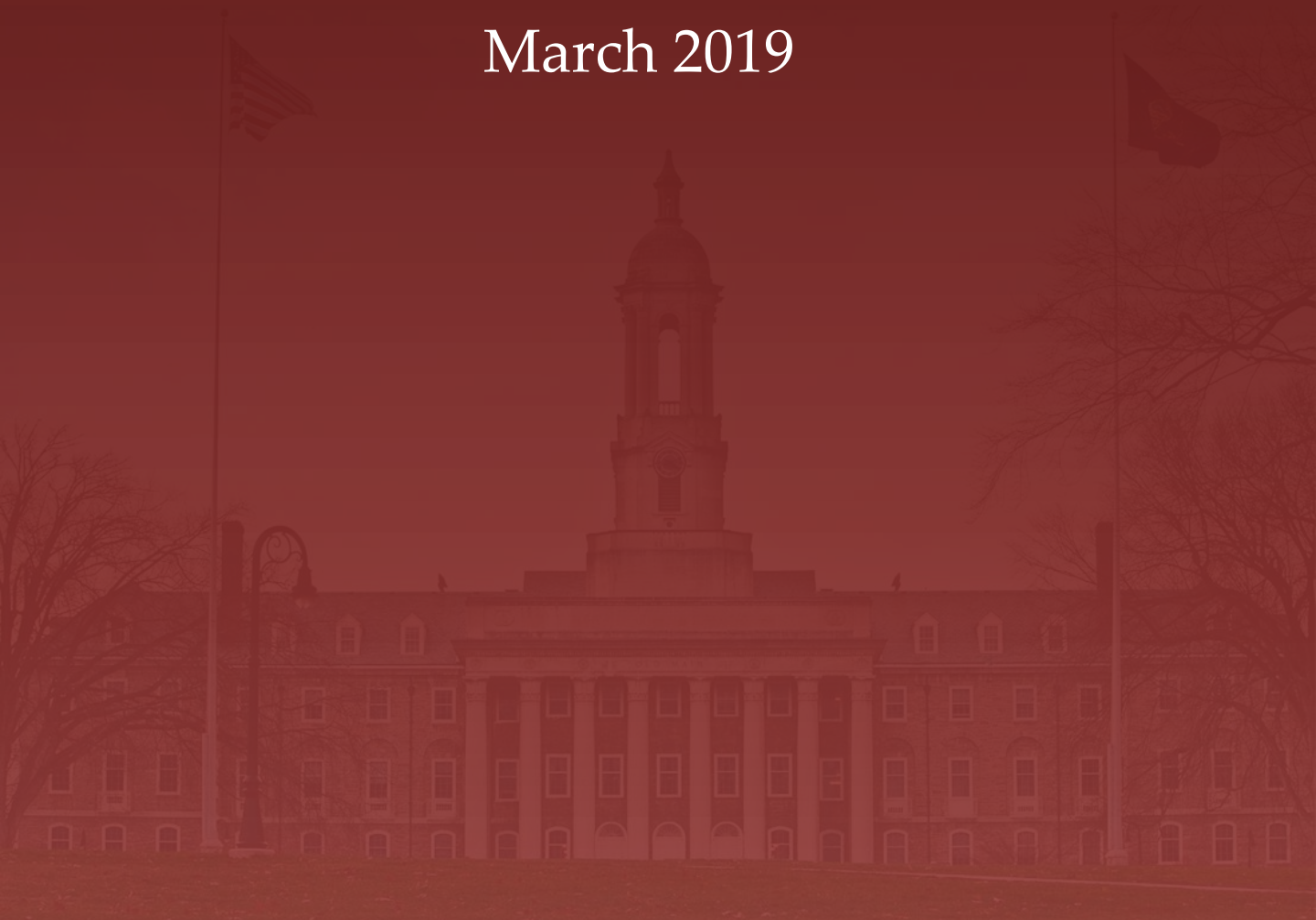


# Leveraged Lion Capital Monthly Report

March 2019



### Leveraged Lion Capital Updates

In the month of March, Leveraged Lion Capital ended its traditional weekly leveraged loan and high-yield bond pitches, and transitioned into a new area of education. Associates were given free reign to form groups of three to four and perform a case study on a topic of interest. The case studies were instituted to give associates a more well-rounded knowledge base outside of the high yield markets. The presentation topics included: distressed credit, leveraged buyouts, capital structure arbitrage/coercive debt exchanges, shareholder activism, tariff updates and equity analysis.

Following the case studies, associates have been working diligently on their solo presentations. Every associate in the organization selected a loan or bond to pitch by themselves. The solo presentations are designed to help associates culminate their semester-long efforts and to enhance public speaking skills.

PSFIA concluded its weekly meetings following a successful first semester. The General Body received positive feedback from the 60 individuals who joined. Additionally, LLC completed interviews for new Portfolio Managers. A finalized list of new associates will be provided in April's monthly distribution.

### Junior Departures

Leveraged Lion Capital would like to thank the juniors who will be completing their involvement in the organization. Each of the following members have furthered the efforts of the club through their commitment, hard work and dedication. LLC wishes them the best in their future endeavors.

First Name	Last Name	Firm	Division	Location
Zak	Zeff	Cowen and Co.	Investment Banking	NYC
Andrew	Koziara	Fidus Partners	Investment Banking	NYC
Hunter	Whitesel	UBS	Investment Banking	NYC
Nicole	Chen	UBS	Investment Banking	NYC
Meredith	Quinn	JMP Securities LLC	Investment Banking	NYC
Wilfred	Guo	Ducera Partners	Investment Banking	NYC
Brock	Lieberman	KeyBanc Capital Markets	Investment Banking	POR
Erfan	Shakibaei	Tudor Pickering Holt & Co.	Investment Banking	HTX
Sean	Kohler	BDO	Mergers & Acquisitions	TOR
Wes	Alexander	PWC	Mergers & Acquisitions	NYC
Sanket	Narayana	PNC	Capital Markets	NYC
Ishaan	Diwan	Bank of America	Sales & Trading	NYC
Matthew	Lim	TD Securities	Sales & Trading	NYC
Jered	Erlanger	UBS	Wealth Management	NYC
Tim	Kelley	Bank of America	Wealth Management	NYC
Dan	Annulli	Scaling Orchards Capital	Asset Management	CA

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– Rohit Madhu

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### Leveraged Loan News

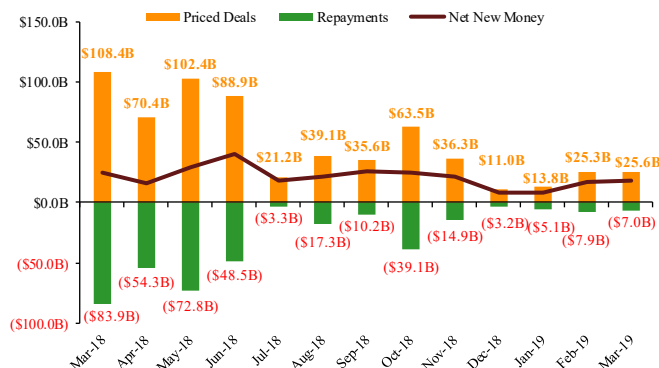
Leveraged loans were the weakest performer in the credit markets for the month of March. The LSTA 100 index returned (0.48%) for the month, considerably underperforming investment-grade 2.49% and high-yield 0.66%. The poor performance was particularly led by the Fed's dovish stance to hold off on any further interest rate hikes for the year and the subsequent large retail outflows as investors flocked from floating to fixed-rate debt. Loan mutual funds saw net outflows for the sixth consecutive month in March, re-emphasizing the softening appetite for loans in the retail space. Following the outflows, retail now accounts for only 11% of the US Leveraged loans investor base - the lowest since LPC started aggregating data in 2012. This adds to the concerns of institutional buyers of loans as further weakening in retail demand could move prices even lower. Relatively, High Yield performed modestly during the month on the back drop of March's deflationary slide in the rate markets. Despite the equity markets rally, higher quality bonds generally outperformed with BB, B, CCC rated bonds each returning 0.92%, 0.57%, and 0.23% respectively in March. This helped the asset class to record the strongest first quarter in history, returning 7.04% YTD, exceeding 2003's 6.3% 1Q gain.

In the loan primary market, Issuance remained modest at \$25.6B up from February's \$25.3B. Mutual fund outflows picked up for the month posting \$2.66B of outflows for March up from \$1.96B in February. Amid the weakness in retail flows, CLO issuance remained moderately strong at \$10.9B. Comparing the year over year stats, CLO issuance eased to \$29.9B in 1Q 2019 from \$33B 1Q 2018, while mutual fund flows dropped from \$3B of inflows in 1Q 2018 to \$10.1B of outflows in 1Q 2019. As noted before, this drastic change in mutual fund flows resulted from the change in Fed's stance from hawkish to dovish. Despite the weak loan retail market, flex activity favored issuers for the third consecutive month with 20 deals flexing lower and only 6 flexing higher during the month.

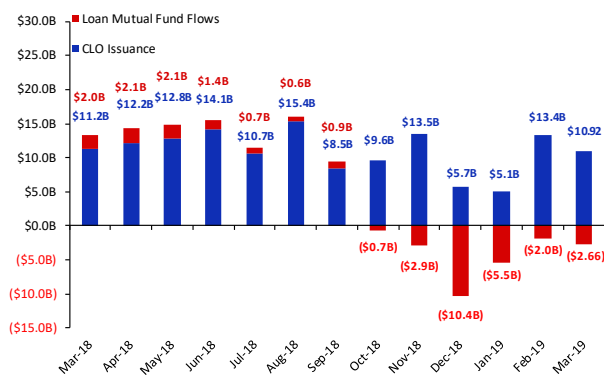
### CIO Commentary

For the month of March 2019, Leveraged Lion Capital loans returned 0.95% nominally while LSTA 100 Index returned (0.48%), a relative outperformance of 0.46%. March was a relatively strong month for LLC with all but one of our holdings posting positive returns. Relative performance for the month was driven by Materials, Healthcare, Media & Comm, and IT. In Healthcare, selective positioning in niche industry subsectors helped to escape the dip and boost returns.

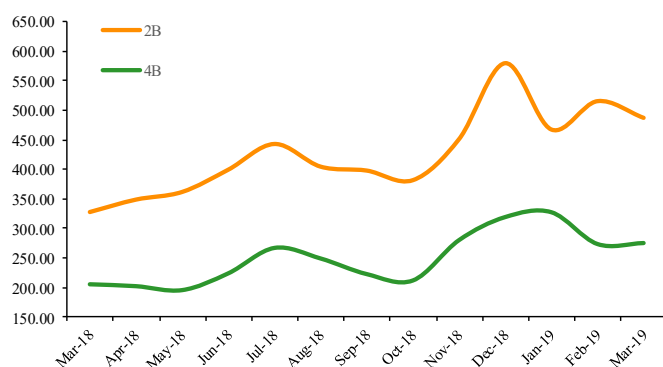
### Net New Money



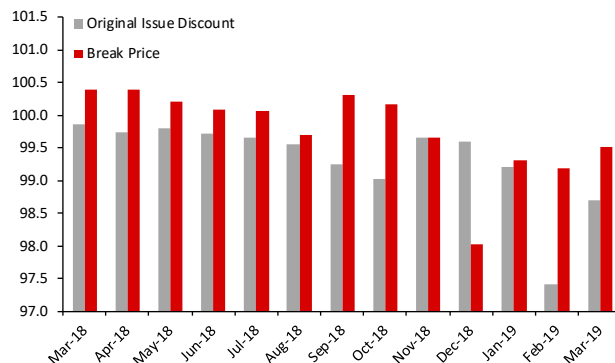
### CLO/Mutual Fund Flows



### Regular Way Deal Pricing



### Break vs Issue Price



## New-Issue Market Trends

With another quiet month in the primary loan market, \$25.6 bn of loans launched in Mar., up slightly from \$22.9 bn in Feb. Muted M&A activity, limited opportunistic volume, and an attractive high-yield market all contributed to lower issuance. More issuers tested the waters for opportunistic activity, anchored by a \$3.2 bn recapitalization loan for Staples that entailed a \$1.0 bn sponsor dividend. For the third consecutive month, activity remained squarely in favor of issuers, with 20 deals flexing lower and only 6 flexing higher. Market conditions remained bifurcated with investors swarming deals such as *Power Solutions* while commanding wide terms on story credits such as *Nine West* and *Sorenson Communications*. Overall, 1<sup>st</sup> lien spreads tightened 25 bps, BB spreads were essentially flat after a big move tighter in Feb, and B also tightened by 28 bps.

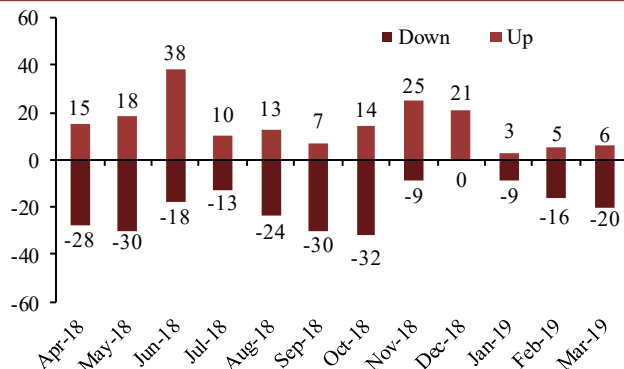
## Credit/Documentation Trends

*Power Solutions*' heavily subscribed loan saw only modest changes, but *Travelport*'s execution underwent two rounds of revisions. Overall, documentation showed a shift to more issuer-friendly terms. 20% of loans cleared with an MFN sunset in Mar., up from 17% in Q4. With respect to March's activity, eight loans cleared with a sunset, up slightly from seven in Feb., but up from only three deals in Jan. and zero in Dec. The percentage of deals with an inside-maturity carve-out from the free-and-clear tranche increased to 38%, from 22% in Q4. The percentage of deals with EBITDA growers to the free-and-clear ticked up to 74% from 67%. Some terms, on average, did move in favor of investors. For example, the percentage of loans with no EBITDA caps fell to 33%, from 42% in Q4.

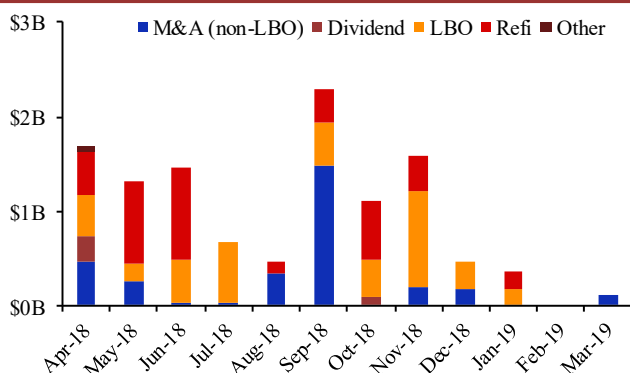
## Default Statistics

With modest default activity last month and some \$7.7 bn of defaulted loans dropping from the TTM calculation, including *iHeartCommunications*' \$6.3 bn default a year prior, the TTM default rate dropped to 1.2%. This is down from 1.7% at the end of Jan. and 1.8% at year-end - the lowest rate since 2011. By comparison, three issuers defaulted last month that collectively total about \$1.2 bn, *CTI Foods*, *Savers* and *Vanguard Natural Resources*. Fitch's top loans of concern ended the quarter at \$23.7 bn, or 1.8% of Index outstandings, up from \$19.8 bn at the end of 2018, representing 1.6% of Index outstandings. Eleven issuers defaulted in Q1 for \$4.7 bn, the largest of which was *Windstream Holdings*' chapter 11 filing at roughly \$1.75 bn.

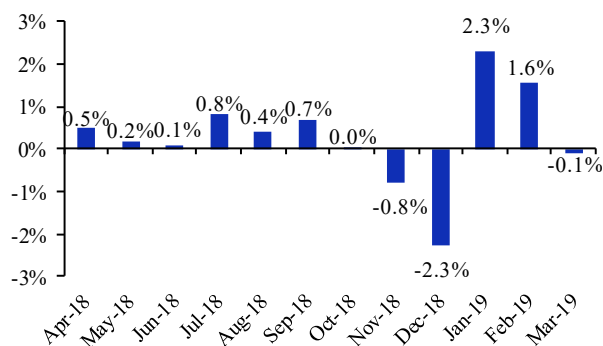
## Flex Activity



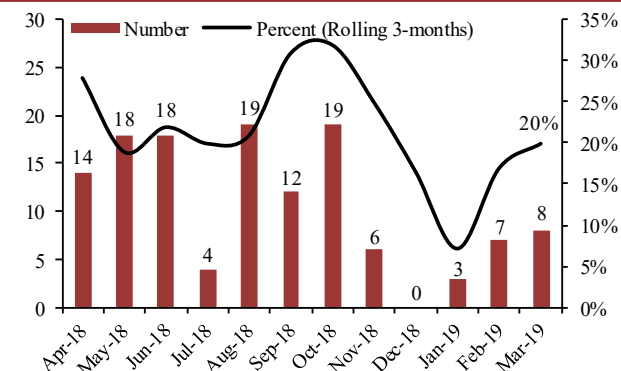
## New-Issue Middle-Market Loan Volume



## Monthly Returns



## Deals that Cleared with MFN Sunsets

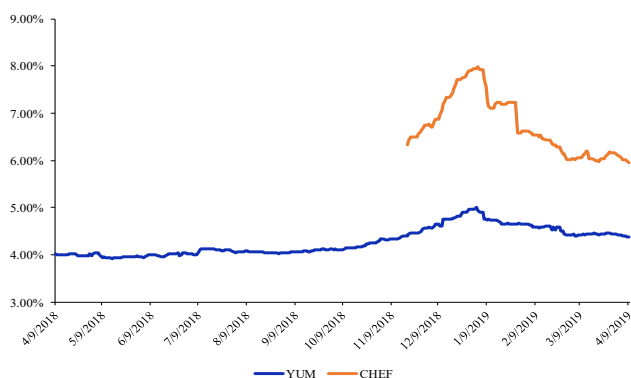




# Sector Summaries

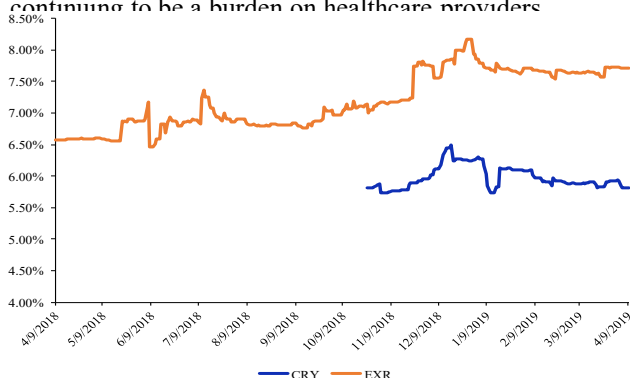
## Consumer & Retail

Consumer and Retail returned 0.45% nominally this month, a relative outperformance of 0.31%. The Sector's best performing holding this month was Yum Brands' TL B, trading up 0.84% nominally. Yum Brands primarily advanced its technology as seen with Taco Bell partnering with GrubHub and Pizza Hut developing delivery robots. The Sector's worst performing holding this month was Chefs' Warehouse's TL B, trading up 0.09% nominally. Chefs' Warehouse relatively flat performance is mainly attributable to some potential worries regarding its cash balances. Looking forward, the Consumer and Retail Sector will be monitoring Unemployment and Participation rates.



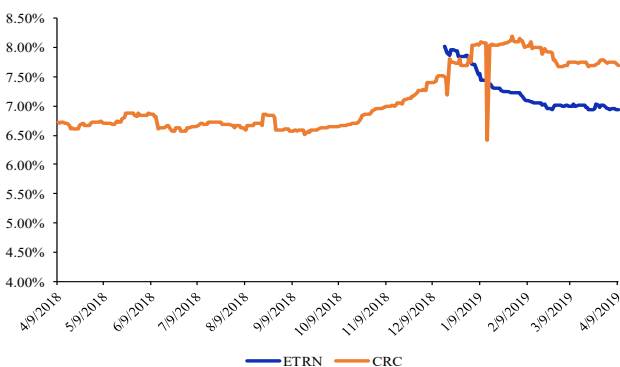
## Healthcare

Healthcare returned 0.72% nominally this month, a relative outperformance of 3.16%. The Sector's best performing holding this month was Cryolife's TL B, returning 1.29% nominally. The Company continued to return positively following a March investor relations meeting about strong results within their medical adhesive segment of the Company. The Sector's worst performing holding this month was Indivior's, returning 0.45% nominally. The Company under-performed after they experienced several difficulties including setbacks to their intellectual property related to a key revenue generator, Suboxone. Finally, the Sector will be following updates on how the current Medicare system is continuing to be a burden on healthcare providers.



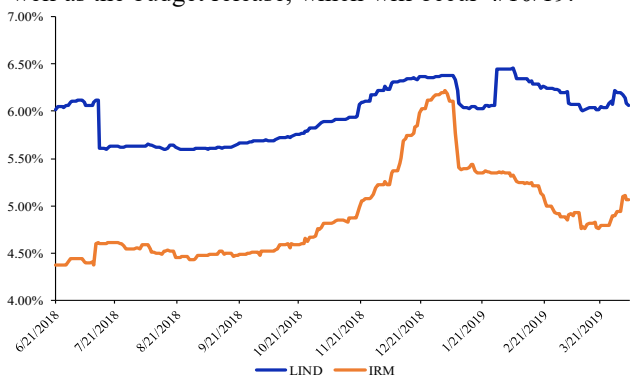
## Energy

Energy returned 0.41% nominally this month, a relative outperformance of 0.43%. The Sector's best performing holding this month was Equitrans' TL B, returning 0.58% nominally. The Company returned positively as it announced the purchase of gas pipeline assets that connect the Marcellus and Utica shale plays, the nation's largest natural gas basins. The Sector's worst performing holding this month was California Resources TL B, returning 0.23% nominally. The Company rose, by a relatively smaller percentage, amid rising crude oil prices. Finally, the Sector will be following crude oil prices moving forward, which will affect California Resources.



## REGAL-FIG

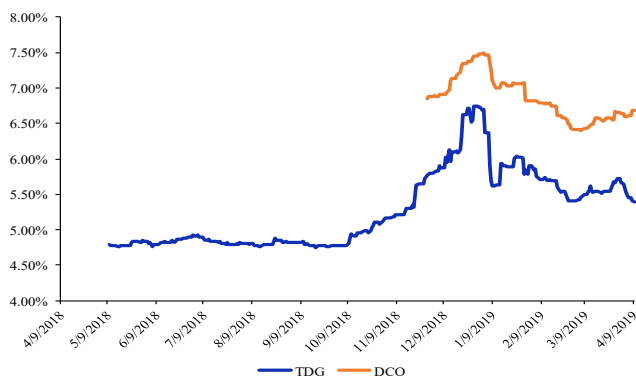
REGAL-FIG returned 0.74% nominally this month, a relative outperformance of 0.79%. The Sector's best performing holding this month was Hyperion Insurance Group's TL B, returning 1.32% nominally. The Company returned positively partly due to changes to the management team, following the departure of CFO Oliver Corbett in January. The Sector's worst performing holding this month was Walker & Dunlop's TL B, returning 0.40% nominally. The Company underperformed due to a decreased investor sentiment following multiple insider sell trades. Finally, the Sector will be monitoring the release of FOMC minutes, as well as the budget release, which will occur 4/10/19.



## Sector Summaries

## Industrials

Industrials returned 0.74% nominally this month, a relative outperformance of 1.03%. The Sector's best performing holding was TransDigm's TL F, trading up 1.38% nominally. This is attributable to TransDigm completing the acquisition of Esterline and receiving EU approval on it. The Sector's worst performing holding this month was Ducommun Incorporated, returning (0.76%) nominally. This was mainly due to the Company's 4Q2018 earnings report, where management stated that its largest business segment realized a 1.70% decline in its EBITDA margin. Looking forward, the Industrials Sector will be focused on the outcome of the US and China trade talks.



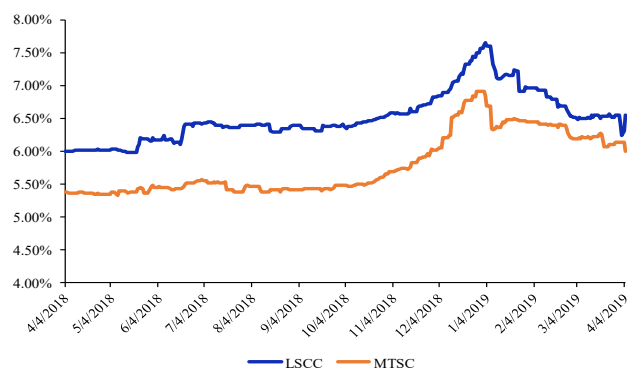
## Media &amp; Communications

Media & Communications returned 2.00% nominally this month, a relative outperformance of 1.75%. The Sector's best performing holding this month was CenturyLink's TL B, trading up 3.57% nominally. CenturyLink's performance is mainly attributable to management's decision to cut dividends. The Sector's worst performing holding this month was Beasley's TL B, trading up 0.92% nominally. Beasley had a relatively flat performance which could possibly be the result of the Company over paying for the assets of Greater Media. Looking forward, the Media and Communications Sector will be evaluating how companies are transitioning towards 5G technology.



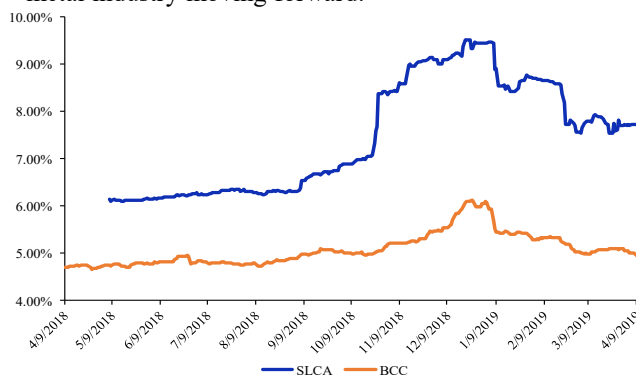
## Information Technology

Information Technology returned 0.62% nominally this month, a relative outperformance of 1.70% while bonds returned 0.78% nominally this month, a relative outperformance of 0.87%. The Sector's best performing holding this month was Lattice Semiconductor's TL B, returning 0.93% nominally. The loan outperformed as the Company's field-programmable arrays gained demand in 5G wireless infrastructure. The Sector's worst performing holding this month was MTS Systems' TL B, returning 0.23% nominally. It underperformed after the appointment of corporate audit veteran, Nancy Altobello, and American Express executive Linda Zukauckas to its Board of Directors.



## Materials

Materials returned 0.42% nominally this month, a relative outperformance of 2.32%. The Sector's best performing holding this month was U.S. Silica's TL B, trading up 5.18% nominally. U.S. Silica's traded up this month after the United States Patent and Trademark Office confirmed several additional patent claims for U.S. Silica, validating the strength of its patent portfolio. The Sector's worst performing holding this month was Boise Cascade's TL B, trading up 0.07% nominally. Boise Cascade traded horizontally after analysts predicted slower demand growth for its products. The Materials Sector will continue to monitor the battery metal industry moving forward.



# Portfolio Analysis

# LLC

Company Name	Sector	Maturity	LIBOR Spread	Yield at Interest Payment Date	Buy-in Amount	March Return (%)	Corporate Rating	Facility Rating	Price as of 3/31/19
YUM Brands, Inc	Consumer	04/03/25	L + 175	4.35%	\$5084.40	0.84%	Ba1/BB	Ba1/BBB-	\$99.44
Winn-Dixie	Consumer	11/08/23	L + 350	6.10%	\$6101.40	0.51%	B1/BB-	B2/BB	\$98.00
Chef's Warehouse	Consumer	06/22/22	L + 400	6.60%	\$4271.00	0.09%	Ba/B+	B2/B+	\$99.81
The Container Store	Consumer	09/14/23	L + 500	7.60%	\$9965.20	0.37%	B2/B	B2/B	\$99.25
California Resources	Energy	12/31/22	L + 475	7.35%	\$3842.23	0.23%	Caa1/CCC+	B2/B	\$99.41
Equitrans	Energy	01/31/24	L + 450	7.10%	\$3842.23	0.58%	Ba3/BB+	Ba3/BB	\$99.25
Cryolife	Healthcare	12/02/24	L + 400	6.60%	\$4044.00	1.29%	B2/B	B2/B	\$100.00
Indivior	Healthcare	12/19/22	L + 450	7.10%	\$4350.50	0.45%	B3/B+	B3/B+	\$97.75
Lantheus	Healthcare	06/30/22	L + 375	6.35%	\$2977.19	0.65%	B2/B	B2/BB	\$100.00
Travelport	Industrials	03/17/25	L + 250	5.10%	\$4944.50	0.66%	B1/B+	B1/B+	\$99.91
Transdigm	Industrials	06/09/23	L + 250	5.10%	\$12361.00	1.38%	B1/B+	Ba3/B+	\$98.67
CVGI	Industrials	04/12/23	L + 600	8.60%	\$2473.00	0.71%	B2/BB-	Ba1/BB+	\$98.00
Ducommun Incorporated	Industrials	11/21/25	L + 400	6.60%	\$5037.38	-0.76%	B2/B+	B2/B+	\$99.69
Lattice Semiconductor	IT	03/10/21	L + 500	7.60%	\$6171.14	0.93%	B2/B	B2/B	\$94.58
MTS Systems Corp	IT	07/05/23	32500.00%	5.85%	\$5082.00	0.23%	B1/BB-	B1/BB-	\$99.50
Plantronics	IT	05/31/23	L + 000	5.40%	\$4000.00	0.78%	Ba2/BB	B1/BB-	\$98.44
U.S. Silica	Materials	05/01/25	L + 400	6.60%	\$2689.56	5.18%	B1/B+	B1/B+	\$98.56
Global Brass & Copper I	Materials	05/29/25	L + 250	5.10%	\$3073.78	0.93%	Ba3/BB	B1/BB-	\$100.38
Boise Cascade	Materials	03/30/26	L + 213	4.72%	\$1921.11	0.07%	Ba1/BB-	Ba1/BB-	\$99.75
Sprint	Media & Comm	02/02/24	L + 250	5.10%	\$5289.75	1.52%	B2+/B=	Ba2+/BB-	\$99.38
CenturyLink	Media & Comm	01/31/25	L + 275	5.35%	\$7053.00	3.57%	Ba3/BB	Ba3/BBB-	\$98.00
Beasley Broadcast	Media & Comm	11/01/23	L + 400	6.60%	\$8122.71	0.92%	B2/B+	B1/BB-	\$98.63
Superior Insurance Group	REGAL-FIG	12/20/24	L + 350	6.10%	\$1987.02	1.32%	B2/B	B2/B	\$98.43
Walker & Dunlop	REGAL-FIG	11/07/25	L + 225	4.85%	\$1453.94	0.40%	Ba2/BB	Ba2/BBB-	\$100.31
Lindblad Expeditions	REGAL-FIG	03/27/25	L + 350	6.10%	\$3000.00	1.00%	B2/BB-	B2/BB	\$99.69
FGM Growth Properties	REGAL-FIG	04/23/21	L + 275	5.35%	\$2898.00	0.81%	Ba3/BB-	B2/B+	\$99.50
Iron Mountain Inc	REGAL-FIG	06/04/23	L + 175	4.35%	\$2841.60	0.17%	Ba3/BB-	Ba3/BBB-	\$100.68

## SECTOR ANALYSIS

Sector Analysis	Loans	LSTA 100	Relative	Bonds	LLC HY	Relative
REGAL-FIG	0.74%	-0.05%	0.79%	-	0.53%	-
IT	0.62%	-1.08%	1.70%	0.78%	-0.09%	0.87%
Media & Comm	2.00%	0.25%	1.75%	-	0.21%	-
Materials	2.24%	-1.90%	4.14%	-	0.03%	-
Energy	0.41%	-0.02%	0.43%	-	0.51%	-
Consumer	0.45%	0.14%	0.31%	-	-0.09%	-
Industrials	0.74%	-0.29%	1.03%	-	-0.37%	-
Healthcare	0.72%	-2.44%	3.16%	-	0.62%	-
Total	0.95%	-0.48%	1.43%	0.78%	0.29%	0.87%

## PORTFOLIO OVERVIEW

### LLC Portfolio (beginning 1/1/2018)

Beginning Portfolio Value	\$129069.31
Current Portfolio Value	\$129053.89
Cash Balance	\$1238.75

## PORTFOLIO OVERVIEW

### LLC Portfolio (YTD)

Beginning Portfolio Value	\$124854.79
Current Portfolio Value	\$129053.89
Cash Balance	\$1238.75

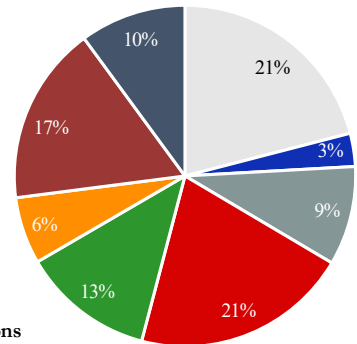
## PERFORMANCE

Performance	Through 3/31/2019
Leveraged Lion Capital	0.95%
LSTA 100 Index	-0.48%
LLC vs. LSTA 100	1.43%
LLC vs. LLC HY	0.87%

## PERFORMANCE

Performance	YTD
Leveraged Lion Capital	3.36%
LSTA 100 Index	5.84%
LLC HY	6.48%
LLC vs. LSTA 100	-2.48%
LLC vs. LLC HY	-4.25%

## PORTFOLIO BREAKDOWN



## March Overall Best Performer



## March Overall Worst Performer



# Organizational Overview

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 and high-yield bonds to the rest of the organization. The club is broken out into eight sectors that are derived from the S&P/LSTA 100 Index including Media & Communications, Information Technology, Industrials, Materials, Consumer & Retail, Energy, Healthcare, and REGAL-FIG (Real Estate, Gaming & Leisure, Financial Institutions Group).

Name	Email	Position	Career Interest
<b>Executive Board</b>			
Taylor Campbell	taylorjcam@gmail.com	President	Sales & Trading
Kyle Yousif	kyle18yousif@gmail.com	Vice President	Investment Banking
Rohit Madhu	rohit.m.madhu@gmail.com	Chief Investment Officer	Sales & Trading
Colleen Conway	conwayc34@gmail.com	Secretary	Sales & Trading
<b>Directors</b>			
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Zak Zeff	zacharyzeff98@gmail.com	Director of Portfolio Analytics	Investment Banking
Andrew Koziara	andrewkoziara97@gmail.com	Director of External Relations	Investment Banking
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Sara Groth	sgroth19@gmail.com	Associate Analyst	Investment Banking
Swati Vipperlal	vswati24@gmail.com	Associate Analyst	Investment Banking
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