



SEMIANNUAL REPORT

DECEMBER 31, 2017

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

TABLE OF CONTENTS

Fund Summaries	2
Disclosure of Fund Expenses	7
Fund	Schedules of Investments
Penn Capital Managed Alpha SMID Cap Equity Fund	12
Penn Capital Special Situations Small Cap Equity Fund	14
Penn Capital Multi-Credit High Income Fund	16
Penn Capital Defensive Floating Rate Income Fund	21
Penn Capital Defensive Short Duration High Income Fund	26
Statements of Assets and Liabilities	29
Statements of Operations	30
Statements of Changes in Net Assets	31
Financial Highlights	32
Notes to the Financial Statements	33
Additional Information	44
Board Approval of Advisory Agreement	45

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



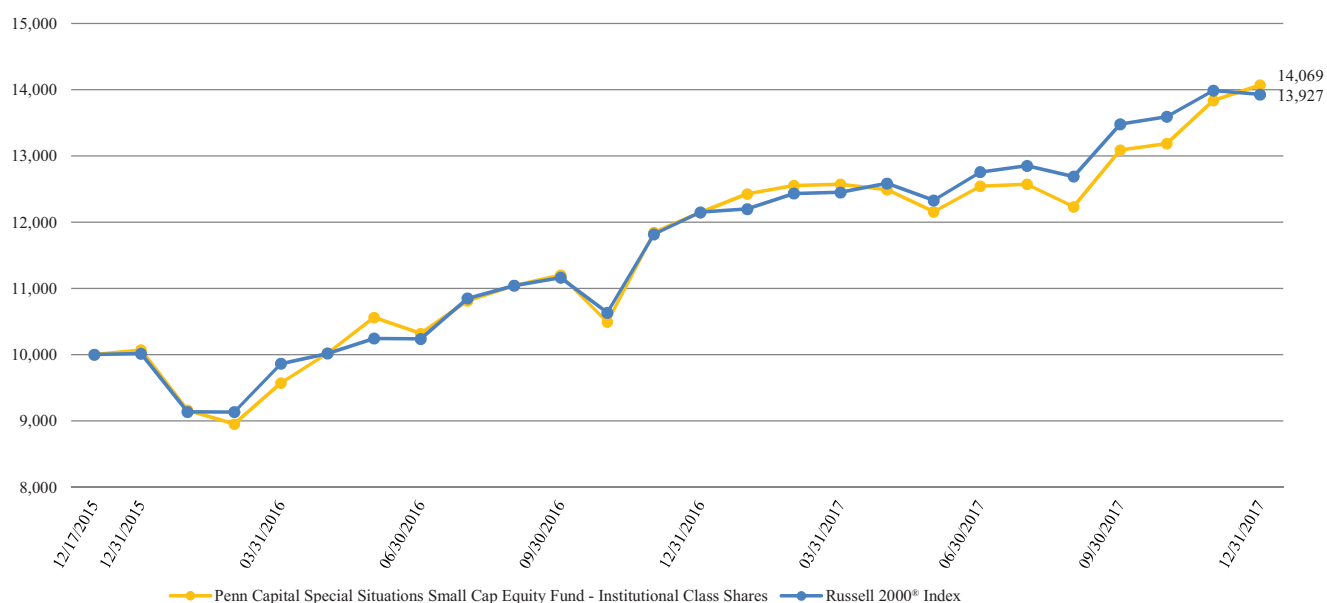
This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions 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, 2017.

<u>Average Annual Total Returns for the Period Ended December 31, 2017</u>	<u>One Year</u>	<u>Since Inception⁽¹⁾</u>
Penn Capital Managed Alpha SMID Cap Equity Fund		
Institutional Class Shares	19.97%	14.68%
Russell 2500™ Index	16.81%	14.14% ⁽²⁾

(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)**



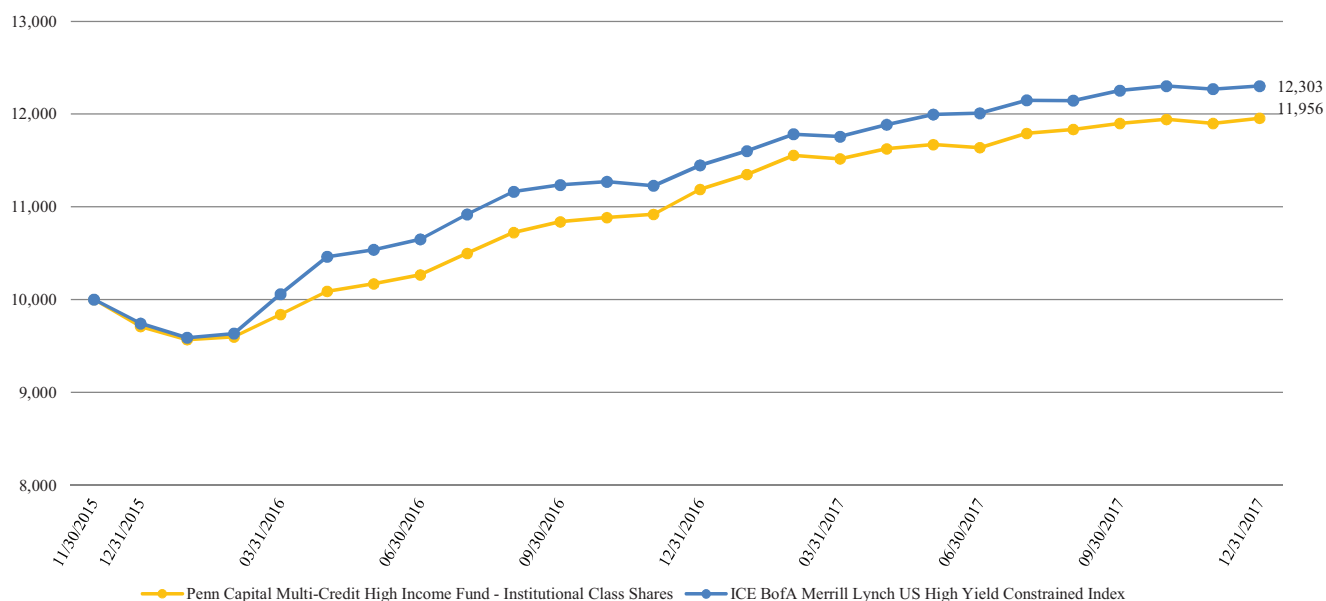
This chart assumes an initial gross investment of \$10,000 made on December 18, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions 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, 2017.

<u>Average Annual Total Returns for the Period Ended December 31, 2017</u>	<u>One Year</u>	<u>Since Inception⁽¹⁾</u>
Penn Capital Special Situations Small Cap Equity Fund		
Institutional Class Shares	15.85%	18.23%
Russell 2000® Index	14.65%	17.65% ⁽²⁾

(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)**



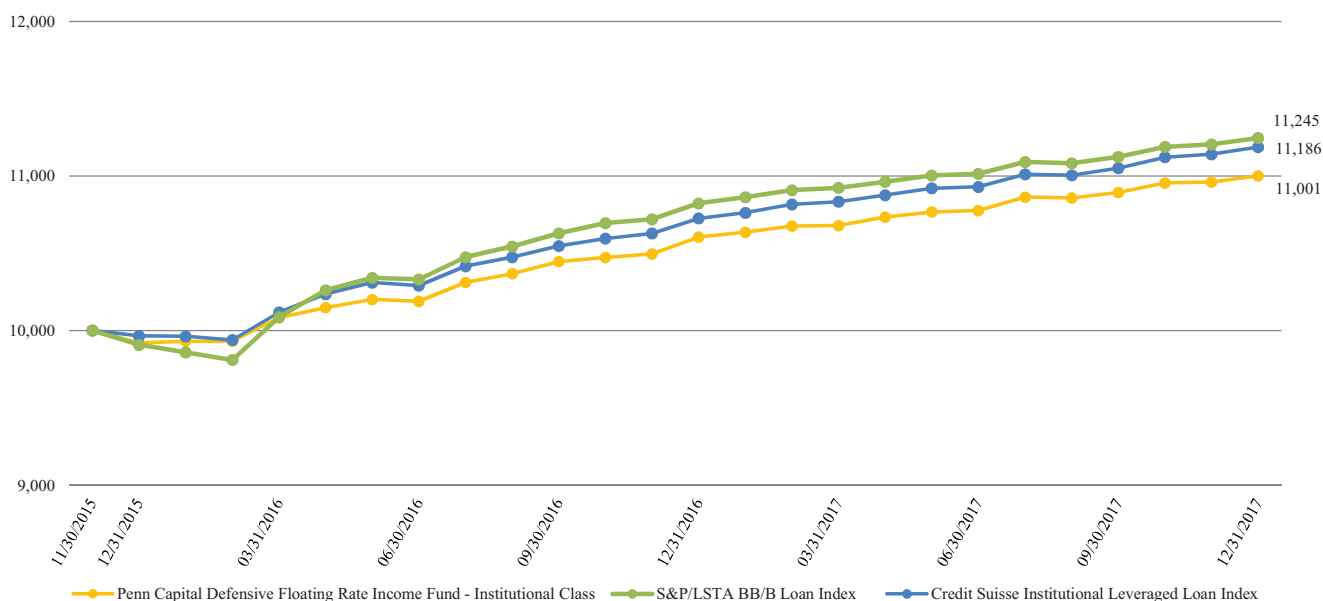
This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions 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, 2017.

<u>Average Annual Total Returns for the Period Ended December 31, 2017</u>	<u>One Year</u>	<u>Since Inception⁽¹⁾</u>
Penn Capital Multi-Credit High Income Fund		
Institutional Class Shares	6.88%	8.95%
ICE BofA Merrill Lynch US High Yield Constrained Index	7.47%	10.44% ⁽²⁾

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

(2) The return shown for the ICE BofA Merrill Lynch US High Yield Constrained Index is from the inception date of the Institutional Class shares.

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

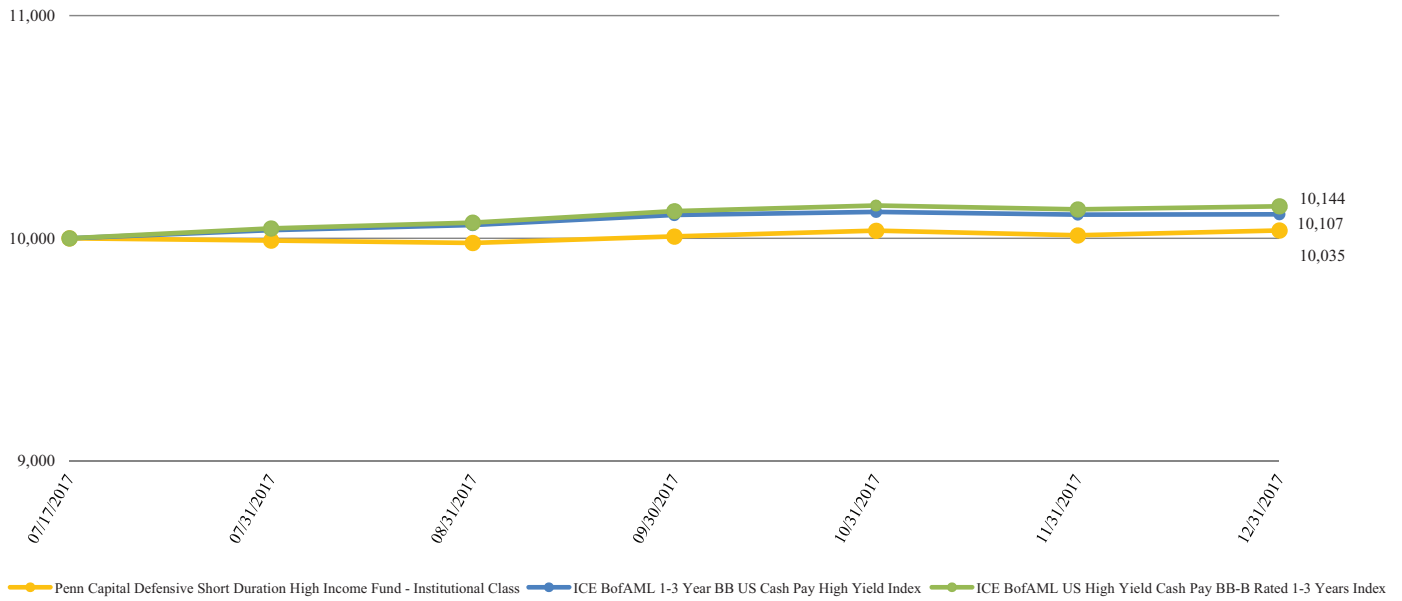


This chart assumes an initial gross investment of \$10,000 made on December 1, 2015, inception of the Institutional Class shares. Returns shown in the chart and table include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions 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, 2017.

<u>Average Annual Total Returns for the Period Ended December 31, 2017</u>	<u>One Year</u>	<u>Since Inception⁽¹⁾</u>
Penn Capital Defensive Floating Rate Income Fund		
Institutional Class Shares	3.75%	4.68%
S&P/LSTA BB/B Loan Index ⁽²⁾	3.91%	5.78% ⁽³⁾
Credit Suisse Institutional Leveraged Loan Index	4.29%	5.52% ⁽⁴⁾

- (1) Inception date is 12/1/15.
- (2) The S&P/LSTA BB/B Loan Index has replaced the Credit Suisse Institutional Leveraged Loan Index as the Fund's primary benchmark. Penn Capital Management Company, Inc. believes that the new index is more appropriate given the Fund's holdings.
- (3) The return shown for the S&P/LSTA BB/B Loan Index is from the inception date of the Institutional Class shares.
- (4) The return shown for the Credit Suisse Institutional Leveraged 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.

<u>Total Returns for the Period Ended December 31, 2017</u>	<u>One Month</u>	<u>Three Month</u>	<u>Since Inception⁽¹⁾</u>
Penn Capital Defensive Short Duration High Income Fund			
Institutional Class Shares	0.22%	0.27%	0.35%
ICE BofAML 1-3 Year BB US Cash Pay High Yield Index	0.01%	0.02%	1.07% ⁽²⁾
ICE BofAML US High Yield Cash Pay BB-B Rated 1-3 Years Index	0.14%	0.22%	1.43% ⁽³⁾

(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, 2017 TO DECEMBER 31, 2017**

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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017.

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, 2017. 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 ¹	Beginning Account Value 7/1/17	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/17	Expenses Paid During Period ²	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/17	Expenses Paid During Period ²
Institutional Class Shares	\$1,000.00	\$ 1,134.30	\$ 5.70	\$ 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, 2017.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers (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, 2017 TO DECEMBER 31, 2017**

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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017.

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, 2017. 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 ¹	Beginning Account Value 7/1/17	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/17	Expenses Paid During Period ²	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/17	Expenses Paid During Period ²
Institutional Class Shares	\$ 1,000.00	\$ 1,121.90	\$ 5.83	\$ 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, 2017.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers (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, 2017 TO DECEMBER 31, 2017**

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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017.

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, 2017. 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 ¹	Beginning Account Value 7/1/17	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/17	Expenses Paid During Period ²	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/17	Expenses Paid During Period ²
Institutional Class Shares	\$ 1,000.00	\$ 1,027.30	\$ 3.53	\$ 1,021.73	\$ 3.52

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2017.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers (0.69% 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, 2017 TO DECEMBER 31, 2017**

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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017.

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, 2017. 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 ¹	Beginning Account Value 7/1/17	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/17	Expenses Paid During Period ²	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/17	Expenses Paid During Period ²
Institutional Class Shares	\$ 1,000.00	\$ 1,020.90	\$ 3.36	\$ 1,021.88	\$ 3.36

1. No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2017.
2. Expenses are equal to the Fund's annualized expense ratio, net of waivers (0.66% 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 18, 2017 TO DECEMBER 31, 2017**

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 period from July 18, 2017 to December 31, 2017, 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 since inception period and held for the entire period from July 18, 2017 to December 31, 2017.

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, 2017. 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 since inception 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	Beginning Account Value 7/18/17	Actual		Hypothetical	
		Ending Account Value (Based on Actual Returns and Expenses) 12/31/17	Expenses Paid During Period ¹	Ending Account Value (Based on Hypothetical 5% Annualized Return and Actual Expenses) 12/31/17	Expenses Paid During Period ¹
Institutional Class Shares ²	\$ 1,000.00	\$ 1,003.50	\$ 2.48	\$ 1,020.41	\$ 2.50

- Expenses are equal to the Fund's annualized expense ratio, net of waivers (0.54% for the Institutional Class), multiplied by the average account value over the period, divided by 365 and multiplied by 167 for the Institutional Class (to reflect the since inception period). The table above represents the actual expenses incurred during the since inception period.
- Expenses paid during the period reflect ongoing costs for the period from inception through December 31, 2017. Had these shares been offered for the full six-month period ended December 31, 2017, and had the fund provided a hypothetical 5% annualized return, expenses paid during the period would have been \$2.75 for the Institutional Class shares.

PENN CAPITAL FUNDS TRUST
PENN CAPITAL MANAGED ALPHA SMID CAP EQUITY FUND
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2017 (UNAUDITED)

	<u>Shares</u>	<u>Value</u>		<u>Shares</u>	<u>Value</u>
Common Stocks: 91.4%			Health Care Providers & Services: 2.8%		
Air Freight & Logistics: 2.4%			Acadia Healthcare Co., Inc.(a)	4,558	\$ 148,728
XPO Logistics, Inc.(a)	3,531	\$ 323,404	WellCare Health Plans, Inc.(a)	1,165	234,293
Banks: 8.9%					<u>383,021</u>
BOK Financial Corp.	2,487	229,600	Hotels, Restaurants & Leisure: 4.9%		
Chemical Financial Corp.	3,934	210,351	Boyd Gaming Corp.	5,656	198,243
Pinnacle Financial Partners, Inc.	2,362	156,601	Red Rock Resorts, Inc. - Class A	8,226	277,545
Sterling Bancorp	7,785	191,511	Vail Resorts, Inc.	923	196,110
Webster Financial Corp.	3,551	199,424			<u>671,898</u>
Western Alliance Bancorp(a)	3,849	217,930	Household Durables: 3.8%		
		<u>1,205,417</u>	CalAtlantic Group, Inc.	2,479	139,791
Biotechnology: 2.4%			Roku, Inc.(a)	2,381	123,288
Bioerativ, Inc.(a)	2,754	148,496	TopBuild Corp.(a)	3,311	250,775
Ironwood Pharmaceuticals, Inc.(a)	11,675	175,008			<u>513,854</u>
		<u>323,504</u>	Independent Power and Renewable		
Building Products: 1.1%			Electricity Producers: 1.2%		
Allegion PLC	1,932	153,710	Ormat Technologies, Inc.	2,588	165,529
Capital Markets: 1.7%			Insurance: 1.7%		
Affiliated Managers Group, Inc.	1,108	227,417	Arch Capital Group Ltd.(a)	2,529	229,557
Chemicals: 2.5%			Internet Software & Services: 5.1%		
HB Fuller Co.	3,110	167,536	GoDaddy, Inc. - Class A(a)	5,328	267,892
Valvoline, Inc.	6,606	165,546	Match Group, Inc.(a)	7,293	228,344
		<u>333,082</u>	MongoDB, Inc.(a)	6,671	197,995
Commercial Services & Supplies: 1.7%					<u>694,231</u>
KAR Auction Services, Inc.	4,498	227,194	IT Services: 2.5%		
Communications Equipment: 1.5%			Black Knight, Inc.(a)	4,313	190,419
CommScope Holding Co., Inc.(a)	5,374	203,298	Blackhawk Network Holdings, Inc.(a)	4,345	154,899
Construction Materials: 1.6%					<u>345,318</u>
Summit Materials, Inc. - Class A(a)	6,825	214,578	Life Sciences Tools & Services: 1.2%		
Consumer Finance: 2.0%			Cambrex Corp.(a)	3,420	164,160
SLM Corp.(a)	24,014	271,358	Machinery: 1.7%		
Containers & Packaging: 1.5%			Oshkosh Corp.	2,467	224,226
Berry Global Group, Inc.(a)	3,545	207,985	Media: 5.8%		
Diversified Financial Services: 3.5%			Gray Television, Inc.(a)	12,334	206,595
FNF Group	5,170	202,871	Lions Gate Entertainment Corp. - Class B(a)	3,876	123,024
Voya Financial, Inc.	5,394	266,841	Live Nation Entertainment, Inc.(a)	4,978	211,914
		<u>469,712</u>	Nexstar Media Group, Inc. - Class A	3,138	245,392
Electronic Equipment, Instruments &					<u>786,925</u>
Components: 1.6%			Multiline Retail: 1.8%		
Mercury Systems, Inc.(a)	4,167	213,975	Burlington Stores, Inc.(a)	2,019	248,398
Energy Equipment & Services: 2.0%			Oil, Gas & Consumable Fuels: 3.5%		
Keane Group, Inc.(a)	8,726	165,881	Arch Coal, Inc. - Class A	1,577	146,913
U.S. Silica Holdings, Inc.	3,461	112,690	Cabot Oil & Gas Corp.	5,255	150,293
		<u>278,571</u>	Callon Petroleum Co.(a)	15,001	182,262
Health Care Equipment & Supplies: 2.2%					<u>479,468</u>
NuVasive, Inc.(a)	2,279	133,299	Pharmaceuticals: 1.6%		
Wright Medical Group NV(a)	7,516	166,855	Pacira Pharmaceuticals, Inc.(a)	4,848	221,311
		<u>300,154</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, 2017 (UNAUDITED)

	<u>Shares</u>	<u>Value</u>
Professional Services: 1.7%		
TransUnion(a)	4,176	\$ 229,513
Road & Rail: 1.0%		
Genesee & Wyoming, Inc. - Class A(a)	1,782	140,297
Semiconductors & Semiconductor Equipment: 3.9%		
Cavium, Inc.(a)	1,769	148,295
Silicon Laboratories, Inc.(a)	2,051	181,103
Teradyne, Inc.	4,903	205,289
		<u>534,687</u>
Software: 2.6%		
Nice Ltd. - ADR	1,975	181,522
Tyler Technologies, Inc.(a)	973	172,270
		<u>353,792</u>
Specialty Retail: 2.0%		
Floor & Decor Holdings, Inc. - Class A(a)	5,720	278,450
TravelCenters of America LLC(a)	1	2
		<u>278,452</u>
Trading Companies & Distributors: 4.2%		
HD Supply Holdings, Inc.(a)	4,090	163,723
United Rentals, Inc.(a)	1,273	218,841
WESCO International, Inc.(a)	2,732	186,186
		<u>568,750</u>
Water Utilities: 1.8%		
Aqua America, Inc.	6,195	243,030
Total Common Stocks (cost \$9,675,284)		<u>12,429,776</u>
Real Estate Investment Trusts (REITs): 6.2%		
CyrusOne, Inc.	3,523	209,724
Invitation Homes, Inc.	9,622	226,791
MGM Growth Properties LLC - Class A	7,692	224,222
The GEO Group, Inc.	7,679	181,224
Total REITs (cost \$814,427)		<u>841,961</u>
Short-Term Investment: 2.7%		
Money Market Fund - 2.7%		
Short-Term Investments Trust Treasury Portfolio Institutional Class, 1.160%(b)	367,840	367,840
Total Short-Term Investment (cost \$367,840)		<u>367,840</u>
Total Investments - 100.3% (cost \$10,857,551)		<u>13,639,577</u>
Liabilities in Excess of Other Assets (0.3%)		<u>(37,920)</u>
Net Assets: 100.0%		<u>\$13,601,657</u>

(b) Rate reported is the 7-day effective yield as of December 31, 2017.

The cost basis of investments for federal income tax purposes at December 31, 2017 was as follows*:

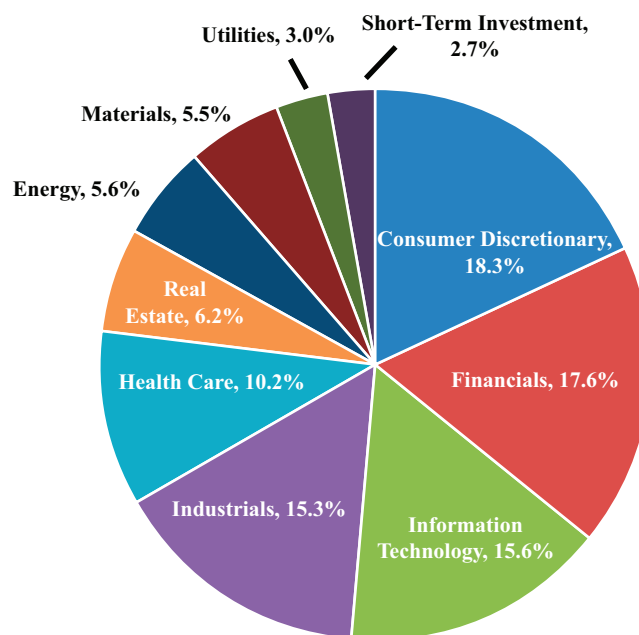
Cost of investments	\$10,857,551
Gross unrealized appreciation	2,995,611
Gross unrealized depreciation	(213,585)
Net unrealized appreciation	<u>\$ 2,782,026</u>

* 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) (Unaudited)

United States	93.74%
Bermuda	1.68%
Israel	1.33%
Netherlands	1.22%
Ireland	1.13%
Canada	0.90%

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



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. Bancorp Fund Services, LLC.

Percentages are stated as a percent of net assets.

(a) No distribution or dividend was made during the period ending December 31, 2017. As such, it is classified as a non-income producing security as of December 31, 2017.

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, 2017 (UNAUDITED)

	<u>Shares</u>	<u>Value</u>		<u>Shares</u>	<u>Value</u>
Common Stocks: 98.4%			Hotels, Restaurants & Leisure: 9.4%		
Aerospace & Defense: 1.4%			ILG, Inc.		
Aerojet Rocketdyne Holdings, Inc.(a)	9,276	\$ 289,411	Penn National Gaming, Inc.(a)	3,906	\$ 111,243
Banks: 11.5%			Pinnacle Entertainment, Inc.(a)	10,776	337,612
Banc of California, Inc.	14,473	298,868	Planet Fitness, Inc. - Class A(a)	7,253	237,391
Chemical Financial Corp.	6,024	322,103	Red Rock Resorts, Inc. - Class A	7,116	246,427
FB Financial Corp.(a)	4,978	209,026	Scientific Games Corp. - Class A(a)	11,113	374,952
Sterling Bancorp	14,670	360,882	SeaWorld Entertainment, Inc.(a)	6,469	331,860
Texas Capital Bancshares, Inc.(a)	4,801	426,809		18,881	256,215
Webster Financial Corp.	6,162	346,058			<u>1,895,700</u>
Western Alliance Bancorp(a)	6,211	351,667	Household Durables: 1.7%		
		<u>2,315,413</u>	TopBuild Corp.(a)	4,383	331,968
Biotechnology: 1.2%			Independent Power and Renewable Electricity Producers: 1.6%		
Ironwood Pharmaceuticals, Inc.(a)	16,237	243,393	Dynegy, Inc.(a)	27,325	323,801
Building Products: 1.2%			Internet Software & Services: 8.4%		
JELD-WEN Holding, Inc.(a)	6,299	247,992	Carbonite, Inc.(a)	10,375	260,412
Capital Markets: 2.4%			Gogo, Inc.(a)	20,506	231,308
Hamilton Lane, Inc. - Class A	7,895	279,404	Hortonworks, Inc.(a)	12,509	251,556
PJT Partners, Inc. - Class A	4,365	199,044	Instructure, Inc.(a)	5,588	184,963
		<u>478,448</u>	Mimecast Ltd.(a)	8,038	230,449
Chemicals: 2.0%			MINDBODY, Inc. - Class A(a)	10,313	314,031
Venator Materials PLC(a)	18,327	405,393	Q2 Holdings, Inc.(a)	6,015	221,653
Construction Materials: 1.8%					<u>1,694,372</u>
Summit Materials, Inc. - Class A(a)	11,215	352,600	IT Services: 3.4%		
Diversified Consumer Services: 1.5%			Blackhawk Network Holdings, Inc.(a)	5,510	196,431
Chegg, Inc.(a)	18,959	309,411	Everi Holdings, Inc.(a)	23,831	179,686
Energy Equipment & Services: 6.2%			InterXion Holding NV(a)	5,203	306,613
C&J Energy Services, Inc.(a)	7,853	262,840			<u>682,730</u>
Keane Group, Inc.(a)	19,742	375,295	Life Sciences Tools & Services: 1.2%		
Transocean Ltd.(a)	22,790	243,397	Cambrex Corp.(a)	4,913	235,824
U.S. Silica Holdings, Inc.	11,123	362,165	Machinery: 6.8%		
		<u>1,243,697</u>	Astec Industries, Inc.	5,227	305,779
Health Care Equipment & Supplies: 4.2%			Harsco Corp.(a)	15,266	284,711
ICU Medical, Inc.(a)	1,038	224,208	ITT, Inc.	3,972	211,986
K2M Group Holdings, Inc.(a)	9,588	172,584	Milacron Holdings Corp.(a)	15,694	300,383
LivaNova PLC(a)	2,892	231,129	SPX FLOW, Inc.(a)	5,624	267,421
Wright Medical Group NV(a)	9,562	212,276			<u>1,370,280</u>
		<u>840,197</u>	Media: 10.8%		
Health Care Providers & Services: 2.1%			AMC Entertainment Holdings, Inc. - Class A	21,711	327,836
Acadia Healthcare Co., Inc.(a)	5,861	191,244	Gray Television, Inc.(a)	33,242	556,804
WellCare Health Plans, Inc.(a)	1,177	236,707	MDC Partners, Inc. - Class A(a)	22,494	219,317
		<u>427,951</u>	Media General, Inc.(a)	1,867	93
			Nexstar Media Group, Inc. - Class A	5,103	399,055
			Sinclair Broadcast Group, Inc. - Class A	17,617	666,803
					<u>2,169,908</u>
			Metals & Mining: 1.4%		
			Ferroglobe PLC	17,840	289,008

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, 2017 (UNAUDITED)

	Shares	Value
Oil, Gas & Consumable Fuels: 3.5%		
Resolute Energy Corp.(a)	12,004	\$ 377,766
WPX Energy, Inc.(a)	22,711	319,544
		<u>697,310</u>
Pharmaceuticals: 1.4%		
Pacira Pharmaceuticals, Inc.(a)	6,170	281,660
Road & Rail: 1.4%		
Schneider National, Inc. - Class B	9,909	283,001
Semiconductors & Semiconductor Equipment: 2.6%		
Semtech Corp.(a)	8,791	300,652
Versum Materials, Inc.	6,005	227,289
		<u>527,941</u>
Software: 3.0%		
Model N, Inc.(a)	9,472	149,184
Nice Ltd. - ADR	3,011	276,741
Tyler Technologies, Inc.(a)	960	169,968
		<u>595,893</u>
Specialty Retail: 1.7%		
Five Below, Inc.(a)	2,648	175,615
Floor & Decor Holdings, Inc. - Class A(a)	3,566	173,593
		<u>349,208</u>
Textiles, Apparel & Luxury Goods: 1.1%		
G-III Apparel Group Ltd.(a)	6,218	229,382
Thrifts & Mortgage Finance: 1.4%		
WSFS Financial Corp.	6,034	288,727
Trading Companies & Distributors: 2.1%		
Beacon Roofing Supply, Inc.(a)	3,779	240,949
DXP Enterprises, Inc.(a)	6,422	189,899
		<u>430,848</u>
Total Common Stocks (cost \$17,200,726)		<u>19,831,467</u>
Short-Term Investment: 1.4%		
Money Market Fund - 1.4%		
Short-Term Investments Trust Treasury Portfolio Institutional Class, 1.160%(b)	289,394	289,394
Total Short-Term Investment (cost \$289,394)		<u>289,394</u>
Total Investments - 99.8% (cost \$17,490,120)		<u>20,120,861</u>
Other Assets and Liabilities 0.2%		<u>38,055</u>
Net Assets: 100.0%		<u>\$20,158,916</u>

The cost basis of investments for federal income tax purposes at December 31, 2017 was as follows*:

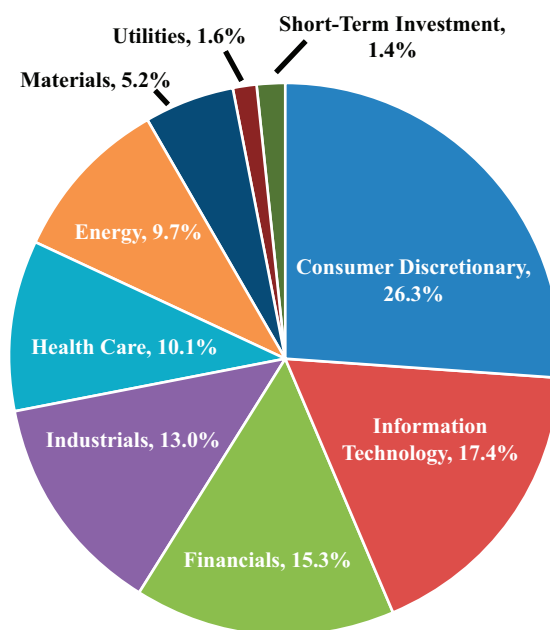
Cost of investments	\$17,490,120
Gross unrealized appreciation	3,136,567
Gross unrealized depreciation	(505,826)
Net unrealized appreciation	<u>\$ 2,630,741</u>

* 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) (Unaudited)

United States	88.00%
United Kingdom	4.60%
Netherlands	2.58%
Israel	1.38%
Switzerland	1.21%
Jersey	1.14%
Canada	1.09%

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



Percentages are stated as a percent of net assets.

(a) No distribution or dividend was made during the period ending December 31, 2017. As such, it is classified as a non-income producing security as of December 31, 2017.

(b) Rate reported is the 7-day effective yield as of December 31, 2017.

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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Corporate Bonds: 82.4%			Consumer/Commercial/Lease Financing: 1.4%		
Aerospace: 1.1%			International Lease Finance Corp., 8.620%,		
Bombardier, Inc., 8.750%, 12/1/21(a)	110,000	\$ 121,000	1/15/22	35,000	\$ 42,147
Airline Companies: 0.5%			Navient Corp., 6.120%, 3/25/24	35,000	35,438
Air Canada, 7.750%, 4/15/21(a)	50,000	57,000	Navient Corp., 6.620%, 7/26/21	10,000	10,550
Animal Slaughtering and Processing: 0.4%			Navient Corp., 5.870%, 10/25/24	65,000	64,512
Simmons Foods, Inc., 5.750%, 11/1/24(a)	40,000	39,650			<u>152,647</u>
Automotive: 0.7%			Diversified Capital Goods: 0.5%		
Navistar International Corp., 6.620%,			Anixter, Inc., 5.120%, 10/1/21	50,000	52,625
11/1/25(a)	75,000	78,254	Electric - Generation: 3.0%		
Auto Parts & Equipment: 0.4%			Calpine Corp., 5.370%, 1/15/23	65,000	63,294
Meritor, Inc., 6.250%, 2/15/24	35,000	36,838	Calpine Corp., 5.870%, 1/15/24(a)	25,000	25,437
Banking: 1.8%			Dynegy, Inc., 7.370%, 11/1/22	25,000	26,375
Ally Financial, Inc., 8.000%, 11/1/31	25,000	32,500	Dynegy, Inc., 7.620%, 11/1/24	70,000	75,075
Ally Financial, Inc., 5.750%, 11/20/25	90,000	98,100	Dynegy, Inc., 8.120%, 1/30/26(a)	50,000	54,625
Ally Financial, Inc., 5.120%, 9/30/24	50,000	54,062	NRG Energy, Inc., 7.250%, 5/15/26	20,000	21,775
		<u>184,662</u>	NRG Energy, Inc., 6.620%, 1/15/27	25,000	26,437
Beverage: 0.6%			NRG Energy, Inc., 5.750%, 1/15/28(a)	25,000	25,250
Cott Beverages, Inc., 5.370%, 7/1/22	60,000	62,412			<u>318,268</u>
Brokerage: 0.5%			Energy - Exploration & Production: 5.7%		
Oppenheimer Holdings, Inc., 6.750%, 7/1/22	50,000	51,500	Antero Resources Corp., 5.120%, 12/1/22	50,000	51,000
Building & Construction: 0.6%			Approach Resources, Inc., 7.000%, 6/15/21	40,000	34,600
Ashton Woods USA LLC, 6.750%, 8/1/25(a)	15,000	14,981	Bill Barrett Corp., 7.000%, 10/15/22	35,000	35,656
Ashton Woods USA LLC, 6.870%, 2/15/21(a)	24,000	24,450	Carrizo Oil & Gas, Inc., 8.250%, 7/15/25	25,000	27,469
Beazer Homes USA, Inc., 8.750%, 3/15/22	20,000	22,048	VFH Parent LLC, 6.750%, 6/15/22(a)	35,000	36,838
		<u>61,479</u>	Centennial Resource Production LLC, 5.370%,		
Building Materials: 1.1%			1/15/26(a)	30,000	30,562
Griffon Corp., 5.250%, 3/1/22	55,000	55,550	Comstock Resources, Inc., 10.000% Cash or		
U.S. Concrete, Inc., 6.370%, 6/1/24	60,000	64,350	12.250% PIK, 3/15/20(b)	115,000	118,594
		<u>119,900</u>	Continental Resources, Inc., 5.000%, 9/15/22	20,000	20,300
Chemical Companies: 0.8%			Gulfport Energy Corp., 6.620%, 5/1/23	15,000	15,300
Olin Corp., 5.120%, 9/15/27	15,000	15,788	PetroQuest Energy, Inc., 10.000% Cash or		
Tronox Finance LLC, 7.500%, 3/15/22(a)	25,000	26,125	10.000% PIK, 2/15/21(b)	59,456	45,188
Tronox Finance PLC, 5.750%, 10/1/25(a)	40,000	41,100	Resolute Energy Corp., 8.500%, 5/1/20	95,000	96,662
		<u>83,013</u>	Sanchez Energy Corp., 6.120%, 1/15/23	50,000	42,375
Chemicals: 1.2%			Unit Corp., 6.620%, 5/15/21	45,000	45,337
Platform Specialty Products Corp., 5.870%,					<u>599,881</u>
12/1/25(a)	80,000	79,400	Entertainment: 1.1%		
Trinseo Materials Operating SCA, 5.370%,			AMC Entertainment Holdings, Inc., 5.750%,		
9/1/25(a)	45,000	46,575	6/15/25	55,000	54,450
		<u>125,975</u>	AMC Entertainment Holdings, Inc., 5.870%,		
Computer Hardware: 3.0%			11/15/26	25,000	24,687
Dell International LLC, 8.100%, 7/15/36(a)	140,000	176,689	National CineMedia LLC, 5.750%, 8/15/26	40,000	37,500
Qorvo, Inc., 6.750%, 12/1/23	40,000	43,000			<u>116,637</u>
Western Digital Corp., 10.500%, 4/1/24	80,000	92,700			
		<u>312,389</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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Food - Wholesale: 0.8%			Health Services: 4.2%		
JBS USA LUX SA, 7.250%, 6/1/21(a)	15,000	\$ 15,244	Acadia Healthcare Co., Inc., 5.620%, 2/15/23	50,000	\$ 50,750
JBS USA LUX SA, 5.870%, 7/15/24(a)	35,000	33,819	Acadia Healthcare Co., Inc., 6.120%, 3/15/21	35,000	35,481
JBS USA LUX SA, 7.250%, 6/1/21(a)	15,000	15,243	Envision Healthcare Corp., 5.620%, 7/15/22	25,000	25,250
JBS USA LUX SA, 8.250%, 2/1/20(a)	20,000	20,060	Centene Corp., 6.120%, 2/15/24	30,000	31,725
		<u>84,366</u>	DaVita, Inc., 5.120%, 7/15/24	40,000	40,400
			HealthSouth Corp., 5.750%, 9/15/25	50,000	52,000
Food & Drug Retailers: 0.9%			Opal Acquisition, Inc., 10.000%, 10/1/24(a)	80,000	71,500
Albertsons Cos LLC / Safeway, Inc., 6.620%, 6/15/24	25,000	23,875	Opal Acquisition, Inc., 7.500%, 7/1/24(a)	10,000	9,700
Ingles Markets, Inc., 5.750%, 6/15/23	25,000	25,312	Select Medical Corp., 6.370%, 6/1/21	85,000	87,231
Rite Aid Corp., 6.750%, 6/15/21	30,000	29,850	Universal Hospital Services, Inc., 7.620%, 8/15/20	35,000	35,000
Rite Aid Corp., 6.120%, 4/1/23(a)	15,000	13,538			<u>439,037</u>
		<u>92,575</u>	Hospitals: 2.1%		
Forestry/Paper: 0.4%			HCA, Inc., 7.500%, 2/15/22	25,000	28,125
Rayonier AM Products, Inc., 5.500%, 6/1/24(a)	40,000	39,850	HCA, Inc., 5.250%, 6/15/26	40,000	42,400
Gaming: 2.6%			HCA, Inc., 5.370%, 2/1/25	65,000	67,275
Everi Payments, Inc., 7.500%, 12/15/25(a)	75,000	74,344	Tenet Healthcare Corp., 8.120%, 4/1/22	80,000	81,400
Gateway Casinos & Entertainment Ltd., 8.250%, 3/1/24(a)	40,000	42,800			<u>219,200</u>
MGM Resorts International, 4.620%, 9/1/26	90,000	90,900	Hotels: 0.6%		
MGM Resorts International, 7.750%, 3/15/22	30,000	34,200	FelCor Lodging LP, 5.620%, 3/1/23	60,000	61,650
Pinnacle Entertainment, Inc., 5.620%, 5/1/24	35,000	37,450	Household & Leisure Products/Durables: 0.4%		
		<u>279,694</u>	Tempur Sealy International, Inc., 5.500%, 6/15/26	45,000	46,134
Gas Distribution: 4.7%			Investments & Miscellaneous		
Blue Racer Midstream LLC, 6.120%, 11/15/22(a)	45,000	46,800	Financial Services: 2.5%		
DCP Midstream Operating LP, 3.870%, 3/15/23	55,000	54,656	First Data Corp., 5.750%, 1/15/24(a)	50,000	51,925
DCP Midstream Operating LP, 4.950%, 4/1/22	33,000	34,279	First Data Corp., 5.000%, 1/15/24(a)	30,000	30,862
DCP Midstream Operating LP, 5.850% (3 Month LIBOR USD + 3.850%), 5/21/43(a)(c)	90,000	83,700	First Data Corp., 7.000%, 12/1/23(a)	75,000	79,312
NGL Energy Partners LP, 5.120%, 7/15/19	50,000	50,875	Icahn Enterprises LP, 6.370%, 12/15/25(a)	10,000	10,001
NGL Energy Partners LP, 6.870%, 10/15/21	20,000	20,400	Icahn Enterprises LP, 6.750%, 2/1/24	50,000	51,375
NGPL PipeCo LLC, 7.770%, 12/15/37(a)	45,000	55,462	Icahn Enterprises LP, 5.870%, 2/1/22	45,000	45,563
Rockies Express Pipeline LLC, 6.870%, 4/15/40(a)	45,000	50,625			<u>269,038</u>
Rockies Express Pipeline LLC, 5.620%, 4/15/20(a)	25,000	26,188	Machinery Companies: 0.5%		
Sunoco LP, 6.370%, 4/1/23	45,000	47,419	Zekelman Industries, Inc., 9.870%, 6/15/23(a)	50,000	56,250
Targa Resources Partners LP, 5.250%, 5/1/23	30,000	30,675	Media - Broadcast: 3.4%		
		<u>501,079</u>	Gray Television, Inc., 5.120%, 10/15/24(a)	25,000	24,937
			Gray Television, Inc., 5.870%, 7/15/26(a)	25,000	25,625
			Salem Media Group, Inc., 6.750%, 6/1/24(a)	45,000	44,775
			Sinclair Television Group, Inc., 5.620%, 8/1/24(a)	65,000	67,031
			Townsquare Media, Inc., 6.500%, 4/1/23(a)	25,000	24,438
			Urban One, Inc., 7.370%, 10/15/22(a)	45,000	44,888
			Urban One, Inc., 9.250%, 2/15/20(a)	140,000	131,600
					<u>363,294</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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Media - Cable: 2.8%			Oil, Gas & Consumable Fuels: 0.7%		
Dish DBS Corp., 7.750%, 7/1/26	45,000	\$ 47,306	CONSOL Energy, Inc., 11.000%, 11/15/25(a)	70,000	\$ 73,500
Dish DBS Corp., 6.750%, 6/1/21	40,000	42,050	Pharmaceuticals & Devices: 5.0%		
SFR Group SA, 7.370%, 5/1/26(a)	200,000	206,000	Endo Finance LLC, 5.370%, 1/15/23(a)	55,000	42,900
		<u>295,356</u>	Jaguar Holding Co. II, 6.370%, 8/1/23(a)	55,000	55,550
Media - Services: 1.2%			Kinetic Concepts, Inc., 12.500%, 11/1/21(a)	75,000	84,187
Clear Channel Worldwide Holdings, Inc., 7.620%, 3/15/20	10,000	9,800	Mallinckrodt International Finance SA, 4.750%, 4/15/23	35,000	27,475
Clear Channel Worldwide Holdings, Inc., 7.620%, 3/15/20	40,000	39,150	Mallinckrodt International Finance SA, 5.750%, 8/1/22(a)	40,000	36,300
Lamar Media Corp., 5.750%, 2/1/26	10,000	10,675	Valeant Pharmaceuticals International, Inc., 7.500%, 7/15/21(a)	60,000	61,125
MDC Partners, Inc., 6.500%, 5/1/24(a)	70,000	70,350	Valeant Pharmaceuticals International, Inc., 5.620%, 12/1/21(a)	30,000	29,325
		<u>129,975</u>	Valeant Pharmaceuticals International, Inc., 5.870%, 5/15/23(a)	210,000	194,513
Metals/Mining Excluding Steel: 4.1%					<u>531,375</u>
Aleris International, Inc., 7.870%, 11/1/20	45,000	44,550	Printing & Publishing: 0.4%		
Alliance Resource Operating Partners LP, 7.500%, 5/1/25(a)	40,000	42,500	Lee Enterprises, Inc., 9.500%, 3/15/22(a)	45,000	46,575
Cleveland-Cliffs, Inc., 5.750%, 3/1/25(a)	35,000	33,381	Radio and Television Broadcasting: 0.3%		
Freeport-McMoRan, Inc., 4.550%, 11/14/24	15,000	15,250	Univision Communications, Inc., 5.120%, 2/15/25(a)	35,000	34,125
Freeport-McMoRan, Inc., 5.450%, 3/15/43	75,000	74,906	Railroads: 0.6%		
Freeport-McMoRan, Inc., 3.870%, 3/15/23	5,000	4,975	Watco Cos LLC, 6.370%, 4/1/23(a)	60,000	62,100
Peabody Energy Corp., 10.000%, 3/15/22(d)	95,000	0	Real Estate Development & Management: 0.5%		
Peabody Energy Corp., 6.370%, 3/31/25(a)	45,000	46,800	Realogy Group LLC, 5.250%, 12/1/21(a)	50,000	51,875
SunCoke Energy Partners LP, 7.500%, 6/15/25(a)	65,000	67,925	Restaurants: 1.0%		
Teck Resources Ltd., 5.200%, 3/1/42	35,000	34,650	Golden Nugget, Inc., 6.750%, 10/15/24(a)	50,000	50,875
Teck Resources Ltd., 3.750%, 2/1/23	35,000	35,088	P.F. Chang's China Bistro, Inc., 10.250%, 6/30/20(a)	55,000	50,050
Teck Resources Ltd., 6.250%, 7/15/41	25,000	28,625			<u>100,925</u>
		<u>428,650</u>	Special Retail: 0.2%		
Multi-Line Insurance: 0.4%			Staples, Inc., 8.500%, 9/15/25(a)	25,000	23,125
HUB International Ltd., 7.870%, 10/1/21(a)	35,000	36,444	Steel Producers & Products: 0.8%		
Non-Food & Drug Retailers: 0.2%			United States Steel Corp., 6.870%, 8/15/25	55,000	57,409
JC Penney Corp., Inc., 8.120%, 10/1/19	22,000	22,440	United States Steel Corp., 7.370%, 4/1/20	25,000	27,125
Oil Field Equipment & Services: 2.1%					<u>84,534</u>
CSI Compressco LP, 7.250%, 8/15/22	45,000	42,412	Support - Services: 1.6%		
Nabors Industries, Inc., 5.500%, 1/15/23	25,000	24,188	Herc Rentals, Inc., 7.750%, 6/1/24(a)	35,000	38,413
Noble Holding International Ltd., 7.750%, 1/15/24	45,000	38,700	The ADT Corp., 4.870%, 7/15/32(a)	50,000	47,250
Pioneer Energy Services Corp., 6.120%, 3/15/22	60,000	49,182	The ADT Corp., 3.500%, 7/15/22	10,000	9,850
Transocean, Inc., 6.800%, 3/15/38	30,000	24,188	The ADT Corp., 6.250%, 10/15/21	20,000	21,900
Transocean, Inc., 8.370%, 12/15/21	15,000	16,200	The GEO Group, Inc., 5.870%, 10/15/24	45,000	46,237
Williams Partners LP, 4.870%, 3/15/24	25,000	26,125			<u>163,650</u>
		<u>220,995</u>	Oil Refining & Marketing: 0.6%		
PBF Holding Co. LLC, 7.000%, 11/15/23	40,000	41,750			
PBF Holding Co. LLC, 7.250%, 6/15/25	25,000	26,281			
		<u>68,031</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, 2017 (UNAUDITED)

	Principal	Value		Principal	Value
Telecom - Integrated/Services: 8.5%				Wireless Telecommunication Services: 0.3%	
CenturyLink, Inc., 5.620%, 4/1/20	25,000	\$ 25,187		United States Cellular Corp., 6.700%, 12/15/33	30,000 \$ 31,297
Cincinnati Bell, Inc., 7.000%, 7/15/24(a)	35,000	34,738		Total Corporate Bonds (cost \$8,460,392)	<u>8,712,471</u>
Cogent Communications Finance, Inc., 5.620%, 4/15/21(a)	65,000	65,650		Convertible Bonds: 1.8%	
Consolidated Communications, Inc., 6.500%, 10/1/22	70,000	63,000		Automotive: 0.3%	
Frontier Communications Corp., 8.870%, 9/15/20	20,000	16,800		Navistar International Corp., 4.750%, 4/15/19	25,000 27,063
Frontier Communications Corp., 8.500%, 4/15/20	110,000	91,300		Oil Field Equipment & Services: 0.2%	
Gogo Intermediate Holdings LLC, 12.500%, 7/1/22(a)	110,000	124,163		Ensco Jersey Finance Ltd., 3.000%, 1/31/24	30,000 26,625
Intelsat Connect Finance SA, 12.500%, 4/1/22(a)	113,000	98,875		Telecom - Wireless: 0.7%	
Intelsat Jackson Holdings SA, 7.250%, 10/15/20	50,000	47,000		Gogo, Inc., 3.750%, 3/1/20	85,000 77,509
Intelsat Jackson Holdings SA, 5.500%, 8/1/23	70,000	57,225		Energy - Exploration & Production: 0.6%	
Intelsat Luxembourg SA, 6.750%, 6/1/18	50,000	48,750		Comstock Resources, Inc., 7.750% Cash or 7.750% PIK, 4/1/19(b)	67,325 61,602
Level 3 Financing, Inc., 5.120%, 5/1/23	40,000	40,100		Total Convertible Bonds (cost \$182,737)	<u>192,799</u>
Uniti Group LP, 6.000%, 4/15/23(a)	70,000	68,775			
Uniti Group LP, 7.120%, 12/15/24(a)	40,000	36,400		Shares	Value
WaveDivision Escrow LLC, 8.120%, 9/1/20(a).	50,000	51,000		Common Stock: 0.0%	
Windstream Services LLC, 7.750%, 10/15/20	36,000	30,420		Media - Cable: 0.0%	
		899,383		ACC Claims Holdings LLC(e)(f)	11,610 35
Telecom - Wireless: 2.4%				Total Common Stock (cost \$237)	<u>35</u>
GTT Communications, Inc., 7.870%, 12/31/24(a)	35,000	36,925		Convertible Preferred Stock: 0.5%	
Sprint Capital Corp., 6.870%, 11/15/28	55,000	55,344		Health Care Providers & Services: 0.5%	
Sprint Corp., 7.120%, 6/15/24	70,000	71,225		Anthem, Inc.(e)	1,000 56,000
Sprint Corp., 7.870%, 9/15/23	40,000	42,600		Total Convertible Preferred Stock (cost \$55,084)	<u>56,000</u>
Sprint Corp., 7.250%, 9/15/21	20,000	21,175		Mutual Fund: 9.5%	
Telesat Canada, 8.870%, 11/15/24(a)	25,000	28,000		Penn Capital Defensive Floating Rate Income Fund-Institutional Shares(g)	98,780 999,648
		255,269		Total Mutual Fund (cost \$1,008,229)	<u>999,648</u>
Telecommunications Equipment: 0.4%				Preferred Stock: 0.0%	
CommScope Technologies LLC, 5.000%, 3/15/27(a)	5,000	5,000		Spanish Broadcasting System, Inc., 10.750% Cash or 10.750% PIK(b)(e)(f)	1 41
CommScope, Inc., 5.500%, 6/15/24(a)	40,000	41,600		Total Preferred Stock (cost \$613)	<u>41</u>
		46,600		Warrant: 0.0%	
Transportation Excluding Air/Rail: 0.8%				Comstock Resources, Inc.(e)	138 1,166
Deck Chassis Acquisition, Inc., 10.000%, 6/15/23(a)	30,000	33,375		Total Warrant (cost \$0)	<u>1,166</u>
The Kenan Advantage Group, Inc., 7.870%, 7/31/23(a)	45,000	46,575			
		79,950			

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, 2017 (UNAUDITED)

	<u>Shares</u>	<u>Value</u>	<u>Country Exposure (as a percentage of total investments) (Unaudited)</u>	
Short-Term Investment: 4.4%			United States	86.41%
Money Market Fund - 4.4%			Canada	6.74%
Short-Term Investments Trust Treasury Portfolio Institutional Class, 1.160%(h) . .	465,706	\$ 465,706	Luxembourg	3.47%
Total Short-Term Investment (cost \$465,706).		<u>465,706</u>	France	1.98%
			Cayman Islands	0.76%
			United Kingdom	0.39%
			Jersey	0.25%
Total Investments - 98.6% (cost \$10,172,998)		10,427,866	Asset Type (as a percentage of total investments) (Unaudited)	
Other Assets and Liabilities 1.4%		<u>149,880</u>		
Net Assets: 100.0%		<u>\$10,577,746</u>		

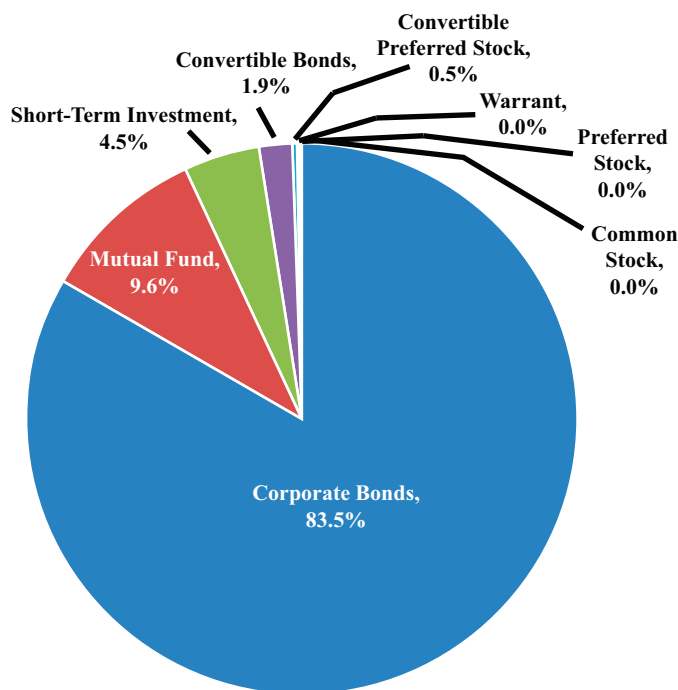
Percentages are stated as a percent of net assets.

- (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, 2017, the value of these investments was \$4,224,717, or 39.9% of total net assets.
- (b) Payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash.
- (c) Variable rate security. The rate listed is as of December 31, 2017.
- (d) Item identified as in default as to payment of interest, the value of these investments were \$0.00 or 0.0% of total net assets.
- (e) No distribution or dividend was made during the period ending December 31, 2017. As such, it is classified as a non-income producing security as of December 31, 2017.
- (f) Value determined using significant unobservable inputs.
- (g) Affiliated company. See Note 7.
- (h) Rate reported is the 7-day effective yield as of December 31, 2017.

The cost basis of investments for federal income tax purposes at December 31, 2017 was as follows*:

Cost of investments	\$10,172,998
Gross unrealized appreciation	388,978
Gross unrealized depreciation	(134,110)
Net unrealized appreciation.	<u>\$ 254,868</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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Bank Loans: 83.1%(a)			Diversified Capital Goods: 1.8%		
Airline Companies: 1.2%			Gardner Denver, Inc., 4.440% (3 Month US LIBOR + 2.750%), 7/30/24	124,688	\$ 125,033
American Airlines, Inc., 3.570% (1 Month US LIBOR + 2.000%), 4/28/23	99,000	\$ 98,897	Harsco Corp., 4.370% (1 Month US LIBOR + 5.000%), 12/7/24	247,500	250,284
United Airlines, Inc., 3.400% (3 Month US LIBOR + 2.000%), 4/1/24	248,125	248,569	Thermon Industries, Inc., 5.120% (1 Month US LIBOR + 3.750%), 10/30/24	125,000	125,781
		<u>347,466</u>			<u>501,098</u>
Automotive: 1.8%			Diversified Financial Services: 0.9%		
Navistar, Inc., 4.900% (1 Month US LIBOR + 3.500%), 11/06/24	250,000	250,702	Canyon Valor Cos, Inc., 5.940% (3 Month US LIBOR + 4.250%), 6/16/23	249,375	251,973
Octavius Corp., 4.980% (1 Month US LIBOR + 3.500%), 11/8/23	250,000	251,563	Diversified Telecommunication Services: 0.9%		
		<u>502,265</u>	Consolidated Communications, Inc., 4.570% (1 Month US LIBOR + 3.000%), 10/5/23	249,065	244,520
Auto Parts & Equipment: 0.8%			Electric - Generation: 4.3%		
Key Safety Systems, Inc., 5.890% (3 Month US LIBOR + 2.750%), 8/29/21	235,287	233,424	Calpine Corp., 4.200% (3 Month US LIBOR + 2.500%), 1/15/23	243,149	242,845
Building Materials: 0.9%			Dynergy, Inc., 3.750%, (1 Month US LIBOR + 2.750%) 2/7/24	226,893	227,839
Quikrete Holdings, Inc., 4.320% (1 Month US LIBOR + 2.750%), 11/15/23	240,384	240,685	Exgen Renewables IV LLC, 4.470% (3 Month US LIBOR + 3.000%), 11/28/24	125,000	126,250
Building Products: 0.9%			Helix Gen Funding LLC, 5.440% (3 Month US LIBOR + 3.750%), 6/3/24	231,144	231,673
Atkore International, Inc., 4.700% (3 Month US LIBOR + 3.000%), 12/22/23	247,500	248,738	Lightstone Holdco LLC, 6.070% (1 Month US LIBOR + 4.500%), 1/30/24	14,493	14,546
Chemicals: 0.4%			Lightstone Holdco LLC, 6.070% (1 Month US LIBOR + 4.500%), 1/30/24	228,242	229,075
Encapsys LLC, 4.820% (1 Month US LIBOR + 3.250%), 10/27/24	125,000	125,391	TerraForm Power Operating LLC, 4.150% (3 Month US LIBOR + 2.750%), 11/8/22	125,000	126,562
Chemical Compaines: 2.7%				<u>1,198,790</u>	
HB Fuller Co., 3.750% (1 Month US LIBOR + 2.250%), 10/20/24	249,375	250,033	Electronics: 0.9%		
McAfee LLC, 6.070% (1 Month US LIBOR + 4.500%), 9/29/24	249,374	248,395	Micron Technology, Inc., 3.390% (3 Month US LIBOR + 2.000%), 4/26/22	246,250	248,326
Tronox Blocked Borrower LLC, 4.690% (3 Month US LIBOR + 3.000%), 9/22/24	75,581	76,013	Electric Utilities: 0.5%		
Tronox Finance LLC, 4.690% (3 Month US LIBOR + 3.000%), 9/22/24	174,419	175,414	Compass Power Generation LLC, 5.390% (3 Month US LIBOR + 3.750%), 12/20/24	125,000	125,729
		<u>749,855</u>	Entertainment: 2.2%		
Communications Equipment: 0.7%			Intrawest Resorts Holdings, Inc., 4.820% (1 Month US LIBOR + 3.250%), 7/31/24	250,000	251,720
Polycom, Inc., 6.780% (1 Month US LIBOR + 5.250%), 9/27/23	196,854	198,002	Life Time Fitness, Inc., 4.230% (3 Month US LIBOR + 2.750%), 6/15/22	245,017	245,681
Computer & Peripherals: 0.9%			SeaWorld Parks & Entertainment, Inc., 4.690% (3 Month US LIBOR + 3.000%), 3/31/24	124,686	122,972
Western Digital Corp., 3.570% (1 Month US LIBOR + 2.000%), 4/29/23	245,152	245,949			<u>620,373</u>
Consumer - Products: 0.8%					
HLF Financing Sarl, 7.070% (1 Month US LIBOR + 5.500%), 2/15/23	235,937	235,126			

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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Food - Wholesale: 1.8%			Investments & Miscellaneous Financial Services: 2.7%		
American Seafoods Group LLC, 4.700% (3 Month US LIBOR + 3.250%), 8/21/23	250,000	\$ 251,562	FinCo I LLC, 2.750% (1 Month US LIBOR + 2.750%), 12/27/22	250,000	\$ 252,562
JBS USA LUX SA, 4.100% (3 Month US LIBOR + 2.500%), 10/30/22	248,125	243,597	LPL Holdings, Inc., 3.810% (3 Month US LIBOR + 2.250%), 9/21/24	248,752	249,580
		<u>495,159</u>	Russell Investments US Institutional Holdco, Inc., 5.940% (3 Month US LIBOR + 4.250%), 6/1/23	246,250	247,558
Food & Drug Retailers: 0.9%					<u>749,700</u>
Albertson's LLC, 4.670% (3 Month US LIBOR + 3.000%), 12/21/22	246,889	241,670	IT Services: 1.8%		
Gaming: 2.3%			NAB Holdings LLC, 4.820% (1 Month US LIBOR + 3.250%), 6/30/24	248,750	249,218
Boyd Gaming Corp., 3.980% (1 Week US LIBOR + 2.500%), 9/15/23	231,320	232,477	PI US Borrowerco, Inc., 4.500% (1 Month US LIBOR + 3.500%), 12/20/24	250,000	249,688
Eldorado Resorts, Inc., 3.770% (1 Month US LIBOR + 2.250%), 4/17/24	164,957	164,957			<u>498,906</u>
Scientific Games International, Inc., 4.700% (2 Month US LIBOR + 3.250%), 8/14/24	249,375	251,245	Media - Broadcast: 7.5%		
		<u>648,679</u>	Altice US Finance I Corp., 3.820% (1 Month US LIBOR + 2.250%), 7/28/25	246,267	245,088
Gas Utilities: 0.9%			Beasley Mezzanine Holdings LLC, 5.490% (1 Month US LIBOR + 4.000%), 11/1/23	250,000	251,250
Vistra Operations Co. LLC, 4.200% (1 Month US LIBOR + 2.750%), 12/14/23	247,500	249,181	CSC Holdings LLC, 3.740% (1 Month US LIBOR + 2.250%), 7/17/25	249,373	248,204
Health Care Equipment & Supplies: 0.4%			Gray Television, Inc., 3.610% (1 Month US LIBOR + 2.250%), 2/7/24	247,500	248,738
Mallinckrodt International Finance SA, 4.440% (3 Month US LIBOR + 2.750%), 9/24/24	123,439	123,153	Radiate Holdco LLC, 4.570% (1 Month US LIBOR + 3.000%), 2/1/24	248,125	246,043
Health Care Providers & Services: 1.3%			Sinclair Television Group, Inc., 3.820% (1 Month US LIBOR + 2.250%), 1/3/24	247,500	247,267
Press Ganey Holdings, Inc., 4.570% (1 Month US LIBOR + 3.000%), 10/23/23	124,685	125,387	Univision Communications, Inc., 4.320% (1 Month US LIBOR + 2.750%), 3/15/24	249,324	248,354
Prospect Medical Holdings, Inc., 7.500% (6 Month US LIBOR + 6.000%), 6/30/22	246,250	248,712	Urban One, Inc., 5.700% (3 Month US LIBOR + 4.000%), 4/18/23	123,439	120,970
		<u>374,099</u>	WideOpenWest Finance LLC, 4.750% (1 Month US LIBOR + 3.250%), 8/19/23	249,375	246,804
Health Services: 3.5%					<u>2,102,718</u>
Acadia Healthcare Co., Inc., 4.140% (1 Month US LIBOR + 2.750%), 2/16/23	241,126	242,331	Media - Cable: 0.9%		
Concentra, Inc., 4.490% (3 Month US LIBOR + 3.000%), 6/1/22	239,804	240,903	SFR Group SA, 4.350% (3 Month US LIBOR + 3.000%), 1/31/26	250,000	240,390
Envision Healthcare Corp., 4.570% (1 Month US LIBOR + 3.000%), 12/1/23	245,028	245,538	Metals & Mining: 1.8%		
Select Medical Corp., 4.850% (3 Month US LIBOR + 3.500%), 3/6/24	248,125	250,296	Big River Steel LLC, 6.690% (3 Month US LIBOR + 5.000%), 8/23/23	249,375	251,245
		<u>979,068</u>	Zekelman Industries, Inc., 4.070% (3 Month US LIBOR + 2.750%), 6/14/21	246,263	247,248
Hotels: 0.9%					<u>498,493</u>
Belmond Interfin Ltd., 4.320% (1 Month US LIBOR + 2.750%), 7/3/24	248,750	248,854	Metals/Mining Excluding Steel: 0.9%		
Household Durables: 0.4%			American Rock Salt Co. LLC, 4.750% (3 Month US LIBOR + 3.750%), 5/20/21	125,000	124,740
Floor & Decor Outlets of America, Inc., 4.070% (1 Month US LIBOR + 2.500%), 9/30/23	125,000	125,330	Peabody Energy Corp., 5.070% (1 Month US LIBOR + 3.500%), 3/31/22	117,370	118,873
					<u>243,613</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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Non-Food & Drug Retailers: 1.8%			Software/Services: 4.3%		
G-III Apparel Group Ltd., 6.690% (2 Month US LIBOR + 5.250%), 12/1/22	250,000	\$ 252,292	Almonde, Inc., 4.980% (3 Month US LIBOR + 3.500%), 6/16/24	249,375	\$ 249,981
The Men's Wearhouse, Inc., 4.890% (1 Month US LIBOR + 3.500%), 6/18/21	244,843	244,691	Avaya, Inc., 6.230% (1 Month US LIBOR + 4.750%), 11/9/24	125,000	122,865
		<u>496,983</u>	Blucora, Inc., 4.690% (3 Month US LIBOR + 3.000%), 5/22/24	230,000	230,720
Other Industrial & Manufacturing: 2.5%			First Data Corp., 3.800% (1 Month US LIBOR + 2.250%), 4/26/24	230,733	230,774
Harland Clarke Holdings Corp., 6.440% (3 Month US LIBOR + 4.750%), 11/3/23	248,874	249,703	Match Group, Inc., 3.850% (2 Month US LIBOR + 2.500%), 11/16/22	109,375	110,058
RBS Global, Inc., 3.800% (1 Month US LIBOR + 2.250%), 8/21/24	250,000	250,938	MTS Systems Corp., 4.690% (1 Month US LIBOR + 3.250%), 7/5/23	238,674	240,464
XPO Logistics, Inc., 3.600% (3 Month US LIBOR + 2.250%), 11/1/21	181,427	182,388			<u>1,184,862</u>
		<u>683,029</u>	Special Retail: 0.9%		
Packaging: 0.7%			Staples, Inc., 5.490% (2 Month US LIBOR + 4.000%), 9/12/24	250,000	244,875
Berry Global, Inc., 3.770% (1 Month US LIBOR + 2.250%), 10/1/22	185,988	186,639	Support - Services: 3.6%		
Pharmaceuticals & Devices: 1.8%			Aramark Services, Inc., 3.570% (1 Month US LIBOR + 2.000%), 3/11/25	250,000	251,173
Endo International PLC, 5.870% (1 Month US LIBOR + 4.250%), 4/27/24	248,750	249,994	The ServiceMaster Co. LLC, 4.070% (1 Month US LIBOR + 2.500%), 11/8/23	247,500	248,242
Kinetic Concepts, Inc., 4.580% (3 Month US LIBOR + 3.250%), 2/3/24	248,750	247,444	TruGreen LP, 5.540% (3 Month US LIBOR + 4.000%), 4/13/23	246,881	250,123
Valeant Pharmaceuticals International, Inc., 4.940% (1 Month US LIBOR + 3.500%), 4/1/22	5	5	UOS LLC, 7.070% (1 Month US LIBOR + 5.500%), 4/18/23	248,750	253,725
		<u>497,443</u>			<u>1,003,263</u>
Restaurants: 1.7%			Telecom - Integrated/Services: 8.5%		
Burger King, 3.870% (1 Month US LIBOR + 2.250%), 2/17/24	247,089	246,955	CenturyLink, Inc., 6.750% (1 Month US LIBOR + 2.75%), 12/1/21	125,000	120,430
P.F. Chang's China Bistro, Inc., 6.510% (6 Month US LIBOR + 5.000%), 9/1/22	249,375	234,206	Cincinnati Bell, Inc., 5.110% (1 Month US LIBOR + 3.750%), 10/2/24	250,000	252,578
		<u>481,161</u>	GTT Communications, Inc., 4.870% (1 Month US LIBOR + 3.250%), 1/9/24	247,500	248,737
Road & Rail: 0.4%			Intelsat Jackson Holdings SA, 4.750% (3 Month US LIBOR + 3.750%), 11/27/23	250,000	244,553
Daseke Cos, Inc., 6.570% (1 Month US LIBOR + 5.000%), 2/27/24	125,000	124,948	Level 3 Parent LLC, 3.700% (3 Month US LIBOR + 2.250%), 2/22/24	250,000	250,000
Semiconductors & Semiconductor Equipment: 0.9%			Maxar Technologies Ltd., 4.100% (3 Month US LIBOR + 2.750%), 10/5/24	250,000	251,072
Xperi Corp., 4.820% (1 Month US LIBOR + 3.250%), 11/30/23	247,500	248,814	Sprint Communications, Inc., 4.120% (1 Month US LIBOR + 2.500%), 2/2/24	248,125	247,939
Software: 1.4%			Telenet Financing USD LLC, 3.920% (1 Month US LIBOR + 2.500%), 3/1/26	250,000	250,650
Quest Software US Holdings, Inc., 6.500% (3 Month US LIBOR + 5.500%), 10/31/22	117,372	119,112	Telesat Canada, 4.700% (3 Month US LIBOR + 3.000%), 11/17/23	246,881	247,575
Veritas US, Inc., 6.190% (3 Month US LIBOR + 4.500%), 1/27/23	262,312	262,750	UPC Financing Partnership, 3.980% (1 Month US LIBOR + 2.500%), 1/15/26	250,000	249,792
		<u>381,862</u>			<u>2,363,326</u>

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

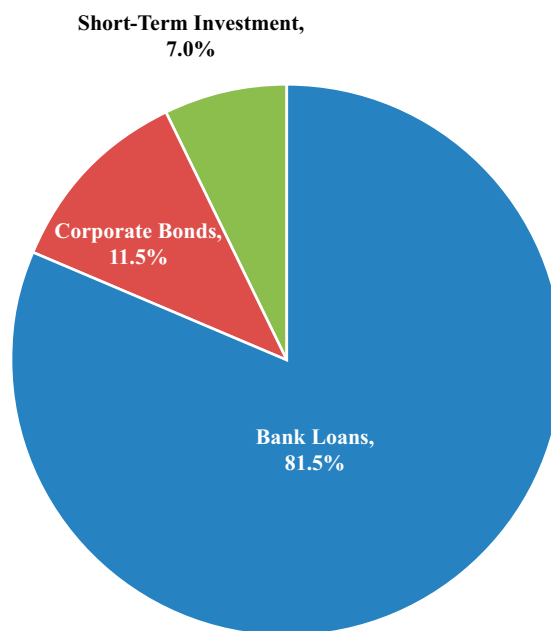
PENN CAPITAL FUNDS TRUST
PENN CAPITAL DEFENSIVE FLOATING RATE INCOME FUND
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Telecom - Wireless: 0.7%			Gas Distribution: 1.0%		
Windstream Services LLC, 5.500% (1 Month US LIBOR + 4.000%), 3/30/21	222,835	\$ 208,676	NGL Energy Partners LP, 5.120%, 7/15/19 . . .	130,000	\$ 132,275
Trading Companies & Distributors: 0.9%			Tallgrass Energy Partners LP, 5.500%, 9/15/24(b)	145,000	148,806
DXP Enterprises, Inc., 7.070% (1 Month US LIBOR + 5.500%), 8/29/23	249,375	249,998			<u>281,081</u>
Transportation Excluding Air/Rail: 1.8%			Health Services: 0.4%		
CB URS Holdings Corp., 6.820% (1 Month US LIBOR + 5.250%), 10/19/24	124,063	124,838	Universal Hospital Services, Inc., 7.620%, 8/15/20	120,000	120,000
Deck Chassis Acquisition, Inc., 7.520% (1 Month US LIBOR + 6.000%), 6/15/23	125,000	126,875	Hospitals: 0.5%		
YRC Worldwide, Inc., 10.070% (1 Month US LIBOR + 8.500%), 7/26/22	248,116	246,786	HCA, Inc., 7.500%, 2/15/22	125,000	140,625
		<u>498,499</u>	Household & Leisure Products/Durables: 0.5%		
Water Utilities: 0.6%			Tempur Sealy International, Inc., 5.620%, 10/15/23	125,000	130,000
EWT Holdings III Corp., 4.690% (3 Month US LIBOR + 3.000%), 12/15/23	158,252	158,779	Investments & Miscellaneous Financial Services: 0.4%		
Total Bank Loans (cost \$23,005,183)		<u>23,149,880</u>	Icahn Enterprises LP, 6.250%, 2/1/22	100,000	102,250
Corporate Bonds: 11.7%			Media - Diversified: 0.4%		
Automotive: 0.5%			Videotron Ltd., 5.000%, 7/15/22	100,000	105,250
Penske Automotive Group, Inc., 3.750%, 8/15/20	130,000	132,438	Metals/Mining Excluding Steel: 0.2%		
Building & Construction: 0.4%			Peabody Energy Corp., 6.000%, 3/31/22(b) . .	65,000	67,438
Lennar Corp., 4.120%, 1/15/22	110,000	112,200	Pharmaceuticals & Devices: 1.0%		
Chemicals: 0.2%			Mallinckrodt International Finance SA, 4.870%, 4/15/20(b)	70,000	67,200
CF Industries, Inc., 7.120%, 5/1/20	47,000	51,183	Valeant Pharmaceuticals International, Inc., 7.500%, 7/15/21(b)	140,000	142,625
Commercial Services & Supplies: 0.4%			Valeant Pharmaceuticals International, Inc., 5.870%, 5/15/23(b)	75,000	69,469
Mathews International Corp., 5.250%, 12/1/25(b)	100,000	101,000			<u>279,294</u>
Computer Hardware: 0.8%			Support - Services: 0.4%		
Dell International LLC, 5.870%, 6/15/21(b) . .	100,000	103,750	CoreCivic, Inc., 4.120%, 4/1/20	110,000	111,650
Western Digital Corp., 10.500%, 4/1/24	100,000	115,875	Telecom - Integrated/Services: 2.4%		
		<u>219,625</u>	Frontier Communications Corp., 8.120%, 10/1/18	195,000	194,249
Consumer/Commercial/Lease Financing: 0.4%			Gogo Intermediate Holdings LLC, 12.500%, 7/1/22(b)	115,000	129,806
Navient Corp., 8.000%, 3/25/20	100,000	108,125	Hughes Satellite Systems Corp., 7.620%, 6/15/21	125,000	138,125
Electric - Generation: 0.4%			Qwest Corp., 6.750%, 12/1/21	125,000	134,596
NRG Energy, Inc., 6.250%, 7/15/22	115,000	119,600	Uniti Group LP, 6.000%, 4/15/23(b)	80,000	78,600
Electric - Integrated: 0.4%					<u>675,376</u>
Dynegey, Inc., 5.870%, 6/1/23	125,000	126,562	Total Corporate Bonds (cost \$3,221,684)		
Energy - Exploration & Production: 0.3%					<u>3,261,372</u>
Carrizo Oil & Gas, Inc., 7.500%, 9/15/20	76,000	77,425			
Entertainment: 0.5%					
NCL Corp. Ltd., 4.750%, 12/15/21(b)	125,000	129,375			
Food & Drug Retailers: 0.2%					
Ingles Markets, Inc., 5.750%, 6/15/23	70,000	70,875			

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, 2017 (UNAUDITED)

	Shares	Value	Country Exposure (as a percentage of total investments) (Unaudited)
Short-Term Investment: 7.1%			United States 98.19%
Money Market Fund - 7.1%			Canada 1.12%
Short-Term Investments Trust Treasury Portfolio Institutional Class, 1.160%(c) . .	1,990,278	\$ 1,990,278	Bermuda 0.45%
Total Short-Term Investment (cost \$1,990,278)		1,990,278	Luxembourg 0.24%
			Asset Type (as a percentage of total investments) (Unaudited)
Total Investments - 101.9% (cost \$28,217,145)		28,401,530	
Liabilities in Excess of Other Assets (1.9)% .		(535,193)	
Net Assets: 100.0%		\$27,866,337	



Percentages are stated as a percent of net assets.

- (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, 2017, the value of these investments was \$1,038,069, or 3.7% of total net assets.
- (c) Rate reported is the 7-day effective yield as of December 31, 2017.

The cost basis of investments for federal income tax purposes at December 31, 2017 was as follows*:

Cost of investments	\$28,217,145
Gross unrealized appreciation	250,798
Gross unrealized depreciation	(66,413)
Net unrealized appreciation.	\$ 184,385

* 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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Corporate Bonds: 83.7%			Computer Hardware: 3.5%		
Aerospace: 2.1%			Dell, Inc., 5.650%, 4/15/18		
Bombardier, Inc., 8.750%, 12/1/21(a)	75,000	\$ 82,500	EMC Corp., 2.650%, 6/1/20	40,000	\$ 40,241
Bombardier, Inc., 7.750%, 3/15/20(a)	95,000	102,125	Western Digital Corp., 10.500%, 4/1/24	150,000	148,090
		<u>184,625</u>		100,000	115,875
				<u>304,206</u>	
Airline Companies: 0.4%			Consumer/Commercial/Lease Financing: 4.0%		
Air Canada, 7.750%, 4/15/21(a)	30,000	34,200	International Lease Finance Corp., 6.250%, 5/15/19	70,000	73,347
Airline Cos: 2.7%			Navient Corp., 8.450%, 6/15/18	40,000	41,020
American Airlines Group, Inc., 6.120%, 6/1/18	95,000	96,188	Navient Corp., 8.000%, 3/25/20	180,000	194,625
American Airlines Group, Inc., 5.500%, 10/1/19(a)	65,000	66,787	Navient Corp., 6.500%, 6/15/22	40,000	41,960
United Continental Holdings, Inc., 6.370%, 6/1/18	75,000	75,937		<u>350,952</u>	
		<u>238,912</u>	Consumer/Commerical/Lease Financing: 0.7%		
			Aircastle Ltd., 6.250%, 12/1/19	55,000	58,025
Airlines Cos: 0.9%			Containers & Packaging: 0.5%		
Allegiant Travel Co., 5.500%, 7/15/19	80,000	81,800	Sealed Air Corp., 6.500%, 12/1/20(a)	40,000	43,800
Auto Parts & Equipment: 1.5%			Diversified Capital Goods: 0.7%		
American Axle & Manufacturing, Inc., 7.750%, 11/15/19	45,000	49,050	Anixter, Inc., 5.620%, 5/1/19	60,000	61,875
The Goodyear Tire & Rubber Co., 8.750%, 8/15/20	75,000	85,688	Electric - Generation: 2.3%		
		<u>134,738</u>	DPL, Inc., 6.750%, 10/1/19	55,000	57,612
			Dynegy, Inc., 7.370%, 11/1/22	40,000	42,200
Automotive: 2.9%			NRG Energy, Inc., 6.250%, 7/15/22	95,000	98,800
Fiat Chrysler Automobiles NV, 4.500%, 4/15/20	200,000	205,170		<u>198,612</u>	
Penske Automotive Group, Inc., 3.750%, 8/15/20	45,000	45,844	Energy - Exploration & Production: 3.1%		
		<u>251,014</u>	Carrizo Oil & Gas, Inc., 7.500%, 9/15/20	37,000	37,694
			Comstock Resources, Inc., 10.000% Cash or 12.000% PIK, 3/15/20	45,000	46,406
Banking: 3.1%			Oasis Petroleum, Inc., 6.500%, 11/1/21	55,000	56,169
Ally Financial, Inc., 8.000%, 12/31/18	75,000	78,562	Resolute Energy Corp., 8.500%, 5/1/20	65,000	66,137
Ally Financial, Inc., 3.750%, 11/18/19	60,000	60,756	WPX Energy, Inc., 7.500%, 8/1/20	55,000	59,538
Ally Financial, Inc., 8.000%, 3/15/20	60,000	66,150		<u>265,944</u>	
Ally Financial, Inc., 4.120%, 2/13/22	60,000	61,338	Energy Equipment & Services: 0.6%		
		<u>266,806</u>	Rowan Cos, Inc., 7.870%, 8/1/19	50,000	53,500
Banks: 1.0%			Food - Wholesale: 0.9%		
CIT Group, Inc., 5.370%, 5/15/20	80,000	84,500	JBS USA LUX SA, 7.250%, 6/1/21(a)	40,000	40,650
Building & Construction: 1.1%			JBS USA LUX SA, 8.250%, 2/1/20(a)	40,000	40,120
CalAtlantic Group, Inc., 8.370%, 5/15/18	30,000	30,600		<u>80,770</u>	
Lennar Corp., 6.950%, 6/1/18	30,000	30,563	Gaming: 2.0%		
Toll Brothers Finance Corp., 6.750%, 11/1/19	35,000	37,625	GLP Capital LP / GLP Financing II, Inc., 4.370%, 4/15/21	20,000	20,550
		<u>98,788</u>	MGM Resorts International, 6.750%, 10/1/20	80,000	86,400
			MGM Resorts International, 8.620%, 2/1/19	40,000	42,400
Chemicals: 0.7%			Scientific Games International, Inc., 10.000%, 12/1/22	25,000	27,438
CF Industries, Inc., 7.120%, 5/1/20	54,000	58,806		<u>176,788</u>	
Chemical Companies: 0.5%					
Huntsman International LLC, 4.870%, 11/15/20	40,000	41,600			

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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>		<u>Principal</u>	<u>Value</u>
Gas Distribution: 6.3%			Metals/Mining Excluding Steel: 2.6%		
DCP Midstream Operating LP, 9.750%, 3/15/19(a)	80,000	\$ 86,500	Freeport-McMoRan, Inc., 3.100%, 3/15/20 . . .	105,000	\$ 104,344
DCP Midstream Operating LP, 5.350%, 3/15/20(a)	115,000	119,888	Freeport-McMoRan, Inc., 2.370%, 3/15/18 . . .	55,000	54,931
NGL Energy Partners LP, 5.120%, 7/15/19 . . .	95,000	96,662	Peabody Energy Corp., 6.000%, 3/31/22(a) . . .	65,000	67,438
Rockies Express Pipeline LLC, 5.620%, 4/15/20(a)	145,000	151,888			<u>226,713</u>
Sunoco LP, 6.250%, 4/15/21	40,000	41,580	Nondepository Credit Intermediation: 0.8%		
Sunoco LP, 5.500%, 8/1/20	50,000	51,456	Nationstar Mortgage LLC, 6.500%, 7/1/21 . . .	65,000	65,894
		<u>547,974</u>	Non-Food & Drug Retailers: 2.5%		
Health Services: 2.1%			GameStop Corp., 6.750%, 3/15/21(a)	75,000	78,375
Fresenius Medical Care US Finance II, Inc., 5.620%, 7/31/19(a)	65,000	67,989	GameStop Corp., 5.500%, 10/1/19(a)	75,000	76,219
Kindred Healthcare, Inc., 8.000%, 1/15/20 . . .	15,000	16,252	L Brands, Inc., 8.500%, 6/15/19	55,000	59,744
Universal Hospital Services, Inc., 7.620%, 8/15/20	95,000	95,000			<u>214,338</u>
		<u>179,241</u>	Oil Field Equipment & Services: 1.8%		
Hospitals: 5.5%			Nabors Industries, Inc., 4.620%, 9/15/21	20,000	19,050
HCA Healthcare, Inc., 6.250%, 2/15/21	40,000	42,400	Nabors Industries, Inc., 9.250%, 1/15/19	47,000	49,820
HCA, Inc., 7.500%, 2/15/22	100,000	112,500	Pride International LLC, 8.500%, 6/15/19 . . .	40,000	42,300
HCA, Inc., 6.500%, 2/15/20	80,000	84,800	SESI LLC, 7.120%, 12/15/21	20,000	20,500
HCA, Inc., 3.750%, 3/15/19	85,000	85,744	Transocean, Inc., 8.370%, 12/15/21	20,000	21,600
Tenet Healthcare Corp., 6.000%, 10/1/20	140,000	148,022			<u>153,270</u>
		<u>473,466</u>	Oil Refining & Marketing: 0.5%		
Household Durables: 0.9%			PBF Holding Co. LLC, 7.000%, 11/15/23 . . .	40,000	41,750
KB Home, 8.000%, 3/15/20	75,000	82,125	Oil, Gas & Consumable Fuels: 0.5%		
Household Products: 0.5%			Energy Transfer Equity LP, 7.500%, 10/15/20 .	40,000	44,000
HRG Group, Inc., 7.870%, 7/15/19	40,000	40,080	Packaging: 0.6%		
Investments & Misc Financial Services: 3.5%			Greif, Inc., 7.750%, 8/1/19	50,000	53,375
Icahn Enterprises LP, 4.870%, 3/15/19	50,000	50,010	Pharmaceuticals & Devices: 1.9%		
Icahn Enterprises LP, 6.000%, 8/1/20	245,000	251,964	Mallinckrodt International Finance SA, 3.500%, 4/15/18(a)	40,000	39,800
		<u>301,974</u>	Mallinckrodt International Finance SA, 4.870%, 4/15/20(a)	60,000	57,600
Media - Cable: 4.6%			Valeant Pharmaceuticals International, Inc., 5.370%, 3/15/20(a)	65,000	65,163
CSC Holdings LLC, 7.620%, 7/15/18	35,000	35,787			<u>162,563</u>
CSC Holdings LLC, 6.750%, 11/15/21	60,000	64,350	Steel Producers & Products: 1.4%		
DISH DBS Corp., 6.750%, 6/1/21	100,000	105,125	United States Steel Corp., 7.370%, 4/1/20 . . .	110,000	119,350
DISH DBS Corp., 7.870%, 9/1/19	110,000	117,700	Steel Producers/Products: 0.8%		
Cablevision Systems Corp., 7.750%, 4/15/18 .	75,000	75,937	AK Steel Corp., 7.620%, 10/1/21	65,000	67,437
		<u>398,899</u>	Support - Services: 2.5%		
Media - Services: 0.9%			The ADT Corp., 5.250%, 3/15/20	75,000	78,281
Clear Channel Worldwide Holdings, Inc., 7.620%, 3/15/20	80,000	78,400	The ADT Corp., 6.250%, 10/15/21	55,000	60,225
			CoreCivic, Inc., 4.120%, 4/1/20	75,000	76,125
					<u>214,631</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, 2017 (UNAUDITED)

	<u>Principal</u>	<u>Value</u>
Telecom - Integrated/Services: 4.6%		
CenturyLink, Inc., 5.620%, 4/1/20	40,000	\$ 40,300
Frontier Communications Corp., 8.120%, 10/1/18	120,000	119,538
Frontier Communications Corp., 7.120%, 3/15/19	20,000	19,200
Gogo Intermediate Holdings LLC, 12.500%, 7/1/22(a)	35,000	39,506
Hughes Satellite Systems Corp., 6.500%, 6/15/19	65,000	67,925
Hughes Satellite Systems Corp., 7.620%, 6/15/21	35,000	38,675
Qwest Corp., 6.750%, 12/1/21	72,000	77,527
		<u>402,671</u>
Telecom - Wireless: 3.7%		
Sprint Capital Corp., 6.900%, 5/1/19	80,000	83,700
Sprint Corp., 7.250%, 9/15/21	55,000	58,231
Sprint Communications, Inc., 7.000%, 8/15/20	170,000	180,200
		<u>322,131</u>
Total Corporate Bonds (cost \$7,298,463)		<u>7,260,543</u>
Asset-Backed Security: 0.5%		
Airline Companies: 0.5%		
Continental Airlines 2012-3 Class C Pass Through Trust, 6.120%, 4/29/18	40,000	40,420
Total Asset-Backed Security (cost \$40,445)		<u>40,420</u>
Mutual Fund: 9.6%		
Penn Capital Defensive Floating Rate Income Fund-Institutional Class(b)	82,395	833,839
Total Mutual Fund (cost \$841,260)		<u>833,839</u>
	<u>Shares</u>	<u>Value</u>
Short-Term Investment: 5.4%		
Money Market Fund - 5.4%		
Short-Term Investments Trust Treasury Portfolio Institutional Class, 1.160%(c)	470,226	470,226
Total Short-Term Investment (cost \$470,226)		<u>470,226</u>
Total Investments - 99.2% (cost \$8,650,394)		<u>8,605,028</u>
Other Assets and Liabilities 0.8%		65,469
Net Assets: 100.0%		<u>\$ 8,670,497</u>

The cost basis of investments for federal income tax purposes at December 31, 2017 was as follows*:

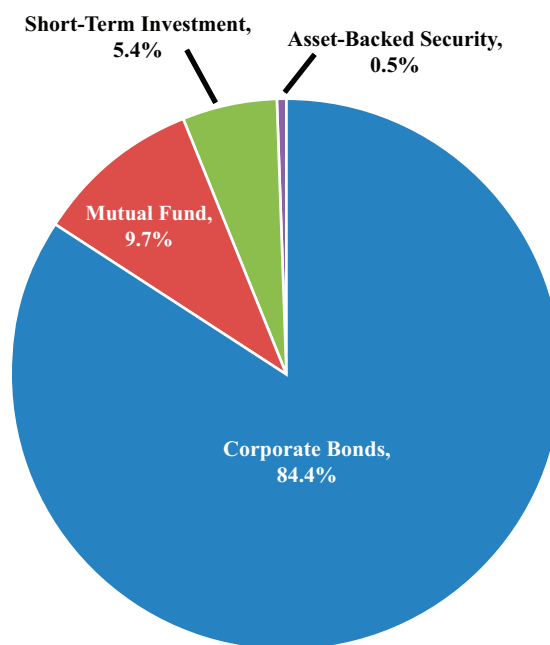
Cost of investments	\$8,650,394
Gross unrealized appreciation	15,256
Gross unrealized depreciation	(60,622)
Net unrealized depreciation	<u>(\$ 45,366)</u>

* 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) (Unaudited)

United States	92.26%
Canada	3.30%
Netherlands	2.38%
Luxembourg	1.13%
Bermuda	0.68%
Cayman Islands	0.25%

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



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, 2017, the value of these investments was \$1,260,548, or 14.5% of total net assets.
- (b) Affiliated company. See Note 7.
- (c) Rate reported is the 7-day effective yield as of December 31, 2017.

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

PENN CAPITAL FUNDS TRUST
STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2017 (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
Assets					
Investments, at fair value ⁽¹⁾					
Unaffiliated issuers	\$ 13,639,577	\$ 20,120,861	\$ 9,428,218	\$ 28,401,530	\$ 7,771,189
Affiliated mutual fund (See Note 7)	—	—	999,648	—	833,839
Receivables:					
Advisor reimbursement due	2,900	306	12,543	11,743	11,717
Dividends and interest	8,276	4,543	158,853	187,441	121,047
Investments sold	—	—	—	548,279	—
Fund shares sold	—	59,825	29,950	—	—
Cash	309	—	—	—	—
Other assets	10,194	15,309	8,317	13,079	99
Total assets	\$ 13,661,256	\$ 20,200,844	\$ 10,637,529	\$ 29,162,072	\$ 8,737,891
Liabilities					
Payables:					
Investments purchased	—	—	—	1,246,040	—
Fund shares redeemed	10,000	—	—	—	—
Accrued expenses:					
Professional fees	10,740	10,660	14,126	11,607	22,860
Administration fees	14,475	14,313	23,861	7,552	22,532
Custody fees	979	2,140	901	806	1,856
Transfer agent fees and expenses	6,538	7,186	6,152	9,487	7,066
Trustee fees and expenses	2,297	4,709	1,961	5,134	969
Other accrued expenses	14,570	2,920	12,782	15,109	12,111
Total liabilities	\$ 59,599	\$ 41,928	\$ 59,783	\$ 1,295,735	\$ 67,394
Net assets	\$ 13,601,657	\$ 20,158,916	\$ 10,577,746	\$ 27,866,337	\$ 8,670,497
Composition of Net Assets					
Paid-in capital	\$ 10,447,863	\$ 17,717,928	\$ 10,368,355	\$ 27,705,301	\$ 8,744,566
Accumulated net investment income (loss)	(18,160)	(72,722)	(12,937)	11,872	(10,102)
Accumulated net realized gain (loss) on investments	389,928	(117,031)	(32,540)	(35,221)	(18,601)
Net unrealized appreciation (depreciation) on investments	2,782,026	2,630,741	254,868	184,385	(45,366)
Net assets	\$ 13,601,657	\$ 20,158,916	\$ 10,577,746	\$ 27,866,337	\$ 8,670,497
Institutional Class					
Net assets applicable to outstanding shares	\$ 13,601,657	\$ 20,158,916	\$ 10,577,746	\$ 27,866,337	\$ 8,670,497
Shares of beneficial interest outstanding, no par value, unlimited authorization	1,038,900	1,717,219	1,038,599	2,754,476	876,922
Net asset value per share outstanding	\$ 13.09	\$ 11.74	\$ 10.18	\$ 10.12	\$ 9.89
Investor Class⁽²⁾					
Net assets applicable to outstanding shares	\$ —	\$ —	\$ —	\$ —	\$ —
Shares of beneficial interest outstanding, no par value, unlimited authorization	—	—	—	—	—
Net asset value per share outstanding	\$ —	\$ —	\$ —	\$ —	\$ —
(1) Investment in securities at cost					
Unaffiliated issuers	\$ 10,857,551	\$ 17,490,120	\$ 9,164,769	\$ 28,217,145	\$ 7,809,134
Affiliated mutual fund (See Note 7)	—	—	1,008,229	—	841,260
(2) No information is provided for Investor Share Class shares because shares of that Class had not yet been issued as of December 31, 2017.					

The accompanying Notes are an integral part of the financial statements.

**PENN CAPITAL FUNDS TRUST
STATEMENTS OF OPERATIONS
DECEMBER 31, 2017 (UNAUDITED)**

	Penn Capital Managed Alpha SMID Cap Equity Fund July 1, 2017 - December 31, 2017	Penn Capital Special Situations Small Cap Equity Fund July 1, 2017 - December 31, 2017	Penn Capital Multi-Credit High Income Fund July 1, 2017 - December 31, 2017	Penn Capital Defensive Floating Rate Income Fund July 1, 2017 - December 31, 2017	Penn Capital Defensive Short Duration High Income Fund July 17, 2017* - December 31, 2017
Investment Income (Loss)					
Income					
Dividends					
Unaffiliated dividends	\$ 44,253	\$ 42,099	\$ —	\$ —	\$ —
Dividend distributions from affiliated mutual fund (See Note 7)	—	—	12,238	—	11,263
Short-term capital gain distribution from affiliated mutual fund (See Note 7)	—	—	5,722	—	4,773
Interest	2,026	1,776	326,563	649,690	93,502
Total income	<u>46,279</u>	<u>43,875</u>	<u>344,523</u>	<u>649,690</u>	<u>109,538</u>
Expenses					
Investment advisory fees	54,712	101,621	32,820	77,293	11,008
Administration and accounting	28,403	28,805	45,971	53,737	36,811
Professional fees	20,138	20,119	23,874	24,772	23,910
Registration	16,588	16,647	16,619	17,046	11,624
Transfer agent expense	10,956	12,453	10,300	14,492	10,440
Compliance fees	7,048	6,387	6,974	7,105	5,984
Custodian	3,110	4,923	3,687	4,941	4,090
Trustees	2,960	5,624	2,537	6,747	2,209
Insurance	2,248	4,078	1,765	4,832	459
Shareholder communication	109	1,723	261	129	582
Shareholder servicing fees	37	2,716	642	1,739	—
Miscellaneous	7	44	7	7	14
Total expenses	<u>146,316</u>	<u>205,140</u>	<u>145,457</u>	<u>212,840</u>	<u>107,131</u>
Expense waiver and reimbursement from Advisor	(81,877)	(88,543)	(111,134)	(124,259)	(91,487)
Net expenses	<u>64,439</u>	<u>116,597</u>	<u>34,323</u>	<u>88,581</u>	<u>15,644</u>
Net investment income (loss)	<u>(18,160)</u>	<u>(72,722)</u>	<u>310,200</u>	<u>561,109</u>	<u>93,894</u>
Realized and Unrealized Gain (Loss) on Investments					
Net realized gain (loss) on investments					
Unaffiliated issuers	384,425	986,180	(7,906)	(34,504)	(18,826)
Long-term capital gain distribution from affiliated mutual fund	—	—	269	—	225
Net change in unrealized appreciation (depreciation)	<u>1,239,949</u>	<u>1,649,258</u>	<u>(39,944)</u>	<u>12,046</u>	<u>(45,366)</u>
Net realized and unrealized gain (loss) on investments	<u>1,624,374</u>	<u>2,635,438</u>	<u>(47,581)</u>	<u>(22,458)</u>	<u>(63,967)</u>
Net increase in net assets resulting from operations	<u>\$1,606,214</u>	<u>\$ 2,562,716</u>	<u>\$ 262,619</u>	<u>\$ 538,651</u>	<u>\$ 29,927</u>

* Commencement of operations.

The accompanying Notes are an integral part of the financial statements.

PENN CAPITAL FUNDS TRUST
STATEMENTS OF CHANGES IN NET ASSETS
DECEMBER 31, 2017 (UNAUDITED)

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, 2017 - December, 2017	July 1, 2016 - June 30, 2017	July 1, 2017 - December, 2017	July 1, 2016 - June 30, 2017	July 1, 2017 - December, 2017	July 1, 2016 - June 30, 2017	July 1, 2017 - December, 2017	July 1, 2016 - June 30, 2017	July 17, 2017* - December, 2017
Operations									
Net investment income (loss)	\$ (18,160)	\$ (29,053)	\$ (72,722)	\$ (78,582)	\$ 310,200	\$ 603,650	\$ 561,109	\$ 844,177	\$ 93,894
Net realized gain (loss) on investments:									
Unaffiliated issuers	384,425	324,087	986,180	1,733,389	(7,906)	366,485	(34,504)	228,049	(18,826)
Long-term capital gain distribution from affiliated mutual fund	—	—	—	—	269	—	—	—	225
Net change in unrealized appreciation (depreciation)	1,239,949	1,669,969	1,649,258	408,497	(39,944)	99,903	12,046	73,586	(45,366)
Net increase in net assets resulting from operations	1,606,214	1,965,003	2,562,716	2,063,304	262,619	1,070,038	538,651	1,145,812	29,927
Dividends and distributions to shareholders									
From net investment income									
Institutional Class	—	—	—	—	(372,938)	(596,135)	(629,036)	(826,690)	(103,996)
From realized gain									
Institutional Class	(217,398)	—	(2,239,983)	(850,482)	(222,565)	—	(167,015)	(95,164)	—
Total dividends and distributions to shareholders	(217,398)	—	(2,239,983)	(850,482)	(595,503)	(596,135)	(796,051)	(921,854)	(103,996)
Capital share transactions									
Net proceeds from sale of shares	1,166,867	240,732	4,545,371	12,938,608	1,770,514	457,456	3,005,403	6,674,297	8,641,582
Dividends and distributions reinvested	217,014	—	2,233,477	845,459	571,680	558,116	792,325	916,744	103,996
Cost of shares redeemed**	(198,412)	(640,048)	(8,809,759)	(1,684,172)	(203,128)	(560,783)	(705,343)	(1,408,771)	(1,012)
Net increase (decrease) in net assets resulting from capital share transactions	1,185,469	(399,316)	(2,030,911)	12,099,895	2,139,066	454,789	3,092,385	6,182,270	8,744,566
Net increase (decrease) in net assets	2,574,285	1,565,687	(1,708,178)	13,312,717	1,806,182	928,692	2,834,985	6,406,228	8,670,497
Net Assets									
Beginning of period	11,027,372	9,461,685	21,867,094	8,554,377	8,771,564	7,842,872	25,031,352	18,625,124	—
End of period	\$13,601,657	\$11,027,372	\$20,158,916	\$21,867,094	\$10,577,746	\$ 8,771,564	\$27,866,337	\$25,031,352	\$ 8,670,497
** Net of redemption fees of:	\$ —	\$ —	\$ 495	\$ 1,853	\$ —	\$ 51	\$ —	\$ —	\$ —
Accumulated net investment income (loss) at the end of period	\$ (18,160)	\$ (51,724)	\$ (72,722)	\$ (78,582)	\$ (12,937)	\$ 49,801	\$ 11,872	\$ 79,799	\$ (10,102)

* Commencement of operations.

The accompanying Notes are an integral part of the financial statements.

**PENN CAPITAL FUNDS TRUST
FINANCIAL HIGHLIGHTS
DECEMBER 31, 2017 (UNAUDITED)**

	Per Common Share Data ^(a)									Supplemental data and ratios					
	Net asset value, beginning of period	Income from investment operations			Distributions to shareholders			Net asset value, end of period	Total return	Net assets, end of period (in 000's)	Ratio of expenses to average net assets, including waivers and reimbursement ^(b)	Ratio of expenses to average net assets, excluding waivers and reimbursement ^(b)	Ratio of net investment income (loss) to average net assets, including waivers and reimbursement ^(c)	Ratio of net investment income (loss) to average net assets, excluding waivers and reimbursement ^(c)	Portfolio turnover rate ^(d)
		Net investment income (loss)	Net realized and unrealized gains (losses)	Total from investment operations	Dividends from net investment income	Distributions from capital gains	Total distributions								
Penn Capital Managed Alpha SMID Cap Equity Fund															
Institutional Class															
7/1/17 to 12/31/17	\$11.73	(0.02)	1.59	1.57	—	(0.21)	(0.21)	\$13.09	13.43% ^(d)	\$13,602	1.06%	2.41%	(0.30)%	(1.65)%	31% ^(d)
7/1/16 to 6/30/17	\$ 9.65	(0.02)	2.10	2.08	—	—	—	\$11.73	21.55% ^(d)	\$11,027	1.06%	2.63%	(0.29)%	(1.86)%	91%
12/1/15 ^(e) to 6/30/16	\$10.00	(0.03)	(0.32)	(0.35)	—	—	—	\$ 9.65	(3.50)% ^(d)	\$ 9,462	1.06%	3.74%	(0.53)%	(3.21)%	70% ^(d)
Penn Capital Special Situations Small Cap Equity Fund															
Institutional Class															
7/1/17 to 12/31/17	\$11.71	(0.04)	1.47	1.43 ^(f)	—	(1.40)	(1.40)	\$11.74	12.19% ^(d)	\$20,159	1.09%	1.92%	(0.68)%	(1.51)%	50% ^(d)
7/1/16 to 6/30/17	\$10.32	(0.04)	2.24	2.20 ^(f)	—	(0.81)	(0.81)	\$11.71	21.52%	\$21,867	1.09%	2.19%	(0.54)%	(1.64)%	101%
12/18/15 ^(e) to 6/30/16	\$10.00	(0.02)	0.34	0.32	—	—	—	\$10.32	3.20% ^(d)	\$ 8,554	1.09%	5.63%	(0.48)%	(5.02)%	102% ^(d)
Penn Capital Multi-Credit High Income Fund															
Institutional Class															
7/1/17 to 12/31/17	\$10.52	0.32	(0.04)	0.28	(0.40)	(0.22)	(0.62)	\$10.18	2.73% ^(d)	\$10,578	0.69%	2.94%	6.19%	3.94%	38% ^(d)
7/1/16 to 6/30/17	\$ 9.95	0.73	0.56	1.29 ^(f)	(0.72)	—	(0.72)	\$10.52	13.36%	\$ 8,772	0.72%	3.25%	7.01%	4.48%	79%
12/1/15 ^(e) to 6/30/16	\$10.00	0.35	(0.10)	0.25	(0.30)	—	(0.30)	\$ 9.95	2.66% ^(d)	\$ 7,843	0.72%	5.14%	6.34%	1.92%	62% ^(d)
Penn Capital Defensive Floating Rate Income Fund															
Institutional Class															
7/1/17 to 12/31/17	\$10.21	0.21	(0.00) ^(g)	0.21	(0.24)	(0.06)	(0.30)	\$10.12	2.09% ^(d)	\$27,866	0.66% ^(h)	1.58%	4.16% ^(h)	3.24%	43% ^(d)
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 ^(e) to 6/30/16	\$10.00	0.14	0.06	0.20	(0.11)	—	(0.11)	\$10.09	1.99% ^(d)	\$18,625	0.74%	2.77%	2.56%	0.53%	43% ^(d)
Penn Capital Defensive Short Duration High Income Fund															
Institutional Class															
7/1/17 ^(e) to 12/31/17	\$10.00	0.13	(0.10)	0.03	(0.14)	—	(0.14)	\$ 9.89	0.35% ^(d)	\$ 8,670	0.54%	3.77%	3.24%	0.01%	25% ^(d)

* No information is provided for Investor Class shares because shares of that class had not yet been issued as of December 31, 2017.

(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) The amount represents less than \$0.01 per share.

(h) Expense waiver of 0.64% was implemented on July 31, 2017.

The accompanying Notes are an integral part of the financial statements.

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 currently offers five series: 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”). The Funds follow the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services- Investment Companies.”

The Penn Capital Alpha SMID Cap Equity Fund and Penn Capital Special Situations Small Cap Equity Fund’s investment objective is to seek to provide capital appreciation.

A privately offered fund managed by PENN Capital Management Company, Inc. (the “Advisor”) reorganized into the Penn Capital Alpha SMID Cap Equity Fund after the close of business on November 30, 2015, with the Penn Capital Alpha SMID Cap Equity Fund commencing operations on December 1, 2015. The reorganization consisted of the transfer of the assets and stated liabilities of the private fund to the Penn Capital Alpha SMID Cap Equity Fund in exchange for Institutional Class shares of the Penn Capital Alpha SMID Cap Equity Fund, which were then distributed to the private fund partners. The reorganization was non-taxable, whereby the Fund issued 1,054,790 shares. The fair value and cost of securities, for tax purposes, received by the Fund was \$10,185,471 and \$10,120,793 respectively. In addition, the Fund received \$362,428 of cash. For financial reporting purposes, assets received and shares issued by the Fund were recorded at fair value.

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.

A privately offered fund managed by the Advisor reorganized into the Penn Capital Multi-Credit High Income Fund after the close of business on November 30, 2015, with the Penn Capital Multi-Credit High Income Fund commencing operations on December 1, 2015. The reorganization consisted of the transfer of the assets and stated liabilities of the private fund to the Penn Capital Multi-Credit High Income Fund in exchange for Institutional Class shares of the Penn Capital Multi-Credit High Income Fund, which were then distributed to the private fund partners. The reorganization was non-taxable, whereby the Fund issued 561,214 shares. The fair value and cost of securities, for tax purposes, received by the Fund was \$4,879,311. Certain investments cost basis were adjusted to the limitation of built in losses for tax purposes. In addition, the Fund received \$732,828 of cash, receivables and accrued interest. For financial reporting purposes, assets received and shares issued by the Fund were recorded at fair value.

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 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 has registered 3 other series, each with one class: the Penn Capital Defensive Short Duration High Income Fund, 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 the Investor Class shares because shares of that class had not yet been issued as of December 31, 2017. None of these classes has a front-end or back-end sales charge. The Penn Capital Micro Cap Equity Fund and Penn Capital Enterprise Value Small Cap Equity Fund have not commenced operations as of the date of this Report.

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Significant Accounting Policies (Unaudited)

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[®] Stock Market and Small CapSM exchanges (“NASDAQ[®]”), 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[®] will be valued at the NASDAQ[®] Official Closing Price on each Business Day. If there is no such reported sale on an exchange or NASDAQ[®], 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.

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

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 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, 2017 in valuing each Fund's investments:

Penn Capital Managed Alpha SMID Cap Equity Fund Investments in Securities^(a)	Level 1	Level 2	Level 3	Total
Common Stocks	\$12,429,776	\$ —	\$ —	\$12,429,776
Real Estate Investment Trusts (REITs)	841,961	—	—	841,961
Short-Term Investment	367,840	—	—	367,840
Total Investments in Securities	<u>\$13,639,577</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$13,639,577</u>

PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Penn Capital Special Situations Small Cap Equity Fund Investments in Securities^(a)	Level 1	Level 2	Level 3	Total
Common Stocks				
Aerospace & Defense	\$ 289,411	\$ —	\$ —	\$ 289,411
Banks	2,315,413	—	—	2,315,413
Biotechnology	243,393	—	—	243,393
Building Products	247,992	—	—	247,992
Capital Markets	478,448	—	—	478,448
Chemicals	405,393	—	—	405,393
Construction Materials	352,600	—	—	352,600
Diversified Consumer Services	309,411	—	—	309,411
Energy Equipment & Services	1,243,697	—	—	1,243,697
Health Care Equipment & Supplies	840,197	—	—	840,197
Health Care Providers & Services	427,951	—	—	427,951
Hotels, Restaurants & Leisure	1,895,700	—	—	1,895,700
Household Durables	331,968	—	—	331,968
Independent Power and Renewable Electricity Producers	323,801	—	—	323,801
Internet Software & Services	1,694,372	—	—	1,694,372
IT Services	682,730	—	—	682,730
Life Sciences Tools & Services	235,824	—	—	235,824
Machinery	1,370,280	—	—	1,370,280
Media	2,169,815	93	—	2,169,908
Metals & Mining	289,008	—	—	289,008
Oil, Gas & Consumable Fuels	697,310	—	—	697,310
Pharmaceuticals	281,660	—	—	281,660
Road & Rail	283,001	—	—	283,001
Semiconductors & Semiconductor Equipment	527,941	—	—	527,941
Software	595,893	—	—	595,893
Specialty Retail	349,208	—	—	349,208
Textiles, Apparel & Luxury Goods	229,382	—	—	229,382
Thrifts & Mortgage Finance	288,727	—	—	288,727
Trading Companies & Distributors	430,848	—	—	430,848
Total Common Stocks	19,831,374	93	—	19,831,467
Short-Term Investment	289,394	—	—	289,394
Total Investments in Securities	\$ 20,120,768	93	—	\$20,120,861
Penn Capital Multi-Credit High Income Fund Investments in Securities^(a)	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ —	\$ 8,712,471	\$ —	\$ 8,712,471
Convertible Bonds	—	192,799	—	192,799
Common Stock	—	—	35	35
Convertible Preferred Stock	56,000	—	—	56,000
Mutual Fund	999,648	—	—	999,648
Preferred Stock	—	—	41	41
Warrant	—	1,166	—	1,166
Short-Term Investment	465,706	—	—	465,706
Total Investments in Securities	\$ 1,521,354	\$ 8,906,436	\$ 76	\$10,427,866

PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Penn Capital Defensive Floating Rate Income Fund				
Investments in Securities^(a)	Level 1	Level 2	Level 3	Total
Bank Loans	\$ —	\$23,149,880	\$ —	\$23,149,880
Corporate Bonds	—	3,261,372	—	3,261,372
Short-Term Investment	1,990,278	—	—	1,990,278
Total Investments in Securities	\$ 1,990,278	\$26,411,252	\$ —	\$28,401,530

Penn Capital Defensive Short Duration High Income Fund				
Investments in Securities^(a)	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ —	\$ 7,260,543	\$ —	\$ 7,260,543
Asset-Backed Security	—	40,420	—	40,420
Mutual Fund	833,839	—	—	833,839
Short-Term Investment	470,226	—	—	470,226
Total Investments in Securities	\$ 1,304,065	\$ 7,300,963	\$ —	\$ 8,605,028

(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, 2017:

Type of Assets	Fair Value as of December 31, 2017	Valuation Techniques	Unobservable Input
Penn Capital Multi-Credit High Income Fund			
Common Stock			
ACC Claims Holdings LLC	\$ 35	Broker Quote ^(a)	N/A
Preferred Stock			
Spanish Broadcasting Systems, Inc.	41	Broker Quote ^(a)	N/A

(a) Unaudited

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

	Balance as of July 1, 2017	Purchases	Sales	Accretion of Discount	Net Realized Gain/Loss	Balance as of December 31, 2017	Change in Unrealized Appreciation (Depreciation) from Investments Held as of December 31, 2017
Penn Capital Multi-Credit High Income Fund							
Common Stock							
ACC Claims Holdings LLC	\$ 44	\$ —	\$ —	\$ —	\$ —	\$ 35	\$ (9)
Preferred Stock							
Spanish Broadcasting Systems, Inc.	32	—	—	—	—	41	9

The Funds disclose transfers between Levels based on valuations at the end of the reporting period. There were no transfers between Levels 1, 2, or 3 for the period ended December 31, 2017.

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

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, usually in December.

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.

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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%

* Advisor fee reduced to 0.55% effective July 31, 2017. Prior to July 31, 2017, the Fund's contractual advisory fee rate was 0.69%.

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 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 30, 2018. 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

* Prior to July 31, 2017, the Penn Capital Defensive Floating Rate Income Fund's total annual operating expenses (excluding certain specified items) were limited to 0.74% for Institutional Class shares and 0.99% for Investor Class shares.

Any waived or reimbursed expenses by the Advisor to the Funds are subject to repayment by a Fund in the three years following the date the payment was made, 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 Year Incurred</u>	<u>Amount Waived/ Expenses Assumed</u>	<u>Amount Recouped</u>	<u>Amount Subject to Potential Recoupment</u>	<u>Year of Expiration</u>
Penn Capital Managed Alpha SMID Cap Equity Fund				
June 30, 2016	\$ 146,572	\$ —	\$ 146,572	2019
June 30, 2017	162,111	—	162,111	2020
June 30, 2018	81,877	—	81,877	2021
Total	<u>\$ 390,560</u>	<u>\$ —</u>	<u>\$ 390,560</u>	
Penn Capital Special Situations Small Cap Equity Fund				
June 30, 2016	\$ 128,464	\$ —	\$ 128,464	2019
June 30, 2017	158,820	—	158,820	2020
June 30, 2018	88,543	—	88,543	2021
Total	<u>\$ 375,827</u>	<u>\$ —</u>	<u>\$ 375,827</u>	
Penn Capital Multi-Credit High Income Fund				
June 30, 2016	\$ 171,803	\$ —	\$ 171,803	2019

**PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

<u>Fiscal Year Incurred</u>	<u>Amount Waived/ Expenses Assumed</u>	<u>Amount Recouped</u>	<u>Amount Subject to Potential Recoupment</u>	<u>Year of Expiration</u>
June 30, 2017	218,116	—	218,116	2020
June 30, 2018	111,134	—	111,134	2021
Total	<u>\$501,053</u>	<u>\$ —</u>	<u>\$501,053</u>	
Penn Capital Defensive Floating Rate Income Fund				
June 30, 2016	\$205,304	\$ —	\$205,304	2019
June 30, 2017	261,441	—	261,441	2020
June 30, 2018	124,259	—	124,259	2021
Total	<u>\$591,004</u>	<u>\$ —</u>	<u>\$591,004</u>	
Penn Capital Defensive Short Duration High Income Fund				
June 30, 2018	\$ 91,487	\$ —	\$ 91,487	2021
Total	<u>\$ 91,487</u>	<u>\$ —</u>	<u>\$ 91,487</u>	

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

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, 2017, there were no distribution fees paid under the plan because the Investor Class shares had not yet been issued as of December 31, 2017.

The Trust has engaged U.S. Bancorp Fund Services, LLC 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.

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.

The character of distributions for tax purposes paid during the period ended December 31, 2017 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	571,777	23,726
Penn Capital Defensive Floating Rate Income Fund	788,547	7,504
Penn Capital Defensive Short Duration Income Fund	103,996	—

PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

The character of distributions for tax purposes paid during the fiscal year ended June 30, 2017 is as follows:

	<u>Ordinary Income Distributions</u>	<u>Long-Term Capital Gain Distributions</u>
Penn Capital Managed Alpha SMID Cap Equity Fund	\$ —	\$ —
Penn Capital Special Situations Small Cap Equity Fund	850,428	54
Penn Capital Multi-Credit High Income Fund	596,135	—
Penn Capital Defensive Floating Rate Income Fund	921,854	—

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, 2017, were as follows:

	<u>Purchases</u>	<u>Sales</u>
Penn Capital Managed Alpha SMID Cap Equity Fund	\$ 4,413,441	\$ 3,644,403
Penn Capital Special Situations Small Cap Equity Fund	10,704,332	15,150,982
Penn Capital Multi-Credit High Income Fund	5,139,318	3,626,373
Penn Capital Defensive Floating Rate Income Fund	12,753,508	11,192,592
Penn Capital Defensive Short Duration High Income Fund	9,085,116	1,427,925

6. Capital Share Transactions

	<u>Penn Capital Managed Alpha SMID Cap Equity Fund Period Ended December 31, 2017</u>	<u>Penn Capital Special Situations Small Cap Fund Period Ended December 31, 2017</u>	<u>Penn Capital Multi-Credit High Income Fund Period Ended December 31, 2017</u>	<u>Penn Capital Defensive Floating Rate Income Fund Period Ended December 31, 2017</u>	<u>Penn Capital Defensive Short Duration High Income Fund Period Ended December 31, 2017</u>
Institutional Class Shares					
Share sold	98,344	386,139	169,076	294,326	866,540
Shares sold to holders in					
reinvestment of dividends ...	16,642	189,922	55,306	77,935	10,484
Shares redeemed	<u>(16,319)</u>	<u>(725,912)</u>	<u>(19,241)</u>	<u>(69,118)</u>	<u>(102)</u>
Net increase (decrease)	<u>98,667</u>	<u>(149,851)</u>	<u>205,141</u>	<u>303,143</u>	<u>876,922</u>
Institutional Amount					
Shares sold	\$ 1,166,867	\$ 4,545,371	\$ 1,770,514	\$ 3,005,403	\$ 8,641,582
Shares sold to holders in					
reinvestment of dividends ...	217,014	2,233,477	571,680	792,325	103,996
Shares redeemed	<u>(198,412)</u>	<u>(8,809,759)</u>	<u>(203,128)</u>	<u>(705,343)</u>	<u>(1,012)</u>
Net increase (decrease)	<u>\$ 1,185,469</u>	<u>\$ (2,030,911)</u>	<u>\$ 2,139,066</u>	<u>\$ 3,092,385</u>	<u>\$ 8,744,566</u>

PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

	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
	Year Ended June 30, 2017	Year Ended June 30, 2017	Year Ended June 30, 2017	Year Ended June 30, 2017
Institutional Class Shares				
Shares sold	21,067	1,115,266	45,061	653,532
Shares sold to holders in reinvestment of dividends	—	74,359	53,946	90,055
Shares redeemed	(61,810)	(151,648)	(54,000)	(137,775)
Net increase (decrease)	<u>(40,743)</u>	<u>1,037,977</u>	<u>45,007</u>	<u>605,812</u>
Institutional Amount				
Shares sold	\$ 240,732	\$ 12,938,608	\$ 457,456	\$ 6,674,297
Shares sold to holders in reinvestment of dividends	—	845,459	558,116	916,744
Shares redeemed	(640,048)	(1,684,172)	(560,783)	(1,408,771)
Net increase (decrease)	<u>\$ (399,316)</u>	<u>\$ 12,099,895</u>	<u>\$ 454,789</u>	<u>\$ 6,182,270</u>

7. Transactions with Affiliates (Unaudited)

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, 2017 through December 31, 2017. As defined in Section (2)(a)(3) of the Investment Company Act of 1940; such issues are:

Issuer Name	July 1, 2017		Additions		Reductions		December 31, 2017		Dividend Income	Short-Term Capital Gain Distribution	Unrealized Depreciation Change	Realized Gain/ (Loss)	December 31, 2017	
	Share Balance	Cost	Share Balance	Cost	Share Balance	Cost	Share Balance	Cost					Value	Cost
Penn Capital Multi-Credit High Income Fund														
Penn Capital Defensive Floating Rate Income Fund . . .	—	\$ —	98,780	\$ 1,008,229	—	\$ —	98,780	\$ 12,238	\$ 5,722	\$ (8,581)	\$ —	\$ 999,648	\$ 1,008,229	
		\$ —		\$ 1,008,229		\$ —		\$ 12,238	\$ 5,722	\$ (8,581)	\$ —	\$ 999,648	\$ 1,008,229	
Penn Capital Defensive Short Duration High Income Fund														
Penn Capital Defensive Floating Rate Income Fund . . .	—	\$ —	82,395	\$ 841,260	—	\$ —	82,395	\$ 11,263	\$ 4,773	\$ (7,421)	\$ —	\$ 833,839	\$ 841,260	
		\$ —		\$ 841,260		\$ —		\$ 11,263	\$ 4,773	\$ (7,421)	\$ —	\$ 833,839	\$ 841,260	

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.

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

PENN CAPITAL FUNDS TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

The Penn Capital Defensive Floating Rate Income Fund has a Credit Agreement for a line of credit equal to the lesser of (i) \$3.0 Million, (ii) 20% of the gross market value of the Fund or (iii) 33.3% of the net market value of the Fund. Borrowings pursuant to the agreement are collateralized by the investments in the Fund. The line of credit is intended to provide short term financing, if necessary, in connection with shareholder redemptions. The interest rate as of December 31, 2017 was 4.50%. The Fund did not utilize any borrowings under the line of credit for the period ended December 31, 2017.

10. Recent Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in the ASU shorten the amortization period for certain callable debt securities, held at a premium, to be amortized to the earliest call date. The ASU does not require an accounting change for securities held at a discount; which continues to be amortized to maturity. The ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Management is currently evaluating the impact, if any, of applying this provision.

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.

**PENN CAPITAL FUNDS TRUST
ADDITIONAL INFORMATION
DECEMBER 31, 2017 (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, 2017, the aggregate compensation paid by the Trust to the independent Trustees was \$15,000. 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; and (3) on the SEC's website at 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.

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. 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.

Investment Advisory Agreement Disclosure

At the June 1, 2017 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 (i) Penn Capital Management Company, Inc. (“Penn Capital” or the “Adviser”) as the investment adviser to the Penn Capital Defensive Short Duration High Income Fund series of the Trust (the “New Fund”) and (ii) the investment advisory agreement between the Trust, on behalf of the New Fund, and the Adviser (the “Investment Advisory Agreement”).

In connection with considering the approval of the Investment Advisory Agreement on behalf of the New Fund, 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 Investment Advisory Agreement, and reviewed the duties and responsibilities of the Trustees in evaluating and approving the agreement.

In considering approval 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 form of Investment Advisory Agreement; (ii) information describing the nature, quality and extent of the services that Penn Capital expected to provide to the New Fund; (iii) information concerning Penn Capital’s financial condition, business, operations, portfolio management teams and compliance program; (iv) information describing the New Fund’s anticipated 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 1940 Act. 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 and expenses of the New Fund to other investment companies considered to be in the Fund’s 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 expected to be provided to the New Fund by Penn Capital; (ii) Penn Capital’s personnel and operations; (iii) the New Fund’s proposed expense level; (iv) the anticipated profitability to Penn Capital under the Investment Advisory Agreement at certain asset levels; (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 potential asset growth on the New Fund’s expenses; and (vii) possible conflicts of interest.

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

- (a) *The nature, extent and quality of services expected to be provided by Penn Capital to the New Fund; Penn Capital’s personnel and operations.* The Board reviewed the services that Penn Capital expected to provide to the New Fund. The Board noted the responsibilities that Penn Capital would have as the New Fund’s investment adviser, including: the responsibility for the management and investment of the New Fund’s securities portfolio; executing portfolio security trades; monitoring compliance with the New 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 the New Fund.

The Board reviewed Penn Capital’s experience, resources and strengths in managing the other series of the Trust and other pooled investment vehicles, as well as Penn Capital’s personnel. Based on its consideration and review of the foregoing information, the Board determined that the New Fund was likely 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 expected to be provided and fees to be paid to those under other investment advisory contracts, and the cost of the services to be provided and profits to be realized by Penn Capital from the relationship with the New Fund; “fall-out” benefits.* The Board compared both the services to be provided and the proposed fees to be paid under other contracts of Penn Capital, and under contracts of other investment advisers with respect to similar funds. In particular, the Board compared the New Fund’s proposed advisory fee and projected expense ratio to other investment companies considered to be in that Fund’s peer group. The Board noted that Penn Capital proposed to enter into the Expense Limitation Agreement whereby Penn Capital would waive advisory fees and/or reimburse expenses to keep the New Fund’s expenses from exceeding certain levels. 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. The Board also discussed the anticipated costs, including operational costs, and Penn Capital’s projected profitability in

connection with its serving as the New Fund's investment adviser. In addition, the Board discussed the entrepreneurial risk undertaken by Penn Capital in launching the New Fund.

The Board considered that the New Fund's advisory fee was lower than both the median and average of its peer group, and the New Fund's total expenses (including the fee waiver) were below the median of its respective peer group.

After comparing the New Fund's proposed 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 proposed to be provided by Penn Capital and the costs Penn Capital expected to incur by providing those services, the Board concluded that the level of fees proposed to be paid to Penn Capital with respect to the New Fund was fair and reasonable.

The Board considered that Penn Capital may experience reputational "fall-out" benefits based on the success of the New Fund, 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.

- (c) *The extent to which economies of scale would be realized as the New Fund grows, and whether fee levels would reflect such economies of scale.* The Board discussed potential economies of scale. As the New Fund had not yet commenced operations, Penn Capital was not able to provide the Board with specific information concerning the extent to which economies of scale would be realized as the New Fund grows and whether fee levels would reflect such economies of scale, if any. The Board would address economies of scale for the New Fund when assets under management reached appropriate levels. The Board recognized the uncertainty in launching a new investment product and estimating future asset levels.
- (d) *Investment performance of the New Fund and Penn Capital.* Because the New Fund is newly formed and had not commenced operations, the Board did not consider the New Fund's investment performance. Rather, the Board considered Penn Capital's performance managing other discretionary investment management accounts and pooled investment vehicles according to the New Fund's investment strategies.

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 proposed advisory fee rates and projected total expense ratios were reasonable in relation to the services to be provided by Penn Capital to the New Fund, as well as the costs to be incurred and benefits to be gained by Penn Capital in providing such services. The Board also found the proposed advisory fees to be reasonable in comparison to the fees charged by advisers to other comparable funds of similar actual or anticipated size. As a result, the Board concluded that the initial approval of the Investment Advisory Agreement was in the best interests of the New Fund.

At the September 15, 2017 and November 8, 2017 meetings 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 continuation of (i) Penn Capital Management Company, Inc. ("Penn Capital" or the "Adviser") as the investment adviser to the Penn Capital Managed Alpha SMID Cap Equity Fund, Penn Capital Special Situations Small Cap Equity Fund, Penn Capital Multi-Credit High Income Fund and Penn Capital Defensive Floating Rate Income Fund series of the Trust (each a "**Renewing Fund**" and collectively, the "**Renewing Funds**") and (ii) the investment advisory agreement between the Trust, on behalf of the Renewing Funds, and the Adviser (the "Investment Advisory Agreement").

In connection with considering the approval of the continuation of the Investment Advisory Agreement on behalf of the Renewing Funds, 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 the approval of 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 the 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 Renewing Funds; (iii) information concerning Penn Capital's financial condition, business, operations, portfolio management teams and compliance program; (iv) information describing each Renewing 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 Renewing Fund to other investment companies considered to be in the Renewing 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 Renewing Fund by Penn Capital; (ii) Penn Capital's personnel and operations; (iii) each Renewing 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 Renewing Fund's expenses; (vii) possible conflicts of interest; and (viii) the investment performance of the Renewing Funds. The Board, including the Independent Trustees, considered the following in respect of each Renewing Fund:

- (a) *The nature, extent and quality of services provided and expected to be provided by Penn Capital to the Renewing Funds; Penn Capital's personnel and operations.* The Board reviewed the services that Penn Capital provides and expected to provide to each Renewing Fund. The Board noted the responsibilities that Penn Capital has as the Renewing Funds' investment adviser, including: the responsibility for the management and investment of each Renewing Fund's securities portfolio; executing portfolio security trades; monitoring compliance with each Renewing 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 Renewing Fund.

The Board reviewed Penn Capital's experience, resources and strengths in managing the Renewing 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 Renewing 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 Renewing Fund's advisory fee and expense ratio to other investment companies considered to be in that Renewing 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 Renewing 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 to the extent of any acquired fund fees and expenses incurred by the Fund 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 Renewing 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 Multi-Credit High Income Fund, the Board considered that the Fund's advisory fee was above both the median and 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, but each Fund's total expenses (including the fee waiver) were below the median and average of its respective expense peer group. To the extent that a Renewing 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 Renewing Fund's fees with those of other funds in the Renewing 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 Renewing Funds was fair and reasonable.

- (c) *The cost of the services provided and profits realized by Penn Capital from the relationship with the Renewing Funds; the extent to which economies of scale were realized as the Renewing 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 Renewing Fund's investment adviser. The Board considered that the Renewing 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 Renewing Funds' advisory fees, were reasonable for the Renewing Funds in relation to the performance and asset sizes of the Renewing Funds.

The Board considered that Penn Capital may experience reputational "fall-out" benefits based on the success of the Renewing 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 Renewing Funds.* The Board considered the investment performance of the Renewing Funds. In particular, the Board considered the investment performance of the Renewing Funds relative to their stated investment objectives and strategies and the success of Penn Capital in reaching such objectives. The Board considered each Renewing Fund's investment performance compared to the benchmark index that each Renewing Fund uses for comparison in its Prospectus and shareholder reports. The Board also considered each Renewing Fund's investment performance compared to the Renewing Fund's respective peer group. Consideration was given to the performance of the Institutional Class Shares of the Renewing Funds, the only share class with performance to date. The Board considered that the Penn Capital Defensive Floating Rate Income Fund underperformed its peer group for the one-year and since-inception periods ended June 30, 2017. The Board considered that the Penn Capital Multi-Credit High Income Fund outperformed its peer group for the one-year and since-inception periods ended June 30, 2017. The Board considered that each of the Penn Capital Managed Alpha SMID Cap Equity Fund and Penn Capital Special Situations Small Cap Equity Fund underperformed its respective performance peer group for the one-period but outperformed its respective performance peer group for the since-inception period ended June 30, 2017. The Board discussed with Penn Capital the reasons for the relative underperformance of the Penn Capital Defensive Floating Rate Income Fund, Penn Capital Managed Alpha SMID Cap Equity Fund and Penn Capital Special Situations Small Cap Equity Fund for certain periods ended June 30, 2017. The Board concluded that the performance of the Renewing Funds was reasonable in light of the respective investment objectives and policies of the Renewing 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 Renewing 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 Renewing Fund.

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