

Leveraged Lion Capital Monthly Report

January 2018



2018 Executive Board

Leveraged Lion Capital is proud to announce the appointment of the 2018 Executive Board.

President: Michael Coppola

Michael is a junior Mathematics major in the Eberly College of Science from Franklin, Massachusetts. After serving as an Associate Analyst in the Natural Resources sector last semester, he currently serves as the President of Leveraged Lion Capital. This coming summer, he will be interning at Deutsche Bank in the Investment Banking Division. During his free time, he enjoys participating on the Club Wrestling team, listening to music, and spending time with friends.

Vice President: Shreyas Radhakrishna

Shreyas is a junior Finance major in the Smeal College of Business from State College, Pennsylvania. He currently serves as the Vice President of Leveraged Lion Capital after previously serving as an Associate Analyst within the Healthcare sector. This summer, he will be interning at Wells Fargo Securities in the Investment Banking Division. In his free time, he enjoys playing basketball, weightlifting, watching films, spelunking, and mixing music.

Secretary: Federico Sarboraria

Federico is a junior Finance and Accounting double major in the Master of Accounting program in the Smeal College of Business. He is originally from Milan, Italy and currently serves as the Secretary of Leveraged Lion Capital after previously serving as an Associate Analyst in the Financial Institutions sector. For the past two summers, Federico interned at DLL Financial Solutions in renewable energy asset management. This coming summer, he will be interning at Bank of America Merrill Lynch in the Sales & Trading Division. In his free time, Federico enjoys martial arts, listening to music, and scuba diving.

Chief Investment Officer: Mintao “Kevin” Xie

Kevin is a junior Finance and Mathematics double major in the Smeal College of Business and Eberly College of Science from Shanghai, China. Kevin served as the Lead Analyst of the REGAL sector last semester and currently serves as the Chief Investment Officer of Leveraged Lion Capital. This past summer, Kevin interned at Romero Capital as an Equity Research Summer Analyst. Kevin is interested in pursuing a career in equity and credit research. In his free time, he enjoys e-sports, football, documentaries, billiards, and singing.

Page 1

- 2018 Executive Board

Page 2

- Organization Structure

Page 3, 4 & 5

- Introduction: New Analysts

Page 6

- CIO Commentary – *Kevin Xie*

Pages 7 & 8

- Sector Summaries

Page 9

- Portfolio Analysis – *Ishaan Diwan*

Organization Structure

With the introduction of the new Executive Board, several changes were made to the organization's structure, including the creation of new positions as part of the Investment Committee.

Executive Board	
Michael Coppola	President
Shreyas Radhakrishna	Vice President
Federico Sarboraria	Secretary
Mintao "Kevin" Xie	Chief Investment Officer
Investment Committee	
Ishaan Diwan	Director of Portfolio Analytics
Matthew Lim	Director of Monthly Reports
Technology, Media & Telecommunications (TMT)	
Matthew Lim	Lead Analyst
Jered Erlanger	Associate Analyst
Robert Villano	Associate Analyst
Sean Kohler	Associate Analyst
Natural Resources	
Wilfred Guo	Lead Analyst
Reid Moncada	Associate Analyst
Taylor Campbell	Associate Analyst
Healthcare	
Bailey Rice	Lead Analyst
Rohit Madhu	Associate Analyst
John Zachariah	Associate Analyst
Consumer	
Zubi Uzor	Lead Analyst
Amanda Lew	Associate Analyst
Hunter Whitesel	Associate Analyst
Christopher Unis	Associate Analyst
Real Estate, Gaming & Leisure (REGAL)	
Daniel Annulli	Lead Analyst
Nicole Chen	Associate Analyst
Kyle Yousif	Associate Analyst
Financial Institutions	
Ishaan Diwan	Lead Analyst
Tyler DiMatteo	Associate Analyst
Colleen Conway	Associate Analyst
Timothy Kelley	Associate Analyst
Industrials	
Andrew Koziara	Lead Analyst
Sanket Narayana	Associate Analyst
Brock Lieberman	Associate Analyst
Senior Mentors	
Benjamin Rowles	Former CIO
Akhil Chittajallu	Former Secretary
Anthony Fastuca (Jr.)	Former CRO
Aaron Sosnader	Former Vice President
Noelle Ferrara	Former Lead Analyst (Healthcare)
Manuel Ortega	Former Lead Analyst (Financials)
Kaitlyn Leininger	Former Associate Analyst (REGAL)

Introduction: New Analysts

After conducting interviews in late 2017, January saw the induction of 16 new members into our ranks. We are pleased to introduce the newest Associate Analysts of Leveraged Lion Capital.

Taylor Campbell

Taylor is a sophomore Finance major in the Smeal College of Business from Allentown, New Jersey. He currently serves as Associate Analyst in the Natural Resources sector. He is interested in pursuing a career in either sales and trading or investment banking. In his free time, Taylor enjoys football, skiing, fitness, nutrition, and boating.

Nicole Chen

Nicole is a freshman Finance major in the Smeal College of Business from Marlboro, New Jersey. She currently serves as an Associate Analyst in the Real Estate, Gaming & Leisure (REGAL) sector. Nicole is interested in pursuing a career in investment banking. In her free time, Nicole enjoys hanging out with friends, watching the NBA, paper trading, and following the news.

Colleen Conway

Colleen is a sophomore Finance major in the Smeal College of Business from Franklin Lakes, New Jersey. She currently serves as an Associate Analyst in the Financial Institutions sector. Colleen is interested in pursuing a career in sales and trading. She is a member of the Penn State varsity field hockey team and in her free time, she enjoys Crossfit and skiing.

Tyler DiMatteo

Tyler is a sophomore Finance major in the Smeal College of Business from Philadelphia, Pennsylvania. He currently serves an Associate Analyst in the Financial Institutions sector. Tyler is interested in pursuing a career in either sales and trading or investment banking. In his free time, he enjoys exercising, snowboarding, and golfing.

Wilfred Guo

Wilfred is a sophomore Finance and Economics major in the Smeal College of Business and College of Liberal Arts from Vancouver, British Columbia. He currently serves as the Lead Analyst in the Natural Resources sector. Wilfred is interested in pursuing a career in High Yield/Distressed Credit & Special Situations. In his free time, he enjoys processing basketball analytics, watching sketch comedy, and exploring the Canadian outdoors.

Timothy Kelley

Timothy is a sophomore Finance major in the Smeal College of Business from Easton, Massachusetts. Timothy currently serves as an Associate Analyst in the Financial Institutions sector. This coming summer, Timothy will be interning at MFS Investment Management in the Asset Management Division. In his free time, he enjoys basketball, football, and spending time with family and friends.

Introduction: New Analysts

Sean Kohler

Sean is a sophomore Finance major in the Smeal College of Business from Toronto, Ontario. He currently serves as an Associate Analyst in the Technology, Media & Telecommunications (TMT) sector. Sean is interested in pursuing a career in investment banking. In his free time, he enjoys playing ice hockey and sitting by a bonfire.

Amanda Lew

Amanda is a freshman Finance major in the Smeal College of Business from Basking Ridge, New Jersey. She currently serves as an Associate Analyst in the Consumer sector. Amanda is interested in pursuing a career in investment banking. In her free time, she enjoys snowboarding, scuba diving, and hanging out with friends.

Brock Lieberman

Brock is a sophomore Finance major in the Smeal College of Business from Lititz, Pennsylvania. He currently serves as an Associate Analyst in the Industrials sector. Brock is interested in pursuing a career in investment banking, asset management, or sales and trading. In his free time, he enjoys skiing, wrestling, fishing, and spending time with friends.

Rohit Madhu

Rohit is a sophomore Finance and Statistics double major in the Smeal College of Business and Eberly College of Science from Chennai, India. He currently serves as an Associate Analyst in the Healthcare sector. This past summer, Rohit interned at IIFL, rotating in the Investment Management and Equity Research divisions. He is interested in pursuing a career in investment banking or sales and trading. In his free time, he enjoys playing tennis, running, traveling, and hanging out with friends.

Reid Moncada

Reid is a sophomore Finance and Economics double major in the Smeal College of Business and College of Liberal Arts from Doylestown, Pennsylvania. He currently serves as an Associate Analyst in the Natural Resources sector. Reid is interested in pursuing a career in investment banking or venture capital. In his free time, he enjoys golf, fitness, and learning new things.

Sanket Naranya

Sanket is a sophomore Finance and Economics double major in the Smeal College of Business and College of Liberal Arts. He is originally from Proddatur, India and now resides in Allentown, Pennsylvania. He currently serves as an Associate Analyst in the Industrials sector. Sanket is interested in pursuing a career in investment banking, sales and trading, or financial consulting. In his free time, he enjoys volunteering, and supporting the Pittsburgh Steelers and Philadelphia 76ers.

Christopher Unis

Christopher is a freshman Finance major in the Smeal College of Business from Allentown, Pennsylvania. He currently serves as an Associate Analyst in the Consumer sector. Christopher is interested in pursuing a career in investment banking or sales and trading. In his free time, he enjoys watching films, volleyball, sailing, and architecture.

Introduction: New Analysts

Robert Villano

Robert is a sophomore Finance major in the Master of Accounting program in the Smeal College of Business from Smithtown, New York. He currently serves as an Associate Analyst in the Technology, Media & Telecommunications (TMT) sector. Robert is interested in pursuing a career in sales and trading or asset management. In his free time, he enjoys Penn State football, basketball, and reading.

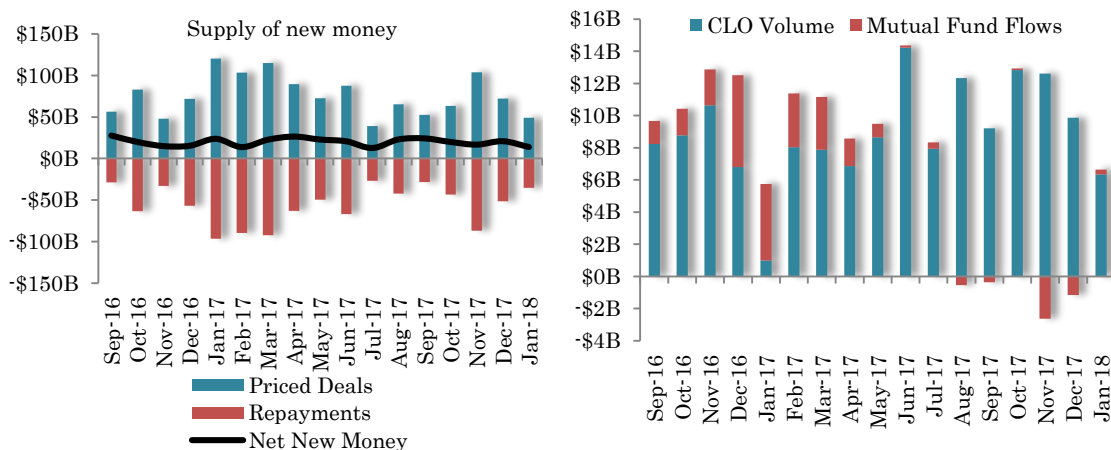
Kyle Yousif

Kyle is a junior Finance and Accounting double major in the Master of Accounting program in the Smeal College of Business from Norwood, Pennsylvania. He currently serves as an Associate Analyst in the Real Estate, Gaming & Leisure (REGAL) sector. This past summer, Kyle interned at Aqua America as a Supply Chain Summer Analyst and this coming summer, he will be interning at PNC in the Capital Markets Division. In his free time, he enjoys traveling, watching Philadelphia sports, and spending time with family and friends.

John Zachariah

John is a junior Finance and Accounting double major in the Master of Accounting program in the Smeal College of Business from Berwyn, Pennsylvania. He currently serves as an Associate Analyst in the Healthcare sector. John is interested in pursuing a career in investment banking. In his free time, he enjoys traveling, playing the guitar, and watching Philadelphia sports.

CIO Commentary



For the month of January, Leveraged Lion Capital returned 0.55% while the S&P/LSTA U.S. Leveraged Loan Index returned 0.81%. Healthcare and Financials were the best performing sectors of the month, beating their benchmarks by 0.68% and 0.51% respectively.

The theme of the overall leveraged loan market in January was the continuation of technical imbalance. Robust demand relative to weak supply has caused many loans to trade strongly, with the average bid price jumping by 60 basis points to 96.68% of par and the average break price hitting 100.66% of par, the highest level since September 2016. Allocations have been relatively thin as we have seen multiple deals draw massive demand, such as Barracuda Networks’ first-lien term loan that was said to be five times oversubscribed.

Volume of both priced deals and net-new money coming to market hit a six-month low at \$48.9 billion and \$13.7 billion, respectively. CLO issuances hit \$6.34 billion in January, downshifting from prior months but still topping last January’s figure. Conversely, U.S. leveraged loan issuance was well below last year’s figure of \$95.1 billion recorded in the first month of 2017. Breaking down issuance volume, the market saw a substantial uptick in repricing volumes which hit \$36 billion.

The environment has been issuer friendly and January was no different with 35 of the 38 new issuances flexing downward and 86% of loans clearing as “cov-lite”, above the 2017 average of 79%. With a hot market, the average original issue discount also broke recent records, tightening by 17 basis points to 99.85 cents on the dollar. Additionally, 93% of the deals launched in January carried six months of 101 soft call protection, topping the monthly figure in 2017. 16 issuances also landed MFN sunsets in their transactions, further indicative of the borrower – friendly environment.

Although spreads have compressed for leveraged loan investors, yields rose across the board from a 20 basis point lift in the three-month LIBOR rate. The yield on the 10-year U.S. Treasury rose to 2.705% as of January 31st, hitting a multi-year high amid higher inflation expectations.

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

Sector Summaries

Natural Resources

Natural Resources returned 0.83% nominally this month, a relative outperformance of 0.11%. On Thursday, January 25, Brent crude prices hit \$71.28/bbl, its highest level since 2014. The sector's best performing holding this month was Global Brass & Copper, trading up 1.04% nominally. The company's loans traded up after the Federal Reserve reported that the production of other fabricated metals products rose 3.90% in December of FY2017. The sector's worst performing holding this month was Ultra Petroleum, returning 0.52% nominally. Loans of Ultra Petroleum underperformed after an executive shake up by activist hedge fund Fir Tree Partners led long-time CEO Mike Watford to retire.

Consumer

Consumer returned 0.41% this month with a relative underperformance of 1.10%. This performance was driven almost entirely by YUM Brands, which returned 0.87%. YUM Brands is the sector's lone holding following the refinancing of Hanesbrands' Term Loan. As a result of Hanes Brands' recent refinancing, the interest rates for its Term Loan B dropped by 75 bps.

Industrials

Industrials returned 0.29% nominally this month, a relative underperformance of 0.49% compared to the LSTA 100 Index. The sector's best performing holding was Travelport, returning 1.12% nominally as investor sentiment increased due to Travelport being added to the S&P SmallCap 600 index. Investors are eyeing global growth to increase travel demand which would strengthen Travelport's revenues and bottom-line. The sector's worst performing holding was American Airlines, returning 0.31% nominally due to headwinds such as increasing fuel costs, labor expenses, and uncertainty regarding future pricing power in the airlines industry. January brought out key December readings for the sector. Business orders were higher than shipments which fits the narrative of businesses placing orders before the tax cut for increased capital expenditures in 2018, boding well for the economy and sector as a whole. Macro-wise, industrial production, manufacturing production, and PMI are expected to rise due to companies incorporating digital technologies, such as cloud computing and Internet of Things into their business design. However, the industry is wary that an increase in inflation could decrease durable good orders and production due to higher input costs.

Healthcare

Healthcare led this month with a total return of 1.27% or 0.68% relative to the LSTA 100 index. The sector was carried by Community Health Systems which returned 3.20%. The performance was driven by a vote of confidence from activist investor Shanda Affiliates, which affirmed the turnaround strategies implemented by Community Health Systems' leadership. Teva Pharmaceuticals, the worst performing holding, returned -0.44%. It was driven down by the announcement of a non-profit generic pharmaceutical venture to be undertaken by a consortium of hospitals that aims to drive the cost of key medicines down.

Financial Institutions

Financials returned 0.80% nominally and outperformed the LSTA 100 Index by 0.51%. The two holdings, Hyperion Insurance and MoneyGram International, returned 0.85% and 0.73% respectively. Hyperion's returns were driven by organic growth of 8% in its market-lending activity, as well as strong profit margins. MoneyGram recently integrated Ripple's altcoin into its payment platform and expanded its core service to Spain and France, two key factors driving its monthly return.

Sector Summaries

Technology, Media & Telecommunications (TMT)

TMT returned 0.47% nominally in January, underperforming the LSTA 100 Index by 0.25%. This is due to the sector being under-allocated with cash on hand.

CenturyLink was the sector's best performing, returning 2.31% nominally. This can be attributed to effects of the company's acquisition of Level 3 Communications with higher EBITDA expected as a result of restructuring and cost efficiencies. The company has reduced its exposure in areas of declining consumer revenues, and shifted investments toward its strategic and network services. Western Digital was the sector's worst performing holding, returning 0.62% nominally. This can be attributed to high-end flash memory prices falling by 5% in the fourth quarter after a recent boom, reflecting the highly cyclical nature of memory pricing.

Real Estate, Gaming & Leisure (REGAL)

REGAL returned 0.42% nominally this month, a relative outperformance of 0.27%. REGAL maintains a relatively stable outlook for the real estate, gaming, lodging, cruise, and entertainment & leisure industries. The sector's best performing holding this month was MGM Growth Properties, returning 0.70% nominally. The Company traded up due to continued revenue and EBITDA growth in the gaming industry. This was helped by continued expansion by their parent company, MGM Resorts International, with new projects in Cotai and Massachusetts. The Sector's worst performing holding this month was Lindblad Expeditions Inc., trading up only 0.02% nominally. The Company has continued to maintain its expansion plan as it expands into Egypt and adds on a fitness-focused experience in Baja.

Portfolio Analysis

CURRENT HOLDINGS			
LLC Holdings	Libor Spread	Price	January Total Return
NRG Energy	L+ 225	100.688	0.83%
Global Brass & Copper Inc	L+ 325	99.375	1.04%
Ultra Petroleum Corporation	L+ 300	100.250	0.52%
Travelport	L+ 275	100.625	1.12%
American Airlines	L+ 200	100.188	0.31%
Sprint	L+ 250	100.438	0.66%
CenturyLink	L+ 275	98.688	2.31%
Western Digital	L+ 275	100.750	0.62%
Hyperion Insurance Group	L+ 350	100.750	0.85%
MoneyGram	L+ 325	100.188	0.73%
Remax Inc.	L+ 275	101.125	0.56%
Lindblad Expeditions	L+ 450	101.000	0.02%
MGM Growth Properties	L+ 225	100.875	0.70%
YUM Brands, Inc	L+ 200	101.188	0.87%
Hanesbrand Inc.	L+ 175	100.938	0.72%
Community Health Services	L+ 373	98.250	3.20%
Teva Pharmaceuticals	L+ 125	99.375	-0.44%
Indivior	L+ 450	101.313	1.32%

PORTFOLIO OVERVIEW

LLC Portfolio (beginning 1/1/2018)

Beginning Portfolio Value	\$123,423
Current Portfolio Value	\$124,095
Cash Balance	\$52,499

PERFORMANCE

Performance	Through 1/31/2018
Leveraged Lion Capital	0.55%
LSTA 100 Index	0.81%
LLC vs. LSTA 100	(0.26%)

Sector Analysis	LLC	LSTA 100	Relative
TMT	0.47%	0.72%	(0.25)%
Industrials	0.29%	0.78%	(0.49)%
Consumer	0.41%	1.51%	(1.10)%
Healthcare	1.27%	0.58%	0.68%
Natural Resources	0.83%	0.72%	0.11%
Regal	0.42%	0.16%	0.27%
Financials	0.80%	0.29%	0.51%
Total	0.55%	0.81%	(0.26)%

Consumer, TMT, Industrials and Healthcare are sitting on a portion of cash