

# Mid Cap Equity

(Period Ending December 31, 2011)

## Strategy:

- Conducting in-depth fundamental bottom up research
- Seeking value metrics with growth catalysts
- Credit markets provide early identification

## Investment Culture:

- Complete capital structure analysis<sup>®</sup>
- 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:

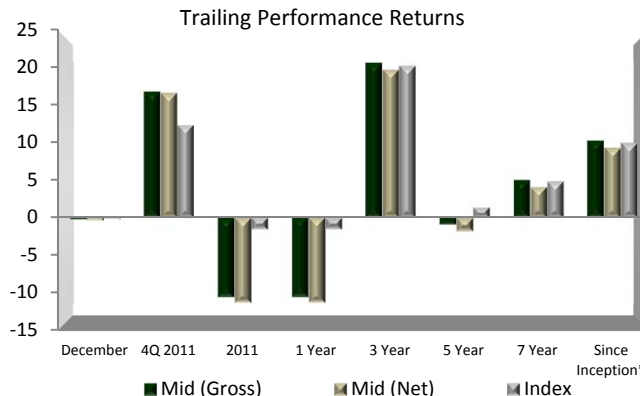
- Inception date: 12/31/2002
- Index: Russell Midcap Index
- Style assets: \$322.33 million
- Market Cap Purchase Range: The smallest market capitalization within the Russell Midcap Index to the largest market capitalization within the Russell Midcap Index

## Characteristics:

Characteristics (As of 12/31)	Mid Cap	Index
Number of Companies	71	783
Weighted Avg. Market Cap (\$m)	\$7,000	\$7,910
Weighted Median Market Cap (\$m)	\$5,678	\$7,067
Quality Rank	B	B+
Debt/Equity	1.18	1.10
Debt/Capital	48.53	48.44
Debt Coverage	3.57	4.86
Top 10 Holdings (%)	20.88	-

Index Characteristics Source: The Bank of New York Mellon Corporation

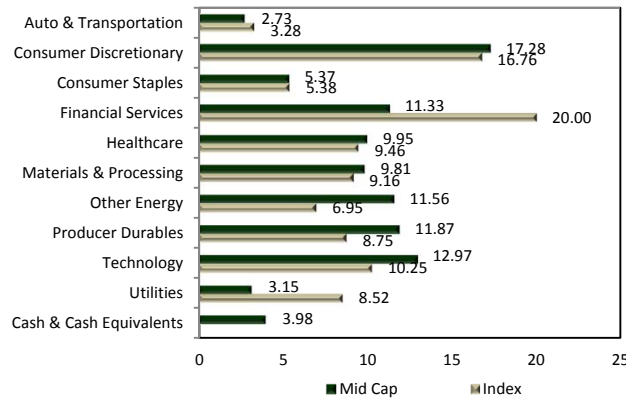
## Performance:



	Mid (Gross)	Mid (Net)	Index
December	-0.17	-0.33	-0.12
4Q 2011	16.76	16.53	12.31
2011	-10.53	-11.24	-1.55
1 Year	-10.53	-11.24	-1.55
3 Year	20.57	19.62	20.17
5 Year	-0.94	-1.78	1.41
7 Year	5.04	4.10	4.85
Since Inception*	10.26	9.29	9.93

	Mid (Gross)	Mid (Net)	Index
2003	42.75	41.50	40.06
2004	19.56	18.63	20.22
2005	28.92	27.70	12.65
2006	14.74	13.51	15.26
2007	4.97	3.94	5.60
2008	-48.17	-48.62	-41.46
2009	48.23	47.08	40.48
2010	32.17	31.12	25.48
2011	-10.53	-11.24	-1.55

## Sector Weights:



Mid (Gross): Composite Gross & Mid (Net): Composite Net  
 Mid Cap: Strategy Model Account  
 Index: Russell Midcap Index  
 \*Since Composite Inception: 12/31/02  
 Performance is annualized for multi-year periods

**Top 10 Holdings:**

Hologic Inc.
Triumph Group Inc.
Airgas Inc.
Crown Castle Int'l. Corp.
CBS Corp.
Dover Corp.
Hertz Global Holdings Inc.
JDS Uniphase Corp.
Whiting Petroleum Corp.
Marvell Technology Group Ltd

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:**

<b>Firm Assets:</b>	<b>\$5.7 billion</b>
• 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 investment style. Standard fee schedule for all separate Mid Cap Equity accounts are 0.90% of assets under management.

**Composite Characteristics:** The Composite is defined to include separately managed accounts with assets of over \$1,000,000.00. These accounts solely invest in equities of U.S. companies at initial purchase with market capitalizations between the smallest market capitalization within the Russell Midcap Index and the largest market capitalization within the Russell Midcap Index. The Mid Cap Equity strategy seeks financially disciplined firms that utilize their free cash flow to either retire outstanding debt or engage in capital expenditures which position themselves for future growth. The Mid Cap Equity Composite was created on December 31, 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 copy of PENN's 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](mailto: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 \$38.35 million, which represents 0.79% of the firm's total assets and 99.05% of style assets, excluding wrap accounts.

**Calculation Methodology:** The Mid Cap Equity 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 of PENN clients will be reduced by PENN's actual investment advisory 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%). 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. 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 are based on US dollar returns. 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](mailto:cnoyes@penncapital.com) or write PENN Capital Management, Navy Yard Corporate Center, Three Crescent Drive, Suite 400, Philadelphia, PA 19112. PENN Capital Management 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®). Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. For comparison purposes, the Russell Midcap is a fully invested index, which includes reinvestment of income, and its performance has been linked in the same manner as the Mid Cap Equity 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.

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