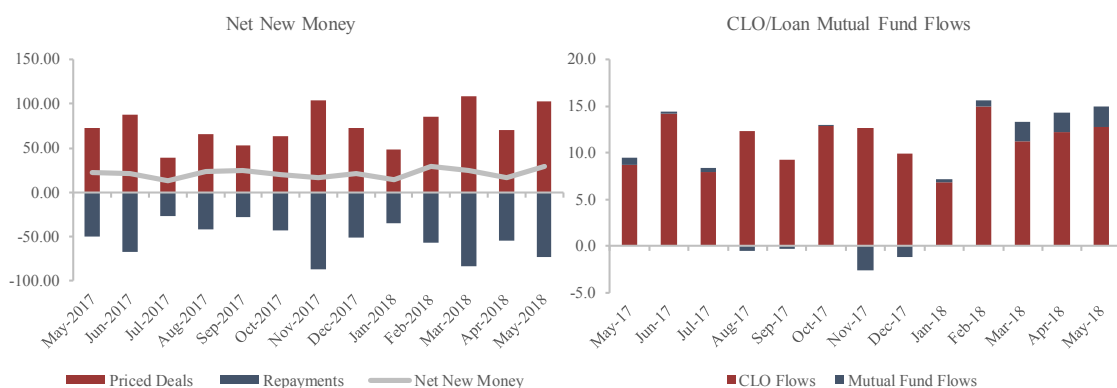


Leveraged Lion Capital Monthly Report

May 2018



CIO Commentary



For the month of May, Leveraged Lion Capital returned 0.11%, outperforming the S&P/LSTA Leveraged Loan 100 Index by 0.10%. REGAL and Industrials were the best performing sectors, outperforming their benchmarks by 0.94% and 0.31%, respectively. Consumer was the worst performing sector, underperforming the benchmark by 0.11%.

A compromising balance was reached in May with ample supply introduced to the market as net new money rose to \$29.60 billion in the month, the highest level since May FY2017, up from a 3-month low in April. Gross priced volume reached the second highest level YTD at \$102.43 billion, outpacing the increase in repayments. On the demand side, overall demand for leveraged loans remained strong. CLO issuance edged up slightly to \$12.80 billion, while loan mutual fund inflows stayed relatively steady at \$2.10 billion. Overall, net new money outpaced the CLO and loan mutual fund inflows by \$14.71 billion, the largest amount since September FY2017.

Despite better balance in the leveraged loan market, flex activity continued to favor issuers. The flex ratio pressed further at 30 to 18, versus 28 to 15 in April. However, the abundant supply in the market impacted the original issue discount and break price; OID and break price decreased 0.08% and 0.19% respectively in May. Meanwhile, the market value of S&P/LSTA Leveraged Loan Index declined by 0.29%, its lowest reading since August FY2017.

Yields in the leveraged loan market were unable to sustain upward momentum as Libor rates dipped in May. Three-month Libor slipped by approximately 0.06% due to increasing geopolitical tensions and concerns over Italian politics. The average spread in first-lien and second-lien deals fell by 16 and 55 basis points, respectively, resulting in the yield on first-lien to drop to 5.35% from 5.53% and the yield on second-lien to drop to 10.55% from 11.49%.

Regardless of the geopolitical risk and trade tensions, the U.S. economic backdrop should grant the Federal Reserve confidence in further tightening monetary policy. The most recent jobs report showed a strengthening economy with the unemployment rate falling to 3.80% and non-farm payroll employment increasing by 223.00 k in May.

We expect further balance in the leveraged loan market moving forward as the forward calendar shows \$48.60 billion in unlaunched loans, up \$3.40 billion from last month's reading.

Sources: LevFin Insights, S&P Global Market Intelligence and the Loan Syndication & Trading Association

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Sector Summaries

Consumer

Consumer returned 0.06% nominally this month, a relative underperformance of 0.11%. On Wednesday, May 30, data on U.S. 1Q2018 GDP was released at 2.20%. The unemployment rate decreased to 3.80% from 4.10% in May FY2018, while core inflation decreased to 1.80%. The Sector's best performing holding this month was YUM! Brands, returning 0.40% nominally after being refinanced in 1Q2018. On Wednesday, May 2, YUM! Brands reported 1Q2018 earnings. The Company reported earnings per share of \$0.90, beating consensus estimates of \$0.68, on revenues of \$1.37 bn, beating consensus estimates of \$1.09 bn. The Sector's worst performing holding this month was Winnebago Industries, returning (0.32%) nominally. On Tuesday, May 22, the U.S. implemented tariffs on Chinese steel shipped through Vietnam. The tariffs will be placed on top of a pre-existing 25.00% tariff on U.S. steel imports. An increase in steel prices will negatively affect the Company due to the commodity's status as a major input cost for Winnebago.

Financials

Financials returned (0.44%) nominally this month, a relative outperformance of 0.16%. During the month of May, additional steps were taken by the Federal Reserve and U.S. legislature towards reducing regulations enacted after the Financial Crisis. Changes to the Volker Rule and other crisis-era restrictions were proposed, with various bills progressing during the month. The Sector's best performing holding this month was Hyperion Insurance, returning (0.08%) nominally. During the month of May, it was reported that an arranger group led by Morgan Stanley had floated price talk for a repricing and add-on for Hyperion's existing term loan due December of FY2024. The new debt package would reprice the existing term loans to L+325 with a 0.00% floor at par offer price. The Sector's worst performing holding this month was MoneyGram International, returning (0.92%). On Tuesday, May 8, the Company reported 1Q2018 earnings, missing on top though beating on EBITDA estimates. MoneyGram reported adjusted EBITDA of \$66.60 MM, beating consensus estimates of \$64.20 MM, on revenues of \$380.00 MM, missing consensus estimates of \$386.30 MM.

Healthcare

Healthcare returned (0.19%) nominally this month, a relative outperformance of 0.39%. On Friday, May 11, President Trump delivered a speech on drug prices, highlighting increasing competition within the Sector as a result of faster FDA approvals. The speech itself failed to include the concrete, harsh language expected by the market, benefiting drug manufacturers. The Sector's best performing holding this month was Community Health Systems, returning 0.68% nominally. On Tuesday, May 1, the Company reported 1Q2018 earnings, beating on top and bottom. Revenues beat estimates by \$38.00 MM to reach \$3.69 bn, while EBITDA beat estimates by \$17.00 MM to reach \$440.00 MM. The Sector's worst performing holding was Indivior, returning (0.68%). Indivior has been the center of many incoming and outgoing legal disputes regarding its most recent addiction treatment drug, Suboxone. The Company has set aside \$438.00 MM to settle any lawsuits, and is currently the subject of a U.S. Government investigation into its marketing practices. Overall, Indivior reported a 6.00% drop in revenue to \$255.00 MM in 1Q2018 and an 11.00% drop in adjusted operating income to \$116.00 MM as Suboxone's market share slipped 5.00%.

Sector Summaries

Industrials

Industrials returned 0.06% nominally this month, a relative outperformance of 0.31%. Industrials outperformed despite concerns over protectionist policies between the U.S. and China alongside global trade disputes within the G7. The Sector's best performing holding this month was American Airlines, returning 0.36% nominally due to an expected ease in production cuts from Russia and Saudi Arabia. The Sector's worst performing loan was Travelport, which returned (0.29%) nominally as Travelport announced that the Company would lose its large Flight Centre account which is expected to hinder upcoming profits. However, investor sentiment remains positive coming off of April's refinancing and as eNett grew 81.00% in 1Q2018, securing \$74.00 MM in revenue.

Natural Resources

Natural Resources returned 0.07% nominally this month, a relative outperformance of 0.22%. Despite the recent decline in oil prices due to potential easing in production cuts from Saudi Arabia and Russia as well as rising U.S. oil production, the sector continued to outperform. The Sector's best performing holding this month was Global Brass & Copper, returning 0.51% nominally. The Company reported net income of \$15.80 MM in 1Q2018, representing a 9.71% decrease from 1Q2017. However, the Company gave positive guidance with an expected 40.00 MM pound increase in shipment volumes and an adjusted EBITDA range of \$127.00 MM to \$137.00 MM, which contributed to the outperformance. The Sector's worst performing holding this month was Ultra Petroleum Corporation, returning (1.20%) nominally. On Thursday, May 24, Stifel released a negative report on Ultra Petroleum citing the high supply of natural gas but low demand derived from natural gas exports. Finally, U.S. Silica traded up 0.39% after the Company refinanced its loan via lead bookrunner BNP Paribas. The refinancing extended the maturity date from July 23, FY2020 to May 1, FY2025, while loosening the spread from L+350 to L+400.

Real Estate, Gaming, & Leisure (REGAL)

Real Estate, Gaming, & Leisure returned (0.02%) nominally this month, a relative outperformance of 0.94%. The Consumer Confidence Index improved by 2.40 points in May and now stands at 128.00, with the increase being mainly driven by positive views on the job market. The Sector's best performing holding this month was RE/MAX, returning 0.36% nominally. In May, the loan's price decreased by \$0.06 to \$100.50 as a result of newly released existing-homes sales data, which showed housing market activity in April had decreased 2.50% from the previous month and 1.40% from the previous year. The Sector's worst performing holding was Lindblad Expeditions, returning (0.65%). The Company reported earnings on May 3, beating consensus estimates on top and bottom. Despite adjusted EBITDA increasing \$11.90 MM to \$22.20 MM, high unexpected costs due to cancelled trips led to increased negative sentiment.

Sector Summaries

Technology, Media & Telecommunications (TMT)

Technology, Media & Telecommunications returned 0.40% nominally in May, a relative underperformance of 0.05%. During the month of May, the proposed T-Mobile merger with Sprint continued to progress. In response to the merger, several competitors announced plans for additional capital expenditures directed towards the development and rollout of 5G wireless technology. The Sector's best performing holding this month was Western Digital, returning 0.92% nominally. On Friday, May 11, the Company repriced its outstanding \$2.45 billion term loan B to L+175 from L+200, after repaying \$500.00 MM outstanding via a revolver draw last month. The Sector's worst performing holding was Lattice Semiconductor, returning 0.05% nominally. Concerns surrounding deteriorating trade relations drove performance, as the Company attributed 50.00% of its revenues to China in FY2017. Despite the trading performance, Lattice introduced Lattice SensAI, a machine learning technology service designed to enhance computing capabilities balancing out trade rifts.

Best Performer

Western Digital
returned 0.92%



Worst Performer

Ultra Petroleum
returned (1.20%)



Portfolio Analysis

PORTFOLIO OVERVIEW

LLC Portfolio (beginning 5/1/2018)

Beginning Portfolio Value	\$126,614.941
Current Portfolio Value	\$126,756.63
Cash Balance	\$11,203.950

SECTOR ANALYSIS

Sector Analysis	LLC	LSTA 100	Relative
TMT	0.40%	0.45%	-0.05%
Industrials	0.06%	-0.25%	0.31%
Consumer	0.06%	0.17%	-0.11%
Healthcare	-0.19%	-0.39%	0.20%
Natural Resources	0.07%	-0.15%	0.22%
Regal	-0.02%	-0.96%	0.94%
FIG	-0.44%	-0.60%	0.16%
Total	0.11%	0.01%	0.10%

PERFORMANCE

Performance Through 6/1/2018

Leveraged Lion Capital	0.11%
LSTA 100 Index	0.01%
LLC vs. LSTA 100	0.10%

Current Holdings				
Company Name	Sector	Maturity	Libor Spread	May Return (%)
YUM Brands, Inc	Consumer	3/29/2025	L + 175	0.40%
Chef's Warehouse	Consumer	6/22/2022	L + 400	0.34%
Winnebago	Consumer	11/8/2023	L + 350	-0.32%
Hyperion Insurance Group	Financials	12/20/2024	L + 350	-0.08%
MoneyGram	Financials	3/28/2020	L + 325	-0.92%
Community Health Services	Healthcare	1/27/2021	L + 373	0.68%
Cryolife	Healthcare	12/1/2024	L + 400	-0.34%
Indivior	Healthcare	12/18/2022	L + 450	-0.68%
Travelport	Industrials	3/16/2025	L + 250	-0.29%
Transdigm	Industrials	6/9/2023	L + 250	0.03%
American Airlines	Industrials	10/10/2021	L + 200	0.36%
CVGI	Industrials	4/12/2023	L + 600	0.32%
U.S. Silica	Natural Resources	5/1/2025	L + 400	0.39%
Global Brass & Copper Inc	Natural Resources	7/18/2023	L + 325	0.51%
Ultra Petroleum Corporation	Natural Resources	4/12/2024	L + 300	-1.20%
Remax Inc.	REGAL	12/15/2023	L + 275	0.36%
Lindblad Expeditions	REGAL	3/27/2025	L + 350	-0.65%
MGM Growth Properties	REGAL	4/25/2021	L + 275	0.29%
Sprint	TMT	2/2/2024	L + 250	0.02%
SAIC	TMT	5/4/2022	L + 250	0.15%
CenturyLink	TMT	1/31/2025	L + 275	0.61%
Western Digital	TMT	4/29/2023	L + 275	0.92%
Lattice Semiconductor	TMT	3/10/2021	L + 425	0.05%

Leveraged Lion Capital

Description & Contact Information

Leveraged Lion Capital is the nation's first student-run syndicated paper loan portfolio. Founded in spring 2017 at the Pennsylvania State University, the student organization aims to educate undergraduates about the world of fixed income through the utilization of various resources and unique relationships with organizations and institutions including Bank of America Merrill Lynch, the LSTA and S&P Global Market Intelligence.

Managing a \$125 million paper-portfolio, students seek to learn the fundamentals of credit analysis via a hands-on approach by researching, analyzing and pitching U.S. leveraged loans to the rest of the organization. The club is broken out into seven sectors that are derived from the S&P/LSTA 100 Index including TMT (Technology, Media & Telecommunications), Healthcare, Natural Resources, Industrials, REGAL (Real Estate, Gaming & Lodging), Consumer and Financial Institutions.

Executive Board

Michael Coppola	President	michaelcoppola113@gmail.com
Shreyas Radhakrishna	Vice President	shreyas.radhakrishna2019@gmail.com
Federico Sarboraria	Secretary	federico.saboraria@gmail.com
Kevin Xie	CIO	kevin041421@gmail.com

Natural Resources

Taylor Campbell	Lead Analyst	taylorjcam@gmail.com
Nicole Chen	Associate Analyst	nicolechen16@gmail.com
Erfan Shakibaei	Associate Analyst	eshakibaei@gmail.com

Consumer

Hunter Whitesel	Lead Analyst	h.whitesel44@gmail.com
Sean Kohler	Associate Analyst	seandkohler@gmail.com
Rohit Madhu	Associate Analyst	rohit.m.madhu@gmail.com

Real Estate, Gaming & Leisure (REGAL)

Kyle Yousif	Lead Analyst	kyle18yousif@gmail.com
Colleen Conway	Associate Analyst	conwayc34@gmail.com
Meredith Quinn	Associate Analyst	meredithq97@gmail.com
Sanket Narayana	Associate Analyst	nvsanket@gmail.com

Financials

Daniel Annuli	Lead Analyst	daniel.annuli@gmail.com
Zachary Zeff	Associate Analyst	zacharyzeff98@gmail.com
Timothy Kelley	Associate Analyst	timkelley924@gmail.com

Technology, Media & Telecommunication (TMT)

Ishaan Diwan	Lead Analyst	ishaandiwan1@gmail.com
Annie Liu	Associate Analyst	16liua@gmail.com
Taylor Twamley	Associate Analyst	taylortwamley@gmail.com
Jered Erlanger	Associate Analyst	jerlanger3@gmail.com

Healthcare

Wilfred Guo	Lead Analyst	wguo2009@gmail.com
Tyler DiMatteo	Associate Analyst	tylerdimatteo11@gmail.com
Brandon Huey	Associate Analyst	brandonwhuey@gmail.com
Brock Lieberman	Associate Analyst	liebermanbrock@gmail.com

Industrials

Andrew Koziara	Lead Analyst	andrewkoziara97@gmail.com
Tommy Lu	Associate Analyst	tommylu1025@gmail.com
Wes Alexander	Associate Analyst	wesalexander25@gmail.com
Amanda Lew	Associate Analyst	amandaleww@gmail.com