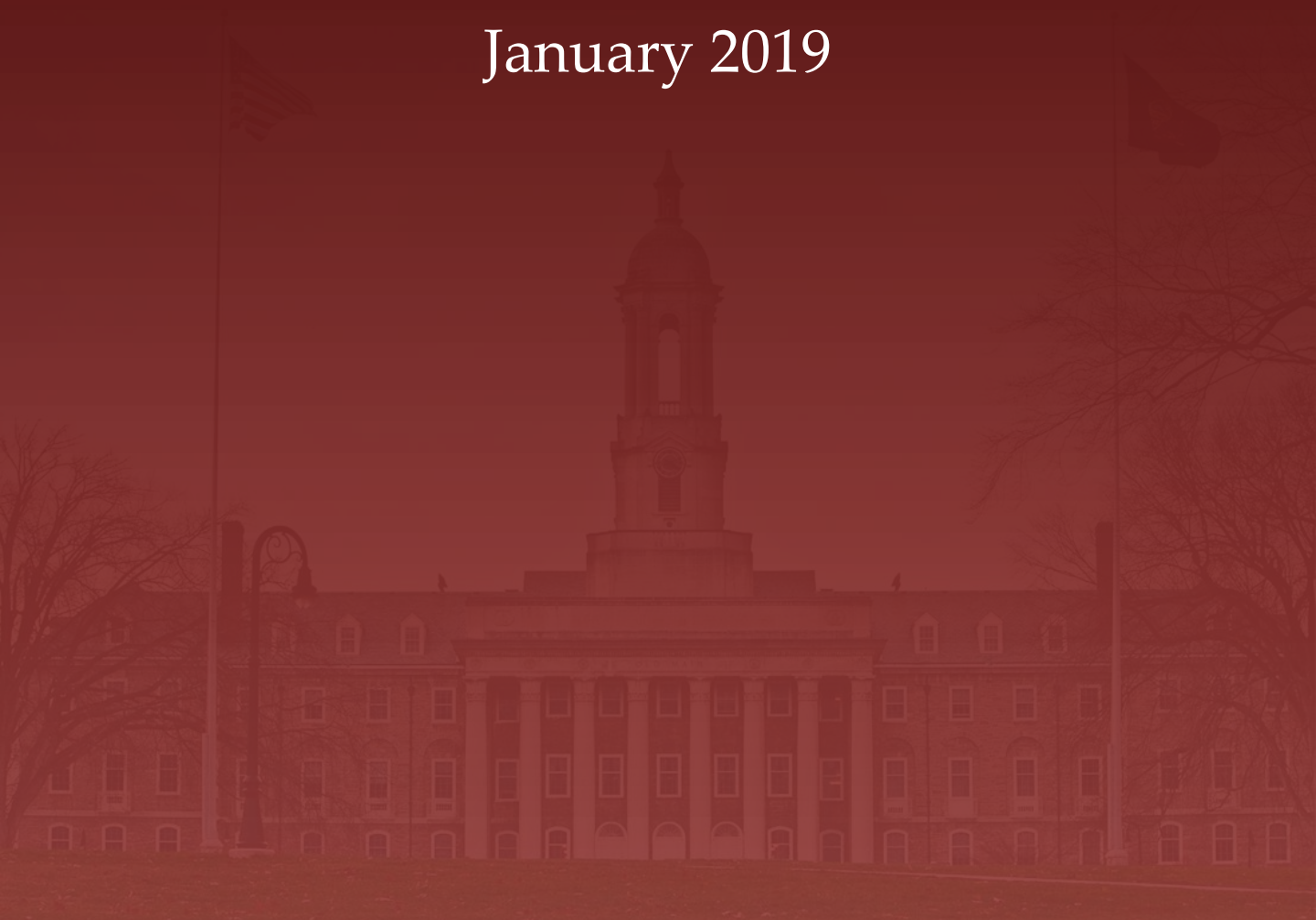


# Leveraged Lion Capital Monthly Report

January 2019



# Organization Developments

## New Developments

Leveraged Lion Capital returned from a relaxing Winter Break and got right back into form with meetings, investment pitches, and Penn State Fixed Income Association educations. PSFIA, a Smeal-recognized club, will hold sessions every Thursday for students interested in careers on Wall Street. Focused on expanding financial knowledge, we've concluded educations on Fixed Income Markets and Capital Structures. Over the course of the next month, PSFIA will cover topics including accounting, valuation and credit agreements.

Another new aspect to LLC is the analysis and presentation of high yield bond pitches. In a similar fashion to benchmarking loan investments to the LSTA 100, we will track all approved high yield bond investments against the Bloomberg Barclays Corporate High Yield Index.

Lastly, LLC will be visiting Bank of America, with special guests from the LSTA, Citi and UBS later in February. In addition, the organization will be hosting its first webinar with Citi on Friday. The club is both thankful and excited for such great learning opportunities.

We are thrilled to see what the rest of the semester brings for LLC and Penn State's newest finance organization, the Fixed Income Association.

## Upcoming Bank Visits

**Bank of America**  
**Merrill Lynch**



**UBS**



## Page 1

- Organization Developments

## Page 2

- Loan Markets News & CIO Commentary  
– Rohit Madhu

## Page 3, 4 & 5

- Associate Introductions

## Page 6 & 7

- Sector Summaries

## Page 8

- Portfolio Analysis  
– Zak Zeff

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# Loan Market News & CIO Commentary

## Leveraged Loan News

After a torrid end to 2018, the U.S. equity and credit markets experienced respite in January, recovering a substantial part of the sharp decline seen in December. This was particularly driven by the Federal Reserve (Fed) signaling that it would be more patient with further rate hikes and that any changes will be based on economic momentum. The change in sentiment towards the U.S.-China trade relationships also contributed to the rally.

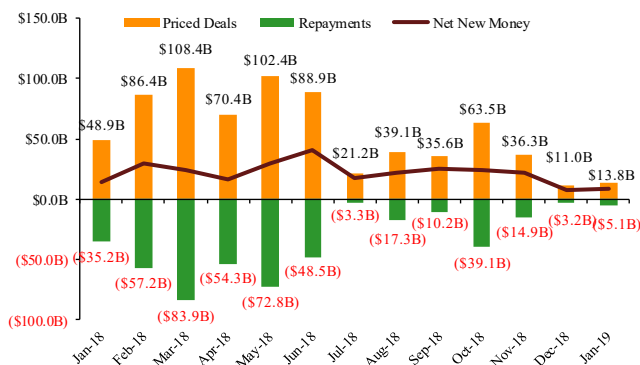
Following the broad market surge in risk assets in January, leveraged loans returned 3.54%, retracting the losses realized in December and posting the best performing month since 2016. While the January recovery was substantial, loans still lagged other risk assets, particularly High Yield (HY), which had a sizeable 5.00% return for the month. This was partially driven by the retail investor base, as the loan market saw another month of fund outflows while the HY market saw a reversal with funds flowing into the market as the prospect of rising rates diminished with the Fed's dovish stance. The relative weakness of the loan market compared to HY the past few months has pushed the yield spread between the two asset classes to its widest it has been in years.

In the primary market, with fund outflows slowing modestly in January, the loan market priced \$13.80 bn in new issues in January, up from \$10.90 bn in December. Issuance during the month was primarily driven by acquisition financing with many deals that were shelved last year to wait out the broad market sell-off coming to the market. The CLO primary saw a sluggish start to 2019 with new-issue deals pricing of \$5.10 bn, down from \$5.70 bn in December, and well below the 2018 average of \$11.30 bn. New issue spreads tightened in January as the secondary market rebounded from December's lows, with first-lien spreads dropping 66 bps to L+396 from L+462 and second-liens spreads dropping 94 bps from L+950 to L+856. In regards to flex activity, issuers were the clear winners for the month after facing a disastrous December, with nine deals flexing lower and three flexing higher in January, versus 21 deals flexing higher and not a single deal flexing lower in December.

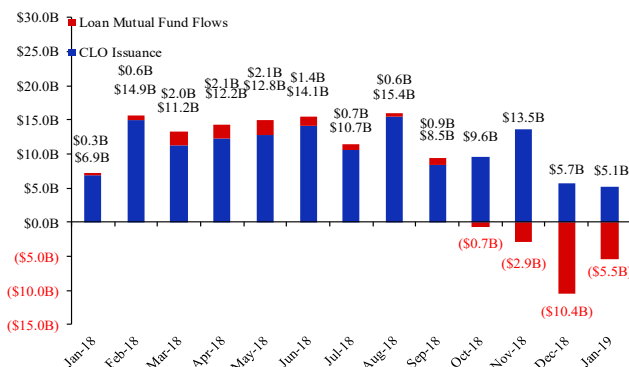
## CIO Commentary

For the month ending January 2018, Leveraged Lion Capital returned 2.07% nominally, a relative underperformance of (1.49%). Materials was the best performing sector during the month on an absolute and relative basis. LLC's relative underperformance to the Index during the month can be attributed to the portfolio's position in higher graded paper relative to the index as the broad market rally led lower graded loans to outperform.

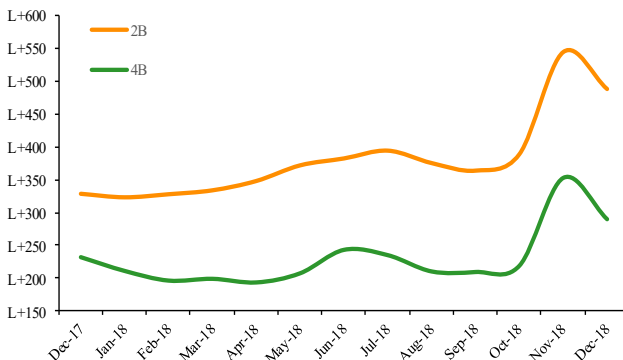
## Net New Money



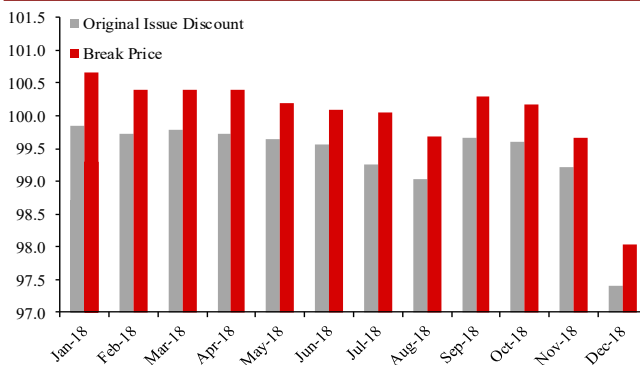
## CLO/Mutual Fund Flows



## Regular Way Deal Pricing



## Break vs Issue Price



# Introduction: New Associate Analysts

## Jia Chen

Jia Chen is a sophomore analyst from Phillipsburg, NJ pursuing a career in investment banking. Jia is majoring in Finance, and outside of the classroom, he enjoys playing tennis and basketball.

**Sector: Consumer & Retail**

## Julia Serafini

Julia Serafini is a sophomore analyst from Whippany, NJ pursuing a career in sales and trading. Julia is majoring in Finance, and outside of the classroom, she is a member of Delta Zeta sorority and enjoys snowboarding.

**Sector: Energy**

## Michelle Kogan

Michelle Kogan is a sophomore analyst from Fair Lawn, NJ pursuing a career in investment banking. Michelle is majoring in Finance, and outside of the classroom, she enjoys yoga.

**Sector: Consumer & Retail**

## Christina Flowers

Christina Flowers is a sophomore analyst from Vernon, NJ pursuing a career in sales and trading. Christina is double majoring in Finance and Economics, and outside of the classroom, she enjoys snowboarding.

**Sector: Information Technology**

## Katrina Whittaker-Lee

Katrina Whittaker-Lee is a sophomore analyst from Toronto, Canada pursuing a career in investment banking. Katrina is majoring in Finance, and outside of the classroom, she enjoys running and skiing.

**Sector: Consumer & Retail**

## Natan Gervais

Natan Gervais is a sophomore analyst from Port au Prince, Haiti pursuing a career in investment banking. Natan is majoring in Finance, and outside of the classroom, he enjoys playing soccer and going to the beach.

**Sector: Information Technology**

## Michael Anderson

Michael Anderson is a sophomore analyst from Carlisle, PA pursuing a career in investment banking. Michael is double majoring in Energy Business and Finance and Economics, and outside of the classroom, he enjoys opera.

**Sector: Energy**

## Nevin Mathew

Nevin Mathew is a sophomore analyst from Pomona, NY pursuing a career in sales and trading. Nevin is majoring in Economics, and outside of the classroom, he enjoys playing basketball and running.

**Sector: Information Technology**

## John Colendenski

John Colendenski is a sophomore analyst from Mountainside, NJ pursuing a career in sales and trading. John is majoring in Finance, and outside of the classroom, he enjoys playing golf.

**Sector: Energy**

## Billy Young

Billy Young is a sophomore analyst from Yardley, PA pursuing a career in sales and trading. Billy is majoring in Finance, and outside of the classroom, he is a member of the PLA, and enjoys playing the saxophone.

**Sector: Information Technology**

# Introduction: New Associate Analysts

## Andrew Mader

Andrew Mader is a sophomore analyst from State College, PA pursuing a career in investment banking. Andrew is majoring in Finance and minoring in MIS, and outside of the classroom, he enjoys playing lacrosse.

**Sector: Media & Communications**

## Hannah Marsho

Hannah Marsho is a sophomore analyst from West Chester, PA pursuing a career in research. Hannah is double majoring in Economics and Finance, and outside of the classroom, she enjoys reading.

**Sector: Media & Communications**

## Brooke Nicander

Brooke Nicander is a sophomore analyst from Bryn Mawr, PA pursuing a career in sales and trading. Brooke is majoring in Finance and minoring in Economics, and outside of the classroom, she is a member of ESA.

**Sector: Media & Communications**

## Janeen Porter

Janeen Porter is a sophomore analyst from Mystic, CT pursuing a career in sales and trading. Janeen is majoring in Finance and minoring in International Business, and outside of the classroom, she enjoys fitness.

**Sector: Media & Communications**

## Sara Groth

Sara Groth is a sophomore analyst from Fairfax Station, VA pursuing a career in investment banking. Sara is majoring in Finance, and outside of the classroom, she enjoys backpacking.

**Sector: Healthcare**

## Tommy Viafora

Tommy Viafora is a sophomore analyst from Allentown, NJ pursuing a career in sales and trading. Tommy is majoring in Finance, and outside of the classroom, he enjoys playing basketball and watching Game of Thrones.

**Sector: Healthcare**

## Swati Vipperla

Swati Vipperla is a sophomore analyst from Downingtown, PA pursuing a career in investment banking. Swati is majoring in Finance and minoring in IST, and outside of the classroom, she enjoys dance.

**Sector: Healthcare**

## Matthew Maiale

Matthew Maiale is a freshman analyst from Ambler, PA pursuing a career in investment banking. Matthew is double majoring in Finance and Sociology, and outside of finance, he enjoys playing piano.

**Sector: REGAL-FIG**

## Miguel Rios

Miguel Rios is a sophomore analyst from Lima, Peru pursuing a career in sales and trading. He is majoring in Finance and minoring in MIS, and outside of the classroom, he enjoys playing soccer and traveling.

**Sector: REGAL-FIG**

## Jack Williamson

Jack Williamson is a sophomore analyst from Camp Hill, PA pursuing a career in investment banking. Jack is majoring in Finance, and outside of the classroom, he is a member of Sigma Phi Epsilon fraternity.

**Sector: REGAL-FIG**



# Introduction: New Associate Analysts

## Kevin Kalnas

Kevin Kalnas is a sophomore analyst from Toledo, OH pursuing a career in investment banking. Kevin is double majoring in Finance and Economics, and outside of the classroom, he is a member of the Daily Collegian.

**Sector: Industrials**

## Besijana Shala

Besijana Shala is a freshman analyst from Wappingers Falls, NY pursuing a career in sales and trading. Besijana is majoring in Finance, and outside of the classroom, she enjoys cooking.

**Sector: Industrials**

## Colton Brooks

Colton Brooks is a sophomore analyst from Tinton Falls, NJ pursuing a career in investment banking. Colton is majoring in Finance, and outside of the classroom, he enjoys playing basketball and cooking.

**Sector: Materials**

## Nick Finnicum

Nick Finnicum is a sophomore analyst from Broomall, PA pursuing a career in investment banking. Nick is double majoring in Finance and Economics, and outside of the classroom, he is a member of Phi Beta Lambda.

**Sector: Materials**

## Ethan Laster

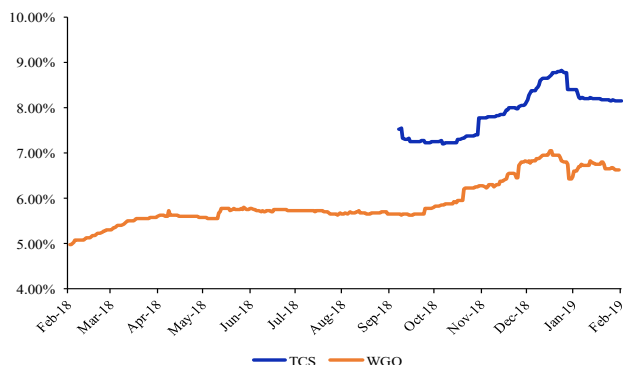
Ethan Laster is a freshman analyst from Doylestown, PA pursuing a career in investment banking. Ethan is majoring in Finance, and outside of the classroom, he enjoys playing badminton.

**Sector: Materials**

# Sector Summaries

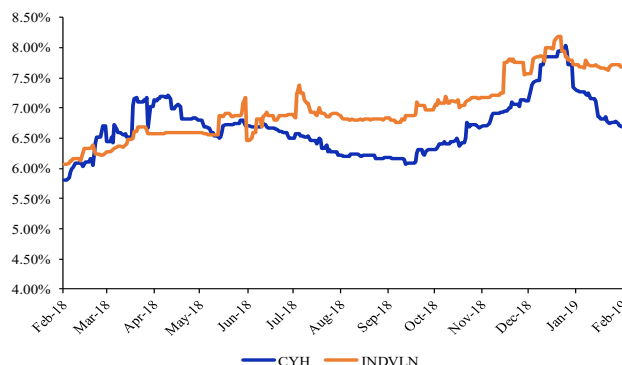
## Consumer & Retail

Consumer returned 1.76% nominally this month, a relative underperformance of 1.74%. The Sector's best performing holding this month was The Container Store, trading up 2.80% nominally. This is attributed to reports of strong holiday sales and the new influence of Netflix show "Tidying Up with Marie Kondo", which prompted an increase in foot traffic at The Container Store. The Sector's worst performing holding this month was Winnebago, trading up 0.27%. Winnebago is seeing increasing profitability due to innovation within their diesel motorhome business. In the upcoming month, the Sector will follow the changing retail landscape and consumer sentiment.



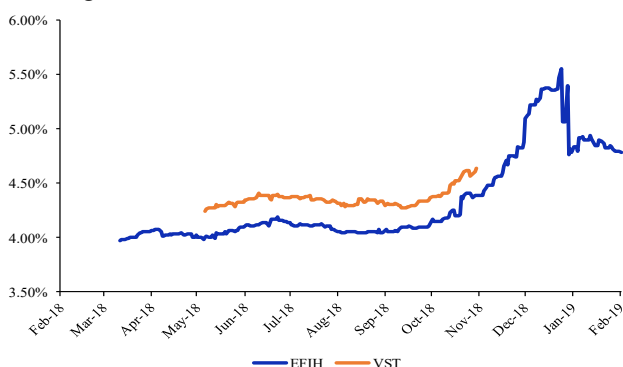
## Healthcare

Healthcare returned 1.81% nominally this month, a relative underperformance of 3.89%. The Sector's best performing holding this month was Community Health Systems, trading up 3.10% nominally. The Company experienced positive performance due to analysts' strong earnings expectations for this quarter. The Sector's worst performing holding this month was Indivior PLC, returning 0.98% nominally. This is due to the rising prevalence of Dr. Reddy's generic alternative treatment method for Suboxone, one of Indivior's leading products. The Sector will be monitoring the drug pricing legislation set to be decided within the upcoming month.



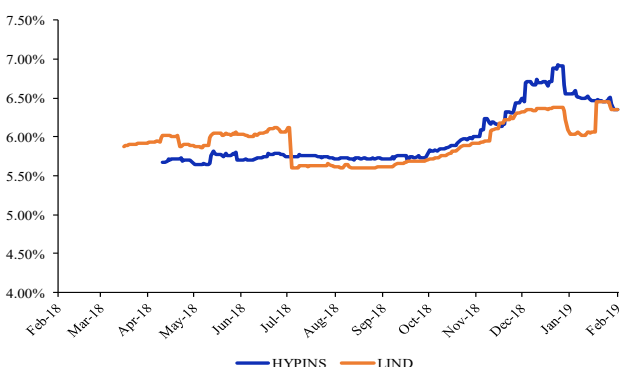
## Energy

The Energy Sector pitched a California Resources Senior Secured 1st Lien Term Loan maturing in 2022. The term loan was initially trading at 98.125 with a coupon of L + 475. Further, the term loan had a tranche size of \$1.30 bn and was pitched due to its production and midstream growth. Moreover, the Energy Sector also pitched a Marathon Petroleum Senior Unsecured Bond maturing in 2022. The bond was initially trading at 101.379 with a coupon of 5.375%. Additionally, the bond was pitched due to Marathon Petroleum's favorable positioning for IMO 2020 and the potential LIBOR swap to offset duration risk. Currently, the Sector is planning on moving into the California Resources Term Loan.



## REGAL-FIG

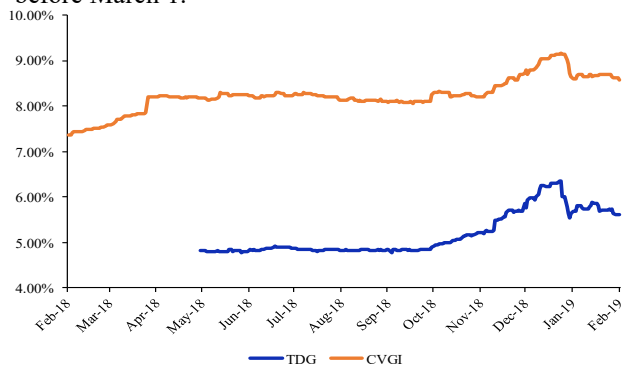
REGAL-FIG returned 1.09% nominally this month, a relative underperformance of 2.48%. The Sector's best performing holding this month was Hyperion Insurance Group, trading up 2.27%. The Company returned positively following an increase of revenues and EBITDA, of 16.00% and 19.00% respectively. The Sector's worst performing holding this month was Lindblad Expeditions, returning (0.19%) nominally. The Company announced that they would be implementing the "Selligent Marketing Cloud" for its customers. Finally, the Sector will be monitoring Fed commentary, as future interest rate increases impacts both the REGAL and FIG sectors.



# Sector Summaries

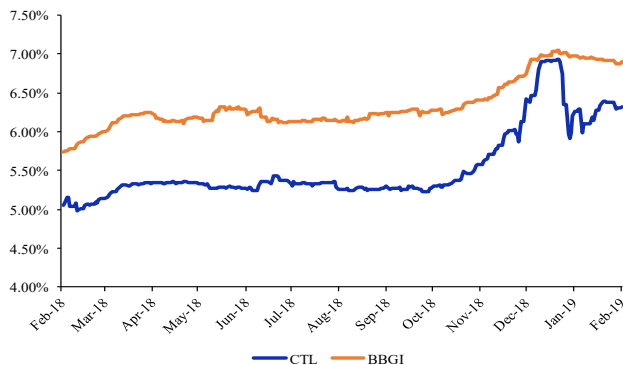
## Industrials

Industrials returned 2.70% nominally this month, a relative underperformance of 1.02%. The Sector's best performing holding this month was TransDigm, trading up 3.70% nominally. This is attributed to TransDigm announcing its acquisition of Esterline Technologies. Esterline is expected to generate \$280MM in pretax earnings in FY2018, posting a 14% margin. The Sector's worst performing holding this month was CVGI, trading up 0.74% nominally. The Company reacted negatively after reports of a 2.00% slow down in trucking growth in 2H2019. Looking ahead, the Sector will be focused on whether President Trump and President Xi will be able to come to a trade resolution before March 1.



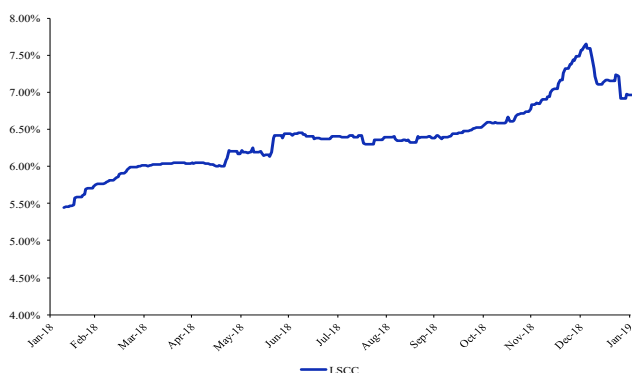
## Media & Communications

Media & Communications returned 2.24% nominally this month, a relative underperformance of 0.99%. The Sector's best performing holding this month was CenturyLink, trading up 2.98% nominally. The Company continues the integration of Level 3 merger, which will recognize \$850.00 MM in 1Q2019 synergies. The Sector's worst performing holding this month was Beasley Broadcast, trading up 1.24% nominally. Beasley Media Group's WBZ-FM/98.5 has extended radio broadcasting contract with the New England Patriots to continue capturing the demand of Boston sports. The Sector is monitoring the growth in global advertising, which will benefit from political spending.



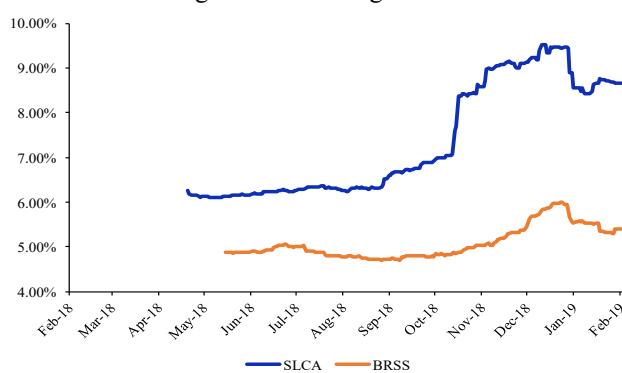
## Information Technology

Information Technology returned 0.41% nominally this month, a relative underperformance of 2.62%. The Sector's best performing holding this month was Lattice Semiconductors, trading up 1.14% nominally. The loan made mild gains following the appointment of new CFO Sherri Luther, with 4Q2018 earnings on tap for February 12. The Company also reported a higher gross margin and lower operating expenses. Intel's 9.00% quarterly revenue gain came in spite of slowing data center chip demand while Nvidia, who reports on February 14, decreased its revenue guidance for 4Q2018 from \$2.70 bn - \$2.20 bn.



## Materials

Materials returned 4.07% nominally this month, a relative underperformance of 0.60%. The Sector's best performing holding this month was U.S. Silica, trading up 5.39% nominally. The loan traded up after the Company's decision to increase the prices of several product lines, including silica sand and specialty products. The Sector's worst performing holding this month was Global Brass & Copper Inc., trading up 3.16% nominally. Although Global Brass & Copper's term loan traded up on an increase in copper prices, the prices failed to reach a level close to pre-crash levels. In the coming month, Materials will be closely watching the status of the government budget.





# Portfolio Analysis

# LLC

Company Name	Sector	Maturity	LIBOR Spread	Yield at Interest Payment Date	Buy-in Amount	January Return (%)
YUM Brands, Inc	Consumer	04/03/25	L + 175	4.49%	\$5084.40	2.29%
Winnebago	Consumer	11/08/23	L + 350	6.24%	\$6101.40	0.27%
Chefs' Warehouse	Consumer	06/22/22	L + 400	6.74%	\$4271.00	0.87%
The Container Store	Consumer	09/14/23	L + 500	7.74%	\$9965.20	2.80%
Hyperion Insurance Group	REGAL-FIG	12/20/24	L + 350	6.24%	\$1987.02	2.27%
Walker & Dunlop	REGAL-FIG	11/07/25	L + 225	4.99%	\$1453.94	0.92%
Community Health Systems	Healthcare	01/27/21	L + 373	6.47%	\$2796.75	3.10%
Cryolife	Healthcare	12/02/24	L + 400	6.74%	\$4044.00	2.36%
Indivior	Healthcare	12/19/22	L + 450	7.24%	\$4350.50	0.98%
Travelport	Industrials	03/17/25	L + 250	5.24%	\$4944.50	1.93%
Transdigm	Industrials	06/09/23	L + 250	5.24%	\$12361.00	3.70%
American Airlines	Industrials	10/10/21	L + 200	4.74%	\$4944.50	2.00%
CVGI	Industrials	04/12/23	L + 600	8.74%	\$2473.00	0.74%
U.S. Silica	Materials	05/01/25	L + 400	6.74%	\$5240.00	5.39%
Global Brass & Copper Inc	Materials	05/29/25	L + 250	5.24%	\$5996.00	3.16%
Boise Cascade	Materials	03/30/26	L + 213	4.86%	\$3436.20	3.64%
Remax Inc.	REGAL-FIG	12/15/23	L + 275	5.49%	\$2800.00	2.01%
Lindblad Expeditions	REGAL-FIG	03/27/25	L + 350	6.24%	\$3000.00	-0.19%
MGM Resorts	REGAL-FIG	04/23/21	L + 275	5.49%	\$2898.00	0.83%
Sprint	Media & Comm	02/02/24	L + 250	5.24%	\$5289.75	2.80%
CenturyLink	Media & Comm	01/31/25	L + 275	5.49%	\$7053.00	2.98%
Lattice Semiconductor	IT	03/10/21	L + 500	7.74%	\$6171.14	1.14%
Beasley Broadcast	Media & Comm	11/01/23	L + 400	6.74%	\$8122.71	1.24%

## Sector Analysis

Sector Analysis	LLC	LSTA 100	Relative
REGAL-FIG	1.09%	3.57%	-2.48%
IT	0.41%	3.03%	2.62%
Media & Comm	2.24%	3.23%	-0.99%
Materials	4.07%	4.66%	-0.60%
Energy	-	4.99%	-
Consumer	1.76%	3.50%	-1.74%
Industrials	2.70%	3.72%	-1.02%
Healthcare	1.81%	3.89%	-2.08%
<b>Total</b>	<b>2.07%</b>	<b>3.56%</b>	<b>-1.49%</b>

## Portfolio Overview

### LLC Portfolio (MTD)

Beginning Portfolio Value	\$108,462.02
Current Portfolio Value	\$116,539.87
Cash Balance	\$10,320.75

### LLC Portfolio (YTD)

Beginning Portfolio Value	\$108,462.02
Current Portfolio Value	\$116,539.87
Cash Balance	\$10,320.75

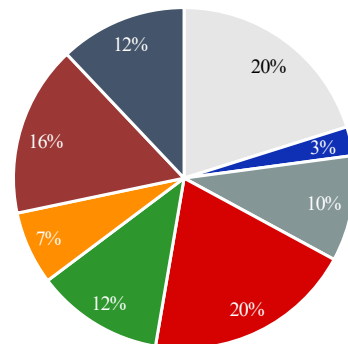
## Performance

Performance	MTD
Leveraged Lion Capital	2.07%
LSTA 100 Index	3.56%
LLC vs. LSTA 100	-1.49%

Performance	YTD
Leveraged Lion Capital	2.07%
LSTA 100 Index	3.56%
LLC vs. LSTA 100	-1.49%

## Portfolio Breakdown

- Consumer & Retail
- Financials
- Healthcare
- Industrials
- Materials
- Real Estate, Gaming, & Lodging
- Media & Communications
- Information Technologies



## January Overall Best Performer



## January Overall Worst Performer



# 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.

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Kyle	Yousif	kyle18yousif@gmail.com	Vice President	N/A
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