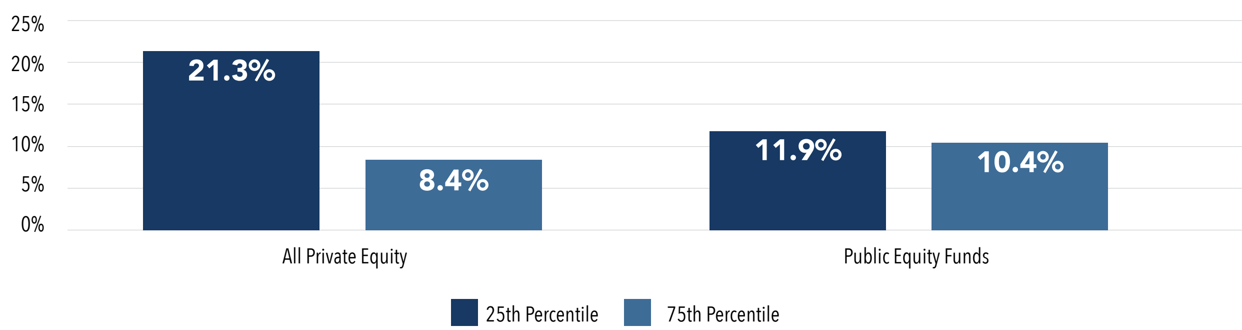
TritonPacific
Securities, LLC

MANAGEMENT MATTERS, ESPECIALLY IN PRIVATE EQUITY

With investors becoming more sophisticated, and more inundated with options, **41%** of today's private equity shareholders said they are more likely to decline investing in new funds.[1] The main reason they would turn down a new fund? **82% of those investors said "poor performance"**.[1]

Investors today are becoming more aware of how important management actually is, and for good reason. In private equity, the difference between the top- and bottom-quartile managers is nearly 13% annually, compared to 1.5% for public equities funds.[2]

The Importance of Manager Selection
Annualized Performance Differential (25th - 75th percentile)
January 1, 1980 - June 30, 2019[3]



So, why does management matter so much in private equity? Management is paramount to the successful execution of an investment thesis and fundamental to a private equity investment achieving its performance objectives.

Successful managers tend to demonstrate performance persistence that is a direct reflection of management's ability to identify opportunities in the marketplace, adapt to unexpected market changes and tactically address performance headwinds.

The quick service restaurant (QSR) segment that Tasty Restaurant Group (TRG) operates in is a 24-7 industry, making skilled management even more crucial. The logistics of running a multi-state/multi-chain portfolio are complex and beyond the capabilities of most "mom and pop" operators. TRG is able to provide the experience, vision and technical skills to execute and build its portfolio companies into larger, more efficient and more valuable businesses.

1. Singh, Preeti. "Investors Begin to Get Picky on Manager Selection." The Wall Street Journal. June 13, 2021. https://www.wsj.com/articles/investors-begin-to-get-picky-on-manager-selection-11623625261
2. Evestment. "Why top quartile is more than a buzzword for LPs." April 20, 2020.
3. All Private Equity Source: Prequin - All Private Equity Funds. Equity Funds Source: Investments Metrics US Equity Funds (SA+CF+MF). Private Equity Performace is represented by the annualized internal rate of return since inception.

SCALE MATTERS

The ability to scale is one way in which the superior manager may separate themselves from the average manager. Scale offers the potential to:

Enhance top-line sales

Acquire and retain higher quality talent

Decrease portfolio input costs

Utilize a broad network to access investment opportunities

TRG manages more than **400 units** across **20 states** and **6 different brands**

At Tasty Restaurant Group, scale is a "key ingredient" in managing a portfolio of QSRs. While the QSR industry is highly fragmented, with many chains owned by "mom and pop" operators, TRG manages more than 400 units across 20 states and 6 different brands. We are able to utilize our size to secure favorable pricing contracts for food and materials, take a front-of-the-line position for franchisor support for expansion opportunities, lower our implementation costs for technology and capital improvements and share corporate resources like HR, accounting and marketing. Each acquisition makes us more efficient and allows us to pass that efficiency to our shareholders.

A RECORD OF SUCCESS

Successful managers can be identified by their track records. Do they have industry specific experience? How have they fared through different economic conditions?

At TRG, our leadership team

Averages **more than 20 years** of restaurant-industry experience

Has managed and operated **50,000 franchisee/franchisor locations**

Has experience across **27 globally recognized brands**

Brings **C-suite experience** from top industry brands

Within Tasty Brands I, LP we have delivered consistent results since inception. Not only have we grown the portfolio from a concept with zero stores to the more than 250 stores, but our investors have also received every scheduled distribution payment since closing the fund to new investments in May, 2021.

VALUE CREATION ABILITY

Private equity funds like Tasty Brands I, LP seek to bring the interests of both shareholders and the manager in line by providing the manager with the ability to capture a significant proportion of the value they help create. **Accordingly, standout managers have a finely honed ability to create and deliver a clear roadmap to growth including:**

- Value drivers aimed at enhancing top-line sales and bottom-line profitability.
- Levers needed to improve operations in the short- and long-term.
- Timelines, key performance indicators (KPIs), resource requirements, risks and risk mitigators.

A manager that couples industry-specific experience, well-developed skill sets and operational resources with deep and direct involvement to create value at all phases of the business life cycle can fundamentally transform portfolio companies.

Value creation opportunities in each sector will be different. In the QSR industry, many smaller operators may be limited to cost management and franchisor support to enhance value whereas the TRG team utilizes a variety of accretive asset actions for Tasty Brands I including

1. **IMAGE ENHANCEMENTS** (renovations), ground-up new developments, asset relocations and new asset off-sets.
2. **TACTICAL MANAGEMENT** of store level menu pricing, in-store marketing / branding / menu board displays and suggestive selling techniques.
3. **SECURING** more favorable lease terms or expansion rights with the franchisor.

The TRG team **utilizes a variety of accretive asset actions** for Tasty Brands I

TRANSPARENT COMMUNICATION

Private equity funds are generally not subject to the same regulations as publicly traded mutual funds and have no standard disclosure or performance reports. Superior managers know that full and transparent communication with their shareholders helps to build trust and confidence between shareholders and managers. **Some ways in which managers can provide access and insight to what is happening in the fund include:**

PROVIDING audited financial statements and quarterly statements.

HOSTING virtual meetings, conference calls and/or webinars.

DISSEMINATING key performance metrics in an easily understood manner.

Triton Pacific Capital Partners and its affiliate, TRG, believe that transparency, in both good times and bad, is an absolute necessity and embraces the opportunity to have multiple channels of communication to distribute key performance metrics in a systematic and timely manner.

DUE DILIGENCE IS **PARAMOUNT**

Research indicates that 90% to 95% of the risk-return profile of an investment portfolio comes from the asset allocation decision[3], which is squarely the domain of the manager in private equity. With thousands of active private equity funds to choose from, spending ample time conducting due diligence on both the strategy and the manager for these long-term investments is of paramount importance.

In fact, a research study comparing returns of hundreds of angel investments (those made in the earliest, riskiest stage of a new business) showed that 69% of investments that were preceded by just one hour or less of due diligence lost money. Conversely, 58% of angel deals made after a full week of research were winners, with 26% achieving greater than 5x multiple on invested capital.[3]

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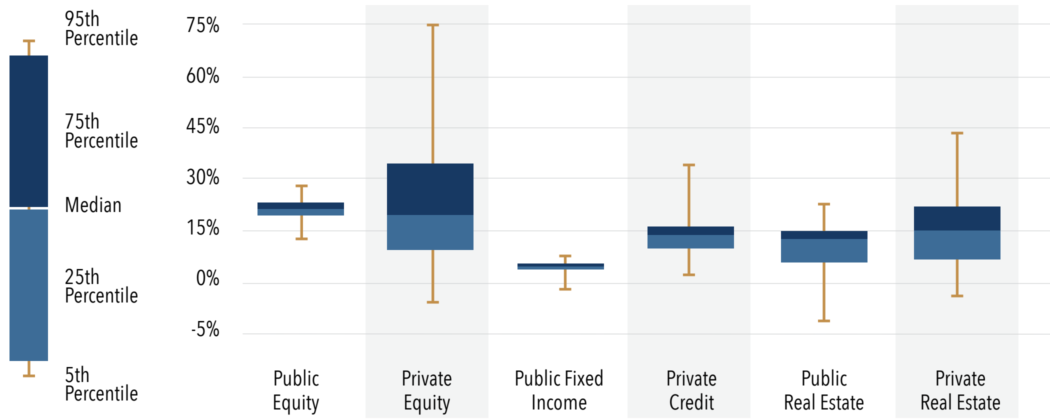
Dispersion of Fund Performance, Manager Returns Over a Five Year Period[4]



IN PRIVATE EQUITY, **MANAGEMENT MAKES THE DIFFERENCE**

Successful outcomes will often depend on the skills, knowledge and ability of the manager to navigate challenges, and exploit value-add opportunities, especially when it comes to private equity. Management must be aligned on the strategy being executed and the sequential process of execution to be able to establish a cohesive corporate message on the strategy, fully consider budgetary capabilities and properly delegate roles and responsibilities to achieve the stated goals. Keep these items in mind when selecting your next private equity fund manager, and give yourself the greatest opportunity of investing in a potentially successful fund.

3. Institutional Investor. Manager Research Matters Even More Than You Think. July 24, 2019.
4. Morningstar. Returns are over a five-year period from 1/1/2017-12/31/2021 (Open-end funds): Public Equities (US Large Blend); Public Fixed Income (US Intermediate Core Bonds); Public Real Estate (US Real Estate). Preqin, returns are for 2016 vintages that have last reported between 12/31/2020-9/30/2021. (North America, Closed funds): Private Equity (Buyout), Private Credit (all Private Debt strategies); Private Real Estate (Co-invest, Core, Core+, Debt, Value Added, FoF). Investments in less liquid private market strategies are by nature risky and typically involve a high degree of leverage. The returns indicated above are long- term and represent well-known asset class indices and are not meant to be predictive of the performance of any particular fund, nor are they meant to suggest that all private funds result in positive returns or would avoid loss of principal.

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