

# Penn Capital Floating Rate Income Fund

(formerly, Penn Capital Defensive Floating Rate Income Fund)

## Investment Strategy

### The Fund

A quality, high conviction, and capacity constrained approach to investing in floating rate senior secured loans and floating rate senior corporate debt.

### The Approach

The Fund seeks to identify relative value opportunities with fundamental, bottom-up research while seeking to avoid common loan market pitfalls. The Fund seeks to pursue a conservative (defensive) investment strategy within the high yield debt market by generally avoiding the lowest rated (i.e., riskiest) debt instruments in the high yield market.

Our research has observed a market trend of high holdings count, high fee, capacity unconstrained loan funds with outsized exposure to CCC-rated, largest 100, second lien, and/or distressed loans which we believe detracts from an optimal risk-return profile.

### The Features

By utilizing a capacity constrained approach to target quality opportunities with high conviction, the Fund has historically provided competitive returns compared to the S&P/LSTA BB Loan Index and broader market.

## Fund Facts

|                          |            |
|--------------------------|------------|
| Ticker                   | PFRNX      |
| Fund Size \$             | 31,376,564 |
| Inception Date           | 7/7/2017   |
| # of Holdings            | 146        |
| Expense Ratio % (net)    | 0.64       |
| Expense Ratio % (gross)  | 1.37       |
| SEC Yield with Waivers % | 3.01       |
| SEC Yield w/o Waivers %  | 2.56       |
| Distribution Frequency   | Monthly    |

## Portfolio Manager

### David H. Jackson, CFA

Senior Portfolio Manager, Chair of the Credit Risk Committee, Senior Partner

## Trailing Returns (%)

|                        | QTD  | YTD  | 1 Yr | 3 Yrs | 5 Yrs | Inception<br>(11/30/2015) |
|------------------------|------|------|------|-------|-------|---------------------------|
| PFRNX                  | 0.45 | 2.46 | 5.31 | 2.67  | 3.32  | 3.61                      |
| S&P/LSTA BB Loan Index | 0.83 | 2.43 | 5.24 | 2.87  | 3.33  | 3.78                      |
| Peer Group             | 0.87 | 3.73 | 7.23 | 2.88  | 3.47  | 3.99                      |

Performance is annualized for multi-year periods. Past performance is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown. All returns assume reinvestment of all dividend and capital gain distributions. To obtain performance current to the most recent month-end please call 844-302-PENN (7366) or visit [www.penncapitalfunds.com](http://www.penncapitalfunds.com). The total annual operating expenses of the Fund are 1.16% and net expenses are 0.64% for the Institutional share class. The Fund's advisor has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses (excluding any acquired fund fees and expenses, taxes, interest, brokerage fees, certain insurance costs, and extraordinary and other non-routine expenses) do not exceed 0.64% for Institutional Class shares. This agreement is in effect until April 1, 2023. The Fund's advisor is permitted to seek reimbursement from the Fund of fees waived for a period of three years from the date of the waiver or payment to the extent it does not exceed expense limits. Performance would have been lower without fee waivers in effect.

## Calendar Year Returns (%)

|                        | 2020 | 2019 | 2018  | 2017 | 2016 |
|------------------------|------|------|-------|------|------|
| PFRNX                  | 0.62 | 8.25 | 0.17  | 3.75 | 6.90 |
| S&P/LSTA BB Loan Index | 0.75 | 9.31 | -0.42 | 3.44 | 7.33 |
| Peer Group             | 1.09 | 7.42 | -0.25 | 3.47 | 9.22 |

## Modern Portfolio Statistics (Last 3 Years %)

Calculation Benchmark: S&P/LSTA U.S. BB Ratings Loan TR USD

|                        | Standard Deviation | Up Capture | Down Capture | R2     |
|------------------------|--------------------|------------|--------------|--------|
| PFRNX                  | 7.34               | 96.15      | 97.86        | 98.89  |
| S&P/LSTA BB Loan Index | 7.27               | 100.00     | 100.00       | 100.00 |
| Peer Group             | 8.02               | 108.03     | 111.89       | 97.65  |

## Credit Quality (%)

|                | PFRNX     | Peer Group |
|----------------|-----------|------------|
| Portfolio Date | 9/30/2021 | 9/30/2021  |
| BBB            | 6.29      | 3.29       |
| BB             | 32.70     | 21.82      |
| B              | 61.01     | 65.75      |
| CCC & Below    | —         | 5.41       |
| Not Rated      | —         | 2.45       |

## Asset Type (%)

|                | PFRNX     | Peer Group |
|----------------|-----------|------------|
| Portfolio Date | 9/30/2021 | 9/30/2021  |
| Bank Loan      | 83.06     | 76.32      |
| Corporate Bond | 6.83      | 7.29       |
| Cash & Equiv   | 10.11     | 14.17      |
| Government     | —         | 0.00       |
| Asset-Backed   | —         | 1.94       |

Source: Morningstar Direct. Peer Group: Open End Funds - U.S. - Bank Loan. Standard deviation is a measure of the dispersion of a set of data from its mean. Upside capture ratio measures a fund's performance in up markets relative to its benchmark, calculated by dividing the fund's upside return by the benchmark's upside return. Downside capture ratio measures a fund's performance in down markets relative to its benchmark, calculated by dividing the fund's downside return by the benchmark's downside return. R-squared measures the relationship between a portfolio and its benchmark. Credit Quality & Asset Type are based on the most recent holdings data available.

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## Capital Structure Specialists

Penn Capital has specialized in the leveraged finance market – the credit and equity of non-investment grade US companies – for over 30 years.

We pair fundamental, bottom-up research with quantitative risk management in an effort to target relative value opportunities with high conviction.

Penn Capital distinctly integrates credit and equity research with a Complete Capital Structure Analysis®. Our experienced research analysts are corporate asset class generalists and industry specialists. We believe this holistic approach offers an advantage in the identification of mispriced securities, capital structure catalysts, and risk mitigation.

## Top 10 Positions (%)

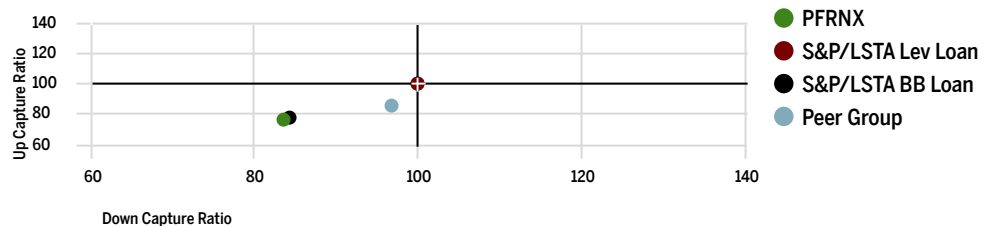
Portfolio Date: 9/30/2021

|   |      |
|---|------|
| Quikrete Holdings Inc T/L B                               | 1.16 |
| Aliegiant Travel T/L 2/20                                 | 1.04 |
| Calceus Acquisition T/L B (Cole Haan)                     | 1.01 |
| SHUTTERFLY T/L (6/21)                                     | 1.01 |
| Carnival Corporation 7.63%                                | 0.98 |
| Pearl Intermediate T/L (Petvet Care/ Romulus Merger)      | 0.96 |
| Press Ganey (Emerald Topco) T/L B                         | 0.90 |
| BDF (BOBS DISCOUNT FURNITURE) T/L                         | 0.89 |
| Prime Security Services T/L (1/21) (Protection One / Adt) | 0.86 |
| Scientific Games T/L B                                    | 0.81 |

## Portfolio Construction

|                                  |         |
|----------------------------------|---------|
| Maximum # of Issuers             | 175     |
| Maximum Issuer Weighting at Cost | 4%      |
| Maximum Industry Weighting       | 15%*    |
| Maximum Cash                     | 10%     |
| Minimum Bank Loans               | 80%     |
| Minimum Issuer Credit Quality    | Split-B |

## Upside-Downside Capture (Last 3 Years %)



**BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. THIS AND OTHER RELEVANT INFORMATION CAN BE FOUND IN THE PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION, COPIES OF WHICH MAY BE OBTAINED BY CALLING (844) 302-PENN (7366) OR BY VISITING WWW.PENNCAPITALFUNDS.COM. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.**

**Description of Indices and Terms:** The S&P/LSTA Leveraged Loan Index is a market value-weighted index designed to measure the performance of the US leveraged loan market. The S&P/LSTA BB Loan Index is comprised of loans within the S&P/LSTA Leveraged Loan Index whose ratings are BB+, BB, BB-. Standard & Poor's Rating Services is used to determine membership within this sub-index. An investor cannot directly invest in an index.

**Fund Risks:** The Fund is subject to the following risks, among others: ETF risk, which is the risk that the fund is subject to the same risks as the underlying securities in which the ETF invests as well as entails higher expenses than if invested into the underlying ETF directly; foreign securities and ADRs, which involve certain risks such as currency volatility, political and social instability and reduced market liquidity. Investments in REITs may be more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. As interest rates rise the value of bond prices will decline. Credit risk refers to the loss in the value of a security based on a default in the payment of principle and/or interest of the security. High-yield bonds have a higher risk of default or other adverse credit events. Bank loans may have similar risks to below investment grade fixed income securities. In the event of the insolvency of an agent bank, a loan could be subject to settlement risk as well as the risk of interruptions in the day to day administration of the loan. There is the possibility that the Fund may lose money or be prevented from realizing capital gains if it cannot sell a security at a particular time and price. Liquidity risk can be more pronounced in periods of market turmoil. \*Or 3x the S&P/LSTA BB Loan Index, not to exceed 25%. Allocations and holdings are subject to change at any time. Top 10 positions are based on the most recent holdings data available. Past performance is no guarantee of future results.

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