

Convertible Securities

(Period Ending December 31, 2011)

Strategy:

- Produce consistent risk adjusted returns
- Focus on inefficient small to midcap market
- Identify equity-like upside with bond-like risk
- Leverage PENN's credit expertise to identify mispricings

Investment Culture:

- Complete capital structure analysis[®]
- Fully integrated credit & equity research process
- Independent, intensive research & proprietary database
- Over 1,000 company management meetings a year
- Compensation tied to performance

Portfolio Facts:

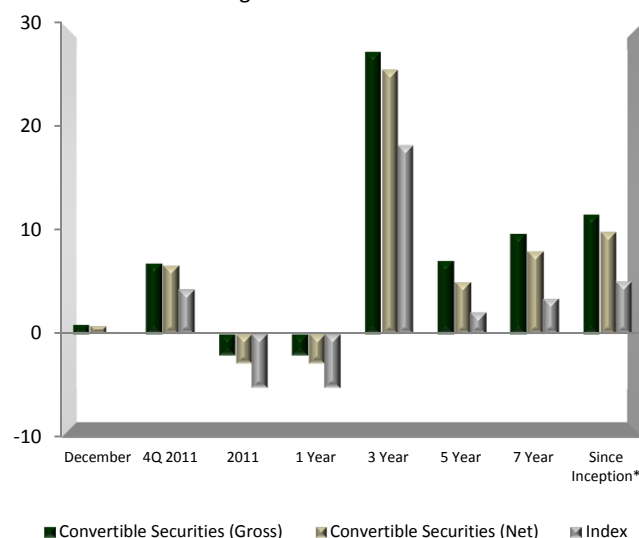
- Strategy inception date: July 1, 2003
- Index: BofA ML All US Convertibles Index
- Style assets: \$86.93 million

Characteristics:

	Convertible Securities	Index
Number of Issues	39	505
Current Yield (%)	3.6	3.70
Portfolio Delta	0.42	0.47
Delta Breakdown (%)		
Credit Opportunities (Less than 30)	26.0	35.4
Total Return (31 to 70)	61.1	33.9
Equity Sensitive (Greater than 70)	12.9	30.8
Credit Quality Breakdown (%)		
Investment Grade	12.0	27.6
Non-Investment Grade	59.2	38.7
Non-Rated	28.8	33.7
Market Capitalization Breakdown (%)		
Large Cap (Over \$20 billion)	17.7	22.5
Mid Cap (\$10 to \$20 billion)	5.0	15.0
Small/Mid Cap (\$2.5 to \$10 billion)	45.7	35.8
Small Cap (Under \$2.5 billion)	31.6	26.7

Performance:

Trailing Performance Returns



	Convertible Securities (Gross)	Convertible Securities (Net)	Index
December	0.87	0.81	0.19
4Q 2011	6.80	6.62	4.29
2011	-2.07	-2.86	-5.18
1 Year	-2.07	-2.86	-5.18
3 Year	27.18	25.47	18.19
5 Year	7.02	5.03	2.10
7 Year	9.67	7.98	3.41
Since Inception*	11.47	9.83	5.07

	Convertible Securities (Gross)	Convertible Securities (Net)	Index
2004	11.53	10.56	9.61
2005	13.01	12.31	1.01
2006	20.27	19.28	12.83
2007	1.11	-1.22	4.53
2008	-32.51	-34.50	-35.73
2009	73.21	69.74	49.13
2010	21.28	19.79	16.77
2011	-2.07	-2.86	-5.18

Convertible Securities (Gross): Composite Gross & Convertible Securities (Net): Composite Net
Index: BofA ML All US Convertibles Index
*Since Composite Inception: (9/30/03)
Performance is annualized for multi-year periods

Top 10 Holdings:

SBA Communications Corp.
Ford Motor Co.
Digital River Inc.
Bank Of America
EMC Corp.
Hologic Inc.
Steel Dynamics
Chart Industries
MGM Mirage
Brookdale Senior Living

Holdings are considered supplemental information. Please refer to the fully compliant presentation which is available upon request.

History:

- Founded in 1987
- 100% employee owned
- Strong operational infrastructure
- All portfolio managers are owners
- 57 total employees; 16 partners

Assets:

Firm Assets:	\$5.7 billion
• Equity:	\$2.6 billion
• High Yield Fixed Income	\$3.0 billion
• Alternatives	\$0.1 billion

Disclosures:

Firm Information: PENN Capital Management Company, Inc. is a Pennsylvania based investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. PENN is a 100% employee owned sub-chapter-S corporation. The firm specializes in managing equity and fixed income portfolios for institutional and high net worth clients. PENN's fully integrated process allows for strong crossover of ideas between fixed income and equity, enabling PENN's investment team to become experts in analyzing a company's entire capital structure. PENN's Institutional Services is defined for GIPS® purposes to include all separately managed accounts with the exclusion of wrap relationships. This is due to wrap relationships being considered separate from public perceptions. The firm's fee schedule varies based upon the style the account is invested in. Standard fee schedule for all separate Convertible Securities accounts are 0.85% of assets under management.

Composite Characteristics: The Composite is defined to include separately managed accounts with assets over \$50,000.00. These accounts tend to invest at least 80% of assets in convertible and convertible preferred securities. The strategy may also invest in zero coupon bonds, high yield bonds, stocks or any other form of security or financial instrument. The Convertible Securities strategy seeks to identify situations in which the convertible bond offers the upside opportunity of a stock with the downside protection of a bond. The Convertible Securities Composite was created on October 31, 2006. Effective January 1, 2010, accounts which have a significant cash flow (20% or more on the transaction date) will be removed from their respective composite immediately. The account will be reevaluated monthly and if eligible, will enter their appropriate composite the next calendar quarter's opening. To receive a complete list and description of PENN Capital Management's composites, information regarding the treatment of significant cash flows and/or a presentation that adheres to the GIPS® standards, contact Christian M. Noyes, Senior Managing Partner, 215-302-1501, e-mail cnoyes@penncapital.com or write PENN Capital Management, Navy Yard Corporate Center, Three Crescent Drive, Suite 400, Philadelphia, PA 19112. The Composite is comprised of all separately managed accounts that have been managed by PENN for one full calendar quarter. As of December 31, 2011, the Composite consists of 5 or fewer accounts with assets totaling \$84.11 million, which represents 1.74% of the firm's total assets and 96.75% of style assets, excluding wrap accounts.

Calculation Methodology: The Convertible Securities Composite is shown as total returns, which assumes reinvestment of dividends, capital gains, as well as no reductions for taxes, presented before the deduction of actual investment advisory fees, are calculated in U.S. dollars, and are computed on a dollar-weighted-rate-of-return-basis. Performance results have been presented both prior to the deduction of investment advisory fees ("gross of fees") and after the deduction of actual investment advisory fees ("net of fees"). (For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual advisory fee of 1.0%, this increase would be 137%). Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year. Performance results of PENN clients will be reduced by PENN's actual investment advisory fees. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. All returns are calculated net of transaction costs and gross of custodial fees and taxes on dividends and interest.

Other Disclosures: To receive a copy of PENN's proxy voting policies, please contact Christian M. Noyes, Senior Managing Partner, 215-302-1501, e-mail cnoyes@penncapital.com or write PENN Capital Management, Navy Yard Corporate Center, Three Crescent Drive, Suite 400, Philadelphia, PA 19112. PENN Capital Management's investment advisory fees are described in Part 2A of its Form ADV. PENN Capital Management Company, Inc. claims compliance with the Global Investment Performance Standards (GIPS®). The BofA Merrill Lynch Convertibles Index includes all securities that are convertible into US dollar denominated common stock, ADRs or cash equivalents publicly traded in the United States with at least \$50 million of aggregate market value at issuance. Issues are added to the index upon issuance and redeemed issues are removed on the last conversion or redemption day. Issues that have depreciated below \$40 million of market value are removed at quarter end. For comparison purposes, the BofA Merrill Lynch Convertibles Index is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Convertible Securities Composite. The returns for this unmanaged index do not include any transaction costs, management fees or other costs. The information contained herein reflects historical performance; no assurances can be given and no inferences should be drawn with respect to any future results that may be achieved by clients of PENN.

Contact Information

Christian M. Noyes
Senior Managing Partner
(215) 302-1501/teamnoyes@penncapital.com