



Doing Well While Doing Good

2022 INAUGURAL ANNUAL REPORT

TRIDENT



Message from the CEO

I'm not the most consistent watcher of television shows, but when I am, I tilt towards the Sci-Fi genre, picking shows like Game of Thrones to spend my time on¹. More recently however I've been captured by the unlikeliest of candidates: Ted Lasso. My favorite scene is one where Coach Ted pulls an Uncle Phil-style finesse on his boss' ex-husband, Rupert, over an ego-charged game of darts. Rupert was a pub regular but hadn't realized that Coach Ted had grown up playing darts with his father back in Kansas. As the last round begins and Rupert seems about to win, as he backslaps with the other pub regulars, Coach Ted launches into a monologue that I just can't get out of my head.

"Guys have underestimated me my entire life. And for years, I never understood why. It used to really bother me. But then one day I was driving my little boy to school and I saw this quote by Walt Whitman and it was painted on the wall. It said: 'Be curious, not judgmental.' And I liked that."

[Ted throws a dart and hits a triple 20]

"... all of a sudden it hits me. All them fellas that used to belittle me; not a single one of them were curious. They thought they had everything all figured out... Cause if they were curious, they could've asked questions. You know? Questions like: 'Have you played a lot of darts, Ted?'"

[throws his second dart and hits a triple 20]

"To which I would've answered: 'Yes, sir. Every Sunday afternoon at a sports bar with my father, from age 10 til I was 16 when he passed away."

[throws his third dart and hits a bullseye, crowd cheers wildly,
Rupert slinks out the back, embarrassed and defeated]

¹ Incidentally, one of the three (get it?) reasons the company is called Trident stems from Game of Thrones, because Robert Baratheon slew Rhaegar Targaryen at the Battle of The Trident, which of course determined the outcome of Robert's Rebellion and sparked the GoT story as we know it today.

The lesson actually dovetails well with the Trident ethos: Be Curious, Ask Questions, and Don't Underestimate the Little Guy. With that being said, here are a few burning questions I have and my attempt at answers as they relate to Trident's outlook in 2022.

QUESTION #1: IS THERE A PLACE FOR RATIONAL INVESTING IN VALUE-BASED BUSINESSES?

ANSWER: In a market like 2021 where things were moving (often irrationally) up and to the right, value tends to pale return-wise. Private equity benchmarks in the US for 3Q21 indicated a 54% IRR, fueled primarily by Growth and Technology investing². The YoY growth in the S&P from that same period was 30%. But the growth hasn't been linear. Over 84% of companies in the S&P as of 3Q21 were below their 52-week highs; in other words the growth was fueled primarily by technology companies like TSLA and AAPL. At one point last year, Tesla's market capitalization surpassed that of the entire S&P 500 energy sector³.

It seems to me that main street (cashflow positive) businesses, like the rest of the economy (from restaurant chains to optometry groups and specialty manufacturers), aren't offering investors headline-grabbing returns, so most don't think it's worth their time.

But is this exuberance normal? Per Cambridge Associates, private equity produced annualized returns net of fees of 14.33% for the 20-year period ending in September 2021⁴. The Russell 2000 index which tracks small public companies returned 6.69%, and the S&P 500 returned 5.91% for the 20-year period ending in June 2020⁵. History would indicate that if there were an eventual reversion to the mean there is a strong case for focusing our attention on main street value-based business investing.

QUESTION #2: WHY DO INVESTORS KEEP UNDERESTIMATING SMALL BUSINESSES, AKA THE LITTLE GUY?

ANSWER PART 1: It's inefficient to find and buy small businesses from the perspective of most analog money managers.

"It takes money to make money" - my father, Eric Taylor Jr. and almost every private equity money manager out there

The common refrain in private equity is that it takes the same amount of time to write a \$10mm check as it would to write a \$100mm check. So, if you are any good at this, why only write \$10mm checks? Well... because we believe that's where the value is. The fortunate result (for Trident that is) of this logic is that there are plenty of small businesses that we believe can acquire majority stakes in for incredibly low prices.

Here at Trident, we are the first to think about small business investing at scale through the lens of building a technology company that is as much a part of this asset manager's DNA as is the investment mandate itself. Our proprietary SPEAR™ algorithm was created by an internal team

2 Cambridge Associates, Private Investments Benchmarks Q3 2021, <https://www.cambridgeassociates.com/private-investment-benchmarks/>

3 Financial Express, "Despite S&P 500 rally only 16% stocks are at 52-week highs," <https://www.financialexpress.com/investing-abroad/featured-stories/despite-sp-500-rally-only-16-stocks-are-at-52-week-highs/2365722/>

4 Cambridge Associates, LLC. "U.S. Private Equity Benchmark Q3 2021 Final Report," Page 3, 2021, <https://www.cambridgeassociates.com/private-investment-benchmarks/>

5 Cambridge Associates, LLC. "U.S. Private Equity Benchmarks (Legacy Definition)," Page 8, 2020, <https://www.cambridgeassociates.com/wp-content/uploads/2020/11/WEB-2020-Q2-USPE-legacy-Benchmark-Book.pdf>

of engineers, business development / marketers, and investors; it helps us build a wide funnel of addressable assets and efficiently determine where to spend our time underwriting.

The end result? A small business private equity market that is out of reach for some due to time constraints is suddenly reachable. Without this technology and without a systematized process, the decision other firms end up making to spend time on larger, more expensive, and banked transactions actually seems a lot more reasonable.

ANSWER PART 2: It's inefficient to operate and grow small businesses from the perspective of most analog money managers.

Efficiency is also at play for those who would look to manage a dozen or more small businesses from an ivory tower in New York City. Small businesses are hotbeds for the types of idiosyncratic outcomes that occur when new ownership walks through the double doors. Trust me I know—we almost lost the trust and faith of an entire management team because we decided to cancel a portfolio company's Annual Golf Outing and restrict the issuance of Season Ski Passes. Losing the local talent which eventually helped us read the tea leaves during the latest economic crisis would have been penny-wise and pound foolish. For the record, we kept both the outing and ski passes and that same management team helped us drive 40% EBITDA growth in the first 15 months of ownership.

Our solution since inception is simple: partnering with Entrepreneurs, Operators, and Independent Sponsors who are more native to local markets and can drive commercial value given their experience and networks. This strategy gives us leverage from an operational standpoint, certainty of quality execution, and visibility into the underlying drivers of our businesses. All these things are naturally more difficult to control while sitting in an air-conditioned skyscraper.

How did we come up with this strategy? Well, we ourselves are a hodgepodge bunch hailing from places like Southern Texas, Suburban Pennsylvania, Rural Louisiana, the Bronx, Northern South Carolina, and Burbank, California. What do these places have in common you might ask? Locals who don't like carpetbaggers. Don't show up in my hometown of McAllen, Texas trying to build healthcare clinics without knowing the local doctors or recognizing that Mr. Alonzo Cantu is the guy you have to talk to if you want to build anything really within a 100 square mile radius⁶. We as a team have seen all of our lives how everyday Americans from the unlikeliest of places can fire up commercial value as well as social impact in their communities, and here at Trident we've decided to build a company and pour gasoline on that fire.

QUESTION #3: IS THERE OR IS THERE NOT A TRADEOFF BETWEEN PROFIT AND PURPOSE?

ANSWER: No.

While speaking at SuperReturns in Berlin last November, I sat on a panel with several other investment professionals who had ESG as a core focus of their investing platform. We all concurred that there was not necessarily a tradeoff, and that the very notion of a tradeoff had stemmed from the 'E' in Environmental, Social, and Governance. It of course stands to reason that mining coal for energy production is generally cheaper than wind farming. Unfortunately, this simple fact has been used to paint the entire ESG landscape in broad strokes as one that

⁶ Taken from his board member biography on the University of Houston website: "Alonzo Cantu has been credited by many as being a central driving force behind the transformation of the business and political landscape of South Texas, the third fastest growing metropolitan statistical area in the country, as a banker, developer, philanthropist and dedicated community organizer." <https://uhsystem.edu/board-of-regents/board-members/alonzo-cantu/index.php>

gives up profit to create impact. It's as if the market believes that by putting women in the C Suite of an organization will cause businesses to falter, when in fact it's been statistically proven to be the opposite case⁷. Here at Trident, though we have an investment policy that promotes energy sustainability, most of our impact will come from the 'S' and 'G' in the acronym.

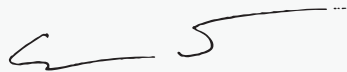
But how does this work in practice? Can diversity, equity, inclusion, and social impact really be used as generators of alpha? Yes—and we are doing it as we speak.

This past month we acquired a company based in Northeast Alabama that manufactures interior doors. Think perhaps about what the hollow laundry room door at your grandmother's house felt like—that's what we make. Though we believe there is plenty of demand for these doors in the Southeastern United States, the company has not quite been able to maximize manufacturing capacity—primarily due to difficulty staffing up unskilled labor. This isn't all that surprising, Federal Reserve Chairman Jerome Powell recently signaled that the economy is at relatively full employment. Our plan to create commercial value here actually dovetails well with our pledge to create social impact.

From engaging with diverse suppliers, to employing talent from Historically Black Colleges and Universities (HBCUs), and with significant presence in, employment of, and consumers from low-to moderate-income communities, purposeful social return is engrained every step of the way as the company grows, and, importantly, is accounted for. We can tout social return all we want, but math has no opinion – we'll show you performance in the numbers.

Thanks for reading.

Best,



ERIC TAYLOR III
Founder, CEO, and CIO
Trident

⁷ S&P Global Market Intelligence Quantamental Research Team, "When Women Lead, Firms Win," October 2019, <https://www.spglobal.com/en/research-insights/featured/when-women-lead-firms-win>

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1. Executive Summary

Since inception, Trident has maintained that our portfolio companies, investors, and the communities we engage with all stand to benefit when we align profit and purpose. Through a systematic commercial approach that is cognizant of stakeholders and shareholders alike, we have been able to achieve market leading returns and create positive outcomes for society at large. In 2021, we doubled down on our approach by formally launching a “Do Well While Doing Good” policy, a strategy intending to contribute to creating equitable access to the American Dream. As the asset management industry develops frameworks to institutionalize responsible and non-concessionary investments that yield optimal financial and social returns, Trident’s inaugural Doing Well While Doing Good annual report highlights how we plan to do so as a firm, as well as in our target asset class and communities.

From its founding, Trident has focused on providing attractive returns to its investors. Trident believes that a commitment to social impact, especially as it relates to diversity, equity and inclusion (DEI), does not diminish this commercial focus, but rather maximizes it. Trident’s Doing Well While Doing Good policy governs our tailored approach as responsible investors, which includes a Do No Harm baseline for investing and an Environmental, Social, and Governance (ESG) policy, focusing on DEI in particular. These policies govern Trident’s own actions, as well as its engagement with and expectations of our portfolio companies. Our team and platform are being constructed in a way that reflects that social commitment: 60% of our team are people of color (POC) and 40% are women; the Investment Committee is led by two Black professionals; the Investment Team is woman led; and 67% of portfolio companies have POC and woman in leadership positions. We believe this is what intentionality on aligning profit and purpose looks like, and Trident maintains competitive financial returns as a priority.

100% of Trident’s legacy investments have contributed to Low- and Moderate-Income (LMI) communities and are eligible federal Public Welfare Investments. This means that LMI communities make up the majority of those benefitted by Trident’s investments, with consideration to the factors of employee base, geographic presence, meeting Community Reinvestment Act requirements, and/or being in a government redevelopment area.

One of Trident’s primary social impact targets is to strengthen the Black American community, and we have committed that at least 13% of all value created by Trident investments will benefit Black communities – a percentage that aligns to the proportion of the Black US population. Getting above 13% of value shows we are actively contributing to reducing the racial wealth gap, instead of widening it. To facilitate achieving and measuring our efforts to close the racial wealth gap, we have developed a framework that focuses on five pathways to create value. We practice our approach with intentionality and a commitment to measuring, managing, and reporting both the financial and social value we create.

Our customized approach will help us demonstrate through data and financial performance that a commitment to diversity is an alpha generator within the private equity industry. Using our methodology for value creation in the Black American communities and our eligibility to leverage Public Welfare Investments by engaging with LMI communities, Trident will regularly track and report on our progress toward our impact goals in our annual Doing Well While Doing Good Reports.

2. Firm Overview

Trident was launched in 2017 by Eric Taylor, a Brightwood Capital and Goldman Sachs alumnus. In the early years, the team established its thesis, refined its approach, and tested out its technology while executing on five transactions through independent SPVs. The result was the establishment of Trident as a private equity firm that invests equity with Independent Sponsors¹ as Operating Partners to acquire US-based small businesses, a highly overlooked asset class by institutional investors. Trident seeks to maximize returns and leverages a strategy of bridging commercial gaps that have widened inequality. The net result is commercial outcomes for investors that both directly and indirectly promote the public good, including the welfare of low- and moderate-income communities.

In 2021, the next phase of Trident began. In addition to securing working capital and anchor investments from notable investors, including Robert Smith, Bank of America, and Moody's, Trident assembled the Trident American Dreams Advisory Board with luminaries representing the community and public and private sectors. A Strategy team was created to help formalize the commercial approach Trident takes with its investments by leveraging social impact, bridging the racial wealth gap and "doing well while doing good." Trident's principals bring a complementary mix of direct investing, fund management, strategic advisory, operational policy expertise, diverse and deep networks, financial technology expertise, and considerable impact experience in underserved markets to execute its goals.

These developments equipped Trident with the ability to scale its infrastructure and deliver on its commercial and social mission – mobilizing billions of dollars with a commitment to maximize commercial returns for investors and social outcomes for Black and other minority communities.²

Today, Trident investments range from \$5 million to \$50 million in equity capital that are used to support strategic and other acquisitions, internal growth initiatives, ownership transitions, and recapitalizations of small businesses. These target small businesses typically have EBITDA of \$2 million to \$20 million, revenue of \$10 million to \$100 million, a demonstrated track record of operating profitability, and the potential for post-investment commercial and social value creation. Trident's competitive advantage comes from its systematic approach to the sourcing and diligence of small-cap opportunities by incorporating proprietary technology to make the investment process keenly targeted, more efficient, scalable and repeatable. At the same time, the firm's investments and organizational structure are mindful of tapping into diversity as an alpha generator (expanded on in sections 5-7). As a buyout private equity firm, we are able to intentionally contribute to providing equitable access to the American Dream.³

1 An Independent Sponsor is a group seeking to acquire a target company and that seeks an investor that can provide equity and strategic support to acquire the company. Independent Sponsors often have specialized understanding of a specific deal's business operations, have private equity expertise, and are instrumental in post-investment value creation.

2 Trident, "Trident Accelerates its Mission to Leverage Data and Technology to Promote Equitable Access to the American Dream," Oct 2021, <https://www.trident.co/trident-accelerates-its-mission/>

3 Yahoo Finance, "Trident Founder on Leveraging Tech to Find Small Business Potential," Oct 2021, <https://finance.yahoo.com/video/trident-founder-leveraging-tech-small-204856997.html>



3. Industry Overview

Trident's focus on small businesses, an asset class representing over \$8 trillion of asset value, is relatively underinvested by institutional capital – a mere 0.52% of private equity AUM targets these assets. Trident has narrowed its focus to small businesses generating between \$10 million and \$100 million in revenue, focusing on the Consumer, Industrials, and Healthcare sectors. Trident has years of experience investing and operating in each of these sectors and has developed an extensive network of Independent Sponsors who are expected to serve as Operating Partners in each transaction. Trident quantitatively and qualitatively evaluates and maintains relationships with hundreds of Independent Sponsors who have niche operational experience and a track record of execution that is clear and able to be diligenced.

Trident reviews investment opportunities and partners with Independent Sponsors, as operating partners, to grow and operate businesses with an eye toward post-investment value creation. These Independent Sponsors can be operators looking to expand existing businesses, or teams that have been buying, growing, and selling niche small businesses for decades. With this network of Independent Sponsors and Trident's technology platform, Trident is able to create the widest possible funnel of viable opportunities and to streamline those with strong post-investment commercial and social value. Trident's technological build is critical in augmenting the Investment Team's sharpened expertise, allowing Trident to find the best opportunities in a fragmented market.

Small businesses are the cornerstone of local economic strength, representing 99.7% of all employers in the US. There are 35 times more small businesses in Trident's target market than there are public companies, and many are changing hands at a rapid pace: acquisitions are growing 11% year-over-year as of 2021.⁴ These businesses create approximately 50% of non-farming GDP, are rebounding from largely resolved Covid difficulties, and led by agile entrepreneurs – they are ripe for growth.⁵

4 BizBuySell, "Small Business Acquisitions Pick Up in 2021, Beat Pre-Pandemic Levels in 4th Quarter," Insight Report, <https://www.bizbuysell.com/insight-report/>

5 US SBA, "Small Business GDP: Update 2002-2010," Jan 2012, <https://advocacy.sba.gov/2012/01/01/small-business-gdp-update-2002-2010/>

4. Social Commitment

At Trident, we are committed to Doing Well While Doing Good. An integral element of Trident's commitment is to incorporate environmental, social and governance (ESG) factors as core components of value creation, decision-making, and risk management. ESG considerations, especially those tied to social and economic mobility, are a means to long-term value creation and not a separate consideration that detracts from delivering financial returns.

We have developed an ESG policy that governs our approach to Doing Well While Doing Good, and the Trident Investment Committee will be responsible for maintaining the organization's commitment to this policy. Furthermore, we work to promote increased commitment to ESG initiatives with stakeholders in the Trident network, especially Diversity, Equity, and Inclusion (DEI). Trident will report on our impact regularly, and disclosure of critical information will be a requirement for our portfolio companies.

There are three key parts of our Doing Well While Doing Good policy: Trident positions to 1. Do No Harm, 2. Incorporate ESG factors and related data as core components of the investment process, 3. Promote wealth creation through strong DEI practices within our portfolio companies and contribute to meaningful solutions addressing the specific challenge of the racial wealth gap.

In defining our target outcomes, Trident has identified UN Sustainable Development Goals where we see alignment with our investment strategy. In the case of addressing the racial wealth gap, we have defined our own custom metrics that we will track at a portfolio level.

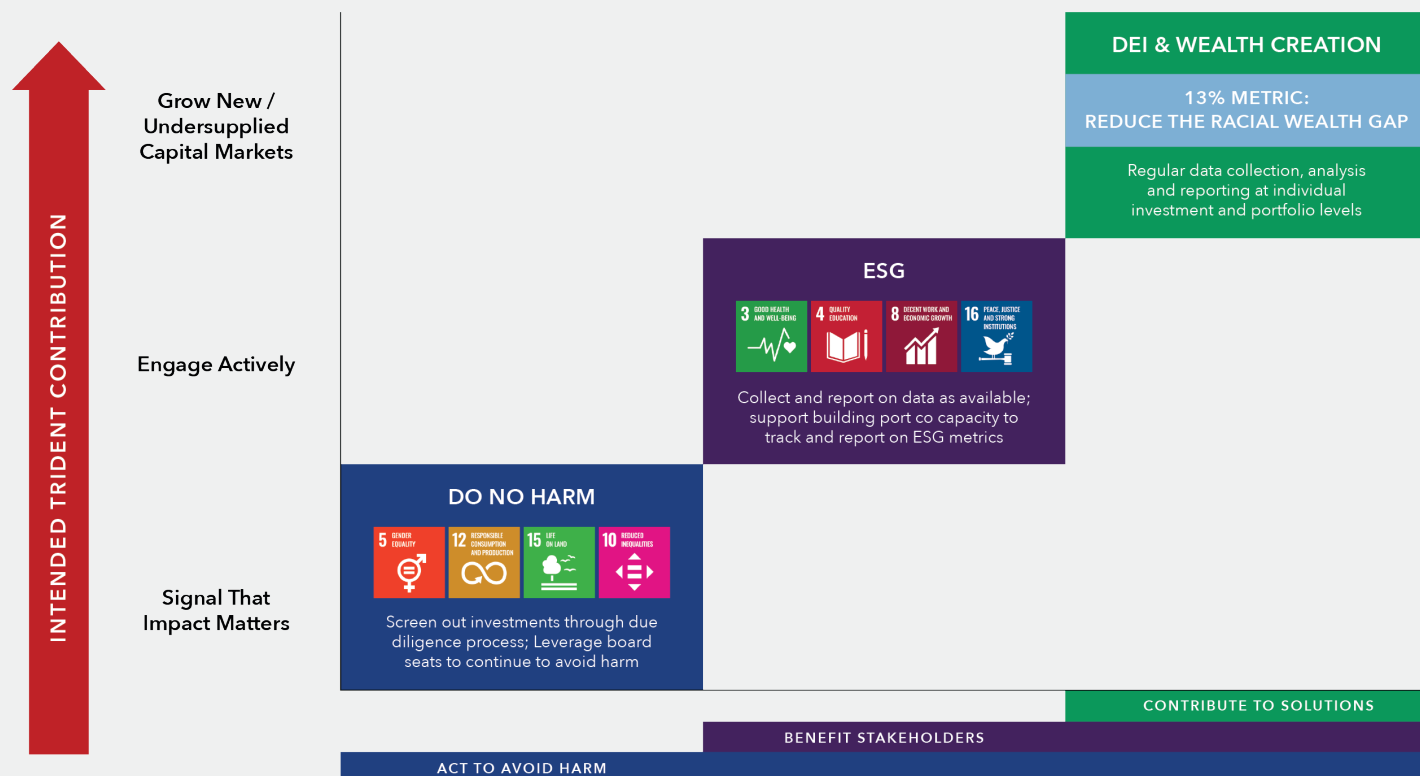
To categorize the level of impact the portfolio companies will have on these outcomes, we will be using the A-B-C framework for classifying the impact of our portfolio companies:

A. ACT TO AVOID HARM: The enterprise prevents or reduces significant effects on important negative outcomes for people and planet.

B. BENEFIT STAKEHOLDERS: The enterprise not only acts to avoid harm, but also generates various effects on positive outcomes for people and planet.

C. CONTRIBUTE TO SOLUTIONS: The enterprise not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.





DO NO HARM

With an eye towards social factors, including value creation, decision-making and risk management, the Trident team also commits to a “Do No Harm” policy ensuring that harmful investments stay out of our portfolios. Within the three sectors Trident invests in (Industrials, Consumer, and Health), Trident will not engage in businesses that are involved in the following:

BUSINESSES THAT ARE HARMFUL TO THE ENVIRONMENT. Trident will not invest in energy intensive and extractive goods and services that are key contributors towards environmental degradation and climate change. And Trident will not invest in industries that contribute to industrial contamination with direct negative health impact.

BUSINESSES IN “SIN” INDUSTRIES. Trident will not invest in businesses that produce and/or facilitate alcohol, tobacco, gambling, sex-related industries, and weapons manufacturers.

BUSINESSES THAT DO NOT PRESERVE BASIC HUMAN RIGHTS. Trident will be conscious of the human rights of those affected by its investment activities and seeks to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.

ESG

Our commitment to Doing Well While Doing Good includes tracking factors relevant to our social commitment, particularly the “S” and “G” in ESG, as a part of evaluating the other traditional financial prospects of an investment. This helps us improve the long-term, risk-adjusted returns of our portfolio and gives a more complete and accurate view of investment opportunities in the market. Integrating these considerations into our due diligence, investment selection, investment management, and exit approaches ensures that strategies related to social impact

are tied to value creation, add to the success of individual investments, and benefit the overall performance of the Trident platform.

At Trident, we have adopted the Impact Management Project's framework for classifying the impact of our investments.⁶ We approach each investment with a clear view of the target social outcomes of the investment, the level of impact the portfolio company can have on those outcomes, and the role Trident intends to play in facilitating achievement of those outcomes.

DEI AND WEALTH CREATION

Core to Trident's investment thesis is the belief that DEI in its multiple forms, especially racial and ethnic diversity, are a source of competitive advantage and value creation in commercial markets and organizations.^{7,8,9} We believe that increasing DEI, both in our own team and within our portfolio, drives value creation, increases returns for our investors, and leads to improved social outcomes for our target communities and stakeholders. Improving diversity at all levels of the Trident platform and our portfolio investments creates much needed mindset adjustments that have lasting ripple effects, leading to a better understanding of customers and markets, greater innovation to strengthen competitive advantages, and the ability to attract talent. These factors all lead to consistent outperformance of competitors.

Finally, in setting an expectation for Trident's contribution as an investor, we will use a combination of three strategies:

SIGNAL THAT IMPACT MATTERS: Choose not to invest in or to favor certain investments – such that, if all investors did the same, it would ultimately lead to a 'pricing-in' of effects on people and planet by the capital markets.

ENGAGE ACTIVELY: Use expertise and networks to improve the environmental/societal performance of businesses. Engagement can include a wide spectrum of approaches – from dialogue with companies to investors taking board seats and using their own team or consultants to provide hands-on management support. The phrase 'engage actively' reflects a strategy that involves, at a minimum, significant proactive efforts to improve businesses' effects on people and the planet.

GROW NEW OR UNDERSUPPLIED CAPITAL MARKETS: Anchor or participate in new or previously overlooked opportunities that offer an attractive impact and financial opportunity. This may involve taking on additional complexity, illiquidity or perceived higher risk.

Trident is a commercial firm first and does not believe investing in diversity must come at a concessionary rate. Therefore, Trident does not accept the complacency of lower risk-adjusted return in order to generate impact.

⁶ Impact Management Project, <https://impactmanagementproject.com/>

⁷ Kaufman Foundation, "Deconstructing the Pipeline Myth and the Case for More Diverse Fund Managers," Feb 2020, https://www.kauffmanfellows.org/journal_posts/the-pipeline-myth-ethnicity-fund-managers

⁸ Knight Foundation, "Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry," Jan 2019, <https://knightfoundation.org/reports/diversifying-investments-a-study-of-ownership-diversity-and-performance-in-the-asset-management-industry/>

⁹ National Association of Investment Companies, "Examining the Returns, 2019", 2020, <https://naicpe.com/intelligentnaic/performance-study/>



5. Starting at Home

Our social commitment starts by looking at ourselves and ensuring Trident is building our team and our platform in a manner that reflects our commitments. Trident is a majority Black-owned firm with an Investment Committee led by two Black professionals. Our investment team is woman-led; 60% of our team are people of color and 40% are women. Within the investments executed by the Trident team, 67% have people of color in leadership positions and 67% have women in leadership positions. As we build the infrastructure of Trident, we have been very intentional in identifying and engaging Black-owned partners to help us in our ongoing operations, including sourcing corporate cards from Liberty Bank, a Black-owned bank, and formalizing partnerships with Black-run organizations to support our portfolio companies. We will continue to be intentional in the construction of our team and our portfolio as we move forward.

One way this intention shows up is at the front end of the investment process where Trident sources small business deals from its partner Independent Sponsors. Upon investment, these Independent Sponsors are key implementation partners of Trident's post-investment value creation strategies and are financial and/or industry-specific professionals themselves. Of the Independent Sponsors in our network that we have performed further diligences on, we have found strong representation demographics with 30% being majority-owned by individuals who are diverse by race and/or gender.

6. 13% Methodology and Metrics

Trident focuses on the small business asset class to help provide equitable access to the American Dream. As part of that, throughout our investment process we consider the net social return of our investments within underserved populations, particularly in the Black American Community. Focusing on wealth creation to reduce the racial wealth gap allows us to capture some of the trillions of dollars in value left on the table by racial inequality in the United States in a method constructed to support generational wealth building, rather than short-term poverty alleviation.¹⁰

Beyond making a declaration that we will contribute to reduction in the racial wealth gap, Trident measures, tracks and monitors our progress toward that goal. We looked at existing impact measurement frameworks, namely the UN Sustainable Development Goals, and developed our own pathways to generational wealth building for underserved American communities. As technology grows more ubiquitous in businesses, some of the more common burdens investors face when sourcing and diligencing deals are now being automated and integrated with advanced data processing tools. We plan to tap into this new technology for value creation through both proprietary tools and integration with best-in-class software. This will be used to collect and centralize all ESG, DEI, and financial data for our portfolio to track value creation over time.

¹⁰ McKinsey, "The economic impact of closing the racial wealth gap," Aug 2019, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>. Citi Group, "Closing the Racial Inequality Gaps," Global perspectives & Insights, Sept 2020, <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>.

13% PATHWAYS

Opportunity



Increased opportunity for Black employees

Recruiting and retaining Black employees to fill new roles created through portfolio company expansion

Conditions



Improved conditions for Black employees and communities

Expanding employee benefits to improve health and education opportunities and promoting community investment

Access



Increased access to capital and opportunities for Black businesses

Expanding use of Black owned suppliers, including Black banks

Wealth



Wealth accumulation for Black Independent Sponsors and investors

Intentional inclusion of Black investors, managers, Independent Sponsors and owners of Trident investments

Representation



Increased representation at all levels of the value chain and within enterprises

Increasing diversity at all levels within portfolio companies

UN SDGs



IMPACT FROM SPECIFIC PRODUCTS DESIGNED TO DELIVER OUTCOMES TO BE MEASURED AND MANAGED ON AN AD HOC BASIS.



PATHWAYS TO VALUE CREATION FOR BLACK AMERICANS

Black Americans represent roughly 13% of the US population, and to contribute to a reduction in the wealth gap, Trident realizes we must support at least that proportion of access for the Black American Community in our investments. In practice, this means that at least 13% of all value created by Trident's investments will accrue to and impact the Black American community: 1. Increasing employment opportunities, 2. Access to capital, 3. Health and education benefits, 4. Wealth creation opportunities, and 5. Representation throughout the value chain. Each of these five pathways to wealth creation has some alignment to UN Sustainable Development Goals; however, the combination of these pathways illustrates the overall wealth creation opportunity for Trident Investments and Black Americans.

In calculating this 13% metric, we ensure integration with our commercial strategy. Because Trident is a buyout-focused private equity firm targeting small companies, we have the high-touch ability to propel organizational transformation through our active and tailored approach. The portfolio companies may not always have the capacity to implement strategies while growing their businesses. For that reason, we defined these wealth creation pathways in a manner that allows us to measure their impact using already existing financials, human resources, and market data that will be readily available to Trident and our portfolio companies.

OPPORTUNITY: As our portfolio companies grow, we anticipate supporting the operating partners in adding staff to drive growth. Job creation resulting from the growth of portfolio companies is one of the pathways that will contribute to our 13% metric. The total salary expense at exit minus the salary expense at the time of initial

Arizona Optometry Clinics Lumina Vision Partners and the Doctor-Centric, Patient-Focused Approach

Highlights of Lumina's people-first approach

Lumina established guiding principles to ensure preservation of family practice optometry by supporting and celebrating diversity while providing industry leading resources to doctors, support staff and patients. Their Mission, Vision, and Values focus on DEI initiatives to employ as they expand their footprint.



investment approximates the total value created through new or expanded roles within a portfolio company. By also tracking how many Black employees were added over the same period, we can estimate the value created for Black employees through job creation over the investment period. That value represents the value to the Black community generated through the Opportunity pathway.

ACCESS: Similarly, we expect the procurement spend of our portfolio companies to grow over the investment period as well. The growth in overall procurement spend (including direct materials, consulting spend, outsourced providers, etc.) from the initial investment to the point of exit gives an overall value created through the procurement function over the course of the investment. Tracking what percentage of that new procurement expense was spent with Black owned businesses gives us an estimate of the value created for Black suppliers through the Access pathway.

WEALTH: Wealth is the pathway for value creation and contribution to our 13% metric most directly linked to the total financial performance of investments and the overall portfolio. As such, we anticipate this pathway being the greatest initiator of wealth creation for the Black community. In structuring each deal, there will be opportunities for distributing equity ownership of each portfolio company among Trident, our Independent Sponsor partners, the portfolio company executive teams and employees. In structuring the distribution of equity, we will track how much of that equity is owned by Black Americans. At exit, the value of the equity holdings of Black Americans in each portfolio company will represent the contribution to our 13% metric for the Wealth pathway.

CONDITIONS: We recognize that other factors, including health, education and other social outcomes, are important to promote overall well-being. We have also seen that wealth inequality, especially through the pandemic, is a major contributor to negative health and education

Soul Food Restaurant Cornbread and the People-First Approach

Highlights of Cornbread's people-first approach

Hands-on HR practices that support broad employee quality of life including universal access to benefits, facilitation of employee onboarding to ObamaCare (including education, sign-up and renewal), and employee-centered recruitment, promotion and retention programming. Cornbread's employee focus remains at the heart of the business' operating model. For example, Cornbread provides access to healthcare, free dental, vision, and free life insurance to all employees and plans to launch a financial literacy and wellness program for employees with pro bono support from Solomon Benefits.

Cornbread has partnered with re-entry and halfway house programs to recruit formerly incarcerated individuals including one who progressed through the organization from Dishwasher to District Manager in five years. Such community partnerships have deepened the company's roots in the communities in which it operates and supported meaningful business and personal outcomes.

outcomes.¹¹ While Trident is not in a position to directly influence the systems that most impact the health and education outcomes within the Black community in each of its investments, the health and education benefits offered to employees falls within Trident's influence as a business owner. Increasing access to and participation in health benefit plans, education benefits and training opportunities can be tracked by monitoring both the policies in place and the resources invested in delivering these benefits. The value of increased benefits extended to employees over the investment period represents the value created for those employees through the Conditions pathway. Using employee demographics better track the benefits extended to Black employees specifically will be considered as the contribution to our 13% metric from the Conditions pathway.

REPRESENTATION: While the Opportunity, Access, and Condition pathways focus on growth over the investment period, the Representation pathway focuses on change in the share of the baseline of salaries and procurement spend. If, at the time of initial investment, a portfolio company has \$1M in salary expense and 7% of that spend goes to Black employees, we will hope to see Black employees receiving above 13% of that same \$1M in salary expense at the time of exit. Similarly, we want to track how Black-owned businesses are increasing their share of procurement spend within the initial baseline of procurement spend at the time of investment. We hope to capture value created both from growth (as represented in the Opportunity, Access, and Conditions pathways), and also from increasing the share of baseline salary and procurement spend going to the Black American community through the Representation pathway.

11 American Progress, "The Black-White Wealth Gap Will Widen Educational Disparities During the Coronavirus Pandemic," Aug 2020, <https://www.americanprogress.org/article/black-white-wealth-gap-will-widen-educational-disparities-coronavirus-pandemic/>



Utah Restaurant Franchise Mountain West Brands (MWB) and Local Community Engagement of Small Businesses

Highlights of Mountain West Brand's engagement

Local community engagement is in the DNA of MWB. They support community high schools by helping them fundraise at events and support the Cottonwood Heights police department.

MWB also recruits heavily in underserved communities, with a largely low- to moderate-income employee base that includes recruitment of immigrant workers and from halfway houses.



7. Public Welfare Investments and Trident's Legacy Portfolio

While Trident's focus will be on calculating and monitoring the impact represented by our 13% metric, we also recognize that there are additional opportunities to promote positive social impact throughout our portfolio, such as mobilizing capital towards small businesses that meets Public Welfare Investment (PWI) and Community Reinvestment Act (CRA) eligibility.

After the 2008 Financial Crisis, the Dodd Frank Act's section 619, commonly known as the Volcker Rule, set forth rules on implementing section 13 of the Bank Holding Company Act that granted federal supervision and control of banks that had an established holding company. A decade later, in 2019, the Office of Comptroller of Currency (OCC), the Board of Governors of the Federal Reserve System, the US Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation (FDIC), and the US Securities and Exchange Commission (SEC) published a final rule amending the Volcker Rule. Key changes made by the final rule include (1) redefining exclusions for "covered fund" (i.e., hedge funds and private equity funds) to include venture capital and credit funds (others being family wealth management vehicles and customer facilitation vehicles), and (2) the only options that allow for Bank investments in Private Equity are via Public Welfare Investments (PWI) and/or Community Reinvestment Act (CRA) qualified investments that meet statutory legal requirements.

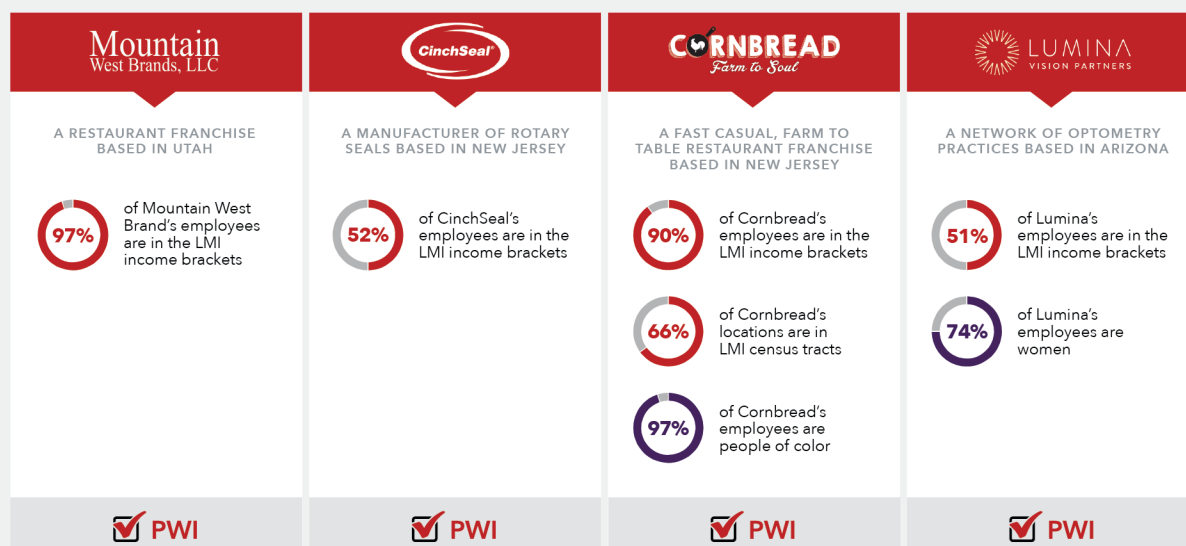
Both recovering from the health and economic shock of Covid-19 and supporting underserved small businesses will fundamentally be a networked solution where all stakeholders must be aligned. Banks and Private Equity firms joining forces through Public Welfare Investments can encourage millions in equity investments into the small business community and strengthen local economies across the nation. With PWI, Banks are able to make Limited Partner investments into Private Equity Funds. For National Banks, the Office of Comptroller of Currency mandates that a

majority of the Fund’s portfolio companies meet the low- to moderate-income engagement PWI threshold, provided the Bank has non-controlling interest of the Fund.

Thus, PWI eligibility requires the Fund meet at least one of the following tests: At least 51% of the fund’s portfolio companies’ beneficiaries are majority LMI individuals and families, in LMI areas, areas targeted by government for redevelopment, and/or investments that would receive consideration for CRA. LMI is defined by an individual income that is less than 80% of the area median income, or a median family income that is less than 80% in the case of geography. A small business meeting the PWI eligibility indicates demonstrated engagement with underserved communities and individuals who are in lower income groups relative to their regions. By serving these LMI communities, small businesses that meet the PWI eligibility are supporting them through greater employment, strong labor practices, and business activity. As an investor in PWI eligible investments, as the investments do well, the small businesses’ growth benefits all stakeholders including employees, ultimately growing out of LMI status.

After an internal review of Trident’s past investments to evaluate our strategy and how we are engaging in these communities, we found that our investments are substantially present in these communities and are anticipated to meet the PWI requirements. Trident’s small business investing tactics naturally target LMI communities, making it simply a matter of intentionality to account for PWI requirements so these communities can benefit from greater capital through public-private partnership incentives.

We opportunistically look for products, services or business practices that benefit the local communities and environments where our portfolio companies operate. In addition, we apply our “Do No Harm” policy to each of our portfolio investments. Among Trident’s past investments – including Arizona’s largest network of independent optometry practices, two restaurant franchises, and a manufacturer of rotary shaft seals – are substantially engaged with LMI communities by both the location the businesses operate in and their employee bases. With high integration of individuals across income levels, especially lower and moderate levels, the nature of the small business asset class makes for a strong case to implement a more targeted effort to qualify for Public Welfare Investments and channel more capital to local community businesses.





8. Conclusion

Since Trident's inception, we have adhered to high standards for ourselves as well as our portfolio companies by avoiding transactions that breach our Do No Harm Policy, and by abiding by the nature of small businesses - serving local economies and bolstering the backbone of the American economy. While formalized this year, our inherent mission to Do Well While Doing Good is reflected in our legacy transactions thus far with 100% of our investment compliance with Public Welfare Investment eligibility. This mission is key to building Trident's foundational system, capturing at least 13% of the value created allocated to the Black community. This mission is also grounded in intentionality, with accountable metrics with clear lines to positive social outcomes in each of the five pathways: job opportunities for Black employees, improved living conditions for Black employees and communities, increased access to capital and opportunities for Black businesses, increased asset ownership for Black Independent Sponsors resulting in wealth accumulation, and increased representation at all levels of the value chain within enterprises. Going forward, Trident will regularly update investors and partners on our progress as we focus on underserved communities through Public Welfare eligible investments, the five pathways to 13% value creation, and in-house standards for diversity. We look forward to sharing future reports for you as we continue to Do Well While Doing Good.

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