

Distressed Total Return

(Period Ending December 31, 2011)

Strategy:

- Seek total return in distressed corporate bonds
- Seek securities trading below asset or fundamental value
- Restructuring situations
- “Non-controlling” positions allow for liquidity

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:

- Inception date: 4/5/2002
- Index: BofA MLHY CCC+ & Lower Index
- Style assets: \$73.10 million

Portfolio Characteristics:

	Distressed Total Return		Index
Number of Companies	24		254
Average Coupon (%)	7.9		9.6
Current Yield (%)*	12.3		11.5
Yield to Worst (%)	17.4		14.2
Average Maturity (yrs)	5.2		5.8
S&P/Moody's Rating (wtd. Avg.)	CCC+/Caa2		CCC2
Credit Quality (%)	PRR	S&P/Moody's	Index
Double-B & Higher	16.0	16.2	0.0
Single-B	58.1	41.0	0.0
Triple-C & Lower	25.9	42.8	100.0

Double-B & Higher Includes cash & cash equivalents

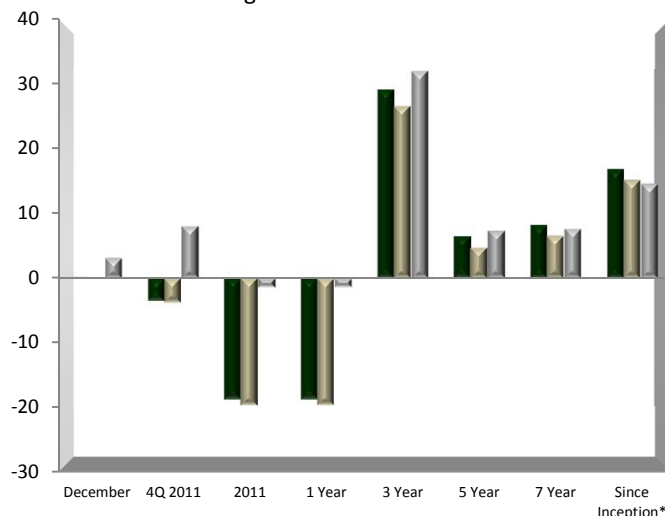
* Current Yield excludes equities and noncash pay securities

PENN's credit quality breakdown is calculated using the split-rated credit quality of the S&P and Moody's rating agency

PRR = PENN's proprietary internal ranking otherwise known as the PENN Risk Rating

Performance:

Trailing Performance Returns



■ Distressed Total Return (Gross) ■ Distressed Total Return (Net) ■ Index

	Distressed Total Return (Gross)	Distressed Total Return (Net)	Index
December	0.16	0.05	3.16
4Q 2011	-3.52	-3.75	8.07
2011	-18.69	-19.60	-1.40
1 Year	-18.69	-19.60	-1.40
3 Year	29.12	26.54	31.96
5 Year	6.51	4.70	7.31
7 Year	8.25	6.55	7.68
Since Inception*	16.88	15.14	14.60

	Distressed Total Return (Gross)	Distressed Total Return (Net)	Index
2003	76.51	74.30	60.99
2004	34.88	33.20	15.75
2005	5.48	4.16	-0.54
2006	20.45	18.96	18.63
2007	-1.68	-2.92	0.37
2008	-35.23	-36.05	-38.30
2009	105.18	99.54	96.79
2010	29.02	26.31	18.42
2011	-18.69	-19.60	-1.40

Distressed Total Return (Gross): Composite Gross & Distressed Total Return (Net): Composite Net

Distressed Total Return: Strategy Model Account

Index: BofA MLHY CCC+ & Lower Index

*Since Composite Inception: 9/30/2002

Performance is annualized for multi-year periods

Top 10 Holdings:

Cenveo Corp.
Nuveen Investments Inc.
Central European Distribution
Synovus Financial Corp.
MGM Mirage
Powerwave Technologies
Lucent Technology
Felcor Lodging Trust
Gray Television Inc.
Skilled Healthcare Group

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 Distressed Total Return Fixed Income accounts are 1.25% of assets under management.

Composite Characteristics: The Composite is defined to include separately managed accounts with assets over \$100,000.00. These accounts solely invest in distressed securities which are bonds or preferred stock that pay a cash coupon, but also include those securities that offer compensation in the form of additional bonds or shares (payment-in-kind), zero coupon bonds, convertible and convertible preferred issues, units of bonds and warrants, stock and other forms of securities and financial instruments. The Distressed Total Return Fixed Income strategy seeks superior investment returns that are attainable on a consistent basis by applying a disciplined value-driven investment approach, which capitalizes on fundamental and technical opportunities in the market. The Distressed Total Return Fixed Income Composite was created on September 30, 2002. 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 \$36.10 million, which represents 0.75% of the firm's total assets and 49.38% of style assets, excluding wrap accounts.

Calculation Methodology: The Distressed Total Return 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. Net of fees performance results presented for this composite were calculated by deducting the maximum applicable fee of 1.25%, applied monthly from the gross of fees composite return. 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: 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 High Yield CCC & Lower Rated Index is an unmanaged portfolio constructed to mirror the public high yield debt market. The BofA Merrill Lynch High Yield is provided to represent the investment environment existing during the time periods shown. The maximum issue weighting for the top ten names can not exceed 50% within the Distressed Total Return strategy. For comparison purposes, the index is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Distressed Total Return Composite. 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 PCM.

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