

# Opportunistic High Yield Fixed Income

(Period Ending December 31, 2011)

## Strategy:

- Tactical allocations of capital across entire high yield market
- Identify catalysts for credit improvement
- Focus on senior and subordinated tranches of debt

## 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:

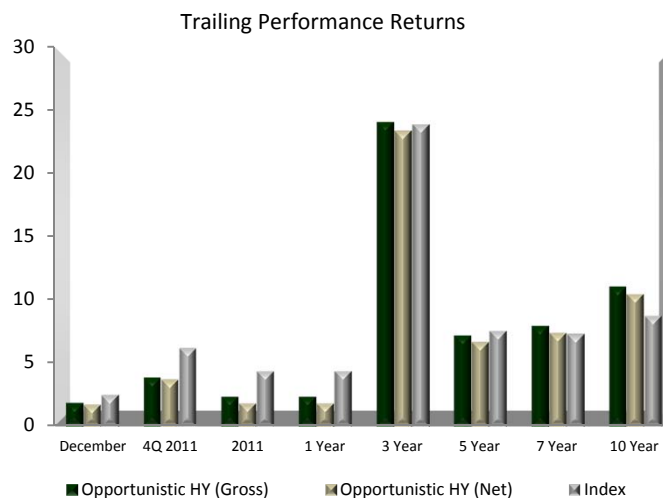
- Strategy inception date: 12/31/1989
- Index: BofA ML US High Yield Constrained Index
- Style assets: \$832.44 million

## Portfolio Characteristics:

	Opportunistic HY		Index
Number of Companies	129		971
Average Coupon (%)	9.0		8.2
Current Yield (%)	9.3		8.4
Yield to Worst (%)	9.9		8.3
Average Maturity (yrs)	5.9		6.8
Average Duration (yrs)	3.4		4.0
S&P/Moody's Rating (wtd. Avg.)	B-/B3		B1
Credit Quality (%)	PRR	S&P/Moody's	Index
Double-B & Higher	35.5	20.6	44.6
Single-B	60.0	52.9	39.9
Triple-C & Lower	4.5	26.5	15.5

- Double-B & Higher Includes cash & cash equivalents  
 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:



	Opportunistic HY (Gross)	Opportunistic HY (Net)	Index
December	1.85	1.74	2.48
4Q 2011	3.88	3.75	6.19
2011	2.38	1.83	4.37
1 Year	2.38	1.83	4.37
3 Year	24.02	23.35	23.83
5 Year	7.20	6.67	7.54
7 Year	7.94	7.40	7.30
10 Year	11.03	10.45	8.74

	Opportunistic HY (Gross)	Opportunistic HY (Net)	Index
1994	0.91	-0.80	-
1995	24.97	22.34	-
1996	18.83	16.49	-
1997	20.17	18.05	12.91
1998	-1.86	-2.79	2.94
1999	16.21	15.22	2.43
2000	-10.98	-11.57	-5.19
2001	-7.08	-7.50	4.48
2002	2.07	1.70	-0.53
2003	42.04	41.12	27.97
2004	14.99	14.25	10.87
2005	7.15	6.59	2.78
2006	12.56	11.97	10.76
2007	1.81	1.41	2.53
2008	-27.10	-27.44	-26.11
2009	56.65	55.83	58.10
2010	18.93	18.27	15.07
2011	2.38	1.83	4.37

Opportunistic HY (Gross): Composite Gross & Opportunistic HY Net: Composite Net  
 Index: BofA ML US High Yield Constrained Index  
 Performance is annualized for multi-year periods

**Top 10 Holdings:**

CEDC Financial Corp. Int'l. Inc.
Nuveen Investments Inc.
Synovus Financial Corp.
Hub Int'l.
Level 3 Financing Inc.
Zions Bancorp.
Cenveo Inc.
Goodrich Petroleum Corp.
Int'l. Lease Finance Corp.
Basic Energy Services

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 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 Opportunistic High Yield accounts are as follows: first \$10 million - 0.85% of assets under management, next \$40 million - 0.70%, and above \$50 million - 0.55%.

**Composite Characteristics:** The Composite is defined to include separately managed accounts with assets over \$5,000,000.00. Effective June 30, 2010, PENN changed the threshold from \$1 million to \$5 million. As a result, 1 account was removed. These accounts seek total returns by investing in a mix of cash-paying securities and "opportunistic" securities, such as distressed debt. The accounts in this style have a credit rating of Single-B to Triple-C. Effective December 31, 2005, PENN changed the name of the composite from the Core Opportunistic High Yield Fixed Income Composite to the Opportunistic High Yield Fixed Income Composite. The Opportunistic High Yield Fixed Income Composite was created on December 31, 1989. 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 and have been managed by PENN for one full calendar quarter. As of December 31, 2011, the Composite consists of 17 accounts totaling \$568.04 million, which represents 11.76% of the firm's total assets and 68.24% of style assets, excluding wrap accounts.

**Calculation Methodology:** The Opportunistic High Yield Fixed Income 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. For the purposes of this composite, performance returns for the leveraged accounts have been calculated on an all-cash 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. (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. 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 verification and performance examination reports are available upon request. The BofA Merrill Lynch High Yield Constrained Index (formerly known as the BofA Merrill Lynch High Yield Master II Constrained Index) is an unmanaged portfolio constructed to mirror the public high yield debt market. This index includes US dollar publicly issued corporate bonds and includes PIKS and deferred interest bonds that are not yet accruing a coupon. Bonds rated in default, or that are not rated are excluded from the index. The BofA Merrill Lynch High Yield Constrained Index is provided to represent the investment environment existing during the time periods shown. In 2003, the benchmark was changed from the Credit Suisse First Boston High Yield Index, as it does not include portions of the universe that PENN invests in. In February 2006, the benchmark was changed retroactively from the BofA Merrill Lynch High Yield Master II Index to the BofA Merrill Lynch Yield Constrained Index. The Opportunistic High Yield Fixed Income strategy typically has a maximum issuer weighting of 3% and the securities within the BofA Merrill Lynch High Yield Constrained Index typically have a maximum issuer weighting of 2%. 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 Opportunistic High Yield Fixed Income 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 PENN. The indices used for comparison do not reflect the deduction of any transaction costs, management fees, or any other costs.

**Contact Information**

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