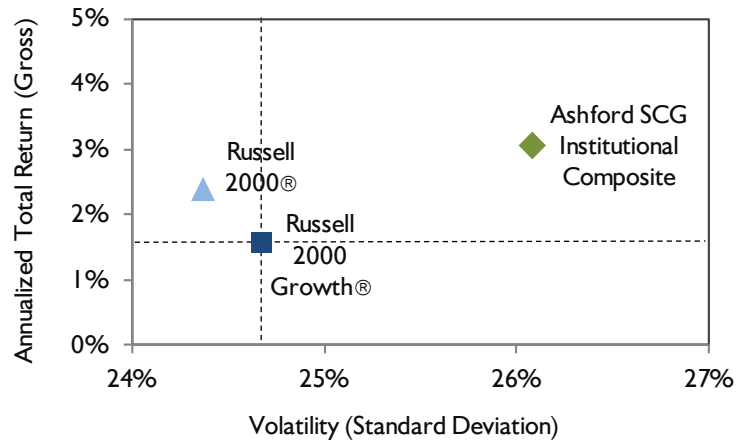
However, as we get closer to 2024, inflationary pressures appear to be starting to ease and the corporate sector continues to hold up. The recent business updates from the majority of the companies in the portfolio were better than we expected and business outlooks and corporate commentary going forward remain encouraging.

Our Process at Work

The Ashford Capital investment team remains hard at work uncovering new investment opportunities and managing the existing portfolio. We often get asked about how we find new businesses which fit our investment criteria. Since we have added several new companies over the past five months, we thought it would be helpful to provide some further insight.

One of our primary idea sources is our **existing portfolio**. Our due diligence on an existing company as well as an in-depth focus on the Excess and Surplus Lines industry led us to a new investment with an E&S carrier providing multi-line insurance solutions for industries including energy, trucking, and construction. We have been able to supplement our work on this company with insights from

Ashford Small Company Growth Strategy Risk/Reward for the 5 Year Period Ending 9.30.23



Ashford Small Company Growth Strategy Performance for Periods Ending 9.30.23

| Period | Q3 | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------|-------|--------|--------|--------|---------|
| Ashford SCG* | -6.3% | 7.6% | -2.8% | 2.3% | 10.4% |
| R2000 Growth [®] | -7.3% | 9.6% | 1.1% | 1.6% | 6.7% |
| R2000 [®] | -5.1% | 8.9% | 7.2% | 2.4% | 6.6% |

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

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other industry participants.

Another primary source is **industry events**. Our attendance at cyber security trade shows and conferences has helped us build conviction in a company which provides identity-based cyber security solutions. We continue to regularly attend cyber security industry events where we are able to interact with customers and competitors and get a deeper understanding of this company's growing competitive advantages and improving demand trends.

Our interaction with **employers as well as end users** of corporate health plans led us to another new investment in a company that offers benefits management plans in the fertility space for employers in the United States. The company's fertility benefits solution includes differentiated benefits plan design, personalized concierge support services, and a select network of fertility specialists. Research over the past several months+ has raised our conviction in the superior services, resilient demand, and growth opportunities for the company.

Our "prepared mind" work on the cosmetics and beauty industry has led us to another new name. We have studied the growth of Ulta and Sephora over the past decade and recognized a recent wave of innovation in the industry. Our latest portfolio company in the field offers a differentiated direct-to-consumer technology platform designed to support a portfolio of brands and services, with the contribution of AI (Artificial Intelligence), to disrupt the beauty and wellness market. We have written before about other prepared mind themes including accelerated computing, neuroscience breakthroughs, and cybersecurity, and this is just another area of focus where we are looking to find a well-managed business which can grow to become much larger and more profitable.

The Portfolio

Several of our portfolio companies performed well in the quarter. One specialty insurance company has been among our strongest contributors over the past several years. This company continues to report healthy premium growth and underwriting margins and remains well positioned to continue to take market share. We executed our bait back discipline to take our original capital off the table and plan to hold the remaining position going forward. Corporate leadership have executed their business plan at a high level since we became shareholders and their low-cost structure and superior technology appear to be durable competitive advantages. We also executed a baitback in another insurance company, and continued to add to our position in a financial services company.

There were several detractors in the quarter. We have been adding to our position in a consumer tech company following the pullback in the stock after the recent Initial Public Offering. A broadband and communications company remains under review as we complete our work to analyze the medium-term impact of a hardware deployment problem. While the company has cut expenses and expects to recover



insurance proceeds from the malfunction, we are still working to determine the impact of this setback on the company's long-term growth plans and competitive position.

Outlook and Conclusion

We waited to write this letter until we could analyze the third quarter updates from all of the companies in the portfolio. As we mentioned earlier, the managements continue to see compelling opportunities to build shareholder value. Sometimes, the market tells a story even while the performance of the underlying businesses tells another. We believe that is the case currently in many of the holdings in the portfolio. The value of an investment is ultimately derived from the growth and reliability of cash flows. Fortunately, as we get ready to enter 2024, we remain confident the portfolio offers the prospect of compelling rewards for the risks being taken.

