



## SEMIANNUAL REPORT

DECEMBER 31, 2018

PENN CAPITAL MANAGED ALPHA SMID CAP EQUITY FUND  
PENN CAPITAL SPECIAL SITUATIONS SMALL CAP EQUITY FUND  
PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND  
PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND  
PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND

Beginning on January 1, 2021, as permitted by regulations adopted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund (defined herein) or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on the Fund's website ([www.penncapitalfunds.com](http://www.penncapitalfunds.com)), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

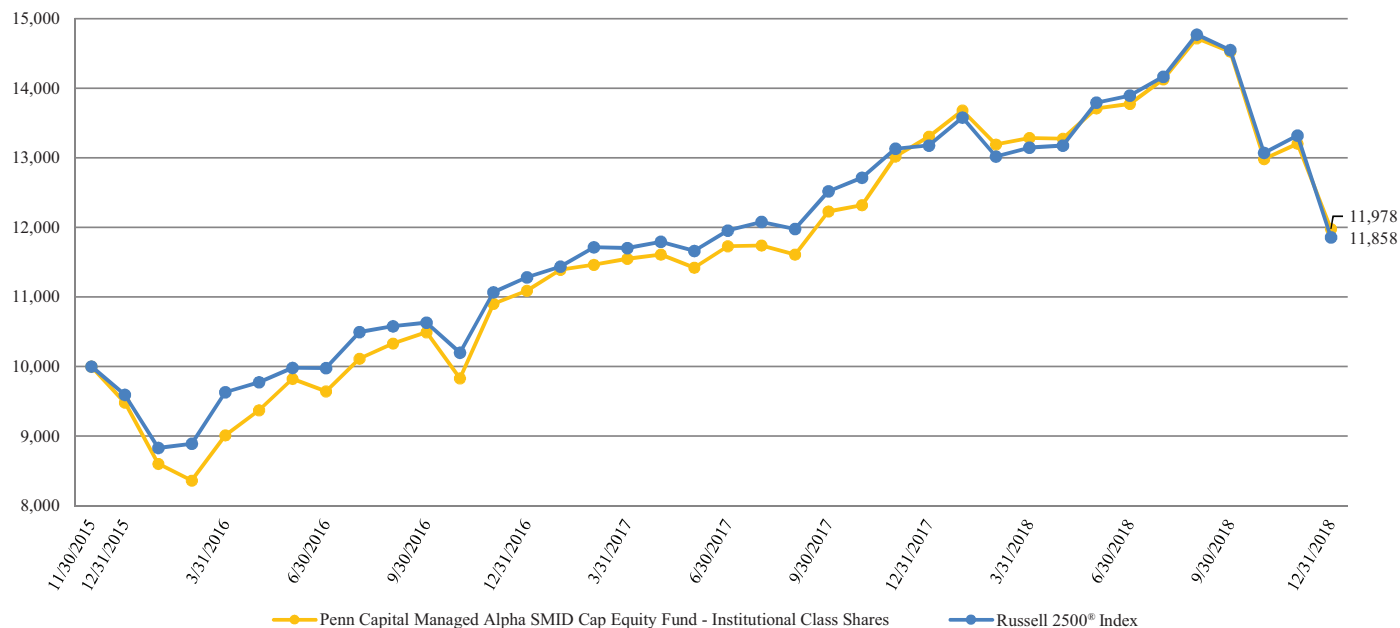
If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling 1-844-302-7366.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund, you can call 1-844-302-7366 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary.

## TABLE OF CONTENTS

Fund Summaries .....	1
Disclosure of Fund Expenses .....	6
<b>Fund</b>	<b>Schedules of Investments</b>
Penn Capital Managed Alpha SMID Cap Equity Fund .....	11
Penn Capital Special Situations Small Cap Equity Fund .....	13
Penn Capital Multi-Credit High Income Fund .....	15
Penn Capital Defensive Floating Rate Income Fund .....	20
Penn Capital Defensive Short Duration High Income Fund .....	26
Statements of Assets and Liabilities .....	30
Statements of Operations .....	31
Statements of Changes in Net Assets .....	32
Financial Highlights .....	33
Notes to the Financial Statements .....	34
Additional Information .....	44

**PENN CAPITAL MANAGED ALPHA SMID CAP EQUITY FUND  
FUND SUMMARY (UNAUDITED)**



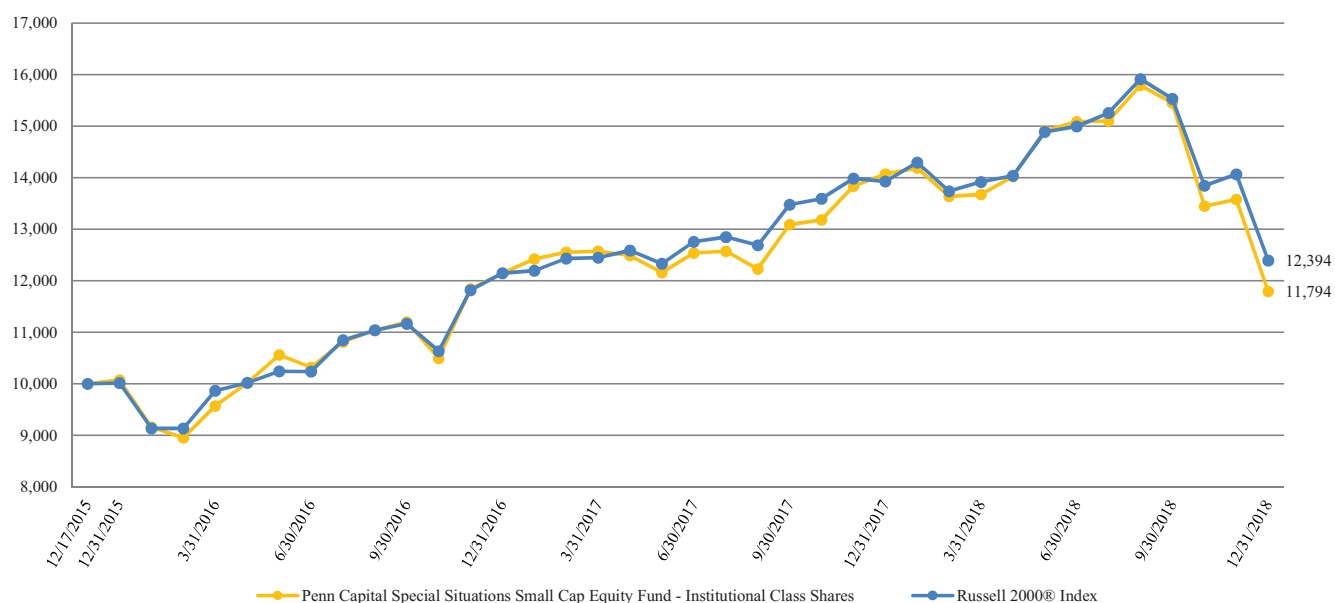
This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. In the absence of fee waivers and reimbursements, when they are necessary to keep expenses at the expense cap, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost. Index returns do not reflect the effects of fees, transaction costs or expenses. It is not possible to invest directly in an index. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.

<u>Average Annual Total Returns for the Period Ended December 31, 2018</u>	<u>One Year</u>	<u>Three Years</u>	<u>Since Inception<sup>(1)</sup></u>
Penn Capital Managed Alpha SMID Cap Equity Fund			
Institutional Class Shares.....	-9.98%	8.11%	6.03%
Russell 2500® Index .....	-10.00%	7.32%	5.68% <sup>(2)</sup>

(1) Inception date is 12/1/15.

(2) The return shown for the Russell 2500® Index is from the inception date of the Institutional Class shares.

**PENN CAPITAL SPECIAL SITUATIONS SMALL CAP EQUITY FUND  
FUND SUMMARY (UNAUDITED)**



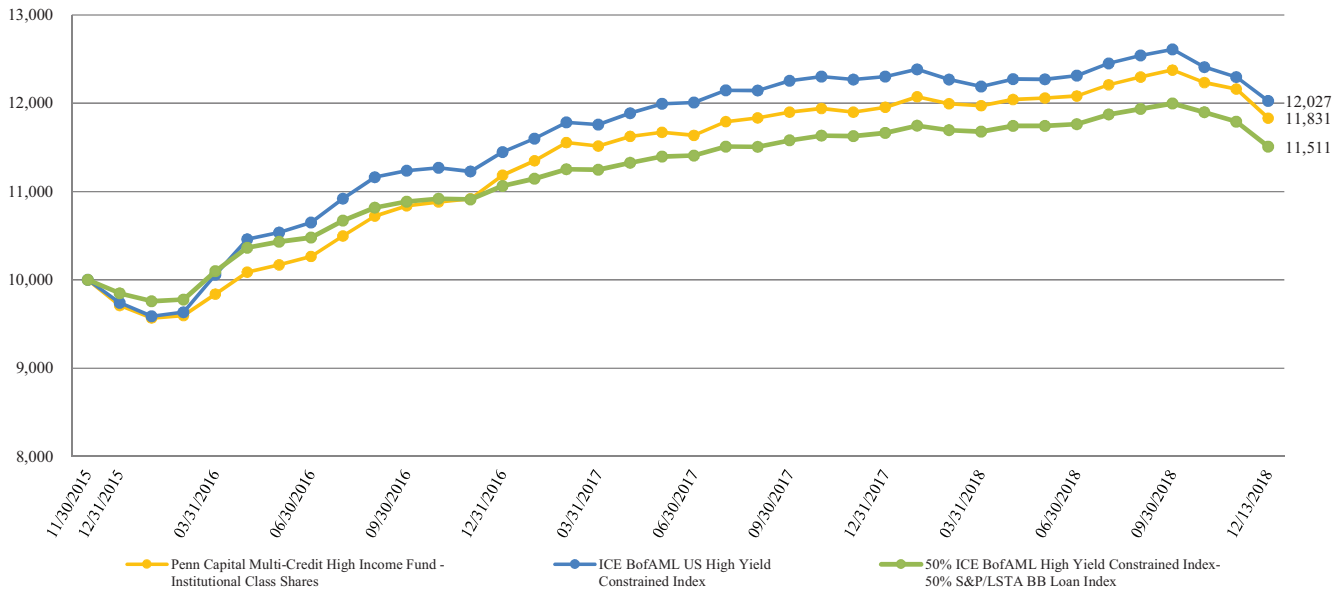
This chart assumes an initial gross investment of \$10,000 made on December 18, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. In the absence of fee waivers and reimbursements, when they are necessary to keep expenses at the expense cap, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost. Index returns do not reflect the effects of fees, transaction costs or expenses. It is not possible to invest directly in an index. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.

<u>Average Annual Total Returns for the Period Ended December 31, 2018</u>	<u>One Year</u>	<u>Three Years</u>	<u>Since Inception<sup>(1)</sup></u>
Penn Capital Special Situations Small Cap Equity Fund			
Institutional Class Shares .....	-16.17%	5.41%	5.58%
Russell 2000® Index .....	-11.01%	7.36%	7.32% <sup>(2)</sup>

(1) Inception date is 12/18/15.

(2) The return shown for the Russell 2000® Index is from the inception date of the Institutional Class shares.

**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND  
FUND SUMMARY (UNAUDITED)**

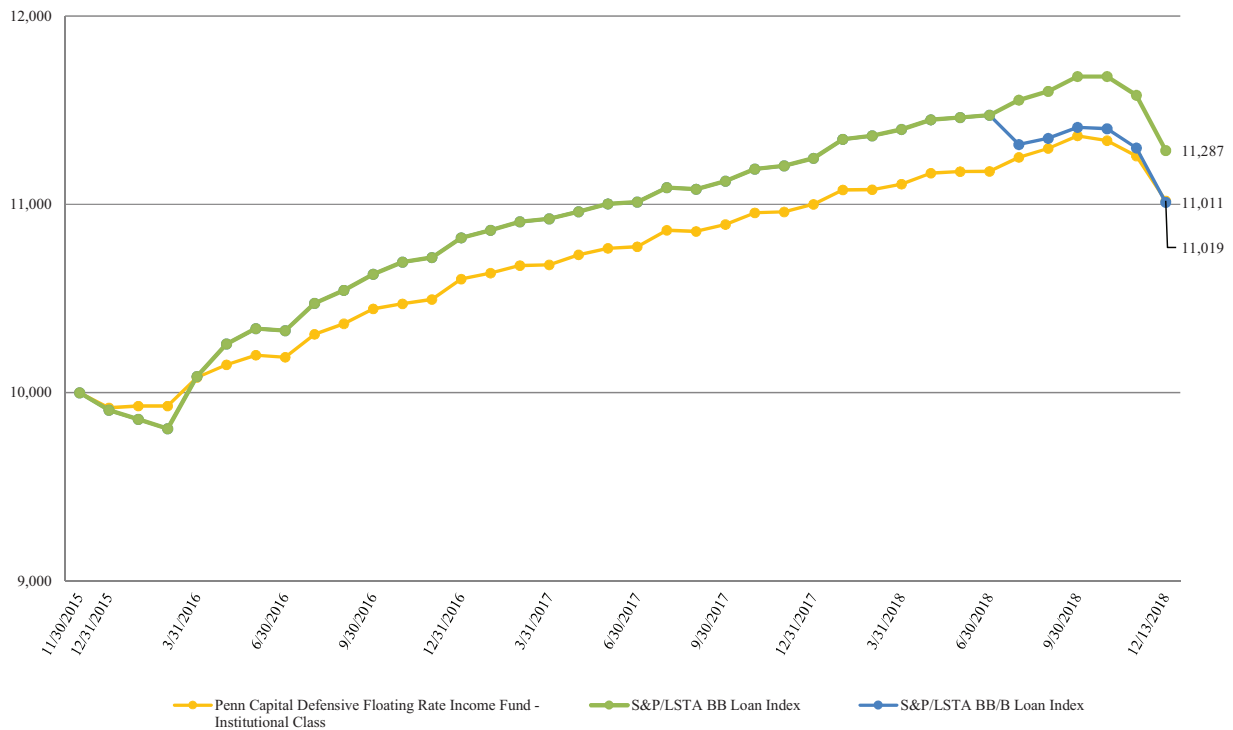


This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. In the absence of fee waivers and reimbursements, when they are necessary to keep expenses at the expense cap, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost. Index returns do not reflect the effects of fees, transaction costs or expenses. It is not possible to invest directly in an index. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.

<u>Average Annual Total Returns for the Period Ended December 31, 2018</u>	<u>One Year</u>	<u>Three Years</u>	<u>Since Inception<sup>(1)</sup></u>
<b>Penn Capital Multi-Credit High Income Fund</b>			
Institutional Class Shares . . . . .	-1.04%	6.81%	5.60%
ICE BofAML US High Yield Constrained Index . . . . .	-2.25%	7.27%	6.16% <sup>(2)</sup>
50% ICE BofAML High Yield Constrained Index -50% S&P/LSTA BB Loan Index . . .	-1.33%	5.33%	4.66% <sup>(3)</sup>

- (1) Inception date is 12/1/15.
- (2) The return shown for the ICE BofAML US High Yield Constrained Index is from the inception date of the Institutional Class shares.
- (3) The return for the 50% ICE BofAML High Yield Constrained Index -50% S&P/LSTA BB Loan Index is from the inception date of the Institutional class shares.

**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND  
FUND SUMMARY (UNAUDITED)**



This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. In the absence of fee waivers and reimbursements, when they are necessary to keep expenses at the expense cap, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost. Index returns do not reflect the effects of fees, transaction costs or expenses. It is not possible to invest directly in an index. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.

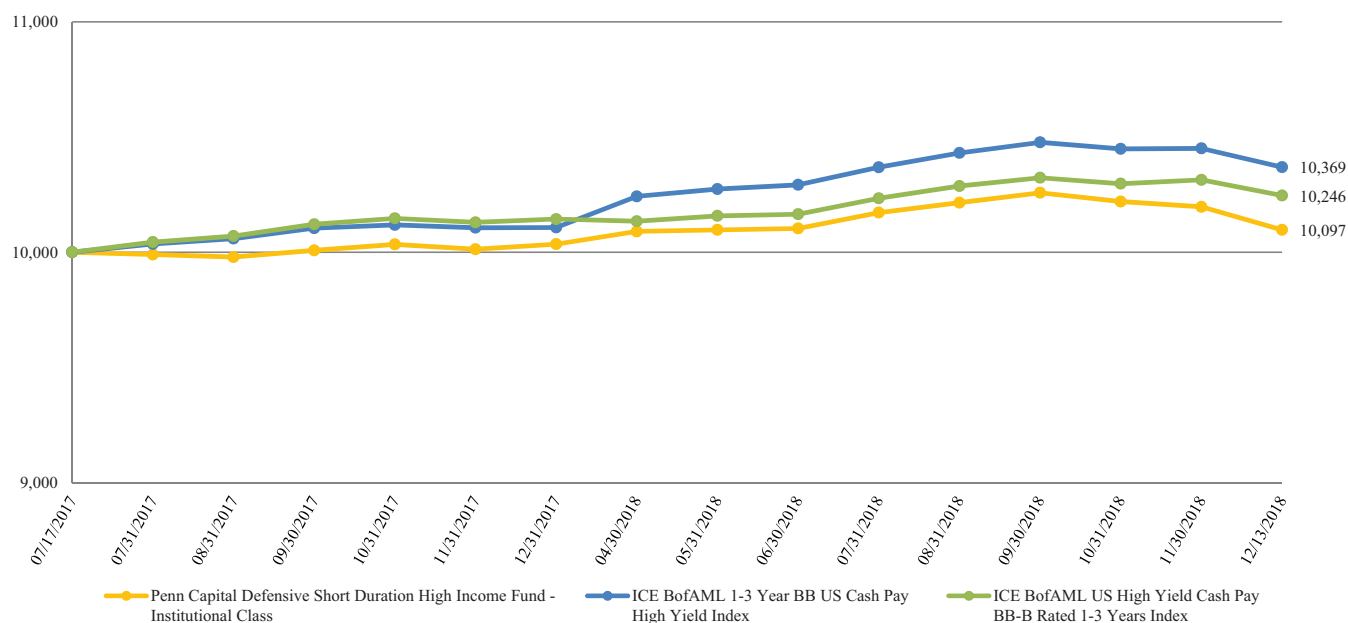
<u>Average Annual Total Returns for the Period Ended December 31, 2018</u>	<u>One Year</u>	<u>Three Years</u>	<u>Since Inception<sup>(1)</sup></u>
<b>Penn Capital Defensive Floating Rate Income Fund</b>			
Institutional Class Shares.....	0.16%	3.57%	3.20%
S&P/LSTA BB Loan Index .....	-0.42%	3.40%	3.16% <sup>(2)</sup>
S&P/LSTA BB/B Loan Index.....	0.38%	4.44%	4.00% <sup>(3)</sup>

(1) Inception date is 12/1/15.

(2) The return shown for the S&P/LSTA BB Loan Index is from the inception date of the Institutional class shares.

(3) The return shown for the S&P/LSTA BB/B Loan Index is from the inception date of the Institutional Class shares.

**PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND  
FUND SUMMARY (UNAUDITED)**



This chart assumes an initial gross investment of \$10,000 made on July 17, 2017, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. In the absence of fee waivers and reimbursements, when they are necessary to keep expenses at the expense cap, total return would be reduced. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost. Index returns do not reflect the effects of fees, transaction costs or expenses. It is not possible to invest directly in an index.

<b>Total Returns for the Fiscal Period Ended December 31, 2018</b>	<b>One Year</b>	<b>Since Inception<sup>(1)</sup></b>
<b>Penn Capital Defensive Short Duration High Income Fund</b>		
Institutional Class Shares.....	0.61%	0.66%
ICE BofAML 1-3 Year BB US Cash Pay High Yield Index .....	1.35%	1.66% <sup>(2)</sup>
ICE BofAML US High Yield Cash Pay BB-B Rated 1-3 Years Index .....	2.22%	2.51% <sup>(3)</sup>

(1) Inception date is 7/17/17.

(2) The return shown for the ICE BofAML 1-3 Year BB US Cash Pay High Yield Index is from the inception date of the Institutional Class shares.

(3) The return shown for the ICE BofAML US High Yield Cash Pay BB-B Rated 1-3 Years Index is from the inception date of the Institutional Class shares.

**PENN CAPITAL FUNDS TRUST  
DISCLOSURE OF FUND EXPENSES (UNAUDITED)  
FOR THE SIX MONTH PERIOD FROM JULY 1, 2018 TO DECEMBER 31, 2018**

**Cost in Dollars of a \$1,000 Investment in Penn Capital Managed Alpha SMID Cap Equity Fund (Unaudited)**

The example below is intended to describe the fees and expenses borne by shareholders during the six-month period from July 1, 2018 to December 31, 2018, and the impact of those costs on your investment.

**Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on sales (as applicable) and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees, and other Fund expenses (as applicable). This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 made at the beginning of the six-month period and held for the entire period from July 1, 2018 to December 31, 2018.

This example illustrates your Fund's ongoing costs in two ways:

**Actual Expenses**

The second and third data columns in the table below provide information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid during the six months ended December 31, 2018. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The fourth and fifth data columns in the table below provide information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the six-month period shown. You may use this information to compare the ongoing costs of investing in the Fund with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the fourth and fifth data columns of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Share Class <sup>1</sup>	Beginning Account Value 7/1/18	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>
Institutional Class Shares . . . . .	\$ 1,000.00	\$ 869.70	\$ 5.00	\$ 1,019.86	\$ 5.40

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.  
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers and excluding acquired fund fees and expenses if any (1.06% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 184 for the Institutional Class (to reflect the six-month period). The table above represents the actual expenses incurred during the six-month period.



**PENN CAPITAL FUNDS TRUST  
DISCLOSURE OF FUND EXPENSES (UNAUDITED)  
FOR THE SIX MONTH PERIOD FROM JULY 1, 2018 TO DECEMBER 31, 2018**

***Cost in Dollars of a \$1,000 Investment in Penn Capital Special Situations Small Cap Equity Fund (Unaudited)***

The example below is intended to describe the fees and expenses borne by shareholders during the six-month period from July 1, 2018 to December 31, 2018, and the impact of those costs on your investment.

***Example***

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on sales (as applicable) and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees, and other Fund expenses (as applicable). This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 made at the beginning of the six-month period and held for the entire period from July 1, 2018 to December 31, 2018.

This example illustrates your Fund's ongoing costs in two ways:

***Actual Expenses***

The second and third data columns in the table below provide information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid during the six months ended December 31, 2018. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

***Hypothetical Example for Comparison Purposes***

The fourth and fifth data columns in the table below provide information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the six-month period shown. You may use this information to compare the ongoing costs of investing in the Fund with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the fourth and fifth data columns of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Share Class <sup>1</sup>	Beginning Account Value 7/1/18	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>
Institutional Class Shares . . . . .	\$ 1,000.00	\$ 781.70	\$ 4.90	\$ 1,019.71	\$ 5.55

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers and excluding acquired fund fees and expenses if any (1.09% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 184 for the Institutional Class (to reflect the six-month period). The table above represents the actual expenses incurred during the six-month period.

**PENN CAPITAL FUNDS TRUST  
DISCLOSURE OF FUND EXPENSES (UNAUDITED)  
FOR THE SIX MONTH PERIOD FROM JULY 1, 2018 TO DECEMBER 31, 2018**

***Cost in Dollars of a \$1,000 Investment in Penn Capital Multi-Credit High Income Fund (Unaudited)***

The example below is intended to describe the fees and expenses borne by shareholders during the six-month period from July 1, 2018 to December 31, 2018, and the impact of those costs on your investment.

***Example***

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on sales (as applicable) and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees, and other Fund expenses (as applicable). This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 made at the beginning of the six-month period and held for the entire period from July 1, 2018 to December 31, 2018.

This example illustrates your Fund's ongoing costs in two ways:

***Actual Expenses***

The second and third data columns in the table below provide information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid during the six months ended December 31, 2018. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

***Hypothetical Example for Comparison Purposes***

The fourth and fifth data columns in the table below provide information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the six-month period shown. You may use this information to compare the ongoing costs of investing in the Fund with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the fourth and fifth data columns of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Share Class <sup>1</sup>	Beginning Account Value 7/1/18	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>
Institutional Class Shares . . . . .	\$ 1,000.00	\$ 979.30	\$ 3.59	\$ 1,021.58	\$ 3.67

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers and excluding acquired fund fees and expenses if any (0.72% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 184 for the Institutional Class (to reflect the six-month period). The table above represents the actual expenses incurred during the six-month period.

**PENN CAPITAL FUNDS TRUST  
DISCLOSURE OF FUND EXPENSES (UNAUDITED)  
FOR THE SIX MONTH PERIOD FROM JULY 1, 2018 TO DECEMBER 31, 2018**

***Cost in Dollars of a \$1,000 Investment in Penn Capital Defensive Floating Rate Income Fund (Unaudited)***

The example below is intended to describe the fees and expenses borne by shareholders during the six-month period from July 1, 2018 to December 31, 2018, and the impact of those costs on your investment.

***Example***

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on sales (as applicable) and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees, and other Fund expenses (as applicable). This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 made at the beginning of the six-month period and held for the entire period from July 1, 2018 to December 31, 2018.

This example illustrates your Fund's ongoing costs in two ways:

***Actual Expenses***

The second and third data columns in the table below provide information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid during the six months ended December 31, 2018. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

***Hypothetical Example for Comparison Purposes***

The fourth and fifth data columns in the table below provide information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the six-month period shown. You may use this information to compare the ongoing costs of investing in the Fund with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the fourth and fifth data columns of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Share Class <sup>1</sup>	Beginning Account Value 7/1/18	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>
Institutional Class Shares . . . . .	\$ 1,000.00	\$ 986.00	\$ 3.20	\$ 1,021.98	\$ 3.26

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers and excluding acquired fund fees and expenses if any (0.64% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 184 for the Institutional Class (to reflect the six-month period). The table above represents the actual expenses incurred during the six-month period.

**PENN CAPITAL FUNDS TRUST  
DISCLOSURE OF FUND EXPENSES (UNAUDITED)  
FOR THE PERIOD FROM JULY 1, 2018 TO DECEMBER 31, 2018**

***Cost in Dollars of a \$1,000 Investment in Penn Capital Defensive Short Duration High Income Fund (Unaudited)***

The example below is intended to describe the fees and expenses borne by shareholders during the six-month period from July 1, 2018 to December 31, 2018, and the impact of those costs on your investment.

***Example***

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on sales (as applicable) and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees, and other Fund expenses (as applicable). This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 made at the beginning of the six-month period and held for the entire period from July 1, 2018 to December 31, 2018.

This example illustrates your Fund's ongoing costs in two ways:

***Actual Expenses***

The second and third data columns in the table below provide information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid during the period ended December 31, 2018. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

***Hypothetical Example for Comparison Purposes***

The fourth and fifth data columns in the table below provide information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the six-month period shown. You may use this information to compare the ongoing costs of investing in the Fund with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the fourth and fifth data columns of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Share Class <sup>1</sup>	Beginning Account Value 7/1/18	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/18	Expenses Paid During Period <sup>2</sup>
Institutional Class Shares . . . . .	\$ 1,000.00	\$ 999.30	\$ 2.72	\$ 1,022.48	\$ 2.75

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.  
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers and excluding acquired fund fees and expenses if any (0.54% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 184 for the Institutional Class (to reflect the six-month period). The table above represents the actual expenses incurred during the six-month period.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MANAGED ALPHA SMID CAP EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

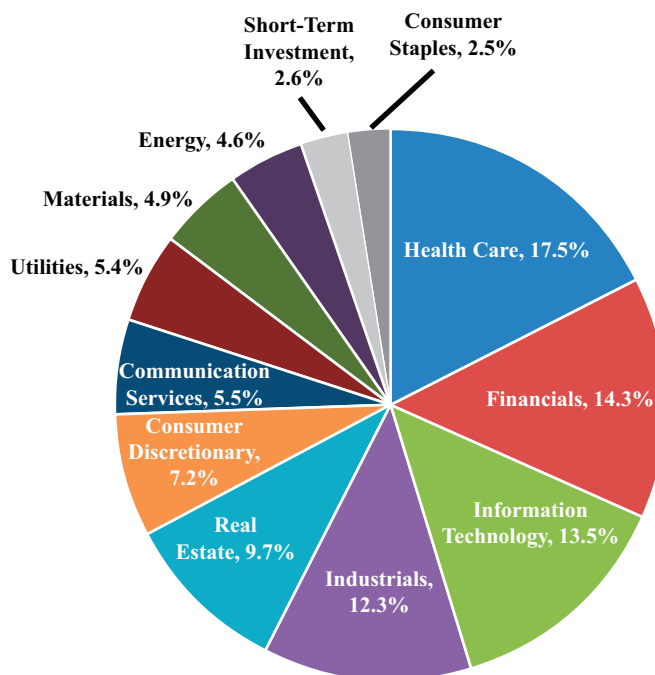
	<u>Shares</u>	<u>Value</u>		<u>Shares</u>	<u>Value</u>
<b>Common Stocks: 88.0%</b>			<b>Hotels, Restaurants &amp; Leisure: 3.5%</b>		
<b>Aerospace &amp; Defense: 3.3%</b>					
Huntington Ingalls Industries, Inc. . . . .	1,075	\$ 204,583	Boyd Gaming Corp. . . . .	5,507	\$ 114,436
Mercury Systems, Inc. (a) . . . . .	4,234	200,226	Red Rock Resorts, Inc. - Class A . . . . .	7,120	144,607
		<u>404,809</u>	Vail Resorts, Inc. . . . .	771	162,542
					<u>421,585</u>
<b>Banks: 7.4%</b>			<b>Household Durables: 0.6%</b>		
BOK Financial Corp. . . . .	2,536	185,965	Roku, Inc. (a) . . . . .	2,351	72,035
Pinnacle Financial Partners, Inc. . . . .	3,896	179,605	<b>Independent Power and Renewable</b>		
Sterling Bancorp . . . . .	8,029	132,559	<b>Electricity Producers: 1.6%</b>		
Webster Financial Corp. . . . .	4,249	209,433	Ormat Technologies, Inc. . . . .	3,721	194,608
Western Alliance Bancorp (a) . . . . .	4,971	196,305	<b>Insurance: 4.9%</b>		
		<u>903,867</u>	Arch Capital Group Ltd. (a) . . . . .	11,313	302,283
			Fidelity National Financial, Inc. . . . .	4,250	133,620
<b>Beverages: 1.3%</b>			Reinsurance Group of America, Inc. . . . .	1,100	154,253
MGP Ingredients, Inc. . . . .	2,756	157,230			<u>590,156</u>
<b>Biotechnology: 1.7%</b>			<b>Interactive Media &amp; Services: 1.9%</b>		
Exelixis, Inc. (a) . . . . .	10,485	206,240	IAC (a) . . . . .	1,236	226,238
<b>Building Products: 1.3%</b>			<b>IT Services: 4.7%</b>		
Allegion PLC . . . . .	1,896	151,130	Black Knight, Inc. (a) . . . . .	4,420	199,165
<b>Chemicals: 2.5%</b>			GoDaddy, Inc. - Class A (a) . . . . .	3,381	221,861
HB Fuller Co. . . . .	3,991	170,296	MongoDB, Inc. (a) . . . . .	1,708	143,028
Valvoline, Inc. . . . .	6,737	130,361			<u>564,054</u>
		<u>300,657</u>	<b>Machinery: 1.5%</b>		
<b>Commercial Services &amp; Supplies: 1.8%</b>			Allison Transmission Holdings, Inc. . . . .	4,243	186,310
KAR Auction Services, Inc. . . . .	4,621	220,514	<b>Media: 1.7%</b>		
<b>Containers &amp; Packaging: 1.4%</b>			Nexstar Media Group, Inc. - Class A . . . . .	2,652	208,554
Berry Global Group, Inc. (a) . . . . .	3,606	171,393	<b>Metals &amp; Mining: 1.0%</b>		
<b>Diversified Financial Services: 2.1%</b>			Commercial Metals Co. . . . .	7,514	120,374
Voya Financial, Inc. . . . .	6,245	250,674	<b>Oil, Gas &amp; Consumable Fuels: 4.6%</b>		
<b>Electric Utilities: 2.0%</b>			Arch Coal, Inc. - Class A. . . . .	2,023	167,889
ALLETE, Inc. . . . .	3,124	238,111	Cabot Oil & Gas Corp. . . . .	7,459	166,709
<b>Entertainment: 2.0%</b>			Callon Petroleum Co. (a) . . . . .	12,153	78,873
Live Nation Entertainment, Inc. (a) . . . . .	4,829	237,828	Diamondback Energy, Inc. . . . .	1,565	145,075
<b>Food Products: 1.2%</b>					<u>558,546</u>
Lamb Weston Holdings, Inc. . . . .	1,971	144,987	<b>Pharmaceuticals: 3.8%</b>		
<b>Health Care Equipment &amp; Supplies: 6.5%</b>			Elanco Animal Health, Inc. (a) . . . . .	7,824	246,691
ICU Medical, Inc. (a) . . . . .	879	201,845	Pacira Pharmaceuticals, Inc. (a) . . . . .	4,899	210,755
LivaNova PLC (a) . . . . .	1,538	140,681			<u>457,446</u>
Teleflex, Inc. . . . .	754	194,894	<b>Professional Services: 2.3%</b>		
Wright Medical Group NV (a) . . . . .	9,125	248,382	TransUnion . . . . .	4,915	279,172
		<u>785,802</u>	<b>Road &amp; Rail: 1.1%</b>		
<b>Health Care Providers &amp; Services: 3.9%</b>			Schneider National, Inc. - Class B . . . . .	7,167	133,808
LHC Group, Inc. (a) . . . . .	2,064	193,768	<b>Semiconductors &amp; Semiconductor</b>		
WellCare Health Plans, Inc. (a) . . . . .	1,187	280,239	<b>Equipment: 4.0%</b>		
		<u>474,007</u>	Marvell Technology Group Ltd. . . . .	8,314	134,604
<b>Health Care Technology: 1.6%</b>			Semtech Corp. (a) . . . . .	3,678	168,710
Allscripts Healthcare Solutions, Inc. (a) . . . . .	20,545	198,054	Teradyne, Inc. . . . .	5,949	186,679
					<u>489,993</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MANAGED ALPHA SMID CAP EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Shares</u>	<u>Value</u>	<u>Country Exposure</u> (as a percentage of total investments)
<b>Software: 4.9%</b>			United States . . . . . 90.17%
Five9, Inc. (a) . . . . .	4,339	\$ 189,701	Bermuda . . . . . 3.59%
Nice Ltd. - ADR (a) . . . . .	2,015	218,043	Netherlands . . . . . 2.04%
Tyler Technologies, Inc. (a) . . . . .	992	184,334	Israel . . . . . 1.80%
		<u>592,078</u>	Ireland . . . . . 1.24%
			United Kingdom . . . . . 1.16%
<b>Specialty Retail: 3.2%</b>			<b>Sector Allocation</b> (as a percentage of total investments) (Unaudited)
Burlington Stores, Inc. (a) . . . . .	1,717	279,304	
Floor & Decor Holdings, Inc. - Class A (a) . . . . .	4,153	107,563	
TravelCenters of America LLC (a) . . . . .	1	<u>2</u>	
		<u>386,869</u>	
<b>Trading Companies &amp; Distributors: 0.9%</b>			
United Rentals, Inc. (a) . . . . .	1,129	115,756	
<b>Water Utilities: 1.8%</b>			
Aqua America, Inc. . . . .	6,476	221,415	
Total Common Stocks (cost \$10,278,591) . . . . .		<u>10,664,300</u>	
<b>Real Estate Investment Trusts (REITs): 9.7%</b>			
Camden Property Trust . . . . .	2,614	230,163	
CyrusOne, Inc. . . . .	4,291	226,908	
Healthcare Trust of America, Inc. - Class A . . . . .	9,559	241,938	
Invitation Homes, Inc. . . . .	11,771	236,362	
MGM Growth Properties LLC - Class A . . . . .	9,074	239,644	
Total REITs (cost \$1,246,596) . . . . .		<u>1,175,015</u>	
<b>Short-Term Investment: 2.6%</b>			
<b>Money Market Deposit Account - 2.6%</b>			
U.S. Bank Money Market Deposit Account, 2.200% . . . . .	319,509	319,509	
Total Short-Term Investment (cost \$319,509) . . . . .		<u>319,509</u>	
<b>Total Investments - 100.3%</b>			
(cost \$11,844,696) . . . . .		12,158,824	
<b>Liabilities in Excess of Other Assets (0.3)%</b> . . . . .		<u>(33,921)</u>	
<b>Net Assets: 100.0%</b> . . . . .		<u>\$12,124,903</u>	

	<u>Shares</u>	<u>Value</u>	<u>Country Exposure</u> (as a percentage of total investments)
<b>Software: 4.9%</b>			United States . . . . . 90.17%
Five9, Inc. (a) . . . . .	4,339	\$ 189,701	Bermuda . . . . . 3.59%
Nice Ltd. - ADR (a) . . . . .	2,015	218,043	Netherlands . . . . . 2.04%
Tyler Technologies, Inc. (a) . . . . .	992	184,334	Israel . . . . . 1.80%
		<u>592,078</u>	Ireland . . . . . 1.24%
			United Kingdom . . . . . 1.16%
<b>Specialty Retail: 3.2%</b>			<b>Sector Allocation</b> (as a percentage of total investments) (Unaudited)
Burlington Stores, Inc. (a) . . . . .	1,717	279,304	
Floor & Decor Holdings, Inc. - Class A (a) . . . . .	4,153	107,563	
TravelCenters of America LLC (a) . . . . .	1	<u>2</u>	
		<u>386,869</u>	
<b>Trading Companies &amp; Distributors: 0.9%</b>			
United Rentals, Inc. (a) . . . . .	1,129	115,756	
<b>Water Utilities: 1.8%</b>			
Aqua America, Inc. . . . .	6,476	221,415	
Total Common Stocks (cost \$10,278,591) . . . . .		<u>10,664,300</u>	
<b>Real Estate Investment Trusts (REITs): 9.7%</b>			
Camden Property Trust . . . . .	2,614	230,163	
CyrusOne, Inc. . . . .	4,291	226,908	
Healthcare Trust of America, Inc. - Class A . . . . .	9,559	241,938	
Invitation Homes, Inc. . . . .	11,771	236,362	
MGM Growth Properties LLC - Class A . . . . .	9,074	239,644	
Total REITs (cost \$1,246,596) . . . . .		<u>1,175,015</u>	
<b>Short-Term Investment: 2.6%</b>			
<b>Money Market Deposit Account - 2.6%</b>			
U.S. Bank Money Market Deposit Account, 2.200% . . . . .	319,509	319,509	
Total Short-Term Investment (cost \$319,509) . . . . .		<u>319,509</u>	
<b>Total Investments - 100.3%</b>			
(cost \$11,844,696) . . . . .		12,158,824	
<b>Liabilities in Excess of Other Assets (0.3)%</b> . . . . .		<u>(33,921)</u>	
<b>Net Assets: 100.0%</b> . . . . .		<u>\$12,124,903</u>	



The industry classifications presented in this report, present the Global Industry Classification Standard (GICS®). GICS® was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC (“S&P”). GICS® is a service mark of MSCI and S&P and has been licensed for use by U.S. Bank Global Fund Services.

Percentages are stated as a percent of net assets.

ADR American Depository Receipt

(a) No distribution or dividend was made during the period ending December 31, 2018. As such, it is classified as a non-income producing security as of December 31, 2018.

**The cost basis of investments for federal income tax purposes at December 31, 2018 was as follows\*:**

Cost of investments . . . . .	\$11,844,696
Gross unrealized appreciation . . . . .	1,210,158
Gross unrealized depreciation . . . . .	(896,030)
<b>Net unrealized appreciation</b> . . . . .	<u>\$ 314,128</u>

\* Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year’s federal income tax information, please refer to the Notes to Financial Statements section in the Fund’s most recent annual report.

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL SPECIAL SITUATIONS SMALL CAP EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Shares</u>	<u>Value</u>		<u>Shares</u>	<u>Value</u>
<b>Common Stocks: 95.9%</b>			<b>Health Care Technology: 3.1%</b>		
<b>Banks: 7.3%</b>			Allscripts Healthcare Solutions, Inc. (a) . . . . .	14,958	\$ 144,195
FB Financial Corp. . . . .	4,588	\$ 160,672	Omniceil, Inc. (a) . . . . .	2,274	139,260
First BanCorp . . . . .	12,906	110,991			<u>283,455</u>
Sterling Bancorp . . . . .	7,166	118,311	<b>Hotels, Restaurants &amp; Leisure: 11.6%</b>		
Webster Financial Corp. . . . .	1,851	91,236	Extended Stay America, Inc. . . . .	7,475	115,862
Western Alliance Bancorp (a) . . . . .	4,569	180,430	Full House Resorts, Inc. (a) . . . . .	62,873	127,003
		<u>661,640</u>	Golden Entertainment, Inc. (a) . . . . .	10,837	173,609
<b>Biotechnology: 1.7%</b>			Penn National Gaming, Inc. (a) . . . . .	8,066	151,883
Exelixis, Inc. (a) . . . . .	7,970	156,770	Planet Fitness, Inc. - Class A (a) . . . . .	2,391	128,205
<b>Capital Markets: 2.1%</b>			Red Rock Resorts, Inc. - Class A . . . . .	6,599	134,026
Hamilton Lane, Inc. - Class A . . . . .	2,567	94,979	Scientific Games Corp. (a) . . . . .	5,536	98,984
PJT Partners, Inc. - Class A . . . . .	2,397	92,908	SeaWorld Entertainment, Inc. (a) . . . . .	5,407	119,441
		<u>187,887</u>			<u>1,049,013</u>
<b>Construction &amp; Engineering: 1.7%</b>			<b>IT Services: 3.9%</b>		
MasTec, Inc. (a) . . . . .	3,720	150,883	Carbonite, Inc. (a) . . . . .	3,590	90,684
<b>Construction Materials: 1.2%</b>			Everi Holdings, Inc. (a) . . . . .	23,603	121,555
Summit Materials, Inc. - Class A (a) . . . . .	8,755	108,562	InterXion Holding NV (a) . . . . .	2,566	138,975
<b>Diversified Consumer Services: 1.6%</b>					<u>351,214</u>
Chegg, Inc. (a) . . . . .	5,123	145,596	<b>Machinery: 5.8%</b>		
<b>Electrical Equipment: 1.0%</b>			EnPro Industries, Inc. . . . .	1,571	94,417
TPI Composites, Inc. (a) . . . . .	3,820	93,896	Evoqua Water Technologies Corp. (a) . . . . .	13,407	128,707
<b>Electronic Equipment, Instruments &amp; Components: 0.8%</b>			Gardner Denver Holdings, Inc. (a) . . . . .	5,768	117,956
Itron, Inc. (a) . . . . .	1,594	75,380	Milacron Holdings Corp. (a) . . . . .	8,786	104,466
<b>Energy Equipment &amp; Services: 4.8%</b>			Welbilt, Inc. (a) . . . . .	7,013	77,914
Keane Group, Inc. (a) . . . . .	14,230	116,401			<u>523,460</u>
Mammoth Energy Services, Inc. . . . .	7,015	126,130	<b>Media: 7.1%</b>		
Noble Corp. PLC (a) . . . . .	44,759	117,269	The E. W. Scripps Co. - Class A . . . . .	10,034	157,835
Patterson-UTI Energy, Inc. . . . .	6,657	68,900	Gray Television, Inc. (a) . . . . .	11,704	172,517
		<u>428,700</u>	Nexstar Media Group, Inc. - Class A . . . . .	1,940	152,561
<b>Entertainment: 3.0%</b>			Sinclair Broadcast Group, Inc. - Class A . . . . .	6,047	159,278
AMC Entertainment Holdings, Inc. - Class A . . . . .	10,424	128,007			<u>642,191</u>
Zynga, Inc. - Class A (a) . . . . .	36,416	143,115	<b>Metals &amp; Mining: 0.8%</b>		
		<u>271,122</u>	Cleveland-Cliffs, Inc. (a) . . . . .	9,595	73,785
<b>Food &amp; Staples Retailing: 1.4%</b>			<b>Oil, Gas &amp; Consumable Fuels: 3.4%</b>		
BJ's Wholesale Club Holdings, Inc. (a) . . . . .	5,672	125,691	Enerplus Corp. . . . .	15,042	116,726
<b>Health Care Equipment &amp; Supplies: 6.9%</b>			Whiting Petroleum Corp. (a) . . . . .	3,520	79,869
ICU Medical, Inc. (a) . . . . .	750	172,222	WPX Energy, Inc. (a) . . . . .	9,911	112,490
LivaNova PLC (a) . . . . .	1,516	138,669			<u>309,085</u>
OraSure Technologies, Inc. (a) . . . . .	12,132	141,702	<b>Pharmaceuticals: 1.5%</b>		
Wright Medical Group NV (a) . . . . .	6,343	172,656	Pacira Pharmaceuticals, Inc. (a) . . . . .	3,180	136,804
		<u>625,249</u>	<b>Road &amp; Rail: 2.0%</b>		
<b>Health Care Providers &amp; Services: 3.2%</b>			Marten Transport Ltd. . . . .	5,522	89,401
LHC Group, Inc. (a) . . . . .	1,499	140,726	Schneider National, Inc. - Class B . . . . .	4,694	87,637
R1 RCM, Inc. (a) . . . . .	18,396	146,248			<u>177,038</u>
		<u>286,974</u>			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL SPECIAL SITUATIONS SMALL CAP EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Shares</u>	<u>Value</u>
<b>Semiconductors &amp; Semiconductor Equipment: 3.0%</b>		
Semtech Corp. (a) . . . . .	3,439	\$ 157,747
Versum Materials, Inc. . . . .	4,109	113,901
		<u>271,648</u>
<b>Software: 7.6%</b>		
Five9, Inc. (a) . . . . .	3,250	142,090
Hortonworks, Inc. (a) . . . . .	8,188	118,071
Instructure, Inc. (a). . . . .	2,814	105,553
Mimecast Ltd. (a). . . . .	3,328	111,921
Nice Ltd. - ADR (a) . . . . .	1,292	139,807
Q2 Holdings, Inc. (a) . . . . .	1,457	72,194
		<u>689,636</u>
<b>Specialty Retail: 2.3%</b>		
Five Below, Inc. (a) . . . . .	1,233	126,161
Floor & Decor Holdings, Inc. - Class A (a) . . . . .	3,198	82,828
		<u>208,989</u>
<b>Textiles, Apparel &amp; Luxury Goods: 1.3%</b>		
G-III Apparel Group Ltd. (a) . . . . .	4,328	120,708
<b>Thrifts &amp; Mortgage Finance: 1.4%</b>		
WSFS Financial Corp.. . . . .	3,281	124,383
<b>Trading Companies &amp; Distributors: 3.6%</b>		
Beacon Roofing Supply, Inc. (a) . . . . .	4,602	145,975
DXP Enterprises, Inc. (a) . . . . .	2,107	58,659
Triton International Ltd. . . . .	3,828	118,936
		<u>323,570</u>
<b>Wireless Telecommunication Services: 0.8%</b>		
Gogo, Inc. (a) . . . . .	24,776	74,080
Total Common Stocks (cost \$9,142,562) . . . . .		<u>8,677,409</u>
<b>Contingent Value Right - 0.0%</b>		
<b>Media - 0.0%</b>		
Media General, Inc. (a) . . . . .	1,867	93
Total Contingent Value Right (cost \$0) . . . . .		<u>93</u>
<b>Real Estate Investment Trusts (REITs): 3.6%</b>		
NexPoint Residential Trust, Inc. . . . .	2,779	97,404
Pebblebrook Hotel Trust . . . . .	3,833	108,512
Physicians Realty Trust . . . . .	7,194	115,320
Total REITs (cost \$353,704) . . . . .		<u>321,236</u>
<b>Short-Term Investment: 1.0%</b>		
<b>Money Market Deposit Account - 1.0%</b>		
U.S. Bank Money Market Deposit Account, 2.200% . . . . .	92,529	92,529
Total Short-Term Investment (cost \$92,529) . . . . .		<u>92,529</u>

<b>Total Investments - 100.5%</b>	
(cost \$9,588,795) . . . . .	\$9,091,267
<b>Liabilities in Excess of Other Assets (0.5)%</b> . . . . .	(45,128)
<b>Net Assets: 100.0%</b> . . . . .	<u>\$9,046,139</u>

Percentages are stated as a percent of net assets.

ADR - American Depository Receipt

(a) No distribution or dividend was made during the period ending December 31, 2018. As such, it is classified as a non-income producing security as of December 31, 2018.

**The cost basis of investments for federal income tax purposes at December 31, 2018 was as follows\*:**

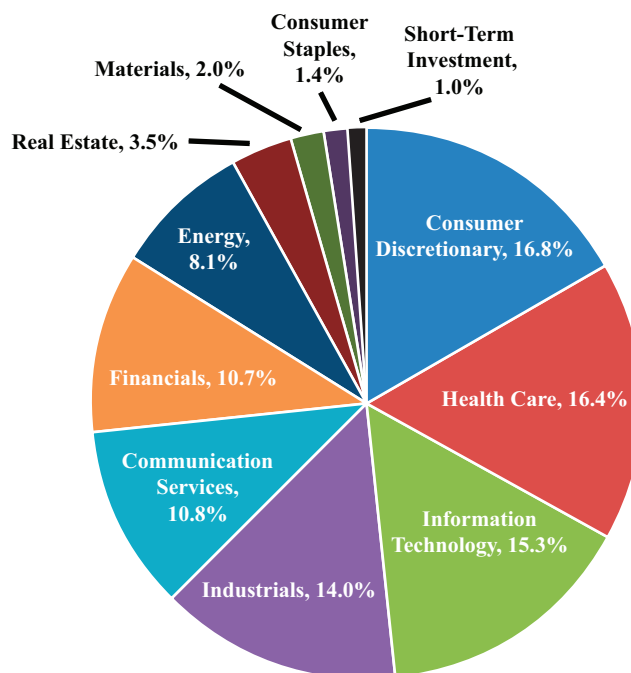
<b>Cost of investments</b> . . . . .	\$ 9,588,795
<b>Gross unrealized appreciation</b> . . . . .	928,413
<b>Gross unrealized depreciation</b> . . . . .	(1,425,941)
<b>Net unrealized depreciation</b> . . . . .	<u>\$ (497,528)</u>

\* Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent annual report.

**Country Exposure** (as a percentage of total investments)

United States . . . . .	87.17%
Netherlands . . . . .	3.43%
United Kingdom . . . . .	2.82%
Israel . . . . .	1.54%
Bermuda . . . . .	1.31%
Canada . . . . .	1.28%
Jersey . . . . .	1.23%
Puerto Rico . . . . .	1.22%

**Sector Allocation** (as a percentage of total investments) (Unaudited)



The Accompanying Notes are an Integral Part of these Financial Statements.



**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Corporate Bonds: 56.3%</b>			<b>Electric-Integrated: 0.5%</b>		
<b>Aerospace: 1.0%</b>			Talen Energy Supply LLC, 9.500%,		
Bombardier, Inc., 7.750%, 3/15/20 (a) . . . . .	30,000	\$ 30,450	7/15/22 (a) . . . . .	70,000	\$ 70,350
Bombardier, Inc., 8.750%, 12/1/21 (a) . . . . .	105,000	108,150	<b>Energy-Exploration &amp; Production: 5.6%</b>		
		<u>138,600</u>	Callon Petroleum Co., 6.125%, 10/1/24 . . . . .	35,000	32,550
<b>Auto Parts &amp; Equipment: 0.8%</b>			Carrizo Oil & Gas, Inc., 8.250%, 7/15/25 . . . . .	25,000	24,500
American Axle & Manufacturing, Inc.,			Chesapeake Energy Corp., 7.000%, 10/1/24 . . . . .	50,000	43,250
6.625%, 10/15/22 . . . . .	35,000	34,650	Comstock Escrow Corp., 9.750%, 8/15/26 (a) . . . . .	105,000	88,725
Meritor, Inc., 6.250%, 2/15/24 . . . . .	70,000	66,850	Covey Park Energy LLC, 7.500%, 5/15/25 (a) . . . . .	35,000	30,100
		<u>101,500</u>	Eclipse Resources Corp., 8.875%, 7/15/23 . . . . .	70,000	60,025
<b>Banking: 0.9%</b>			Gulfport Energy Corp., 6.625%, 5/1/23 . . . . .	15,000	14,175
Ally Financial, Inc., 8.000%, 3/15/20 . . . . .	35,000	36,225	Gulfport Energy Corp., 6.000%, 10/15/24 . . . . .	60,000	53,100
Ally Financial, Inc., 5.750%, 11/20/25 . . . . .	90,000	89,550	Jagged Peak Energy LLC, 5.875%, 5/1/26 (a) . . . . .	40,000	37,200
		<u>125,775</u>	Matador Resources Co., 5.875%, 9/15/26 . . . . .	50,000	46,000
<b>Brokerage: 0.4%</b>			Murphy Oil Corp., 5.750%, 8/15/25 . . . . .	55,000	51,397
Oppenheimer Holdings, Inc., 6.750%, 7/1/22 . . . . .	60,000	59,400	Oasis Petroleum, Inc., 6.250%, 5/1/26 (a) . . . . .	50,000	42,000
<b>Building &amp; Construction: 0.5%</b>			PDC Energy, Inc., 6.125%, 9/15/24 . . . . .	50,000	46,250
Ashton Woods USA LLC, 6.875%, 2/15/21 (a) . . . . .	24,000	23,040	Range Resources Corp., 5.000%, 8/15/22 . . . . .	80,000	71,600
Ashton Woods USA LLC, 6.750%, 8/1/25 (a) . . . . .	50,000	43,500	Resolute Energy Corp., 8.500%, 5/1/20 . . . . .	90,000	88,650
		<u>66,540</u>	Southwestern Energy Co., 6.200%, 1/23/25 . . . . .	35,000	31,281
<b>Building Materials: 1.5%</b>					<u>760,803</u>
Beacon Roofing Supply, Inc., 4.875%,			<b>Entertainment: 1.0%</b>		
11/1/25 (a) . . . . .	75,000	65,906	AMC Entertainment Holdings, Inc., 5.750%,		
Griffon Corp., 5.250%, 3/1/22 . . . . .	105,000	95,025	6/15/25 . . . . .	110,000	96,800
U.S. Concrete, Inc., 6.375%, 6/1/24 . . . . .	50,000	46,000	National CineMedia LLC, 5.750%, 8/15/26 . . . . .	40,000	35,911
		<u>206,931</u>			<u>132,711</u>
<b>Computer Hardware: 1.1%</b>			<b>Food &amp; Drug Retailers: 1.0%</b>		
Dell International LLC, 8.100%, 7/15/36 (a) . . . . .	45,000	48,556	Albertsons Cos LLC., 6.625%, 6/15/24 . . . . .	75,000	69,562
Dell International LLC, 5.875%, 6/15/21 (a) . . . . .	25,000	24,972	Ingles Markets, Inc., 5.750%, 6/15/23 . . . . .	65,000	64,188
NCR Corp., 5.000%, 7/15/22 . . . . .	35,000	32,987			<u>133,750</u>
NCR Corp., 6.375%, 12/15/23 . . . . .	50,000	48,461	<b>Food-Wholesale: 0.9%</b>		
		<u>154,976</u>	Pilgrim's Pride Corp., 5.750%, 3/15/25 (a) . . . . .	60,000	56,250
<b>Consumer/Commercial/Lease Financing: 2.2%</b>			Simmons Foods, Inc., 5.750%, 11/1/24 (a) . . . . .	90,000	63,900
DAE Funding LLC, 5.750%, 11/15/23 (a) . . . . .	65,000	64,350			<u>120,150</u>
Navient Corp., 5.875%, 10/25/24 . . . . .	65,000	54,275	<b>Forestry/Paper: 0.9%</b>		
Navient Corp., 7.250%, 9/25/23 . . . . .	35,000	32,112	Mercer International, Inc., 7.375%,		
Navient Corp., 6.125%, 3/25/24 . . . . .	15,000	12,863	1/15/25 (a) . . . . .	40,000	39,900
Park Aerospace Holdings Ltd., 5.250%,			Rayonier AM Products, Inc., 5.500%,		
8/15/22 (a) . . . . .	100,000	96,750	6/1/24 (a) . . . . .	100,000	88,250
Park Aerospace Holdings Ltd., 4.500%,					<u>128,150</u>
3/15/23 (a) . . . . .	45,000	42,075	<b>Gaming: 1.8%</b>		
		<u>302,425</u>	Gateway Casinos & Entertainment Ltd.,		
<b>Consumer-Products: 0.7%</b>			8.250%, 3/1/24 (a) . . . . .	40,000	40,600
HLF Financing Sarl LLC, 7.250%, 8/15/26 (a) . . . . .	95,000	93,575	Scientific Games International, Inc., 10.000%,		
<b>Electric-Generation: 1.2%</b>			12/1/22 . . . . .	35,000	35,437
Calpine Corp., 5.875%, 1/15/24 (a) . . . . .	25,000	24,500	Stars Group Holdings BV, 7.000%, 7/15/26 (a) . . . . .	50,000	48,625
Calpine Corp., 5.375%, 1/15/23 . . . . .	35,000	32,812	The Enterprise Development Authority,		
Vistra Operations Co. LLC, 5.500%,			12.000%, 7/15/24 (a) . . . . .	70,000	63,700
9/1/26 (a) . . . . .	105,000	101,063	Wynn Las Vegas LLC, 5.500%, 3/1/25 (a) . . . . .	55,000	51,288
		<u>158,375</u>			<u>239,650</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Gas Distribution: 2.5%</b>			<b>Media-Services: 0.3%</b>		
DCP Midstream Operating LP, 5.850% (3 Month US LIBOR + 3.850%), 5/21/43 (a)(b) . . . . .	90,000	\$ 72,000	Clear Channel Worldwide Holdings, Inc., 7.625%, 3/15/20 . . . . .	40,000	\$ 39,300
DCP Midstream Operating LP, 3.875%, 3/15/23 . . . . .	55,000	51,562	<b>Metals/Mining Excluding Steel: 2.5%</b>		
Enterprise Products Operating LLC, 4.875% (3 Month US LIBOR + 2.986%), 8/16/77 (b) . . . . .	50,000	41,447	Alliance Resource Operating Partners LP, 7.500%, 5/1/25 (a) . . . . .	65,000	65,162
NGL Energy Partners LP, 5.125%, 7/15/19 . . .	25,000	24,813	Cleveland-Cliffs, Inc., 5.750%, 3/1/25 . . . . .	75,000	67,500
NGL Energy Partners LP, 7.500%, 11/1/23 . . .	55,000	52,800	CONSOL Energy, Inc., 11.000%, 11/15/25 (a) .	90,000	98,550
NGPL PipeCo LLC, 7.768%, 12/15/37 (a) . . .	45,000	51,300	Freeport-McMoRan, Inc., 3.875%, 3/15/23 . . .	5,000	4,625
Rockies Express Pipeline LLC, 6.875%, 4/15/40 (a) . . . . .	45,000	47,025	Freeport-McMoRan, Inc., 4.550%, 11/14/24 . . .	15,000	13,837
		<u>340,947</u>	Peabody Energy Corp., 6.375%, 3/31/25 (a) . . .	45,000	41,850
			Teck Resources Ltd., 6.250%, 7/15/41 . . . . .	25,000	23,688
			Teck Resources Ltd., 5.200%, 3/1/42 . . . . .	35,000	29,400
					<u>344,612</u>
<b>Health Services: 0.3%</b>			<b>Multi-Line Insurance: 0.6%</b>		
Agiliti Health, Inc., 7.625%, 8/15/20 . . . . .	35,000	34,738	Genworth Holdings, Inc., 7.625%, 9/24/21 . . .	80,000	79,000
<b>Hospitals: 0.8%</b>			<b>Non-Food &amp; Drug Retailers: 0.6%</b>		
Tenet Healthcare Corp., 8.125%, 4/1/22 . . . . .	40,000	40,100	Hot Topic, Inc., 9.250%, 6/15/21 (a) . . . . .	50,000	49,000
Tenet Healthcare Corp., 6.750%, 6/15/23 . . . .	70,000	65,713	The Men's Wearhouse, Inc., 7.000%, 7/1/22 . .	31,000	31,155
		<u>105,813</u>			<u>80,155</u>
<b>Hotels: 0.2%</b>			<b>Oil Field Equipment &amp; Services: 2.1%</b>		
Marriott Ownership Resorts, Inc., 6.500%, 9/15/26 (a) . . . . .	30,000	28,950	Apergy Corp., 6.375%, 5/1/26 . . . . .	35,000	33,950
<b>Household &amp; Leisure</b>			CSI Compressco LP, 7.500%, 4/1/25 (a) . . . . .	25,000	23,250
<b>Products/Durables: 0.3%</b>			CSI Compressco LP, 7.250%, 8/15/22 . . . . .	45,000	39,600
Tempur Sealy International, Inc., 5.500%, 6/15/26 . . . . .	45,000	41,063	Nabors Industries, Inc., 4.625%, 9/15/21 . . . . .	50,000	44,832
<b>Investments &amp; Miscellaneous</b>			Nabors Industries, Inc., 5.500%, 1/15/23 . . . . .	60,000	47,621
<b>Financial Services: 1.2%</b>			Noble Holding International Ltd., 7.750%, 1/15/24 . . . . .	50,000	37,875
Icahn Enterprises LP, 6.750%, 2/1/24 . . . . .	110,000	108,900	Transocean, Inc., 6.800%, 3/15/38 . . . . .	45,000	29,925
Icahn Enterprises LP, 6.375%, 12/15/25 . . . . .	60,000	57,750	Transocean, Inc., 9.000%, 7/15/23 (a) . . . . .	30,000	29,850
		<u>166,650</u>			<u>286,903</u>
<b>Machinery Companies: 0.4%</b>			<b>Oil Refining &amp; Marketing: 0.6%</b>		
Zekelman Industries, Inc., 9.875%, 6/15/23 (a) .	50,000	52,625	PBF Holding Co. LLC, 7.000%, 11/15/23 . . . . .	20,000	19,100
<b>Media-Broadcast: 2.2%</b>			PBF Holding Co. LLC, 7.250%, 6/15/25 . . . . .	60,000	56,400
Gray Escrow, Inc., 7.000%, 5/15/27 (a) . . . . .	30,000	29,248			<u>75,500</u>
Gray Television, Inc., 5.875%, 7/15/26 (a) . . .	25,000	23,307	<b>Pharmaceuticals &amp; Devices: 4.4%</b>		
Gray Television, Inc., 5.125%, 10/15/24 (a) . . .	65,000	59,930	Endo Finance LLC, 5.375%, 1/15/23 (a) . . . . .	55,000	41,800
Salem Media Group, Inc., 6.750%, 6/1/24 (a) . .	45,000	39,938	Jaguar Holding Co. II, 6.375%, 8/1/23 (a) . . . . .	90,000	86,003
Sinclair Television Group, Inc., 5.625%, 8/1/24 (a) . . . . .	30,000	28,125	Kinetic Concepts, Inc., 12.500%, 11/1/21 (a) . .	100,000	107,000
Townsquare Media, Inc., 6.500%, 4/1/23 (a) . .	40,000	36,800	Mallinckrodt International Finance SA, 5.750%, 8/1/22 (a) . . . . .	60,000	51,600
Univision Communications, Inc., 5.125%, 5/15/23 (a) . . . . .	50,000	44,875	Mallinckrodt International Finance SA, 4.875%, 4/15/20 (a) . . . . .	45,000	43,425
Urban One, Inc., 7.375%, 10/15/22 (a) . . . . .	45,000	42,525	Bausch Health Cos, Inc., 5.875%, 5/15/23 (a) .	210,000	194,250
		<u>304,748</u>	Bausch Health Cos, Inc., 6.125%, 4/15/25 (a) .	35,000	30,538
<b>Media-Cable: 3.7%</b>			Bausch Health Cos, Inc., 9.250%, 4/1/26 (a) . .	30,000	30,000
Altice France SA, 6.250%, 5/15/24 (a) . . . . .	250,000	233,125			<u>584,616</u>
CSC Holdings LLC, 6.750%, 11/15/21 . . . . .	65,000	66,625			
DISH DBS Corp., 5.875%, 7/15/22 . . . . .	185,000	170,200			
DISH DBS Corp., 7.750%, 7/1/26 . . . . .	40,000	33,100			
		<u>503,050</u>			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Printing &amp; Publishing: 1.3%</b>			<b>Transportation Excluding Air/Rail: 0.5%</b>		
Lee Enterprises, Inc., 9.500%, 3/15/22 (a) . . . .	45,000	\$ 45,900	Deck Chassis Acquisition, Inc., 10.000%, 6/15/23 (a) . . . . .	70,000	\$ 67,200
Meredith Corp., 6.875%, 2/1/26 (a) . . . . .	130,000	127,075	Total Corporate Bonds (cost \$8,068,829) . . . . .		7,648,350
		<u>172,975</u>			
<b>Railroads: 0.4%</b>			<b>Convertible Bond: 0.3%</b>		
Watco Cos LLC, 6.375%, 4/1/23 (a) . . . . .	60,000	60,150	<b>Telecom-Wireless: 0.3%</b>		
<b>Real Estate Development &amp; Management: 0.2%</b>			Gogo, Inc., 3.750%, 3/1/20 . . . . .	40,000	34,052
Realogy Group LLC, 4.875%, 6/1/23 (a) . . . . .	35,000	30,450	Total Convertible Bond (cost \$34,728) . . . . .		34,052
<b>Support-Services: 1.1%</b>			<b>Bank Loans: 14.3% (c)</b>		
The Hertz Corp., 7.625%, 6/1/22 (a) . . . . .	85,000	80,112	<b>Automotive: 0.7%</b>		
Staples, Inc., 8.500%, 9/15/25 (a) . . . . .	40,000	36,088	Navistar International Corp., 6.312% (1 Month US LIBOR + 3.750%), 7/30/25 . . . . .	99,750	95,261
The ADT Security Corp., 4.875%, 7/15/32 (a) . . . . .	50,000	37,000	<b>Chemical Companies: 0.4%</b>		
		<u>153,200</u>	Tronox Blocked Borrower LLC, 5.522% (1 Month US LIBOR + 3.000%), 9/22/24 . . . . .	34,535	33,449
<b>Telecom-Integrated/Services: 5.6%</b>			Tronox Finance LLC, 5.522% (1 Month US LIBOR + 3.000%), 9/22/24 . . . . .	14,965	14,495
CenturyLink, Inc., 7.600%, 9/15/39 . . . . .	75,000	59,250			<u>47,944</u>
CenturyLink, Inc., 7.500%, 4/1/24 . . . . .	80,000	77,200	<b>Consumer-Products: 1.1%</b>		
Cogent Communications Finance, Inc., 5.625%, 4/15/21 (a) . . . . .	65,000	64,675	BDF Acquisition Corp., 7.772% (1 Month US LIBOR + 5.250%), 8/8/23 . . . . .	49,610	45,766
Consolidated Communications, Inc., 6.500%, 10/1/22 . . . . .	70,000	61,600	HLF Financing Sarl LLC, 5.772% (1 Month US LIBOR + 3.250%), 8/16/25 . . . . .	49,875	48,414
Frontier Communications Corp., 8.750%, 4/15/22 . . . . .	40,000	25,300	JP Intermediate B LLC, 8.153% (3 Month US LIBOR + 5.500%), 11/20/25 . . . . .	50,000	47,750
Frontier Communications Corp., 10.500%, 9/15/22 . . . . .	40,000	27,800			<u>141,930</u>
Gogo Intermediate Holdings LLC, 12.500%, 7/1/22 (a) . . . . .	90,000	96,352	<b>Environmental &amp; Waste: 0.3%</b>		
Intelsat Connect Finance SA, 9.500%, 2/15/23 (a) . . . . .	80,000	68,800	GFL Environmental, Inc., 5.522% (1 Month US LIBOR + 3.000%), 5/31/25 . . . . .	49,875	46,408
Intelsat Luxembourg SA, 7.750%, 6/1/21 . . . . .	75,000	68,250	<b>Food-Wholesale: 0.8%</b>		
Level 3 Financing, Inc., 5.125%, 5/1/23 . . . . .	40,000	38,600	JBS USA LUX SA, 5.260% (3 Month US LIBOR + 2.500%), 10/30/22 . . . . .	60,000	57,600
Qwest Corp., 6.875%, 9/15/33 . . . . .	45,000	40,228	Weight Watchers International, Inc., 7.560% (3 Month US LIBOR + 4.750%), 11/29/24 . . . . .	50,000	49,290
Uniti Group LP, 6.000%, 4/15/23 (a) . . . . .	65,000	58,825			<u>106,890</u>
Uniti Group LP, 7.125%, 12/15/24 (a) . . . . .	25,000	20,500	<b>Gaming: 0.4%</b>		
Windstream Services LLC, 7.750%, 10/15/20 . . . . .	91,000	57,330	Stars Group Holdings BV, 6.303% (3 Month US LIBOR + 3.500%), 7/10/25 . . . . .	50,000	48,209
		<u>764,710</u>	<b>Gas Distribution: 0.4%</b>		
<b>Telecom-Wireless: 2.5%</b>			Woodford Express LLC, 7.522% (3 Month US LIBOR + 5.000%), 1/26/25 . . . . .	49,625	47,103
GTT Communications, Inc., 7.875%, 12/31/24 (a) . . . . .	35,000	30,275	<b>Health Care Providers &amp; Services: 0.4%</b>		
Sprint Capital Corp., 6.875%, 11/15/28 . . . . .	55,000	51,975	R1 RCM, Inc., 7.772% (1 Month US LIBOR + 5.250%), 5/8/25 . . . . .	49,750	49,004
Sprint Communications, Inc., 6.000%, 11/15/22 . . . . .	25,000	24,533	<b>Health Services: 0.9%</b>		
Sprint Corp., 7.250%, 9/15/21 . . . . .	20,000	20,470	American Renal Holdings, Inc., 5.772% (1 Month US LIBOR + 3.250%), 6/22/24 . . . . .	74,684	72,817
Sprint Corp., 7.875%, 9/15/23 . . . . .	40,000	41,050	Gentiva Health Services, Inc., 6.312% (1 Month US LIBOR + 3.750%), 7/2/25 . . . . .	48,747	47,163
Sprint Corp., 7.125%, 6/15/24 . . . . .	90,000	89,195			<u>119,980</u>
Sprint Corp., 7.625%, 3/1/26 . . . . .	25,000	24,688			
Telesat Canada, 8.875%, 11/15/24 (a) . . . . .	25,000	26,000			
United States Cellular Corp., 6.700%, 12/15/33 . . . . .	30,000	29,148			
		<u>337,334</u>			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Hotels: 0.4%</b>			<b>Software/Services: 0.9%</b>		
Marriott Ownership Resorts, Inc., 4.772% (1 Month US LIBOR + 2.250%), 8/29/25 . . .	50,000	\$ 48,750	Go Daddy Operating Co. LLC, 3.600% (1 Month US LIBOR + 2.250%), 2/15/24 . . .	50,000	\$ 47,650
<b>Industrial Conglomerates: 0.4%</b>			New Media Holdings II LLC, 8.595% (1 Month US LIBOR + 6.250%), 7/14/22 . . .		
Deliver Buyer, Inc., 7.707% (3 Month US LIBOR + 5.000%), 5/1/24 . . . . .	49,747	48,690		74,623	73,690
<b>Investments &amp; Miscellaneous Financial Services: 1.1%</b>					
Edelman Financial Center LLC, 5.686% (3 Month US LIBOR + 3.250%), 7/19/25 . . .	50,000	48,035	<b>Specialty Retail: 0.3%</b>		
Russell Investments US Institutional Holdco, Inc., 5.772% (1 Month US LIBOR + 3.250%), 6/1/23 . . . . .	49,618	48,325	Staples, Inc., 6.541% (3 Month US LIBOR + 4.000%), 9/12/24 . . . . .		
VeriFone Systems, Inc., 6.644% (3 Month US LIBOR + 4.000%), 8/20/25 . . . . .	50,000	48,197	49,749		
		<u>144,557</u>	<b>Support-Services: 0.4%</b>		
<b>Media-Broadcast: 0.3%</b>			UOS LLC, 8.022% (1 Month US LIBOR + 5.500%), 4/18/23 . . . . .		
Univision Communications, Inc., 5.272% (1 Month US LIBOR + 2.750%), 3/15/24 . . .	50,000	45,146	49,873		
<b>Metals &amp; Mining: 0.7%</b>			<b>Telecom-Integrated/Services: 1.0%</b>		
Big River Steel LLC, 7.803% (3 Month US LIBOR + 5.000%), 8/23/23 . . . . .	99,497	98,253	Altice France SA, 6.455% (1 Month US LIBOR + 4.000%), 1/31/26 . . . . .		
<b>Metals/Mining Excluding Steel: 0.7%</b>			50,000		
Aleris International, Inc., 7.245% (2 Month US LIBOR + 4.750%), 2/27/23 . . . . .	49,750	49,222	47,125		
American Rock Salt Co. LLC, 6.272% (1 Month US LIBOR + 3.750%), 3/21/25 . . .	50,000	48,375	Frontier Communications Corp., 5.280% (1 Month US LIBOR + 2.750%), 3/31/21 . . .		
		<u>97,597</u>	47,917		
<b>Mortgage Real Estate Investment Trusts (REITs): 0.4%</b>			Maxar Technologies Ltd., 5.148% (3 Month US LIBOR + 2.750%), 10/5/24 . . . . .		
GGP Nimbus LP, 5.022% (1 Month US LIBOR + 2.500%), 8/24/25 . . . . .	50,000	47,016	50,000		
<b>Multi-Line Insurance: 0.4%</b>			<b>Transportation Excluding Air/Rail: 0.3%</b>		
Asurion LLC, 5.230% (1 Month US LIBOR + 3.000%), 8/4/22 . . . . .	50,000	47,928	YRC Worldwide, Inc., 11.022% (1 Month US LIBOR + 8.500%), 7/26/22 . . . . .		
<b>Non-Food &amp; Drug Retailers: 0.4%</b>			49,604		
The Men's Wearhouse, Inc., 5.599% (1 Month US LIBOR + 3.250%), 4/9/25 . . . . .	49,625	47,702	Total Bank Loans (cost \$2,003,055) . . . . .		
<b>Pharmaceuticals: 0.4%</b>			1,939,859		
Amneal Pharmaceuticals LLC, 6.062% (1 Month US LIBOR + 3.500%), 5/4/25 . . .	49,738	47,044			
<b>Pharmaceuticals &amp; Devices: 0.7%</b>			<b>Shares</b>		
Endo International PLC, 6.812% (1 Month US LIBOR + 4.250%), 4/27/24 . . . . .	49,622	46,893	<b>Common Stock: 0.0%</b>		
Bausch Health Cos, Inc., 5.379% (1 Month US LIBOR + 3.000%), 6/1/25 . . . . .	48,125	45,866	<b>Media-Cable: 0.0%</b>		
		<u>92,759</u>	ACC Claims Holdings LLC (d)(e) . . . . .		
<b>Restaurants: 0.5%</b>			11,610		
Del Frisco's Restaurant Group, Inc., 8.562% (1 Month US LIBOR + 6.000%), 6/27/25 . . .	74,625	68,282	Total Common Stock (cost \$237) . . . . .		
			—		
			<b>Mutual Fund: 24.4%</b>		
			<b>Bank Loan Related: 24.4%</b>		
			Penn Capital Defensive Floating Rate Income Fund - Institutional Class (f) . . . . .		
			342,389		
			Total Mutual Fund (cost \$3,474,135) . . . . .		
			3,317,753		
			Total Mutual Fund (cost \$3,474,135) . . . . .		
			3,317,753		
			<b>Preferred Stock: 0.0%</b>		
			Spanish Broadcasting Systems, Inc. 10.750% Cash or 10.750% PIK (d)(g) . . . . .		
			1		
			Total Preferred Stock (cost \$613) . . . . .		
			40		
			40		
			<b>Principal Amount</b>		
			<b>U.S. Government Notes: 2.0%</b>		
			United States Treasury Fixed Rate Note 2.875%, 10/31/20 . . . . .		
			\$135,000		
			135,822		
			United States Treasury Fixed Rate Note 2.750%, 11/30/20 . . . . .		
			140,000		
			140,608		
			Total U.S. Government Notes (cost \$275,150) . . . . .		
			276,430		

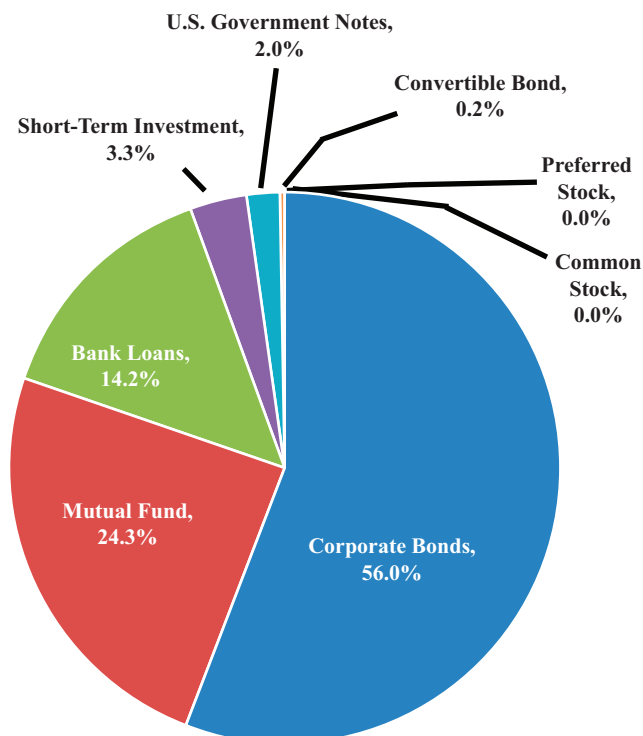
The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL MULTI-CREDIT HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>
<b>Short-Term Investment: 3.4%</b>		
<b>Money Market Deposit Account: 3.4%</b>		
U.S. Bank Money Market Deposit Account, 2.200% . . . . .	456,968	\$ 456,968
Total Short-Term Investment (cost \$456,968) . .		<u>456,968</u>
<b>Total Investments - 100.7%</b>		
(cost \$14,313,715) . . . . .		\$13,673,452
<b>Liabilities in Excess of Other Assets (0.7)%</b> . .		(92,963)
<b>Net Assets: 100.0%</b> . . . . .		<u>\$13,580,489</u>

<u>Country Exposure (as a percentage of total investments) (Unaudited)</u>	
United States . . . . .	90.98%
Canada . . . . .	3.53%
Cayman Islands. . . . .	1.73%
France. . . . .	1.70%
Luxembourg. . . . .	1.70%
Netherlands . . . . .	0.36%

Asset Type (as a percentage of total investments)



- (a) Securities purchased pursuant to Rule 144A of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other "qualified institutional buyers." As of December 31, 2018, the value of these investments was \$4,019,228, or 29.6% of total net assets.
- (b) Variable rate security. The rate listed is as of December 31, 2018.
- (c) Bank Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London Interbank Offered Rate ("LIBOR") and secondarily, the prime rate offered by one or more major United States banks (the "Prime Rate") and the certificate of deposit ("CD") rate or other base lending rates used by commercial lenders.
- (d) This security is currently being fair valued in accordance with procedures established by the Board of Trustees and is deemed a Level 3 security as it is valued using significant unobservable inputs.
- (e) No distribution or dividend was made during the period ending December 31, 2018. As such, it is classified as a non-income producing security as of December 31, 2018.
- (f) Affiliated company. See Note 7.
- (g) Payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash. No distribution or dividend was made during the period ended December 31, 2018. As such, it is classified as a non-income producing security as of December 31, 2018.

**The cost basis of investments for federal income tax purposes at December 31, 2018 was as follows\*:**

Cost of investments. . . . .	\$14,313,715
Gross unrealized appreciation . . . . .	47,880
Gross unrealized depreciation . . . . .	(688,143)
Net unrealized depreciation . . . . .	<u>\$ (640,263)</u>

\* Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent annual report.

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Bank Loans: 86.4% (a)</b>			<b>Consumer-Products: 1.9%</b>		
<b>Aerospace: 0.3%</b>			BDF Acquisition Corp., 7.772% (1 Month US LIBOR + 5.250%), 8/8/23 . . . . .	198,442	\$ 183,062
Ducommun, Inc., 6.522% (1 Month US LIBOR + 4.000%), 11/21/25 . . . . .	121,354	\$ 118,320	HLF Financing Sarl LLC, 5.772% (1 Month US LIBOR + 3.250%), 8/16/25 . . . . .	249,375	242,071
<b>Airline Companies: 1.3%</b>			JP Intermediate B LLC, 8.153% (3 Month US LIBOR + 5.500%), 11/20/25 . . . . .	150,000	143,250
American Airlines, Inc., 4.256% (1 Month US LIBOR + 1.750%), 6/27/25 . . . . .	334,545	312,381	Lifetime Brands, Inc., 6.022% (1 Month US LIBOR + 3.500%), 2/28/25 . . . . .	124,063	118,325
United Airlines, Inc., 4.272% (1 Month US LIBOR + 1.750%), 4/1/24 . . . . .	149,619	143,261			<u>686,708</u>
		<u>455,642</u>	<b>Defense: 0.4%</b>		
<b>Auto Parts &amp; Equipment: 0.4%</b>			KeyW Holding Corp., 6.887% (1 Month US LIBOR + 4.500%), 5/8/24 . . . . .	139,535	137,267
Gates Global LLC, 5.272% (1 Month US LIBOR + 2.750%), 3/31/24 . . . . .	149,621	141,812	<b>Diversified Capital Goods: 1.0%</b>		
<b>Automotive: 0.7%</b>			Harsco Corp., 4.812% (1 Month US LIBOR + 2.250%), 12/8/24 . . . . .	246,267	240,726
Navistar, Inc., 5.890% (1 Month US LIBOR + 3.500%), 11/6/24 . . . . .	248,125	238,820	Thermon Industries, Inc., 6.099% (1 Month US LIBOR + 3.750%), 10/30/24 . . . . .	110,063	107,036
<b>Building &amp; Construction: 0.3%</b>					<u>347,762</u>
Janus International Group LLC, 5.522% (1 Month US LIBOR + 3.000%), 2/15/25 . . . . .	124,063	119,720	<b>Diversified Financial Services: 0.6%</b>		
<b>Building Materials: 1.4%</b>			Canyon Valor Cos, Inc., 5.553% (3 Month US LIBOR + 2.750%), 6/16/23 . . . . .	234,798	225,171
Beacon Roofing Supply, Inc., 4.570% (1 Month US LIBOR + 2.250%), 1/2/25 . . . . .	149,623	141,992	<b>Diversified Telecommunication Services: 0.7%</b>		
Foundation Building Materials LLC, 5.705% (1 Month US LIBOR + 3.250%), 7/30/25 . . . . .	150,000	140,250	Consolidated Communications, Inc., 5.530% (1 Month US LIBOR + 3.000%), 10/5/23 . . . . .	246,556	230,221
Quikrete Holdings, Inc., 5.272% (1 Month US LIBOR + 2.750%), 11/15/23 . . . . .	240,385	228,517	<b>Electric Utilities: 0.3%</b>		
		<u>510,759</u>	Compass Power Generation LLC, 6.022% (1 Month US LIBOR + 3.500%), 12/20/24 . . . . .	123,403	121,552
<b>Building Products: 0.7%</b>			<b>Electric-Generation: 2.6%</b>		
Atkore International, Inc., 5.560% (3 Month US LIBOR + 2.750%), 12/22/23 . . . . .	245,025	236,858	Calpine Corp., 5.310% (3 Month US LIBOR + 2.500%), 1/15/23 . . . . .	240,667	228,634
<b>Chemical Companies: 1.8%</b>			Edgewater Generation LLC, 6.272% (1 Month US LIBOR + 3.750%), 12/13/25 . . . . .	175,000	170,844
AOC Aliancys, 6.831% (3 Month US LIBOR + 4.250%), 8/1/25 . . . . .	74,625	72,573	Exgen Renewables IV LLC, 5.710% (3 Month US LIBOR + 3.000%), 11/28/24 . . . . .	122,587	115,845
Encapsys LLC, 5.772% (1 Month US LIBOR + 3.250%), 10/27/24 . . . . .	124,063	120,444	Lightstone Holdco LLC, 6.272% (1 Month US LIBOR + 3.750%), 1/30/24 . . . . .	299,752	283,017
HB Fuller Co., 4.470% (1 Month US LIBOR + 2.000%), 10/20/24 . . . . .	228,401	214,354	Lightstone Holdco LLC, 6.272% (1 Month US LIBOR + 3.750%), 1/30/24 . . . . .	16,099	15,200
Tronox Blocked Borrower LLC, 5.522% (1 Month US LIBOR + 3.000%), 9/22/24 . . . . .	172,674	167,247	TerraForm Power Operating LLC, 4.522% (1 Month US LIBOR + 2.000%), 11/8/22 . . . . .	123,750	119,316
Tronox Finance LLC, 5.522% (1 Month US LIBOR + 3.000%), 9/22/24 . . . . .	74,826	72,474			<u>932,856</u>
		<u>647,092</u>	<b>Electric-Integrated: 1.1%</b>		
<b>Computer Hardware: 0.4%</b>			Pike Corp., 6.030% (1 Month US LIBOR + 3.500%), 3/23/25 . . . . .	240,109	234,606
Dell International LLC, 4.280% (1 Month US LIBOR + 1.750%), 9/7/21 . . . . .	150,000	145,469	Talen Energy Supply LLC, 6.522% (1 Month US LIBOR + 4.000%), 4/13/24 . . . . .	174,376	171,687
<b>Consumer/Commercial/Lease Financing: 0.6%</b>					<u>406,293</u>
Avolon TLB Borrower 1 US LLC, 4.470% (1 Month US LIBOR + 2.000%), 1/15/25 . . . . .	207,143	198,685			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Entertainment: 3.1%</b>			<b>Health Care Equipment &amp; Supplies: 0.9%</b>		
Alterra Mountain Co., 5.522% (1 Month US LIBOR + 3.000%), 7/31/24 . . . . .	247,500	\$ 236,776	Exactech, Inc., 6.272% (1 Month US LIBOR + 3.750%), 2/14/25 . . . . .	124,063	\$ 120,961
Crown Finance US, Inc., 5.022% (1 Month US LIBOR + 2.500%), 2/28/25 . . . . .	223,561	210,892	Mallinckrodt International Finance SA, 5.553% (3 Month US LIBOR + 2.750%), 9/24/24 . . . . .	203,623	186,315
Formula One Management Ltd., 5.022% (1 Month US LIBOR + 2.500%), 2/1/24 . . . . .	200,000	188,666			<u>307,276</u>
Life Time Fitness, Inc., 5.457% (3 Month US LIBOR + 2.750%), 6/15/22 . . . . .	242,561	232,926	<b>Health Care Providers &amp; Services: 1.2%</b>		
SeaWorld Parks & Entertainment, Inc., 5.522% (1 month US LIBOR + 3.000%), 3/31/24 . . . . .	247,797	236,027	Press Ganey Holdings, Inc., 5.272% (1 Month US LIBOR + 2.750%), 10/23/23 . . . . .	223,171	213,965
		<u>1,105,287</u>	Prospect Medical Holdings, Inc., 7.937% (1 Month US LIBOR + 5.500%), 2/24/24 . . . . .	124,063	122,202
			R1 RCM, Inc., 7.772% (1 Month US LIBOR + 5.250%), 5/8/25 . . . . .	74,625	73,506
<b>Environmental &amp; Waste: 0.5%</b>					<u>409,673</u>
GFL Environmental, Inc., 5.522% (1 Month US LIBOR + 3.000%), 5/31/25 . . . . .	199,499	185,634	<b>Health Services: 3.5%</b>		
<b>Food &amp; Drug Retailers: 0.7%</b>			Acadia Healthcare Co., Inc., 5.022% (1 Month US LIBOR + 2.500%), 2/16/23 . . . . .	236,726	227,922
Albertson's LLC, 5.822% (3 Month US LIBOR + 3.000%), 12/21/22 . . . . .	244,408	234,189	American Renal Holdings, Inc., 5.772% (1 Month US LIBOR + 3.250%), 6/22/24 . . . . .	223,674	218,082
<b>Food-Wholesale: 1.7%</b>			Concentra, Inc., 5.130% (1 Month US LIBOR + 2.750%), 6/1/22 . . . . .	239,804	229,013
American Seafoods Group LLC, 5.280% (1 Month US LIBOR + 2.750%), 8/21/23 . . . . .	239,099	229,237	Envision Healthcare Corp., 6.272% (1 Month US LIBOR + 3.750%), 10/11/25 . . . . .	100,000	92,964
JBS USA LUX SA, 5.260% (3 Month US LIBOR + 2.500%), 10/30/22 . . . . .	245,625	235,800	Gentiva Health Services, Inc., 6.312% (1 Month US LIBOR + 3.750%), 7/2/25 . . . . .	243,733	235,812
Weight Watchers International, Inc., 7.560% (3 Month US LIBOR + 4.750%), 11/29/24 . . . . .	148,052	145,954	Select Medical Corp., 4.960% (1 Month US LIBOR + 2.500%), 3/6/25 . . . . .	245,625	234,572
		<u>610,991</u>			<u>1,238,365</u>
<b>Gaming: 3.0%</b>			<b>Hotels: 1.4%</b>		
Boyd Gaming Corp., 4.661% (1 Week US LIBOR + 2.250%), 9/15/23 . . . . .	227,892	219,061	Belmond Interfin Ltd., 5.272% (1 Month US LIBOR + 2.750%), 7/3/24 . . . . .	246,250	243,583
Eldorado Resorts, Inc., 4.750% (2 Month US LIBOR + 2.000%), 4/17/24 . . . . .	164,957	157,397	Marriott Ownership Resorts, Inc., 4.772% (1 Month US LIBOR + 2.250%), 8/29/25 . . . . .	250,000	243,750
Gateway Casinos & Entertainment Ltd., 5.803% (3 Month US LIBOR + 3.000%), 3/13/25 . . . . .	224,062	214,539			<u>487,333</u>
Scientific Games International, Inc., 5.270% (2 Month US LIBOR + 2.750%), 8/14/24 . . . . .	247,505	231,682	<b>Industrial Conglomerates: 1.0%</b>		
Stars Group Holdings BV, 6.303% (3 Month US LIBOR + 3.500%), 7/10/25 . . . . .	248,999	240,078	Deliver Buyer, Inc., 7.707% (3 Month US LIBOR + 5.000%), 5/1/24 . . . . .	149,242	146,071
		<u>1,062,757</u>	MTS Systems Corp., 5.710% (1 month US LIBOR + 3.250%), 7/5/23 . . . . .	213,704	205,690
					<u>351,761</u>
<b>Gas Distribution: 0.3%</b>			<b>Insurance: 0.5%</b>		
Woodford Express LLC, 7.522% (1 Month US LIBOR + 5.000%), 1/26/25 . . . . .	124,063	117,756	Meredith Corp., 5.272% (1 Month US LIBOR + 2.750%), 1/31/25 . . . . .	177,431	171,960
<b>Gas Utilities: 0.7%</b>			<b>Internet &amp; Direct Marketing Retail: 0.6%</b>		
Vistra Operations Co. LLC, 4.772% (1 Month US LIBOR + 2.250%), 12/14/23 . . . . .	245,000	234,997	Shutterfly, Inc., 5.280% (1 Month US LIBOR + 2.750%), 8/17/24 . . . . .	224,126	216,423

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Investments &amp; Miscellaneous Financial Services: 5.6%</b>			Urban One, Inc., 6.530% (1 Month US LIBOR + 4.000%), 4/18/23 . . . . .	115,106	\$ 109,639
DJO Finance LLC, 5.480% (1 Month US LIBOR + 3.250%), 6/7/20 . . . . .	149,612	\$ 147,443	WideOpenWest Finance LLC, 5.720% (1 Month US LIBOR + 3.250%), 8/19/23 . . . . .	246,875	228,051
The Edelman Financial Center LLC, 5.686% (3 Month US LIBOR + 3.250%), 7/19/25 . . . . .	200,000	192,142			<u>1,741,047</u>
FinCo I LLC, 4.522% (1 Month US LIBOR + 2.000%), 12/27/22 . . . . .	214,387	207,634	<b>Media-Cable: 1.3%</b>		
iStar, Inc., 5.175% (1 Month US LIBOR + 2.750%), 6/28/23 . . . . .	248,750	238,178	Cogeco Communications USA II LP, 4.897% (1 Month US LIBOR + 2.375%), 1/31/25 . . . . .	250,000	236,043
LPL Holdings, Inc., 4.729% (1 Month US LIBOR + 2.250%), 9/21/24 . . . . .	246,258	236,563	Radiate Holdco LLC, 5.522% (1 Month US LIBOR + 3.000%), 2/1/24 . . . . .	245,625	231,155
Russell Investments US Institutional Holdco, Inc., 5.772% (1 Month US LIBOR + 3.250%), 6/1/23 . . . . .	343,240	334,291			<u>467,198</u>
Trans Union LLC, 4.522% (1 Month US LIBOR + 2.000%), 6/19/25 . . . . .	248,750	239,422	<b>Metals &amp; Mining: 2.2%</b>		
VeriFone Systems, Inc., 6.644% (3 Month US LIBOR + 4.000%), 8/20/25 . . . . .	200,000	192,786	Big River Steel LLC, 7.803% (3 Month US LIBOR + 5.000%), 8/23/23 . . . . .	296,749	293,039
WisdomTree International Holdings Ltd., 4.205% (1 Month US LIBOR + 1.750%), 1/31/21 . . . . .	200,000	198,000	Peabody Energy Corp., 5.272% (1 Month US LIBOR + 2.750%), 3/31/25 . . . . .	248,747	240,663
		<u>1,986,459</u>	Zekelman Industries, Inc., 4.862% (3 Month US LIBOR + 2.250%), 6/14/21 . . . . .	244,397	235,599
<b>IT Services: 1.3%</b>					<u>769,301</u>
NAB Holdings LLC, 5.803% (3 Month US LIBOR + 3.000%), 6/30/24 . . . . .	246,884	234,231	<b>Metals/Mining Excluding Steel: 1.0%</b>		
Pi US Mergerco, Inc., 6.022% (1 Month US LIBOR + 3.500%), 1/1/25 . . . . .	248,125	239,441	Aleris International, Inc., 7.245% (2 Month US LIBOR + 4.750%), 2/27/23 . . . . .	149,250	147,665
		<u>473,672</u>	American Rock Salt Co. LLC, 6.272% (1 Month US LIBOR + 3.750%), 3/21/25 . . . . .	198,874	192,411
<b>Machinery: 0.8%</b>					<u>340,076</u>
Milacron LLC, 5.022% (1 Month US LIBOR + 2.500%), 9/28/23 . . . . .	145,652	136,185	<b>Mortgage Real Estate Investment Trusts (REITs): 0.7%</b>		
Savage Enterprises LLC, 6.880% (1 Month US LIBOR + 4.500%), 8/1/25 . . . . .	144,034	141,694	GGP Nimbus LP, 5.022% (1 Month US LIBOR + 2.500%), 8/24/25 . . . . .	250,000	235,078
		<u>277,879</u>	<b>Multi-Line Insurance: 1.0%</b>		
<b>Machinery Companies: 0.6%</b>			Asurion LLC, 5.230% (1 Month US LIBOR + 3.000%), 8/4/22 . . . . .	137,573	131,874
Welbilt, Inc., 5.022% (1 Month US LIBOR + 2.500%), 10/23/25 . . . . .	237,500	225,822	HUB International Ltd., 5.490% (3 Month US LIBOR + 2.750%), 4/25/25 . . . . .	248,750	234,370
<b>Media-Broadcast: 4.9%</b>					<u>366,244</u>
Beasley Mezzanine Holdings LLC, 6.470% (1 Month US LIBOR + 4.000%), 11/1/23 . . . . .	241,265	236,439	<b>Multi-Utilities: 0.6%</b>		
CBS Radio, Inc., 5.256% (1 Month US LIBOR + 2.750%), 11/17/24 . . . . .	146,046	137,283	PowerTeam Services LLC, 6.063% (3 Month US LIBOR + 3.250%), 3/5/25 . . . . .	219,009	211,344
CSC Holdings LLC, 4.705% (1 Month US LIBOR + 2.250%), 7/17/25 . . . . .	246,867	233,660	<b>Non-Food &amp; Drug Retailers: 1.3%</b>		
Gray Television, Inc., 4.599% (1 Month US LIBOR + 2.250%), 2/7/24 . . . . .	231,834	221,981	Michaels Stores, Inc., 5.022% (1 Month US LIBOR + 2.500%), 1/28/23 . . . . .	224,436	214,056
Lions Gate Capital Holdings LLC, 4.772% (1 Month US LIBOR + 2.250%), 3/24/25 . . . . .	124,063	119,178	The Men's Wearhouse, Inc., 5.599% (1 Month US LIBOR + 3.250%), 4/9/25 . . . . .	248,125	238,510
Sinclair Television Group, Inc., 4.780% (1 Month US LIBOR + 2.250%), 1/3/24 . . . . .	245,000	232,137			<u>452,566</u>
Univision Communications, Inc., 5.272% (1 Month US LIBOR + 2.750%), 3/15/24 . . . . .	246,621	222,679	<b>Oil, Gas &amp; Consumable Fuel: 0.5%</b>		
			Apergy Corp., 5.062% (1 Month US LIBOR + 2.500%), 5/9/25 . . . . .	111,446	104,480
			Lotus Midstream LLC, 6.053% (3 Month US LIBOR + 3.250%), 9/30/25 . . . . .	200,000	190,000
					<u>294,480</u>

The Accompanying Notes are an Integral Part of these Financial Statements.



**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Other Industrial &amp; Manufacturing: 1.6%</b>			<b>Software: 0.7%</b>		
PS HoldCo LLC, 7.277% (3 Month US LIBOR + 4.750%), 3/13/25 . . . . .	164,588	\$ 159,650	Omnitracs LLC, 5.574% (3 Month US LIBOR + 2.750%), 3/23/25 . . . . .	248,812	\$ 234,008
RBS Global, Inc., 4.522% (1 Month US LIBOR + 2.000%), 8/21/24 . . . . .	250,000	241,875	<b>Software/Services: 5.4%</b>		
XPO Logistics, Inc., 4.509% (3 Month US LIBOR + 2.000%), 2/24/25 . . . . .	181,427	172,860	Almonde, Inc., 6.303% (3 Month US LIBOR + 3.500%), 6/16/24 . . . . .	116,432	108,199
		<u>574,385</u>	Avaya, Inc., 6.701% (1 Month US LIBOR + 4.250%), 12/15/24 . . . . .	248,185	239,188
<b>Packaging: 0.9%</b>			Blucora, Inc., 5.522% (1 Month US LIBOR + 3.000%), 5/22/24 . . . . .	176,667	171,146
Berry Global, Inc., 4.387% (1 Month US LIBOR + 1.750%), 10/1/22 . . . . .	174,680	170,313	First Data Corp., 4.504% (1 Month US LIBOR + 2.000%), 4/26/24 . . . . .	230,733	219,888
Reynolds Group Holdings, Inc., 5.272% (1 Month US LIBOR + 2.750%), 2/5/23 . . . . .	149,618	142,137	Go Daddy Operating Co. LLC, 3.600% (1 Month US LIBOR + 2.250%), 2/15/24 . . . . .	199,493	190,117
		<u>312,450</u>	Infor, Inc., 5.272% (1 Month US LIBOR + 2.750%), 2/1/22 . . . . .	150,000	143,508
<b>Pharmaceuticals: 1.2%</b>			Match Group, Inc., 5.090% (2 Month US LIBOR + 2.500%), 11/16/22 . . . . .	109,375	108,281
Amneal Pharmaceuticals LLC, 6.062% (1 Month US LIBOR + 3.500%), 5/4/25 . . . . .	199,226	188,434	McAfee LLC, 6.272% (1 Month US LIBOR + 3.750%), 9/29/24 . . . . .	244,116	236,895
Jaguar Holding Co II, 4.820% (1 Month US LIBOR + 2.500%), 8/18/22 . . . . .	249,354	236,263	New Media Holdings II LLC, 8.595% (1 Month US LIBOR + 6.250%), 7/14/22 . . . . .	149,435	147,567
		<u>424,697</u>	SS&C Technologies Holdings Europe Sarl, 4.772% (1 Month US LIBOR + 2.250%), 4/16/25 . . . . .	60,044	56,527
<b>Pharmaceuticals &amp; Devices: 2.4%</b>			SS&C Technologies, Inc., 4.772% (1 Month US LIBOR + 2.250%), 4/16/25 . . . . .	158,296	149,025
Endo International PLC, 6.812% (1 Month US LIBOR + 4.250%), 4/27/24 . . . . .	246,250	232,706	Web.com Group, Inc., 6.170% (3 Month US LIBOR + 3.750%), 10/11/25 . . . . .	150,000	144,000
Greatbatch Ltd., 5.320% (1 Month US LIBOR + 3.000%), 10/27/22 . . . . .	150,000	145,851			<u>1,914,341</u>
Kinetic Concepts, Inc., 6.053% (3 Month US LIBOR + 3.250%), 2/3/24 . . . . .	122,506	117,453	<b>Specialty Retail: 0.7%</b>		
LUX HOLDCO III, 5.495% (2 Month US LIBOR + 3.000%), 3/28/25 . . . . .	124,063	120,548	Staples, Inc., 6.541% (3 Month US LIBOR + 4.000%), 9/12/24 . . . . .	248,994	238,205
Bausch Health Cos, Inc., 5.379% (1 Month US LIBOR + 3.000%), 6/1/25 . . . . .	240,630	229,334	<b>Support-Services: 4.1%</b>		
		<u>845,892</u>	Aramark Services, Inc., 4.272% (1 Month US LIBOR + 1.750%), 3/11/25 . . . . .	233,166	225,977
<b>Restaurants: 0.8%</b>			PetVet Care Centers LLC, 5.254% (1 Month US LIBOR + 2.750%), 2/14/25 . . . . .	172,708	163,425
Del Frisco's Restaurant Group, Inc., 8.562% (1 Month US LIBOR + 6.000%), 6/27/25 . . . . .	149,250	136,564	PetVet Care Centers LLC, 4.800% (1 Month US LIBOR + 2.750%), 2/14/25 . . . . .	51,047	48,304
IRB Holding Corp., 5.570% (1 Month US LIBOR + 3.250%), 2/5/25 . . . . .	149,623	142,366	Prime Security Services Borrower, LLC 5.272% (1 Month US LIBOR + 2.750%), 5/2/22 . . . . .	248,119	235,961
		<u>278,930</u>	The Hertz Corp., 5.280% (1 Month US LIBOR + 2.750%), 6/30/23 . . . . .	247,429	237,356
<b>Road &amp; Rail: 0.3%</b>			TruGreen LP, 6.420% (1 Month US LIBOR + 4.000%), 4/13/23 . . . . .	244,406	241,351
Daseke Companies, Inc., 7.522% (1 Month US LIBOR + 5.000%), 2/27/24 . . . . .	123,750	120,347	UOS LLC, 8.022% (1 Month US LIBOR + 5.500%), 4/18/23 . . . . .	296,123	294,643
<b>Semiconductors &amp; Semiconductor Equipment: 1.0%</b>					<u>1,447,017</u>
Cohu, Inc., 5.813% (3 Month US LIBOR + 3.000%), 10/1/25 . . . . .	174,563	167,580			
Xperi Corp., 5.022% (1 Month US LIBOR + 2.500%), 12/1/23 . . . . .	205,833	190,910			
		<u>358,490</u>			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

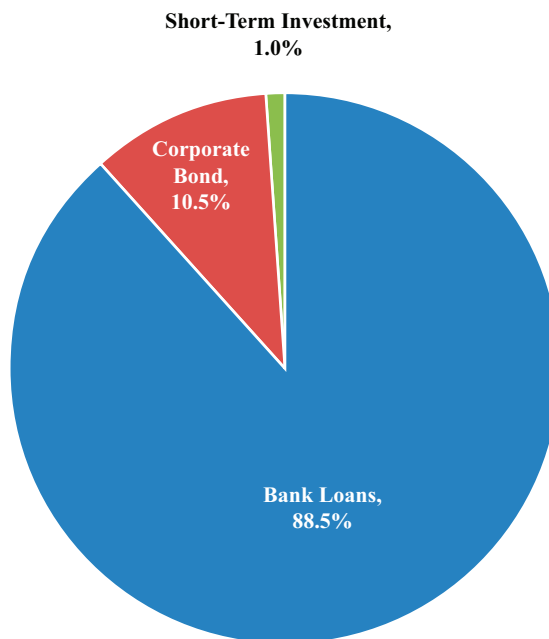
	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Telecom-Integrated/Services: 6.0%</b>			<b>Corporate Bonds: 10.3%</b>		
Altice France SA, 6.455% (1 Month US LIBOR + 4.000%), 1/31/26 . . . . .	150,000	\$ 141,375	<b>Aerospace: 0.3%</b>		
CenturyLink, Inc., 5.272% (1 Month US LIBOR + 2.750%), 1/31/25 . . . . .	222,998	207,611	Bombardier, Inc., 8.750%, 12/1/21 (b) . . . . .	90,000	\$ 92,700
Cincinnati Bell, Inc., 5.772% (1 Month US LIBOR + 3.250%), 10/2/24 . . . . .	249,375	239,577	<b>Auto Parts &amp; Equipment: 0.8%</b>		
Cyxtera DC Holdings, Inc., 5.380% (1 Month US LIBOR + 3.000%), 5/1/24 . . . . .	124,055	118,473	American Axle & Manufacturing, Inc., 6.625%, 10/15/22 . . . . .	95,000	94,050
Frontier Communications Corp., 5.280% (1 Month US LIBOR + 2.750%), 3/31/21 . .	197,143	186,990	Meritor, Inc., 6.250%, 2/15/24 . . . . .	200,000	191,000
GTT Communications, Inc., 5.270% (1 Month US LIBOR + 2.750%), 5/31/25 . . . . .	124,687	117,102			<u>285,050</u>
Intelsat Jackson Holdings SA, 6.256% (1 Month US LIBOR + 3.750%), 11/27/23 . .	125,000	120,759	<b>Computer Hardware: 0.5%</b>		
Level 3 Parent LLC, 4.754% (1 Month US LIBOR + 2.250%), 2/22/24 . . . . .	250,000	236,875	NCR Corp., 5.000%, 7/15/22 . . . . .	195,000	183,787
Maxar Technologies Ltd., 5.148% (3 Month US LIBOR + 2.750%), 10/5/24 . . . . .	198,128	181,783	<b>Electric-Integrated: 0.3%</b>		
MLN US Holdco LLC, 7.022% (1 Month US LIBOR + 4.500%), 11/30/25 . . . . .	150,000	145,032	Talen Energy Supply LLC, 9.500%, 7/15/22 (b) . . . . .	100,000	100,500
Sprint Communications, Inc., 5.062% (1 Month US LIBOR + 2.500%), 2/3/24 . . . . .	221,631	210,365	<b>Entertainment: 0.6%</b>		
Telesat Canada, 5.310% (3 Month US LIBOR + 2.500%), 11/17/23 . . . . .	239,305	226,024	NCL Corp. Ltd., 4.750%, 12/15/21 (b) . . . . .	201,000	199,492
		<u>2,131,966</u>	<b>Food &amp; Drug Retailers: 0.6%</b>		
<b>Telecommunications Equipment: 0.5%</b>			Ingles Markets, Inc., 5.750%, 6/15/23 . . . . .	235,000	232,062
Dawn Acquisition LLC, 5.840% (3 Month US LIBOR + 3.750%), 1/1/26 . . . . .	175,000	163,625	<b>Forestry/Paper: 0.4%</b>		
<b>Telecom-Wireless: 0.7%</b>			Rayonier AM Products, Inc., 5.500%, 6/1/24 (b) . . . . .	175,000	154,438
Sable International Finance Ltd., 5.772% (1 Month US LIBOR + 3.250%), 1/31/26 . .	250,000	240,535	<b>Gas Distribution: 0.4%</b>		
<b>Trading Companies &amp; Distributors: 0.7%</b>			NGL Energy Partners LP, 5.125%, 7/15/19 . . .	130,000	129,025
DXP Enterprises, Inc., 7.272% (1 Month US LIBOR + 4.750%), 8/29/23 . . . . .	246,875	243,172	<b>Health Services: 0.6%</b>		
<b>Transportation Excluding Air/Rail: 0.7%</b>			Universal Hospital Services, Inc., 7.625%, 8/15/20 . . . . .	195,000	193,538
CB URS Holdings Corp., 7.772% (1 Month US LIBOR + 5.250%), 10/19/24 . . . . .	120,313	116,854	<b>Investments &amp; Miscellaneous Financial Services: 0.8%</b>		
Deck Chassis Acquisition, Inc., 8.527% (3 Month US LIBOR + 6.000%), 6/15/23 . .	125,000	119,375	Icahn Enterprises LP, 6.750%, 2/1/24 . . . . .	195,000	193,050
		<u>236,229</u>	Icahn Enterprises LP, 6.250%, 2/1/22 . . . . .	100,000	98,750
<b>Water Utilities: 1.3%</b>					<u>291,800</u>
EWT Holdings III Corp., 5.522% (1 Month US LIBOR + 3.000%), 12/20/24 . . . . .	256,413	248,399	<b>Media-Broadcast: 0.3%</b>		
Shape Technologies Group, Inc., 5.479% (1 Month US LIBOR + 3.000%), 4/20/25 . .	223,875	217,159	Gray Television, Inc., 5.125%, 10/15/24 (b) . . .	100,000	92,200
		<u>465,558</u>	<b>Media-Cable: 1.1%</b>		
Total Bank Loans (cost \$31,872,707) . . . . .		<u>30,706,422</u>	Altice France SA, 6.250%, 5/15/24 (b) . . . . .	200,000	186,500
			DISH DBS Corp., 5.875%, 7/15/22 . . . . .	230,000	211,600
					<u>398,100</u>
			<b>Non-Food &amp; Drug Retailers: 0.3%</b>		
			Hot Topic, Inc., 9.250%, 6/15/21 (b) . . . . .	109,000	106,820
			<b>Oil Field Equipment &amp; Services: 0.5%</b>		
			Nabors Industries, Inc., 5.000%, 9/15/20 . . . . .	190,000	182,774
			<b>Steel Producers/Products: 0.3%</b>		
			Joseph T Ryerson & Son, Inc., 11.000%, 5/15/22 (b) . . . . .	100,000	100,750
			<b>Support-Services: 0.5%</b>		
			The Hertz Corp., 7.625%, 6/1/22 (b) . . . . .	200,000	188,500

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>
<b>Telecom-Integrated/Services: 1.4%</b>		
Hughes Satellite Systems Corp., 7.625%, 6/15/21 . . . . .	200,000	\$ 207,500
Intelsat Jackson Holdings SA, 9.500%, 9/30/22 (b) . . . . .	80,000	91,200
Qwest Corp., 6.750%, 12/1/21 . . . . .	125,000	127,801
Uniti Group LP, 6.000%, 4/15/23 (b) . . . . .	80,000	72,400
		<u>498,901</u>
<b>Telecom-Wireless: 0.6%</b>		
Sprint Communications, Inc., 6.000%, 11/15/22 . . . . .	225,000	220,799
Total Corporate Bonds (cost \$3,777,011). . . . .		<u>3,651,236</u>
	<u>Shares</u>	
<b>Short-Term Investment: 1.0%</b>		
<b>Money Market Deposit Account: 1.0%</b>		
U.S. Bank Money Market Deposit Account, 2.200% . . . . .	348,099	348,099
Total Short-Term Investment (cost \$348,099) . . . . .		<u>348,099</u>
<b>Total Investments - 97.7%</b>		
(cost \$35,997,817) . . . . .		34,705,757
<b>Other Assets and Liabilities 2.3%</b> . . . . .		804,020
<b>Net Assets: 100.0%</b> . . . . .		<u>\$35,509,777</u>

<u>Country Exposure (as a percentage of total investments) (Unaudited)</u>	
United States . . . . .	98.36%
Bermuda . . . . .	0.57%
France . . . . .	0.54%
Canada . . . . .	0.27%
Luxembourg . . . . .	0.26%
<u>Asset Type (as a percentage of total investments)</u>	



- (a) Bank Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London Interbank Offered Rate ("LIBOR") and secondarily, the prime rate offered by one or more major United States banks (the "Prime Rate") and the certificate of deposit ("CD") rate or other base lending rates used by commercial lenders.
- (b) Securities purchased pursuant to Rule 144A of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other "qualified institutional buyers." As of December 31, 2018, the value of these investments was \$1,385,500, or 3.9% of total net assets.

**The cost basis of investments for federal income tax purposes at December 31, 2018 was as follows\*:**

Cost of investments . . . . .	\$35,997,817
Gross unrealized appreciation . . . . .	5,996
Gross unrealized depreciation . . . . .	(1,298,056)
Net unrealized depreciation . . . . .	<u>\$ (1,292,060)</u>

\* Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent annual report.

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Corporate Bonds: 74.1%</b>			<b>Consumer/Commercial/Lease</b>		
<b>Aerospace: 0.6%</b>			<b>Financing: 4.1%</b>		
Bombardier, Inc., 7.750%, 3/15/20 (a) . . . . .	140,000	\$ 142,100	DAE Funding LLC, 5.250%, 11/15/21 (a) . . . . .	175,000	\$ 172,156
<b>Airline Companies: 2.3%</b>			Navient Corp., 6.500%, 6/15/22 . . . . .	90,000	83,861
Air Canada, 7.750%, 4/15/21 (a) . . . . .	269,000	284,400	Navient Corp., 8.000%, 3/25/20 . . . . .	415,000	421,682
Allegiant Travel Co., 5.500%, 7/15/19 . . . . .	160,000	160,000	Park Aerospace Holdings Ltd., 5.250%, 8/15/22 (a) . . . . .	140,000	135,450
American Airlines Group, Inc., 5.500%, 10/1/19 (a) . . . . .	65,000	65,163	Springleaf Finance Corp., 8.250%, 12/15/20 . . . . .	100,000	103,500
		<u>509,563</u>			<u>916,649</u>
<b>Auto Parts &amp; Equipment: 0.5%</b>			<b>Electric - Generation: 1.6%</b>		
American Axle & Manufacturing, Inc., 7.750%, 11/15/19 . . . . .	23,000	23,402	DPL, Inc., 6.750%, 10/1/19 . . . . .	27,000	27,270
The Goodyear Tire & Rubber Co., 8.750%, 8/15/20 . . . . .	75,000	79,500	DPL, Inc., 7.250%, 10/15/21 . . . . .	180,000	188,078
		<u>102,902</u>	Vistra Energy Corp., 7.375%, 11/1/22 . . . . .	65,000	67,113
			Vistra Energy Corp., 7.625%, 11/1/24 . . . . .	60,000	63,300
					<u>345,761</u>
<b>Automotive: 2.7%</b>			<b>Energy - Exploration &amp; Production: 2.3%</b>		
Fiat Chrysler Automobiles NV, 4.500%, 4/15/20 . . . . .	200,000	200,240	QEP Resources, Inc., 6.875%, 3/1/21 . . . . .	120,000	120,900
Jaguar Land Rover Automotive PLC, 3.500%, 3/15/20 (a) . . . . .	410,000	391,550	Range Resources Corp., 5.750%, 6/1/21 . . . . .	120,000	116,100
		<u>591,790</u>	Resolute Energy Corp., 8.500%, 5/1/20 . . . . .	65,000	64,025
			Unit Corp., 6.625%, 5/15/21 . . . . .	80,000	72,800
			Whiting Petroleum Corp., 6.250%, 4/1/23 . . . . .	55,000	50,050
			WPX Energy, Inc., 8.250%, 8/1/23 . . . . .	75,000	78,375
					<u>502,250</u>
<b>Banking: 5.1%</b>			<b>Entertainment: 0.3%</b>		
Ally Financial, Inc., 8.000%, 3/15/20 . . . . .	525,000	543,375	NCL Corp. Ltd., 4.750%, 12/15/21 (a) . . . . .	70,000	69,475
Ally Financial, Inc., 7.500%, 9/15/20 . . . . .	190,000	197,125	<b>Food &amp; Drug Retailers: 0.2%</b>		
Ally Financial, Inc., 3.750%, 11/18/19 . . . . .	60,000	59,775	Ingles Markets, Inc., 5.750%, 6/15/23 . . . . .	40,000	39,500
Ally Financial, Inc., 4.125%, 2/13/22 . . . . .	60,000	58,275	<b>Food - Wholesale: 0.4%</b>		
CIT Group, Inc., 4.125%, 3/9/21 . . . . .	275,000	270,875	TreeHouse Foods, Inc., 4.875%, 3/15/22 . . . . .	95,000	93,338
		<u>1,129,425</u>	<b>Gaming: 2.9%</b>		
			GLP Capital LP, 4.375%, 4/15/21 . . . . .	120,000	119,512
<b>Building &amp; Construction: 2.3%</b>			MGM Resorts International, 8.625%, 2/1/19 . . . . .	40,000	40,050
KB Home, 8.000%, 3/15/20 . . . . .	115,000	118,737	MGM Resorts International, 6.750%, 10/1/20 . . . . .	305,000	313,387
Lennar Corp., 4.500%, 11/15/19 . . . . .	210,000	208,425	Scientific Games International, Inc., 10.000%, 12/1/22 . . . . .	165,000	167,061
Lennar Corp., 8.375%, 1/15/21 . . . . .	65,000	69,063			<u>640,010</u>
Toll Brothers Finance Corp., 6.750%, 11/1/19 . . . . .	35,000	35,350	<b>Gas Distribution: 4.6%</b>		
William Lyon Homes, Inc., 7.000%, 8/15/22 . . . . .	90,000	89,100	DCP Midstream Operating LP, 5.350%, 3/15/20 (a) . . . . .	90,000	90,337
		<u>520,675</u>	Energy Transfer LP, 7.500%, 10/15/20 . . . . .	240,000	249,600
			Midcontinent Express Pipeline LLC, 6.700%, 9/15/19 (a) . . . . .	155,000	156,456
<b>Chemical Companies: 1.7%</b>			NGL Energy Partners LP, 5.125%, 7/15/19 . . . . .	180,000	178,650
Blue Cube Spinco LLC, 9.750%, 10/15/23 . . . . .	105,000	115,500	Rockies Express Pipeline LLC, 5.625%, 4/15/20 (a) . . . . .	255,000	255,000
CF Industries, Inc., 7.125%, 5/1/20 . . . . .	54,000	55,620	Targa Resources Partners LP, 4.125%, 11/15/19 . . . . .	90,000	89,213
Huntsman International LLC, 4.875%, 11/15/20 . . . . .	90,000	90,225			<u>1,019,256</u>
WR Grace & Co-Conn, 5.125%, 10/1/21 (a) . . . . .	115,000	113,850			
		<u>375,195</u>			
<b>Computer Hardware: 4.7%</b>					
Dell International LLC, 5.875%, 6/15/21 (a) . . . . .	365,000	364,593			
EMC Corp., 2.650%, 6/1/20 . . . . .	535,000	513,749			
NCR Corp., 4.625%, 2/15/21 . . . . .	165,000	160,875			
		<u>1,039,217</u>			

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
<b>Health Services: 4.8%</b>					
Agility Health, Inc., 7.625%, 8/15/20 . . . . .	205,000	\$ 203,463	<b>Office Equipment: 0.3%</b>		
Centene Corp., 5.625%, 2/15/21 . . . . .	450,000	451,125	Avnet, Inc., 3.750%, 12/1/21 . . . . .	60,000	\$ 60,347
Select Medical Corp., 6.375%, 6/1/21 . . . . .	405,000	403,987	<b>Oil Field Equipment &amp; Services: 1.4%</b>		
		<u>1,058,575</u>	Nabors Industries, Inc., 5.000%, 9/15/20 . . . . .	100,000	96,197
<b>Hospitals: 8.0%</b>					
HCA Healthcare, Inc., 6.250%, 2/15/21 . . . . .	355,000	362,987	Pride International LLC, 6.875%, 8/15/20 . . . . .	55,000	55,687
HCA, Inc., 6.500%, 2/15/20 . . . . .	80,000	82,000	Rowan Companies, Inc., 7.875%, 8/1/19 . . . . .	50,000	49,500
HCA, Inc., 7.500%, 2/15/22 . . . . .	420,000	446,250	SESI LLC, 7.125%, 12/15/21 . . . . .	45,000	38,250
Tenet Healthcare Corp., 6.000%, 10/1/20 . . . . .	838,000	848,475	Transocean, Inc., 8.375%, 12/15/21 . . . . .	60,000	59,550
Tenet Healthcare Corp., 4.750%, 6/1/20 . . . . .	45,000	44,892			<u>299,184</u>
		<u>1,784,604</u>	<b>Oil Refining &amp; Marketing: 0.4%</b>		
<b>Hotels: 0.8%</b>					
RHP Hotel Properties LP, 5.000%, 4/15/21 . . . . .	50,000	49,625	PBF Holding Co. LLC, 7.000%, 11/15/23 . . . . .	90,000	85,950
Wyndham Destinations, Inc., 5.625%, 3/1/21 . . . . .	140,000	139,300	<b>Packaging: 0.8%</b>		
		<u>188,925</u>	Greif, Inc., 7.750%, 8/1/19 . . . . .	50,000	50,875
<b>Investments &amp; Miscellaneous Financial Services: 2.8%</b>					
Icahn Enterprises LP, 6.000%, 8/1/20 . . . . .	500,000	499,375	Reynolds Group Issuer, Inc., 5.750%, 10/15/20 . . . . .	130,829	130,502
Icahn Enterprises LP, 6.250%, 2/1/22 . . . . .	123,000	121,462			<u>181,377</u>
		<u>620,837</u>	<b>Pharmaceuticals &amp; Devices: 2.0%</b>		
<b>Media - Broadcast: 1.3%</b>					
Charter Communications Operating LLC, 3.579%, 7/23/20 . . . . .	145,000	144,820	Bausch Health Cos, Inc., 6.500%, 3/15/22 (a) . . . . .	75,000	75,493
Sinclair Television Group, Inc., 5.375%, 4/1/21 . . . . .	45,000	44,887	Elanco Animal Health, Inc., 3.912%, 8/27/21 (a) . . . . .	75,000	75,464
Tribune Media Co., 5.875%, 7/15/22 . . . . .	100,000	100,500	Kinetic Concepts, Inc., 7.875%, 2/15/21 (a) . . . . .	120,000	121,500
		<u>290,207</u>	Mallinckrodt International Finance SA, 4.875%, 4/15/20 (a) . . . . .	60,000	57,900
<b>Media - Cable: 2.3%</b>					
Cablevision Systems Corp., 8.000%, 4/15/20 . . . . .	110,000	111,375	Teva Pharmaceutical Finance IV LLC, 2.250%, 3/18/20 . . . . .	110,000	107,032
CSC Holdings LLC, 6.750%, 11/15/21 . . . . .	120,000	123,000			<u>437,389</u>
DISH DBS Corp., 7.875%, 9/1/19 . . . . .	110,000	112,233	<b>Railroads: 0.4%</b>		
DISH DBS Corp., 6.750%, 6/1/21 . . . . .	160,000	158,352	Watco Companies LLC, 6.375%, 4/1/23 (a) . . . . .	80,000	80,200
		<u>504,960</u>	<b>Real Estate Investment Trusts (REITs): 0.8%</b>		
<b>Media - Diversified: 0.4%</b>					
Netflix, Inc., 5.375%, 2/1/21 . . . . .	95,000	96,188	iStar, Inc., 4.625%, 9/15/20 . . . . .	190,000	185,250
<b>Metals/Mining Excluding Steel: 2.1%</b>					
Arconic, Inc., 6.150%, 8/15/20 . . . . .	295,000	300,921	<b>Software/Services: 0.3%</b>		
Freeport-McMoRan, Inc., 3.100%, 3/15/20 . . . . .	105,000	102,638	Symantec Corp., 4.200%, 9/15/20 . . . . .	75,000	74,156
Peabody Energy Corp., 6.000%, 3/31/22 (a) . . . . .	65,000	63,050	<b>Steel Producers/Products: 0.9%</b>		
		<u>466,609</u>	AK Steel Corp., 7.625%, 10/1/21 . . . . .	65,000	58,662
<b>Multi-Line Insurance: 0.3%</b>					
Genworth Holdings, Inc., 7.700%, 6/15/20 . . . . .	70,000	70,700	ArcelorMittal, 5.125%, 6/1/20 . . . . .	75,000	76,265
<b>Non-Food &amp; Drug Retailers: 1.6%</b>					
Hot Topic, Inc., 9.250%, 6/15/21 (a) . . . . .	35,000	34,300	Joseph T Ryerson & Son, Inc., 11.000%, 5/15/22 (a) . . . . .	73,000	73,548
L Brands, Inc., 7.000%, 5/1/20 . . . . .	160,000	164,800			<u>208,475</u>
Penske Automotive Group, Inc., 3.750%, 8/15/20 . . . . .	85,000	82,875	<b>Support - Services: 1.2%</b>		
The Men's Wearhouse, Inc., 7.000%, 7/1/22 . . . . .	83,000	83,415	The ADT Security Corp., 6.250%, 10/15/21 . . . . .	170,000	172,337
		<u>365,390</u>	The Hertz Corp., 5.875%, 10/15/20 . . . . .	92,000	89,240
					<u>261,577</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	Principal	Value		Principal	Value
<b>Telecom - Integrated/Services: 2.5%</b>				<b>Metals &amp; Mining: 1.2%</b>	
CenturyLink, Inc., 5.625%, 4/1/20 . . . . .	130,000	\$ 129,350		Big River Steel LLC, 7.803% (3 Month US LIBOR + 5.000%), 8/23/23 . . . . .	124,684 \$ 123,126
Hughes Satellite Systems Corp., 7.625%, 6/15/21 . . . . .	90,000	93,375		Zekelman Industries, Inc., 4.862% (3 Month US LIBOR + 2.250%), 6/14/21 . . . . .	150,000 144,600
Hughes Satellite Systems Corp., 6.500%, 6/15/19 . . . . .	65,000	65,569			267,726
Intelsat Jackson Holdings SA, 9.500%, 9/30/22 (a) . . . . .	75,000	85,500		<b>Non - Food &amp; Drug Retailers: 0.5%</b>	
Qwest Corp., 6.750%, 12/1/21 . . . . .	172,000	175,854		Michaels Stores, Inc., 5.022% (1 Month US LIBOR + 2.500%), 1/28/23 . . . . .	124,687 118,920
		549,648		<b>Pharmaceuticals: 1.1%</b>	
<b>Telecommunications Equipment: 0.6%</b>				Jaguar Holding Co. II, 4.820% (1 Month US LIBOR + 2.500%), 8/18/22 . . . . .	250,000 236,875
CommScope, Inc., 5.000%, 6/15/21 (a) . . . . .	125,000	123,750		<b>Semiconductors &amp; Semiconductor Equipment: 0.5%</b>	
<b>Telecom - Wireless: 1.7%</b>				Cypress Semiconductor Corp., 4.530% (1 Month US LIBOR + 2.000%), 7/5/21 . . . . .	125,000 120,860
Sprint Capital Corp., 6.900%, 5/1/19 . . . . .	80,000	80,400		<b>Telecom - Integrated/Services: 0.5%</b>	
Sprint Communications, Inc., 7.000%, 8/15/20 . . . . .	180,000	184,284		CenturyLink, Inc., 5.272% (1 Month US LIBOR + 2.750%), 9/30/22 . . . . .	121,795 117,349
Sprint Corp., 7.250%, 9/15/21 . . . . .	105,000	107,468		Total Bank Loans (cost \$2,093,488) . . . . .	2,024,627
		372,152			
<b>Transportation Excluding Air/Rail: 0.1%</b>					
XPO Logistics, Inc., 6.500%, 6/15/22 (a) . . . . .	30,000	29,738			
Total Corporate Bonds (cost \$16,808,387) . . . . .		16,433,294			
				<b>Shares</b>	
<b>Bank Loans: 9.1% (b)</b>				<b>Mutual Fund: 6.1%</b>	
<b>Airline Companies: 0.5%</b>				<b>Bank Loan Related: 6.1%</b>	
American Airlines, Inc., 4.522% (1 Month US LIBOR + 2.000%), 4/28/23 . . . . .	125,000	118,646		Penn Capital Defensive Floating Rate Income Fund (c) . . . . .	140,632 1,362,724
<b>Chemicals: 1.1%</b>				Total Mutual Fund (cost \$1,420,228) . . . . .	1,362,724
Big Jack Holdings LP, 4.137% (1 Month US LIBOR + 1.750%), 1/6/21 . . . . .	250,000	243,680			
<b>Computer Hardware: 0.5%</b>				<b>Principal</b>	
Dell International LLC, 4.280% (1 Month US LIBOR + 1.750%), 9/7/21 . . . . .	123,377	119,649		<b>U.S. Government Notes: 4.0%</b>	
<b>Food - Wholesale: 1.1%</b>				United States Treasury Fixed Rate Note 2.875%, 10/31/20 . . . . .	180,000 181,095
JBS USA LUX SA, 5.260% (3 Month US LIBOR + 2.500%), 10/30/22 . . . . .	249,365	239,391		United States Treasury Fixed Rate Note 2.750%, 11/30/20 . . . . .	250,000 251,086
<b>Health Services: 0.9%</b>				United States Treasury Fixed Rate Note 1.375%, 12/15/19 . . . . .	450,000 444,639
DaVita, Inc., 5.272% (1 Month US LIBOR + 2.750%), 6/24/21 . . . . .	200,000	198,150		Total US Government Notes (cost \$875,003) . . . . .	876,820
<b>Independent Power and Renewable Electricity Producers: 0.6%</b>				<b>Short-Term Investment: 7.7%</b>	
NRG Energy, Inc., 4.272% (1 Month US LIBOR + 1.750%), 6/30/23 . . . . .	124,680	119,631		<b>Money Market Deposit Account: 7.7%</b>	
<b>Investments &amp; Miscellaneous Financial Services: 0.6%</b>				U.S. Bank Money Market Deposit Account, 2.200% . . . . .	1,709,456 1,709,456
WisdomTree International Holdings Ltd., 4.205% (1 Month US LIBOR + 1.750%), 1/31/21 . . . . .	125,000	123,750		Total Short-Term Investment (cost \$1,709,456) . . . . .	1,709,456

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**PENN CAPITAL DEFENSIVE SHORT DURATION HIGH INCOME FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**

	<u>Principal</u>	<u>Value</u>	<u>Country Exposure (as a percentage of total investments) (Unaudited)</u>	
<b>Total Investments - 101.0%</b>			United States . . . . .	92.96%
(cost \$22,906,562) . . . . .		22,406,921	Canada . . . . .	2.24%
<b>Liabilities in Excess of Other Assets (1.0)%</b> . . . . .		(227,479)	United Kingdom . . . . .	1.75%
<b>Net Assets: 100.0%</b> . . . . .		<u>\$22,179,442</u>	Luxembourg . . . . .	0.98%
			Netherlands . . . . .	0.89%
			Cayman Islands . . . . .	0.87%
			Bermuda . . . . .	0.31%

Percentages are stated as a percent of net assets.

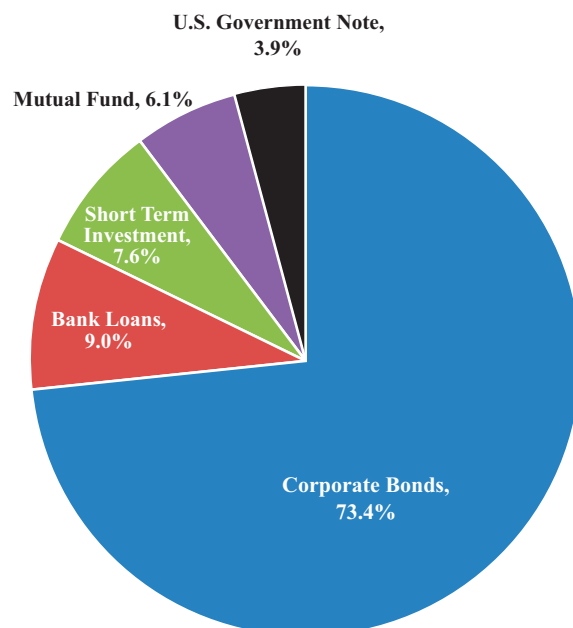
- (a) Securities purchased pursuant to Rule 144A of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other “qualified institutional buyers.” As of December 31, 2018, the value of these investments was \$3,060,973, or 13.8% of total net assets.
- (b) Bank Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London Interbank Offered Rate (“LIBOR”) and secondarily, the prime rate offered by one or more major United States banks (the “Prime Rate”) and the certificate of deposit (“CD”) rate or other base lending rates used by commercial lenders.
- (c) Affiliated company. See Note 7.

**The cost basis of investments for federal income tax purposes at December 31, 2018 was as follows\*:**

Cost of investments . . . . .	\$22,906,562
Gross unrealized appreciation . . . . .	4,551
Gross unrealized depreciation . . . . .	(504,192)
Net unrealized depreciation . . . . .	<u>\$ (499,641)</u>

\* Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year’s federal income tax information, please refer to the Notes to Financial Statements section in the Fund’s most recent annual report.

**Asset Type (as a percentage of total investments)**



The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**STATEMENTS OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2018 (UNAUDITED)**

	Penn Capital Managed Alpha SMID Cap Equity Fund	Penn Capital Special Situations Small Cap Equity Fund	Penn Capital Multi-Credit High Income Fund	Penn Capital Defensive Floating Rate Income Fund	Penn Capital Defensive Short Duration High Income Fund
<b>Assets</b>					
Investments, at fair value <sup>(1)</sup>					
Unaffiliated issuers . . . . .	\$ 12,158,824	\$ 9,091,267	\$ 10,355,699	\$ 34,705,757	\$ 21,044,197
Affiliated mutual fund (see Note 7) . . . . .	—	—	3,317,753	—	1,362,724
	<u>12,158,824</u>	<u>9,091,267</u>	<u>13,673,452</u>	<u>34,705,757</u>	<u>22,406,921</u>
Receivables:					
Advisor reimbursement due . . . . .	7,128	9,983	18,204	2,682	10,269
Dividends and interest . . . . .	16,149	4,345	165,051	336,232	267,130
Investments sold . . . . .	—	—	160,500	2,530,222	120,613
Fund shares sold . . . . .	50	8,478	—	—	—
Other assets . . . . .	13,315	14,624	11,818	16,469	8,175
Total assets . . . . .	<u>12,195,466</u>	<u>9,128,697</u>	<u>14,029,025</u>	<u>37,591,362</u>	<u>22,813,108</u>
<b>Liabilities</b>					
Payables:					
Investments purchased . . . . .	—	—	374,920	1,992,934	574,431
Fund shares redeemed . . . . .	2	2	4	3	3
Accrued expenses:					
Professional fees . . . . .	22,870	23,115	27,965	28,422	20,782
Administration fees . . . . .	16,880	16,833	23,781	25,974	15,482
Custody fees . . . . .	3,017	4,650	2,946	5,918	2,435
Transfer agent fees and expenses . . . . .	5,004	6,246	4,627	6,402	3,999
Trustee fees and expenses . . . . .	4,313	6,014	3,790	9,501	3,718
Interest expense . . . . .	—	133	—	—	—
Other accrued expenses . . . . .	18,477	25,565	10,503	12,431	12,816
Total liabilities . . . . .	<u>70,563</u>	<u>82,558</u>	<u>448,536</u>	<u>2,081,585</u>	<u>633,666</u>
Net assets . . . . .	<u>\$ 12,124,903</u>	<u>\$ 9,046,139</u>	<u>\$ 13,580,489</u>	<u>\$ 35,509,777</u>	<u>\$ 22,179,442</u>
<b>Composition of Net Assets</b>					
Paid-in capital . . . . .	\$ 11,587,801	\$10,098,877	\$ 14,278,492	\$ 36,987,290	\$ 22,729,480
Total distributable earnings . . . . .	537,102	(1,052,738)	(698,003)	(1,477,513)	(550,038)
Net assets . . . . .	<u>\$ 12,124,903</u>	<u>\$ 9,046,139</u>	<u>\$ 13,580,489</u>	<u>\$ 35,509,777</u>	<u>\$ 22,179,442</u>
<b>Institutional Class</b>					
Net assets applicable to outstanding shares . . . . .	<u>\$ 12,124,903</u>	<u>\$ 9,046,139</u>	<u>\$ 13,580,489</u>	<u>\$ 35,509,777</u>	<u>\$ 22,179,442</u>
Shares of beneficial interest outstanding, no par value, unlimited authorization . . . . .	<u>1,139,463</u>	<u>1,001,025</u>	<u>1,428,825</u>	<u>3,665,672</u>	<u>2,298,880</u>
Net asset value per share outstanding . . . . .	<u>\$ 10.64</u>	<u>\$ 9.04</u>	<u>\$ 9.50</u>	<u>\$ 9.69</u>	<u>\$ 9.65</u>
<b>Investor Class<sup>(2)</sup></b>					
Net assets applicable to outstanding shares . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Shares of beneficial interest outstanding, no par value, unlimited authorization . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net asset value per share outstanding . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
(1) Investment in securities at cost					
Unaffiliated issuers . . . . .	\$ 11,844,696	\$ 9,588,795	\$ 10,839,580	\$ 35,997,817	\$ 21,486,334
Affiliated mutual fund (see Note 7) . . . . .	—	—	3,474,135	—	1,420,228
(2) No information is provided for Investor Share Class shares because shares of that Class had not yet been issued as of December 31, 2018.					

The Accompanying Notes are an Integral Part of these Financial Statements.



**PENN CAPITAL FUNDS TRUST  
STATEMENTS OF OPERATIONS  
FOR THE SIX MONTH PERIOD ENDED  
DECEMBER 31, 2018 (UNAUDITED)**

	Penn Capital Managed Alpha SMID Cap Equity Fund	Penn Capital Special Situations Small Cap Equity Fund	Penn Capital Multi-Credit High Income Fund	Penn Capital Defensive Floating Rate Income Fund	Penn Capital Defensive Short Duration High Income Fund
	July 1, 2018 - December 31, 2018	July 1, 2018 - December 31, 2018	July 1, 2018 - December 31, 2018	July 1, 2018 - December 31, 2018	July 1, 2018 - December 31, 2018
<b>Investment Income (Loss)</b>					
<b>Income</b>					
Dividends**					
Unaffiliated dividends . . . . .	\$ 74,265	\$ 78,366	\$ —	\$ —	\$ —
Dividend distributions from affiliated mutual fund (see Note 7) . . . . .	—	—	78,860	—	49,727
Interest*** . . . . .	3,655	1,183	380,835	972,441	295,962
Total income . . . . .	<u>77,920</u>	<u>79,549</u>	<u>459,695</u>	<u>972,441</u>	<u>345,689</u>
<b>Expenses</b>					
Investment advisory fees . . . . .	65,607	89,209	47,996	100,756	37,632
Administration and accounting . . . . .	33,846	34,145	52,751	57,245	38,220
Professional fees . . . . .	20,125	20,065	25,219	25,372	22,256
Transfer agent expense . . . . .	9,924	10,786	9,280	11,965	8,848
Compliance fees . . . . .	7,091	7,092	7,091	7,087	6,819
Miscellaneous . . . . .	6,341	6,341	56	55	55
Registration . . . . .	6,305	9,310	6,150	4,825	5,995
Custodian . . . . .	3,594	4,382	3,867	5,828	3,361
Shareholder communication . . . . .	2,835	6,345	2,784	5,846	2,286
Trustees . . . . .	2,644	3,614	2,419	6,306	2,446
Insurance . . . . .	1,996	2,531	1,715	4,226	1,447
Shareholder servicing fees . . . . .	548	5,349	483	1,973	66
Interest expense . . . . .	—	133	—	—	—
Total expenses . . . . .	<u>160,856</u>	<u>199,302</u>	<u>159,811</u>	<u>231,484</u>	<u>129,431</u>
Expense waiver and reimbursement from Advisor . . . . .	(83,585)	(96,813)	(109,728)	(116,241)	(84,273)
Net expenses . . . . .	<u>77,271</u>	<u>102,489</u>	<u>50,083</u>	<u>115,243</u>	<u>45,158</u>
Net investment income (loss) . . . . .	<u>649</u>	<u>(22,940)</u>	<u>409,612</u>	<u>857,198</u>	<u>300,531</u>
<b>Realized and Unrealized Gain (Loss) on Investments</b>					
Net realized gain (loss) on investments					
Unaffiliated issuers . . . . .	204,032	(424,273)	(8,856)	(147,278)	(26,759)
Affiliated mutual fund (see Note 7) . . . . .	—	—	—	—	(9,534)
Net change in unrealized depreciation . . . . .	<u>(2,043,901)</u>	<u>(3,305,702)</u>	<u>(673,614)</u>	<u>(1,286,841)</u>	<u>(360,027)</u>
Net realized loss on investments . . . . .	<u>(1,839,869)</u>	<u>(3,729,975)</u>	<u>(682,470)</u>	<u>(1,434,119)</u>	<u>(396,320)</u>
Net decrease in net assets resulting from operations . . . . .	<u>\$(1,839,220)</u>	<u>\$(3,752,915)</u>	<u>\$(272,858)</u>	<u>\$( 576,921)</u>	<u>\$( 95,789)</u>
** Net of foreign taxes withheld of: . . . . .	\$ —	\$ 213	\$ —	\$ —	\$ —
*** Net of foreign taxes withheld of: . . . . .	\$ —	\$ —	\$ —	\$ —	\$ 149

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST**  
**STATEMENTS OF CHANGES IN NET ASSETS**

Increase (Decrease) in Net Assets	Penn Capital Managed Alpha SMID Cap Equity Fund		Penn Capital Special Situations Small Cap Equity Fund		Penn Capital Multi-Credit High Income Fund		Penn Capital Defensive Floating Rate Income Fund		Penn Capital Defensive Short Duration High Income Fund	
	July 1, 2018 - December 31, 2018	July 1, 2017 - June 30, 2018	July 1, 2018 - December 31, 2018	July 1, 2017 - June 30, 2018	July 1, 2018 - December 31, 2018	July 1, 2017 - June 30, 2018	July 1, 2018 - December 31, 2018	July 1, 2017 - June 30, 2018	July 1, 2018 - December 31, 2018	July 17, 2017* - June 30, 2018
<b>Operations</b>	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Net investment income (loss) . . . . .	\$ 649	\$ (45,253)	\$ (22,940)	\$ (133,199)	\$ 409,612	\$ 638,840	\$ 857,198	\$ 1,221,986	\$ 300,531	\$ 239,854
Net realized gain (loss) on investments: . . . . .	204,032	1,333,038	(424,273)	2,322,912	(8,856)	1,085	(147,278)	(49,428)	(36,293)	(7,382)
Capital gain distribution from affiliated mutual fund . . . . .	—	—	—	—	—	5,991	—	—	—	4,997
Net change in unrealized appreciation (depreciation) . . . . .	(2,043,901)	815,952	(3,305,702)	1,826,691	(673,614)	(261,461)	(1,286,841)	(177,558)	(360,027)	(139,614)
Net increase (decrease) in net assets resulting from operations . . . . .	(1,839,220)	2,103,737	(3,752,915)	4,016,404	(272,858)	384,455	(576,921)	995,000	(95,789)	97,855
<b>Dividends and distributions to shareholders</b>										
Net dividends and distributions from net investment income and realized gain— Institutional Class . . . . .	(1,274,995)	(217,398)	(1,194,499)	(2,239,983)	(497,144)	(855,013)	(960,914)	(1,353,114)	(340,784)	(211,320)
Total dividends and distributions to shareholders . . . . .	(1,274,995)	(217,398) <sup>(1)</sup>	(1,194,499)	(2,239,983) <sup>(2)</sup>	(497,144)	(855,013) <sup>(3)</sup>	(960,914)	(1,353,114) <sup>(4)</sup>	(340,784)	(211,320) <sup>(5)</sup>
<b>Capital share transactions</b>										
Net proceeds from sale of shares . . . . .	36,952	2,179,641	825,366	6,262,562	782,757	4,996,417	7,946,167	7,039,836	10,239,740	12,597,665
Dividends and distributions reinvested . . . . .	1,251,646	217,014	1,167,457	2,233,477	491,817	824,258	799,195	1,346,434	338,883	211,090
Cost of shares redeemed** . . . . .	(959,663)	(400,183)	(9,288,178)	(10,850,646)	(737,943)	(307,821)	(3,426,506)	(1,330,752)	(398,450)	(259,448)
Net increase (decrease) in net assets resulting from capital share transactions . . . . .	328,935	1,996,472	(7,295,355)	(2,354,607)	536,631	5,512,854	5,318,856	7,055,518	10,180,173	12,549,307
Net increase (decrease) in net assets . . . . .	(2,785,280)	3,882,811	(12,242,769)	(578,186)	(233,371)	5,042,296	3,781,021	6,697,404	9,743,600	12,435,842
<b>Net Assets</b>										
Beginning of period . . . . .	14,910,183	11,027,372	21,288,908	21,867,094	13,813,860	8,771,564	31,728,756	25,031,352	12,435,842	—
End of period . . . . .	\$12,124,903	\$14,910,183	\$ 9,046,139	\$ 21,288,908	\$13,580,489	\$13,813,860 <sup>(6)</sup>	\$35,509,777	\$31,728,756 <sup>(7)</sup>	\$22,179,442	\$12,435,842 <sup>(8)</sup>
** Net of redemption fees of:	\$ —	\$ —	\$ 644	\$ 741	\$ —	\$ 32	\$ 81	\$ —	\$ 833	\$ —

- (1) Includes net realized gain distributions of \$217,398.
- (2) Includes net realized gain distributions of \$2,239,983.
- (3) Includes net investment income distributions of \$632,448 and net realized gain distributions of \$222,565.
- (4) Includes net investment income distributions of \$1,186,100 and net realized gain distributions of \$167,014.
- (5) Includes net investment income distributions of \$211,320.
- (6) Includes accumulated net investment income of \$43,679.
- (7) Includes accumulated net investment income of \$115,673.
- (8) Includes accumulated net investment income of \$33,307.

\* Commencement of operations.

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST  
FINANCIAL HIGHLIGHTS**

	Per Common Share Data <sup>(a)</sup>									Supplemental data and ratios					
	Income from investment operations				Distributions to shareholders					Net assets, end of period (in 000's)	Ratio of expenses to average net assets, including waivers and reimbursement <sup>(b)</sup>	Ratio of expenses to average net assets, excluding waivers and reimbursement <sup>(b)</sup>	Ratio of net investment income (loss) to average net assets, including waivers and reimbursement <sup>(b)</sup>	Ratio of net investment income (loss) to average net assets, excluding waivers and reimbursement <sup>(b)</sup>	Portfolio turnover rate <sup>(c)</sup>
	Net asset value, beginning of period	Net investment income (loss)	Net realized and unrealized gains (losses)	Total from investment operations	Distributions from net investment income	Distributions from capital gains	Total distributions	Net asset value, end of period	Total return						
<b>Penn Capital Managed Alpha SMID Cap Equity Fund</b>															
Institutional Class															
7/1/18 to 12/31/18 (Unaudited)	\$13.55	0.00	(1.68)	(1.68)	—	(1.23)	(1.23)	\$10.64	-13.03% <sup>(d)</sup>	\$12,125	1.06%	2.21%	0.01%	(1.14)%	27%
7/1/17 to 6/30/18	\$11.73	(0.04)	2.07	2.03	—	(0.21)	(0.21)	\$13.55	17.41%	\$14,910	1.06%	2.38%	(0.34)%	(1.66)%	64%
7/1/16 to 6/30/17	\$ 9.65	(0.02)	2.10	2.08	—	—	—	\$11.73	21.55%	\$11,027	1.06%	2.63%	(0.29)%	(1.86)%	91%
12/1/15 <sup>(e)</sup> to 6/30/16	10.00	(0.03)	(0.32)	(0.35)	—	—	—	\$ 9.65	-3.50% <sup>(d)</sup>	\$ 9,462	1.06%	3.74%	(0.53)%	(3.21)%	70% <sup>(d)</sup>
<b>Penn Capital Special Situations Small Cap Equity Fund</b>															
Institutional Class															
7/1/18 to 12/31/18 (Unaudited)	\$12.59	(0.02)	(2.64)	(2.66) <sup>(f)</sup>	—	(0.89)	(0.89)	\$ 9.04	-21.83% <sup>(d)</sup>	\$ 9,046	1.09%	2.12%	(0.24)%	(1.27)%	57%
7/1/17 to 6/30/18	\$11.71	(0.08)	2.36	2.28 <sup>(f)</sup>	—	(1.40)	(1.40)	\$12.59	20.31%	\$21,289	1.09%	2.09%	(0.64)%	(1.64)%	105%
7/1/16 to 6/30/17	\$10.32	(0.04)	2.24	2.20 <sup>(f)</sup>	—	(0.81)	(0.81)	\$11.71	21.52%	\$21,867	1.09%	2.19%	(0.54)%	(1.64)%	101%
12/18/15 <sup>(e)</sup> to 6/30/16	\$10.00	(0.02)	0.34	0.32	—	—	—	\$10.32	3.20% <sup>(d)</sup>	\$ 8,554	1.09%	5.63%	(0.48)%	(5.02)%	102% <sup>(d)</sup>
<b>Penn Capital Multi—Credit High Income Fund</b>															
Institutional Class															
7/1/18 to 12/31/18 (Unaudited)	\$10.06	0.30	(0.50)	(0.20)	(0.33)	(0.03)	(0.36)	\$ 9.50	-2.07% <sup>(d)</sup>	\$13,580	0.72%	2.30%	5.89%	4.31%	40%
7/1/17 to 6/30/18	\$10.52	0.61	(0.22)	0.39 <sup>(f)</sup>	(0.63)	(0.22)	(0.85)	\$10.06	3.81%	\$13,814	0.72%	2.80%	5.89%	3.81%	66%
7/1/16 to 6/30/17	\$ 9.95	0.73	0.56	1.29	(0.72)	—	(0.72)	\$10.52	13.36%	\$ 8,772	0.72%	3.25%	7.01%	4.48%	79%
12/1/15 <sup>(e)</sup> to 6/30/16	\$10.00	0.35	(0.10)	0.25	(0.30)	—	(0.30)	\$ 9.95	2.66% <sup>(d)</sup>	\$ 7,843	0.72%	5.14%	6.34%	1.92%	62% <sup>(d)</sup>
<b>Penn Capital Defensive Floating Rate Income Fund</b>															
Institutional Class															
7/1/18 to 12/31/18 (Unaudited)	\$10.09	0.23	(0.37)	(0.14) <sup>(f)</sup>	(0.26)	—	(0.26)	\$ 9.69	-1.40% <sup>(d)</sup>	\$35,510	0.64%	1.26%	4.68%	4.06%	29%
7/1/17 to 6/30/18	\$10.21	0.43	(0.06)	0.37	(0.43)	(0.06)	(0.49)	\$10.09	3.71%	\$31,729	0.65% <sup>(g)</sup>	1.64%	4.31% <sup>(g)</sup>	3.32%	65%
7/1/16 to 6/30/17	\$10.09	0.40	0.17	0.57	(0.40)	(0.05)	(0.45)	\$10.21	5.66%	\$25,031	0.74%	1.95%	3.90%	2.69%	108%
12/1/15 <sup>(e)</sup> to 6/30/16	\$10.00	0.14	0.06	0.20	(0.11)	—	(0.11)	\$10.09	1.99% <sup>(d)</sup>	\$18,625	0.74%	2.77%	2.56%	0.53%	43% <sup>(d)</sup>
<b>Penn Capital Defensive Short Duration High Income Fund</b>															
Institutional Class															
7/1/18 to 12/31/18 (Unaudited)	\$ 9.85	0.19	(0.20)	(0.01) <sup>(f)</sup>	(0.19)	—	(0.19)	\$ 9.65	-0.07% <sup>(d)</sup>	\$22,179	0.54%	1.55%	3.59%	2.59%	23%
7/17/17 <sup>(e)</sup> to 6/30/18	\$10.00	0.27	(0.17)	0.10	(0.25)	—	(0.25)	\$ 9.85	1.03% <sup>(d)</sup>	\$12,436	0.54%	2.70%	3.08%	0.92%	39% <sup>(d)</sup>

\* No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018.

(a) Information presented related to a share outstanding for the entire period.

(b) Annualized for periods less than one full year.

(c) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

(d) Not annualized.

(e) Commencement of operations.

(f) Total from investment operations per share includes redemption fees of less than \$0.01 per share.

(g) Expense waiver of 0.64% was implemented on August 1, 2017.

The Accompanying Notes are an Integral Part of these Financial Statements.

**PENN CAPITAL FUNDS TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

***1. Organization (Unaudited)***

PENN Capital Funds Trust (the “Trust”) was organized as a Delaware statutory trust on August 29, 2014, and is registered under the Investment Company Act of 1940 (the “1940 Act”), as amended, as an open-end management investment company. The Trust consists of five series that are available for investment: the Penn Capital Managed Alpha SMID Cap Equity Fund, the Penn Capital Special Situations Small Cap Equity Fund, the Penn Capital Multi-Credit High Income Fund, the Penn Capital Defensive Floating Rate Income Fund and the Penn Capital Defensive Short Duration High Income Fund (collectively referred to as the “Funds” and each individually referred to as a “Fund”). Two other series: the Penn Capital Micro Cap Equity Fund and the Penn Capital Enterprise Value Small Cap Equity Fund are not currently offered. The Funds follow the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services- Investment Companies.”

The Penn Capital Managed Alpha SMID Cap Equity Fund and the Penn Capital Special Situations Small Cap Equity Fund’s investment objective is to seek to provide capital appreciation. The Penn Capital Managed Alpha SMID Cap Equity Fund commenced operations on December 1, 2015. The Penn Capital Special Situations Small Cap Equity Fund commenced operations on December 18, 2015.

The Penn Capital Multi-Credit High Income Fund’s investment objective is to seek to provide total return through interest income and capital appreciation. The Penn Capital Multi-Credit High Income Fund commenced operations on December 1, 2015.

The Penn Capital Defensive Floating Rate Income Fund’s investment objective is to seek to provide current income. The Penn Capital Defensive Floating Rate Income Fund commenced operations on December 1, 2015.

The Penn Capital Defensive Short Duration High Income Fund’s investment objective is to seek to provide a high level of current income. The Penn Capital Defensive Short Duration High Income Fund commenced operations on July 17, 2017.

Each Fund’s investment objective is non-fundamental, and may be changed by the Trust’s Board of Trustees (the “Board” or “Trustees”) without shareholder approval. Unless otherwise noted, all of the other investment policies and strategies described in the Prospectus or hereafter are nonfundamental. The Penn Capital Management Company, Inc. (“Advisor”) serves as the investment advisor to the Funds.

The Trust offers two classes of shares for the Penn Capital Managed Alpha SMID Cap Equity Fund, the Penn Capital Special Situations Small Cap Equity Fund, the Penn Capital Multi-Credit High Income Fund and the Penn Capital Defensive Floating Rate Income Fund: Institutional and Investor Class. The Trust offers Institutional Class shares for the Penn Capital Defensive Short Duration High Income Fund. The Trust has also registered two other series, each with one class: the Penn Capital Micro Cap Equity Fund and the Penn Capital Enterprise Value Small Cap Equity Fund: Institutional Class. No information is provided in this report for Investor Class shares because shares of that class had not yet been issued as of December 31, 2018. Neither class has a front-end or back-end sales charge. The Penn Capital Micro Cap Equity Fund and Penn Capital Enterprise Value Small Cap Fund have not commenced operations as of December 31, 2018.

***2. Significant Accounting Policies***

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

***A. Investment Valuation***

The Funds use the following valuation methods to determine fair value as either fair value for investments for which market quotations are available, or if not available, the fair value, as determined in good faith pursuant to such policies and procedures as may be approved by the Trust’s Board from time to time. The valuation of the portfolio investments of the Funds currently includes the following processes:

Portfolio securities listed on a national or foreign securities exchange, except those listed on the NASDAQ<sup>®</sup> Stock Market and Small CapSM exchanges (“NASDAQ<sup>®</sup>”), for which market quotations are available, are valued at the official closing price of such exchange on each business day (defined as days on which the Funds are open for business (“Business Day”). Portfolio securities traded on the NASDAQ<sup>®</sup> will be valued at the NASDAQ<sup>®</sup> Official Closing Price on each Business Day. If there is no such reported sale on an exchange or NASDAQ<sup>®</sup>, the portfolio security will be valued at the most recent quoted bid price. Price information on listed securities is taken from the exchange where the security is primarily traded.

**PENN CAPITAL FUNDS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Other assets and securities for which no quotations are readily available (such as for certain restricted or unlisted securities and private placements) or that may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities) will be valued in good faith at fair value using procedures and methods approved by the Board. Under the procedures adopted by the Board, the Board has delegated day-to-day responsibility for fair value determinations to a Valuation Committee comprised of representatives from the Advisor.

A Fund's portfolio holdings may also consist of shares of other investment companies in which the Fund invests. The value of each such investment company will be its net asset value ("NAV") at the time the Fund's shares are priced. Each investment company calculates its NAV based on the current market value for its portfolio holdings. Each investment company values securities and other instruments in a manner as described in that investment company's prospectus. The investment company's prospectus explains the circumstances under which the company will use fair value pricing and the effects of using fair value pricing.

Because a Fund may invest in foreign securities, the Fund's NAV may change on days when a shareholder will not be able to purchase or redeem Fund shares because foreign markets are open at times and on days when U.S. markets are not. Investments quoted in foreign currencies will be valued daily in U.S. dollars on the basis of the foreign currency exchange rates prevailing at the time such valuation is determined. Foreign currency exchange rates are generally determined as of the close of the New York Stock Exchange ("NYSE") (generally 4:00 p.m. Eastern time). If an event that could materially affect the value of the Fund's foreign securities has occurred between the time the securities were last traded and the time that the Fund calculates its NAV, the closing price of the Fund's securities may no longer reflect their market value at the time the Fund calculates its NAV. In such a case, the Fund may use fair value methods to value such securities.

Fixed income securities shall be valued at the evaluated bid price supplied by the Fund's pricing agent based on broker-dealer supplied valuations and other criteria, or directly by independent brokers when the pricing agent does not provide a price or the Valuation Committee does not believe that the pricing agent price reflects the current market value. If a price of a position is sought using independent brokers, the Advisor shall seek to obtain an evaluation bid price from at least two independent brokers who are knowledgeable about the position. The price of the position would be deemed to be an average of such bid prices. In the absence of sufficient broker dealer quotes, securities shall be valued at fair value pursuant to procedures adopted by the Board.

Bank loans are not listed on any securities exchange or board of trade. They are typically bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market. This market generally has fewer trades and less liquidity than the secondary market for other types of securities. Some bank loans have few or no trades, or trade infrequently, and information regarding a specific bank loan may not be widely available or may be incomplete. Except as otherwise specified, bank loan securities shall be valued at the evaluated bid prices supplied by the Fund's pricing agent based on broker-dealer supplied valuations and other criteria, or directly by independent brokers when the pricing agent does not provide a price or the Valuation Committee does not believe that the pricing agent price reflects the current market value. If a price of a position is sought using independent brokers, the Advisor shall seek to obtain a bid price from at least two independent brokers who are knowledgeable about the position. The price of the position would be deemed to be an average of such bid prices. In the absence of sufficient broker dealer quotes, securities shall be valued at fair value pursuant to procedures adopted by the Board.

Occasionally, reliable market quotations are not readily available (such as for certain restricted or unlisted securities and private placements) or securities and other assets may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities), or there may be events affecting the value of foreign securities or other securities held by the Funds that occur when regular trading on foreign or other exchanges is closed, but before trading on the NYSE is closed. Fair value determinations are then made in good faith in accordance with procedures adopted by the Board. Under the procedures adopted by the Board, the Board has delegated the responsibility for making fair value determinations to a Valuation Committee, subject to the Board's oversight. Generally, the fair value of a portfolio security or other asset shall be the amount that the owner of the security or asset might reasonably expect to receive upon its current sale. A three-tier hierarchy is utilized to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability and are developed based

**PENN CAPITAL FUNDS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available under the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 — unadjusted quoted prices in active markets for identical securities that the Funds have the ability to access

Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including a Fund's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes the inputs used as of December 31, 2018 in valuing each Fund's investments:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>Penn Capital Managed Alpha SMID Cap Equity</u></b>				
<b>Investments in Securities<sup>(a)</sup></b>				
Common Stocks . . . . .	\$10,664,300	\$ —	\$ —	\$10,664,300
Real Estate Investment Trusts (REITs) . . . . .	1,175,015	—	—	1,175,015
Money Market Deposit Account . . . . .	—	319,509	—	319,509
<b>Total Investments in Securities</b> . . . . .	<u>\$11,839,315</u>	<u>\$ 319,509</u>	<u>\$ —</u>	<u>\$12,158,824</u>
<b><u>Penn Capital Special Situations Small Cap Equity Fund</u></b>				
<b>Investments in Securities<sup>(a)</sup></b>				
Common Stocks . . . . .	\$ 8,677,409	\$ —	\$ —	\$ 8,677,409
Contingent Value Right . . . . .	—	93	—	93
Real Estate Investment Trust (REIT) . . . . .	321,236	—	—	321,236
Money Market Deposit Account . . . . .	—	92,529	—	92,529
<b>Total Investments in Securities</b> . . . . .	<u>\$ 8,998,645</u>	<u>\$ 92,622</u>	<u>\$ —</u>	<u>\$ 9,091,267</u>
<b><u>Penn Capital Multi-Credit High Income Fund</u></b>				
<b>Investments in Securities<sup>(a)</sup></b>				
Corporate Bonds . . . . .	\$ —	\$ 7,648,350	\$ —	\$ 7,648,350
Convertible Bond . . . . .	—	34,052	—	34,052
Bank Loans . . . . .	—	1,939,859	—	1,939,859
Mutual Fund . . . . .	3,317,753	—	—	3,317,753
Preferred Stock . . . . .	—	—	40	40
U.S. Government Notes . . . . .	—	276,430	—	276,430
Money Market Deposit Account . . . . .	—	456,968	—	456,968
<b>Total Investments in Securities</b> . . . . .	<u>\$ 3,317,753</u>	<u>\$10,355,659</u>	<u>\$ 40</u>	<u>\$13,673,452</u>
<b><u>Penn Capital Defensive Floating Rate Income Fund</u></b>				
<b>Investments in Securities<sup>(a)</sup></b>				
Bank Loans . . . . .	\$ —	\$30,706,422	\$ —	\$30,706,422
Corporate Bonds . . . . .	—	3,651,236	—	3,651,236
Money Market Deposit Account . . . . .	—	348,099	—	348,099
<b>Total Investments in Securities</b> . . . . .	<u>\$ —</u>	<u>\$34,705,757</u>	<u>\$ —</u>	<u>\$34,705,757</u>

**PENN CAPITAL FUNDS TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Penn Capital Defensive Short Duration High Income Fund**

Investments in Securities <sup>(a)</sup>	Level 1	Level 2	Level 3	Total
Corporate Bonds .....	\$ —	\$16,433,294	\$ —	\$16,433,294
Bank Loans .....	—	2,024,627	—	2,024,627
Mutual Fund .....	1,362,724	—	—	1,362,724
U.S. Government Notes .....	—	876,820	—	876,820
Money Market Deposit Account .....	—	1,709,456	—	1,709,456
<b>Total Investments in Securities</b> .....	<u>\$1,362,724</u>	<u>\$21,044,197</u>	<u>\$ —</u>	<u>\$22,406,921</u>

(a) All other industry classifications are identified in the Schedule of Investments for each Fund.

The following table summarizes quantitative information about significant unobservable valuation inputs for Level 3 fair value measurement as of December 31, 2018:

Type of Assets	Fair Value as of December 31, 2018	Valuation Techniques	Unobservable Input
<b>Penn Capital Multi-Credit High Income Fund</b>			
<b>Preferred Stock</b>			
Spanish Broadcasting Systems, Inc. ....	40	Broker Quote	Unpublished Independent broker quote

The following table reconciles Level 3 investments based on the inputs used to determine fair value:

	Balance as of July 1, 2018	Purchases	Sales	Accretion of Discount	Net Realized Gain/Loss	Balance as of December 31, 2018	Change in Unrealized Depreciation from Investments Held as of December 31, 2018
<b>Penn Capital Multi-Credit High Income Fund</b>							
<b>Common Stock</b>							
ACC Claims Holdings LLC .....	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (46)
<b>Preferred Stock</b>							
Spanish Broadcasting Systems, Inc. ....	\$ 41	—	—	—	—	\$ 40	\$ (1)

As of December 31, 2018 the change in unrealized depreciation on positions still held for securities that were considered Level 3 was \$(47).

*B. Investment Transactions and Related Investment Income*

Investment transactions are accounted for on a trade-date basis. Interest income is recorded on the accrual basis, including the amortization of premiums and accretion of discounts on bonds held using the yield-to-maturity method. Dividend income is recognized on ex-dividend date.

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and Federal income tax purposes on the identified cost method.

*C. Expenses*

The Trust's expenses are allocated to the individual Fund in proportion to the net assets of the respective Fund when the expenses were incurred, except where direct allocations of expenses can be made.

**PENN CAPITAL FUNDS TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

*D. Use of Estimates*

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

*E. Dividends and Distributions*

Dividends and distributions to Shareholders are recorded on the ex-date. The Penn Capital Multi-Credit High Income Fund, the Penn Capital Defensive Floating Rate Income Fund and the Penn Capital Defensive Short Duration High Income Fund declare and distribute their net investment income, if any, monthly and make distributions of their net realized capital gains, if any, at least annually, usually in December. The Penn Capital Managed Alpha SMID Cap Equity Fund and the Penn Capital Special Situations Small Cap Equity Fund declare and distribute their net investment income, if any, annually and make distributions of net realized capital gains, if any, at least annually.

The character of distributions made during the period from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. In addition, due to the timing of dividend distributions, the fiscal period in which the amounts are distributed may differ from the period that income or realized gains (losses) were recorded by each Fund.

*F. Federal Income Taxes*

Each Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. If so qualified, the Funds will not be subject to federal income tax to the extent they distribute all of their net investment income and capital gains to shareholders. Therefore, no federal income tax provision is required.

The Funds evaluate tax positions taken or expected to be taken in the course of preparing their tax returns to determine whether it is more-likely-than-not (i.e., greater than 50%) that each tax position will be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Funds did not record any tax provision in the current period and have no provision for taxes in the financial statements. However, management's conclusions regarding tax positions taken may be subject to review and adjustment at a later date based on factors including, but not limited to, examination by tax authorities (i.e., the last three open tax year ends, as applicable) and on-going analysis of and changes to tax laws, regulations and interpretations thereof.

*G. Indemnifications*

Under the Trust's organizational documents, its officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust and each Fund. In addition, in the normal course of business, the Trust may enter into contracts that provide general indemnification to other parties. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred, and may not occur. However, the Trust has not had prior claims or losses pursuant to these contracts and considers the risk of loss to be remote.

**3. Agreements and Related Party Transactions**

*Investment Advisory Agreement*

The Trust has entered into an investment advisory agreement with the Advisor. Under the terms of the agreement, each Fund pays the Advisor a fee, payable at the end of each month, at an annual rate, set forth in the table below, of the respective Fund's average daily net assets.

Penn Capital Managed Alpha SMID Cap Equity Fund . . . . .	0.90%
Penn Capital Special Situations Small Cap Equity Fund . . . . .	0.95%
Penn Capital Multi-Credit High Income Fund . . . . .	0.69%
Penn Capital Defensive Floating Rate Income Fund . . . . .	0.55%
Penn Capital Defensive Short Duration High Income Fund . . . . .	0.45%

With respect to each Fund other than the Penn Capital Multi-Credit High Income Fund and the Penn Capital Defensive Short Duration High Income Fund, the Advisor has contractually agreed to waive its fees and/or pay Fund expenses so that the



**PENN CAPITAL FUNDS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Funds' total annual 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 the amounts shown below as a percentage of each Fund's average daily net assets. With respect to the Penn Capital Multi-Credit High Income Fund and the Penn Capital Defensive Short Duration High Income Fund, the Advisor has contractually agreed to waive its fees and/or pay Fund expenses so that the Fund's total annual operating expenses (including any acquired fund fees and expenses incurred by the Fund as a result of its investments in other investment companies managed by the Advisor, but excluding any acquired fund fees and expenses incurred by the Fund as a result of its investments in unaffiliated investment companies, taxes, interest, brokerage fees, certain insurance costs, and extraordinary and other non-routine expenses) do not exceed the amounts shown below as a percentage of each Fund's average daily net assets. The expense limitation agreement will remain in place through October 31, 2019. Thereafter, the expense limitation agreement for the Funds will be reviewed annually by the Advisor and the Board.

	<u>Institutional Class</u>	<u>Investor Class</u>
Penn Capital Managed Alpha SMID Cap Equity Fund . . . . .	1.06%	1.31%
Penn Capital Special Situations Small Cap Equity Fund . . . . .	1.09%	1.34%
Penn Capital Multi-Credit High Income Fund . . . . .	0.72%	0.97%
Penn Capital Defensive Floating Rate Income Fund . . . . .	0.64%	0.89%
Penn Capital Defensive Short Duration High Income Fund . . . . .	0.54%	N/A

Any waived or reimbursed expenses by the Advisor to the Funds excluding any waivers related to acquired fund fees and expenses incurred by the Funds as a result of its investments in other investment companies managed by the Advisor, are subject to repayment by a Fund in the three years following the date the fees were waived or the expenses were paid, provided that the respective Fund is able to make the repayment without exceeding the Fund's expense limitation in place when the fees were waived or expenses paid. The Advisor's waived fees and paid expenses that are subject to potential recoupment are as follows:

<u>Fiscal Period Incurred</u>	<u>Amount Waived/ Expenses Assumed</u>	<u>Amount Recouped</u>	<u>Amount Subject to Potential Recoupment</u>	<u>Year of Expiration</u>
<b>Penn Capital Managed Alpha SMID Cap Equity Fund</b>				
June 30, 2016 . . . . .	\$ 146,572	—	\$ 146,572	2019
June 30, 2017 . . . . .	162,111	—	162,111	2020
June 30, 2018 . . . . .	175,125	—	175,125	2021
June 30, 2019 . . . . .	83,585	—	83,585	2022
Total . . . . .	<u>\$ 567,393</u>	<u>\$ —</u>	<u>\$ 567,393</u>	
<b>Penn Capital Special Situations Small Cap Equity Fund</b>				
June 30, 2016 . . . . .	\$ 128,464	—	\$ 128,464	2019
June 30, 2017 . . . . .	158,820	—	158,820	2020
June 30, 2018 . . . . .	208,947	—	208,947	2021
June 30, 2019 . . . . .	96,813	—	96,813	2022
Total . . . . .	<u>\$ 593,044</u>	<u>\$ —</u>	<u>\$ 593,044</u>	
<b>Penn Capital Multi-Credit High Income Fund</b>				
June 30, 2016 . . . . .	\$ 171,803	—	\$ 171,803	2019
June 30, 2017 . . . . .	218,116	—	218,116	2020
June 30, 2018 . . . . .	226,073	—	226,073	2021
June 30, 2019 . . . . .	106,475	—	106,475	2022
Total . . . . .	<u>\$ 722,467</u>	<u>\$ —</u>	<u>\$ 722,467</u>	
<b>Penn Capital Defensive Floating Rate Income Fund</b>				
June 30, 2016 . . . . .	\$ 205,304	—	\$ 205,304	2019
June 30, 2017 . . . . .	261,441	—	261,441	2020
June 30, 2018 . . . . .	281,780	—	281,780	2021
June 30, 2019 . . . . .	116,241	—	116,241	2022
Total . . . . .	<u>\$ 864,766</u>	<u>\$ —</u>	<u>\$ 864,766</u>	
<b>Penn Capital Defensive Short Duration High Income Fund</b>				
June 30, 2018 . . . . .	\$ 164,748	—	\$ 164,748	2021
June 30, 2019 . . . . .	82,845	—	82,845	2022
Total . . . . .	<u>\$ 247,593</u>	<u>\$ —</u>	<u>\$ 247,593</u>	

Certain Officers and Trustees of the Funds are also Officers of the Advisor.

**PENN CAPITAL FUNDS TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

As of December 31, 2018, greater than 5% of the following PENN Capital Funds was held by other PENN Capital Funds as follows:

<u>Affiliated Fund Held</u>	<u>% Owned</u>	<u>Significant Owner</u>
Penn Capital Defensive Floating Rate Income Fund . . . . .	9%	Penn Capital Multi-Credit High Income Fund

The Trust has engaged Foreside Fund Officers Services, LLC to provide compliance services including the appointment of the Trust’s Chief Compliance Officer and Anti-Money Laundering Officer.

*Distribution Agreement*

Foreside Fund Services, LLC is the Trust’s distributor and principal underwriter (the Distributor). The Trust has adopted a plan of distribution under Rule 12b-1 of the 1940 Act applicable to the Investor Class. Under the plan, 12b-1 distribution fees at an annual rate of 0.25% of average daily net assets of Investor Class shares are paid to the Distributor or others for distribution and shareholder services. For the period ended December 31, 2018, there were no distribution fees paid under the plan because the Investor Class shares had not yet been issued as of December 31, 2018.

The Trust has engaged U.S. Bank Global Fund Services to serve as the Fund’s administrator, fund accountant, and transfer agent. The Trust has engaged U.S. Bank, N.A. to serve as the Fund’s custodian.

*Shareholder Servicing Plan*

The Trust has adopted a Shareholder Servicing Plan on behalf of each Fund’s Investor Class and Institutional Class. Under the plan, each Class can pay for non-distribution related shareholder support services (“service fees”) in an amount up to 0.15% of its average daily net assets. For the period ended December 31, 2018, there were no service fees incurred by the Investor Class shares because the Investor Class shares had not yet been issued as of December 31, 2018. The amount actually incurred by the Institutional Class shares for the period ended December 31, 2018 on an annualized basis was 0.01% for the Penn Capital Managed Alpha SMID Cap Equity Fund, 0.06% for the Penn Capital Special Situations Small Cap Equity Fund, 0.01% for the Penn Capital Multi-Credit High Income Fund, 0.01% for the Penn Capital Defensive Floating Rate Income Fund, and less than 0.01% for the Penn Capital Defensive Short Duration High Income Fund.

*Other Related Party Transactions*

The Advisor, and the officers of the Trust, have made investments in the Funds and accordingly pay the Funds’ investment advisory fees and other expenses identified in each Fund’s Prospectus.

**4. Federal Tax Information**

It is each Fund’s intention to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differences in the timing of recognition of gains or losses on investments. Permanent book and tax basis differences, if any, may result in reclassifications to undistributed net investment income (loss), undistributed net realized gain (loss) and additional paid-in capital.

A regulated investment company may elect for any taxable year to treat any portion of the qualified late year loss as arising on the first day of the next taxable year. Qualified late year losses are certain capital and ordinary losses which occur during the portion of the taxable year subsequent to October 31 and December 31, respectively.

**PENN CAPITAL FUNDS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

The character of distributions for tax purposes paid during the six month period ended December 31, 2018 is as follows:

	<u>Ordinary Income Distributions</u>	<u>Long-Term Capital Gain Distributions</u>
Penn Capital Managed Alpha SMID Cap Equity Fund .....	\$ 385,893	\$ 889,102
Penn Capital Special Situations Small Cap Equity Fund .....	272,540	921,959
Penn Capital Multi-Credit High Income Fund .....	483,108	14,036
Penn Capital Defensive Floating Rate Income Fund .....	960,914	—
Penn Capital Defensive Short Duration High Income Fund .....	340,784	—

The character of distributions for tax purposes paid during the fiscal year ended June 30, 2018 is as follows:

	<u>Ordinary Income Distributions</u>	<u>Long-Term Capital Gain Distributions</u>
Penn Capital Managed Alpha SMID Cap Equity Fund .....	\$ 103,969	\$ 113,429
Penn Capital Special Situations Small Cap Equity Fund .....	1,149,801	1,090,182
Penn Capital Multi-Credit High Income Fund .....	831,287	23,726
Penn Capital Defensive Floating Rate Income Fund .....	1,345,610	7,504
Penn Capital Defensive Short Duration High Income Fund .....	211,320	—

**5. Investment Transactions**

The cost of security purchases and the proceeds from security sales, other than short-term investments, for the period ended December 31, 2018, were as follows:

	<u>Non-U.S. Government</u>		<u>U.S. Government</u>	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Penn Capital Managed Alpha SMID Cap Equity Fund .....	\$ 3,818,563	\$ 4,653,447	\$ —	\$ —
Penn Capital Special Situations Small Cap Equity Fund .....	9,545,309	17,897,123	—	—
Penn Capital Multi-Credit High Income Fund .....	5,592,332	5,406,293	275,156	—
Penn Capital Defensive Floating Rate Income Fund .....	14,807,919	9,751,254	375,703	375,762
Penn Capital Defensive Short Duration High Income Fund .....	11,688,703	3,610,053	430,280	—

**6. Capital Share Transactions**

	<u>Penn Capital Managed Alpha SMID Cap Equity Fund July 1, 2018 - December 31, 2018</u>	<u>Penn Capital Special Situations Small Cap Fund July 1, 2018 - December 31, 2018</u>	<u>Penn Capital Multi-Credit High Income Fund July 1, 2018 - December 31, 2018</u>	<u>Penn Capital Defensive Floating Rate Income Fund July 1, 2018 - December 31, 2018</u>	<u>Penn Capital Defensive Short Duration High Income Fund July 1, 2018 - December 31, 2018</u>
<b>Institutional Class Shares</b>					
Share sold .....	2,789	66,087	79,057	787,588	1,042,820
Shares sold to holders in					
reinvestment of dividends ...	109,219	116,513	49,668	79,748	34,560
Shares redeemed .....	(73,241)	(871,898)	(73,271)	(347,713)	(41,018)
Net increase (decrease) .....	<u>38,767</u>	<u>(689,298)</u>	<u>55,454</u>	<u>519,623</u>	<u>1,036,362</u>
<b>Institutional Amount</b>					
Shares sold .....	\$ 36,952	\$ 825,366	\$ 782,757	\$ 7,946,167	\$ 10,239,740
Shares sold to holders in					
reinvestment of dividends ...	1,251,646	1,167,457	491,817	799,195	338,883
Shares redeemed .....	(959,663)	(9,288,178)	(737,943)	(3,426,506)	(398,450)
Net increase (decrease) .....	<u>\$ 328,935</u>	<u>\$ (7,295,355)</u>	<u>\$ 536,631</u>	<u>\$ 5,318,856</u>	<u>\$ 10,180,173</u>

**PENN CAPITAL FUNDS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

	Penn Capital Managed Alpha SMID Cap Equity Fund Year Ended June 30, 2018	Penn Capital Special Situations Small Cap Equity Fund Year Ended June 30, 2018	Penn Capital Multi-Credit High Income Fund Year Ended June 30, 2018	Penn Capital Defensive Floating Rate Income Fund Year Ended June 30, 2018	Penn Capital Defensive Short Duration High Income Fund Period Ended June 30, 2018
<b>Institutional Class Shares</b>					
Shares sold	175,264	531,370	489,121	692,903	1,267,496
Shares sold to holders in reinvestment of dividends	16,642	189,922	80,338	132,711	21,354
Shares redeemed	(31,443)	(898,039)	(29,546)	(130,898)	(26,332)
Net increase (decrease)	<u>160,463</u>	<u>(176,747)</u>	<u>539,913</u>	<u>694,716</u>	<u>1,262,518</u>
<b>Institutional Amount</b>					
Shares sold	\$2,179,641	\$ 6,262,562	\$4,996,417	\$ 7,039,836	\$12,597,665
Shares sold to holders in reinvestment of dividends	217,014	2,233,477	824,258	1,346,434	211,090
Shares redeemed	(400,183)	(10,850,646)	(307,821)	(1,330,752)	(259,448)
Net increase (decrease)	<u>\$1,996,472</u>	<u>\$ (2,354,607)</u>	<u>\$5,512,854</u>	<u>\$ 7,055,518</u>	<u>\$12,549,307</u>

**7. Transactions with Affiliates**

The following issuers are affiliated with the Funds; that is, the Adviser had control of 5% or more of the outstanding voting securities during the period from July 1, 2018 through December 31, 2018. As defined in Section (2)(a)(3) of the Investment Company Act of 1940; such issues are:

Issuer Name	July 1, 2018		Additions		Reductions		December 31, 2018		Dividend Income	Capital Gain Distribution	Unrealized Depreciation Change	Realized Loss	December 31, 2018	
	Share Balance	Cost	Share Balance	Cost	Share Balance	Cost	Share Balance	Cost					Value	Cost
<b>Penn Capital Multi-Credit High Income Fund</b>														
Penn Capital Defensive Floating Rate Income Fund	248,153	\$2,520,274	94,236	\$953,861	—	\$ —	342,389	—	\$ 78,860	\$ —	\$ (139,969)	\$ —	\$ 3,317,753	\$3,474,135
		\$2,520,274		\$953,861		\$ —			\$ 78,860		\$ (139,969)		\$ 3,317,753	\$3,474,135
<b>Penn Capital Defensive Short Duration High Income Fund</b>														
Penn Capital Defensive Floating Rate Income Fund	183,599	\$1,865,035	68,430	\$689,727	(111,397)	\$(1,134,534)	140,632	—	\$ 49,727	\$ —	\$ (44,987)	\$ (9,534)	\$ 1,362,724	\$1,420,228
		\$1,865,035		\$689,727		\$(1,134,534)			\$ 49,727		\$ (44,987)	\$ (9,534)	\$ 1,362,724	\$1,420,228

**8. Credit Risk and Asset Concentration**

Small- and mid-capitalization companies may not have the size, resources and other assets of large capitalization companies. As a result, the securities of small- and mid-capitalization companies may be subject to greater market risks and fluctuations in value than large capitalization companies or may not correspond to changes in the stock market in general. In addition, small- and mid-capitalization companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

High yield securities and unrated securities of similar credit quality have speculative characteristics and involve greater volatility of price and yield, greater of liquidity risk, and generally reflect a greater possibility of an adverse change in financial condition that could affect an issuer's ability to honor its obligations.

**PENN CAPITAL FUNDS TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

There are a number of risks associated with an investment in bank loans, including credit risk, interest rate risk, liquidity risk and prepayment risk. Lack of an active trading market, restrictions on resale, irregular trading activity, wide bid/ask spreads and extended trade settlement periods may impair the Fund's ability to sell bank loans within its desired time frame or at an acceptable price and its ability to accurately value existing and prospective investments. Extended trade settlement periods may result in cash not being immediately available to the Fund. As a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions to raise cash to meet its obligations.

**9. Line of Credit**

PENN Capital Funds Trust has a \$10,000,000 uncommitted, unsecured, umbrella 364-day line of credit, for temporary purposes, including to meet redemption requests. The interest rate as of December 31, 2018 was 5.00%. During the period ended December 31, 2018, Penn Capital Special Situations Small Cap Equity Fund's maximum borrowing was \$175,000 and average borrowing was \$2,740. This borrowing resulted in interest expenses of \$133. The Penn Capital Managed Alpha SMID Cap Equity Fund, Penn Capital Multi-Credit High Income Fund, Penn Capital Defensive Floating Rate Income Fund and Penn Capital Defensive Short Duration High Income Fund did not use the credit line.

**10. Recent Accounting Pronouncement**

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management is currently evaluating the impact these changes will have on the Fund's financial statements and disclosures.

**11. Subsequent Events**

Except as disclosed above, as of the date the financial statements were available to be issued, Management has determined that no additional material events or transactions occurred that would require recognition or disclosure in the Funds' financial statements.

**12. Concentration Risks**

The Advisor and its employees collectively have beneficial ownership, either directly or indirectly, of more than 25% of each of the Funds as of December 31, 2018. Additionally, there is an investor that owns more than 10% of the Penn Capital Defensive Floating Rate Fund, Penn Capital Multi-Credit High Income Fund and Penn Capital Short Duration High Income Fund as of December 31, 2018. Also, to the extent multiple investors in the Funds rely on the advice of a common investment advisor the funds may have a concentration risk.

**PENN CAPITAL FUNDS TRUST  
ADDITIONAL INFORMATION  
DECEMBER 31, 2018 (UNAUDITED)**

***Trustee and Officer Compensation***

The Trust does not compensate any of its Trustees who are interested persons nor any of its officers. For the period ended December 31, 2018, the aggregate compensation paid by the Trust to the independent Trustees was \$17,500. The Trust did not pay any special compensation to any of its Trustees or officers. The Statement of Additional Information includes additional information about the Trustees and is available without charge, upon request, by calling 844-302-7366.

***Proxy Voting Policies***

A description of the policies and procedures that each Fund uses to determine how to vote proxies relating to portfolio securities owned by that Fund is available: (1) without charge, upon request, by calling 844-302-7366; (2) in the Statement of Additional Information on the Trust's website [www.penncapitalfunds.com](http://www.penncapitalfunds.com); and (3) on the SEC's website at [www.sec.gov](http://www.sec.gov). Information about how the Funds voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 may be obtained (1) without charge, upon request, by calling 844-302-7366 and (2) on the SEC's website at [www.sec.gov](http://www.sec.gov).

***Form N-Q***

Each Fund files its complete schedule of portfolio holdings for the first and third quarters of each fiscal year with the SEC on Form N-Q. Each Fund's Forms N-Q are available without charge by visiting the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, you may review and copy each Fund's Forms N-Q at the SEC's Public Reference Room in Washington D.C. You may obtain information on the operation of the Public Reference Room by calling (800) SEC-0330.

***Householding***

In an effort to decrease costs, the Funds intend to reduce the number of duplicate prospectuses, annual and semi-annual reports, proxy statements and other similar documents you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders that the transfer agent reasonably believes are from the same family or household. Once implemented, if you would like to discontinue householding for your accounts, please call (844) 302-7366 to request individual copies of these documents. The transfer agent will begin sending individual copies thirty days after receiving your request to stop householding. This policy does not apply to account statements.

## Board Approval of Investment Advisory Agreements

At the September 6, 2018 meeting (collectively, the “Meeting”) of the Board of Trustees (the “Board” or “Trustees”) of the PENN Capital Funds Trust (the “Trust”), the Board, including those Trustees who are not “interested persons” (as that term is defined in the Investment Company Act of 1940, as amended (the “1940 Act”)) of the Trust (the “Independent Trustees”), approved the renewal of the investment advisory agreement (the “Investment Advisory Agreement”) between Penn Capital Management Company, Inc. (the “Adviser”) and the Trust, on behalf of the Penn Capital Managed Alpha SMID Cap Equity Fund, Penn Capital Special Situations Small Cap Equity Fund, Penn Capital Multi Credit High Income Fund, Penn Capital Defensive Floating Rate Income Fund and Penn Capital Defensive Short Duration High Income Fund series of the Trust (each a “Fund” and collectively, the “Funds”).

In connection with considering the approval of the Investment Advisory Agreement, the Independent Trustees met in executive session. The Board, including the Independent Trustees, evaluated the terms of the Investment Advisory Agreement, reviewed the information provided by the Adviser in connection with the consideration of approving the continuation of the Investment Advisory Agreement, and reviewed the duties and responsibilities of the Trustees in evaluating and approving the continuation of the agreement.

In considering approval of the continuation of the Investment Advisory Agreement, the Board, including the Independent Trustees, reviewed the Meeting Materials and other information from counsel and from Penn Capital, including: (i) a copy of the Investment Advisory Agreement; (ii) information describing the nature, quality and extent of the services that Penn Capital provides and expects to provide to the Funds; (iii) information concerning Penn Capital’s financial condition, business, operations, portfolio management teams and compliance program; (iv) information describing each Fund’s advisory fee and operating expenses; (v) a copy of the current Form ADV for Penn Capital; and (vi) a memorandum from counsel on the responsibilities of trustees in considering investment advisory arrangements under the Investment Company Act of 1940, as amended. The Board also considered presentations made by, and discussions held with, representatives of Penn Capital, as well as information presented at Board meetings throughout the year. The Board also received information comparing the advisory fee, expenses and performance of each Fund to other investment companies considered to be in the Funds’ peer group.

During its review of this information, the Board focused on and analyzed the factors that the Board deemed relevant, including: (i) the nature, quality and extent of the services provided and expected to be provided to each Fund by Penn Capital; (ii) Penn Capital’s personnel and operations; (iii) each Fund’s expense level; (iv) the profitability to Penn Capital under the Investment Advisory Agreement; (v) any “fall-out” benefits to Penn Capital and its affiliates (i.e., the ancillary benefits realized by Penn Capital and its affiliates from Penn Capital’s relationship with the Trust); (vi) the effect of asset growth on each Fund’s expenses; (vii) possible conflicts of interest; and (viii) the investment performance of the Funds.

The Board, including the Independent Trustees, considered the following in respect of each Fund:

(a) *The nature, extent and quality of services provided and expected to be provided by Penn Capital to the Funds; Penn Capital’s personnel and operations.* The Board reviewed the services that Penn Capital provides and expected to provide to each Fund. The Board noted the responsibilities that Penn Capital has as the Funds’ investment adviser, including: the responsibility for the management and investment of each Fund’s securities portfolio; executing portfolio security trades; monitoring compliance with each Fund’s investment objective, policies and limitations; the responsibility for quarterly reporting to the Board; the oversight of general portfolio compliance with relevant law; and the implementation of Board directives as they relate to each Fund.

The Board reviewed Penn Capital’s experience, resources and strengths in managing the Funds, as well as other pooled investment vehicles, and Penn Capital’s personnel. Based on its consideration and review of the foregoing information, the Board determined that each Fund was likely to continue to benefit from the nature, quality and extent of these services, as well as Penn Capital’s ability to render such services based on their experience, personnel, operations, and resources.

(b) Comparison of services provided and fees paid to those under other investment advisory contracts. The Board compared both the services provided and the fees paid pursuant to the Investment Advisory Agreement to those under other contracts of Penn Capital, and under contracts of other investment advisers with respect to similar funds. In particular, the Board compared each Fund’s advisory fee and expense ratio to other investment companies considered to be in that Fund’s peer group. The Board noted that Penn Capital entered into an Expense Limitation Agreement whereby Penn Capital waives advisory fees and/or assumes expenses to keep the Funds’ expenses from exceeding certain levels. The Board also noted that Penn Capital has agreed to waive advisory fees and/or assume expenses with respect to the Penn Capital Multi-Credit High Income Fund and Penn Capital Defensive Short Duration High Income Fund to the extent of any acquired fund fees and expenses incurred by the Funds as a result of its investment in other investment companies managed by Penn Capital. The Board received and considered information about the fee rates charged to other accounts and clients that are managed by Penn Capital, including information about the differences in services provided to the non-registered investment company clients.

Consideration was given to the advisory fees and expense ratios of the Institutional Class Shares of the Funds, the only share class with assets to date. With respect to the Penn Capital Defensive Floating Rate Income Fund, the Board considered that the Fund's advisory fee was below both the median and average of its peer group, and the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Defensive Short Duration High Income Fund, the Board considered that the Fund's advisory fee was below both the median and average of its peer group, and the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Multi-Credit High Income Fund, the Board considered that the Fund's advisory fee was above the median and below the average of its peer group, but the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Managed Alpha SMID Cap Equity Fund and Penn Capital Special Situations Small Cap Equity Fund, the Board considered that each Fund's advisory fee was above both the median and average of its respective expense peer group, while each Fund's total expenses (including the fee waiver) was above the median but below the average of its respective expense peer group. To the extent that a Fund's advisory fee was above the median and average of its respective peer group, Penn Capital explained and the Board considered the reasons for the higher advisory fees.

After comparing each Fund's fees with those of other funds in the Fund's peer group, and considering the information about fee rates Penn Capital charged to other accounts and clients, and in light of the nature, quality and extent of services provided by Penn Capital and the costs Penn Capital incurred by providing those services, the Board concluded that the level of fees paid to Penn Capital with respect to the Funds was fair and reasonable.

(c) The cost of the services provided and profits realized by Penn Capital from the relationship with the Funds; the extent to which economies of scale were realized as the Funds grew, and whether fee levels reflect such economies of scale; "fall-out" benefits; possible conflicts of interest.

The Board discussed the costs, including operational costs, and Penn Capital's profitability in connection with its serving as each Fund's investment adviser. The Board considered that the Funds were still not yet of a sufficient size to be experiencing economies of scale. The Board concluded that the profitability of Penn Capital, and the extent to which economies of scale were reflected in the Funds' advisory fees, were reasonable for the Funds in relation to the performance and asset sizes of the Funds.

The Board considered that Penn Capital may experience reputational "fall-out" benefits based on the success of the Funds, but that such benefits are not easily quantifiable. The Board noted that since the Trust's service providers are not affiliated with Penn Capital, such services do not give rise to "fall-out" benefits for Penn Capital. The Board also noted Penn Capital's procedures to manage potential conflicts of interest and Penn Capital's belief that its management of the series of the Trust does not present a material conflict of interest.

(d) Investment performance of the Funds. The Board considered the investment performance of the Funds. In particular, the Board considered the investment performance of the Funds relative to their stated investment objectives and strategies and the success of Penn Capital in reaching such objectives. The Board considered each Fund's investment performance compared to the benchmark index that each Fund uses for comparison in its Prospectus and shareholder reports. The Board also considered each Fund's investment performance compared to the Fund's respective peer group.

Consideration was given to the performance of the Institutional Class Shares of the Funds, the only share class with performance to date. The Board examined the Funds' performance figures in comparison to their respective benchmarks and concluded that the performance of the Funds was reasonable in light of the respective investment objectives and policies of the Funds.

Conclusion. No single factor was determinative to the Board's decision. Based on the foregoing and such other matters as were deemed relevant, such as the Expense Limitation Agreement, the Board concluded that the advisory fee rates and total expense ratios were reasonable in relation to the services provided, and to be provided, by Penn Capital to each Fund, as well as the costs incurred and benefits gained by Penn Capital in providing such services. The Board also found the advisory fees to be reasonable in comparison to the fees charged by advisers to other comparable funds of similar size. As a result, the Board concluded that the approval of the continuation of the Investment Advisory Agreement was in the best interests of each Fund.

In considering approval of the continuation of the Investment Advisory Agreement, the Board, including the Independent Trustees, reviewed the Meeting Materials and other information from counsel and from Penn Capital, including: (i) a copy of the Investment Advisory Agreement; (ii) information describing the nature, quality and extent of the services that Penn Capital provides and expects to provide to the Funds; (iii) information concerning Penn Capital's financial condition, business, operations, portfolio management teams and compliance program; (iv) information describing each Fund's advisory fee and operating expenses; (v) a copy of the current Form ADV for Penn Capital; and (vi) a memorandum from counsel on the responsibilities of trustees in considering investment advisory arrangements under the Investment Company Act of 1940, as amended. The Board also considered



presentations made by, and discussions held with, representatives of Penn Capital, as well as information presented at Board meetings throughout the year. The Board also received information comparing the advisory fee, expenses and performance of each Fund to other investment companies considered to be in the Funds' peer group.

During its review of this information, the Board focused on and analyzed the factors that the Board deemed relevant, including: (i) the nature, quality and extent of the services provided and expected to be provided to each Fund by Penn Capital; (ii) Penn Capital's personnel and operations; (iii) each Fund's expense level; (iv) the profitability to Penn Capital under the Investment Advisory Agreement; (v) any "fall-out" benefits to Penn Capital and its affiliates (i.e., the ancillary benefits realized by Penn Capital and its affiliates from Penn Capital's relationship with the Trust); (vi) the effect of asset growth on each Fund's expenses; (vii) possible conflicts of interest; and (viii) the investment performance of the Funds.

The Board, including the Independent Trustees, considered the following in respect of each Fund:

(a) *The nature, extent and quality of services provided and expected to be provided by Penn Capital to the Funds; Penn Capital's personnel and operations.* The Board reviewed the services that Penn Capital provides and expected to provide to each Fund. The Board noted the responsibilities that Penn Capital has as the Funds' investment adviser, including: the responsibility for the management and investment of each Fund's securities portfolio; executing portfolio security trades; monitoring compliance with each Fund's investment objective, policies and limitations; the responsibility for quarterly reporting to the Board; the oversight of general portfolio compliance with relevant law; and the implementation of Board directives as they relate to each Fund.

The Board reviewed Penn Capital's experience, resources and strengths in managing the Funds, as well as the other series of the Trust and other pooled investment vehicles, and Penn Capital's personnel. Based on its consideration and review of the foregoing information, the Board determined that each Fund was likely to continue to benefit from the nature, quality and extent of these services, as well as Penn Capital's ability to render such services based on their experience, personnel, operations, and resources.

(b) Comparison of services provided and fees paid to those under other investment advisory contracts. The Board compared both the services provided and the fees paid pursuant to the Investment Advisory Agreement to those under other contracts of Penn Capital, and under contracts of other investment advisers with respect to similar funds. In particular, the Board compared each Fund's advisory fee and expense ratio to other investment companies considered to be in that Fund's peer group. The Board noted that Penn Capital entered into an Expense Limitation Agreement whereby Penn Capital waives advisory fees and/or assumes expenses to keep the Funds' expenses from exceeding certain levels. The Board also noted that Penn Capital has agreed to waive advisory fees and/or assume expenses with respect to the Penn Capital Multi-Credit High Income Fund and Penn Capital Defensive Short Duration High Income Fund to the extent of any acquired fund fees and expenses incurred by the Funds as a result of its investment in other investment companies managed by Penn Capital. The Board received and considered information about the fee rates charged to other accounts and clients that are managed by Penn Capital, including information about the differences in services provided to the non-registered investment company clients.

Consideration was given to the advisory fees and expense ratios of the Institutional Class Shares of the Funds, the only share class with assets to date. With respect to the Penn Capital Defensive Floating Rate Income Fund, the Board considered that the Fund's advisory fee was below both the median and average of its peer group, and the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Defensive Short Duration High Income Fund, the Board considered that the Fund's advisory fee was below both the median and average of its peer group, and the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Multi-Credit High Income Fund, the Board considered that the Fund's advisory fee was above the median and below the average of its peer group, but the Fund's total expenses (including the fee waiver) were below the median and average of its peer group. With respect to the Penn Capital Managed Alpha SMID Cap Equity Fund and Penn Capital Special Situations Small Cap Equity Fund, the Board considered that each Fund's advisory fee was above both the median and average of its respective expense peer group, while each Fund's total expenses (including the fee waiver) was above the median but below the average of its respective expense peer group. To the extent that a Fund's advisory fee was above the median and average of its respective peer group, Penn Capital explained and the Board considered the reasons for the higher advisory fees.

After comparing each Fund's fees with those of other funds in the Fund's peer group, and considering the information about fee rates Penn Capital charged to other accounts and clients, and in light of the nature, quality and extent of services provided by Penn Capital and the costs Penn Capital incurred by providing those services, the Board concluded that the level of fees paid to Penn Capital with respect to the Funds was fair and reasonable.

(c) The cost of the services provided and profits realized by Penn Capital from the relationship with the Funds; the extent to which economies of scale were realized as the Funds grew, and whether fee levels reflect such economies of scale; “fall-out” benefits; possible conflicts of interest.

The Board discussed the costs, including operational costs, and Penn Capital’s profitability in connection with its serving as each Fund’s investment adviser. The Board considered that the Funds were still not yet of a sufficient size to be experiencing economies of scale. The Board concluded that the profitability of Penn Capital, and the extent to which economies of scale were reflected in the Funds’ advisory fees, were reasonable for the Funds in relation to the performance and asset sizes of the Funds.

The Board considered that Penn Capital may experience reputational “fall-out” benefits based on the success of the Funds, but that such benefits are not easily quantifiable. The Board noted that since the Trust’s service providers are not affiliated with Penn Capital, such services do not give rise to “fall-out” benefits for Penn Capital. The Board also noted Penn Capital’s procedures to manage potential conflicts of interest and Penn Capital’s belief that its management of the series of the Trust does not present a material conflict of interest.

(d) Investment performance of the Funds. The Board considered the investment performance of the Funds. In particular, the Board considered the investment performance of the Funds relative to their stated investment objectives and strategies and the success of Penn Capital in reaching such objectives. The Board considered each Fund’s investment performance compared to the benchmark index that each Fund uses for comparison in its Prospectus and shareholder reports. The Board also considered each Fund’s investment performance compared to the Fund’s respective peer group.

Consideration was given to the performance of the Institutional Class Shares of the Funds, the only share class with performance to date. The Board examined the Funds’ performance figures in comparison to their respective benchmarks and concluded that the performance of the Funds was reasonable in light of the respective investment objectives and policies of the Funds.

Conclusion. No single factor was determinative to the Board’s decision. Based on the foregoing and such other matters as were deemed relevant, such as the Expense Limitation Agreement, the Board concluded that the advisory fee rates and total expense ratios were reasonable in relation to the services provided, and to be provided, by Penn Capital to each Fund, as well as the costs incurred and benefits gained by Penn Capital in providing such services. The Board also found the advisory fees to be reasonable in comparison to the fees charged by advisers to other comparable funds of similar size. As a result, the Board concluded that the approval of the continuation of the Investment Advisory Agreement was in the best interests of each Fund.

Board of Trustees  
Dennis S. Hudson, III  
John R. Schwab  
Richard A. Hocker

Investment Advisor  
*Penn Capital Management Company, Inc.*  
Navy Yard Corporate Center  
1200 Intrepid Avenue, Suite 400  
Philadelphia, Pennsylvania 19112

Legal Counsel  
*Stradley Ronon Stevens & Young, LLP*  
2005 Market Street, Suite 2600  
Philadelphia, Pennsylvania 19103

Custodian  
*U.S. Bank, N.A.*  
1555 N. Rivercenter Drive, Suite 302  
Milwaukee, WI 53212

Distributor  
*Foreside Fund Services, LLC*  
Three Canal Plaza  
Portland, ME 04101

Administrator, Transfer Agent  
and Dividend Disbursing Agent  
*U.S. Bancorp Fund Services, LLC*  
doing business as U.S. Bank Global Fund Services  
615 East Michigan Street  
Milwaukee, WI 53202

*Shareholder/Investor Information*  
1.844.302.PENN (7366)  
[www.penncapitalfunds.com](http://www.penncapitalfunds.com)

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](http://WWW.PENNCAPITALFUNDS.COM). PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.