

Leveraged Lion Capital Monthly Report

April 2019



LLC Updates

Leveraged Lion Capital finished the spring 2019 semester emphasizing that students focus on final exams and interview preparation. The executive board held exit interviews for all rising juniors to assess where students currently stand within the organization. Following interviews, new position placements were announced and can be found on the accompanying “Organizational Overview” section. Additionally, the executive board decided to eliminate the Director of Recruiting position and combine the Director of Monthly Reports and Director of Portfolio Analytics into one position moving forward.

Leveraged Lion Capital is also pleased to announce that five sophomores have already received internship offers from bulge bracket banks! This summer Miguel Rios and Christina Flowers will both be interning at Deutsche Bank within the DB Achieve sophomore summer program. Notable sophomores who also received Wall Street opportunities include Julia Serafini, Swati Vipperla and Michael Anderson.

Lastly, with the help of Dr. Woolridge, Robin Stevens and the Smeal Finance Advisory Board, LLC is currently in the early stages of establishing the organization as a three-credited course. The executive board is in the final steps of piecing together a formal prospectus that will be presented to the Finance Advisory Board. If the process goes according to plan, LLC could have the class piloted in the fall 2019 semester. We are delighted to see the Smeal College of Business and Penn State community give recognition to this club as we continue to withhold the standard of excellence.

Fall ‘19 Analyst Class

First Name	Last Name	Graduation Year	Sector
Julia	Michael	2022	Media & Communications
Emalee	Landis	2022	Information Technology
Nick	Vanden	2022	Energy
Holden	Hunter	2022	Materials
Anthony	Saggese	2022	REGAL-FIG
Jack	McCormick	2022	REGAL-FIG
Matt	Lindquist	2022	REGAL-FIG
Om	Salunkhe	2022	Healthcare
Elena	Calibeo	2022	Consumer & Retail
David	Curtin	2022	Consumer & Retail
Zack	Himmel	2022	Industrials

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Leveraged Loan News

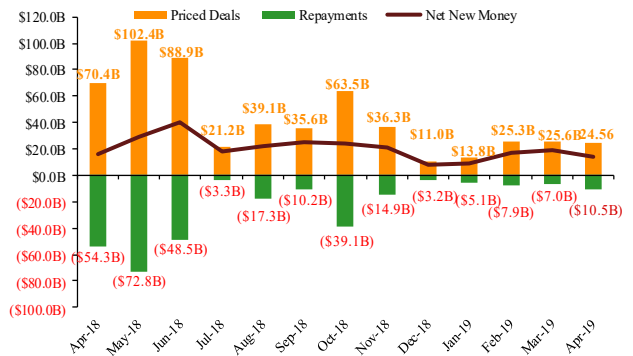
During the month of April, the Fed remained static and decided to keep the Federal funds rate unchanged. Also, Fed chair Jerome Powell made a key statement implying that there were no additional rate hikes planned for the year. With this news, assuring a more accommodative Fed along with strong earnings and labor market, U.S. risk assets continued their rally throughout the month. Leveraged loan and high-yield bond prices continued to rise in April amid strong corporate earnings, improving global growth, flat U.S. inflation, and a muted Fed. Loans returned 1.84% during April, rebounding from the March decline and outperforming HY bonds for the first time in 2019. In the equity market, major U.S. indices all posted strong returns for the month, with the S&P 500 and NASDAQ both reaching record highs with monthly gains of 3.9% and 4.7%, respectively. Additionally, April's labor market data was particularly strong, once again surpassing economic forecasts. A better-than-expected increase in hiring during the month pushed the unemployment rate down to 3.6%, the lowest recorded rate since December 1969. In spite of strong hiring and a low unemployment rate, wage growth continued to be muted.

Looking at the supply side, gross new issuance remained modest in April at \$24.6 bn, versus March's \$25.6 bn. In the year-to-date, net new money continues to lag the volume seen in 2018 with the first four months of 2019 recording \$58.7 bn, down from 2018's \$83.5 bn. On the demand side, CLO volume for the year has clearly shown to be stronger than the market had anticipated. While CLO liability costs continue to rise, a trend that started in the beginning of 2018, issuances for the year remain high and have kept pace with issuances from 2018. Gross CLO volume for April rose to an eight-month high at \$15.1 bn, which increased from March's volume of \$11.5 bn. This increase in volume continued to drive loan prices higher. However, retail flows paint a different picture for loans, and high-yield continues to be the clear winner here as HY mutual funds reported their fourth consecutive month of inflows and investors continue to flock into what perceives to be the "hottest" asset class of the year. The same cannot be said for loans as the retail outflows that started in October of last year continued to persist in April albeit softer as retail investors see less likelihood of the Fed raising rates in the near future.

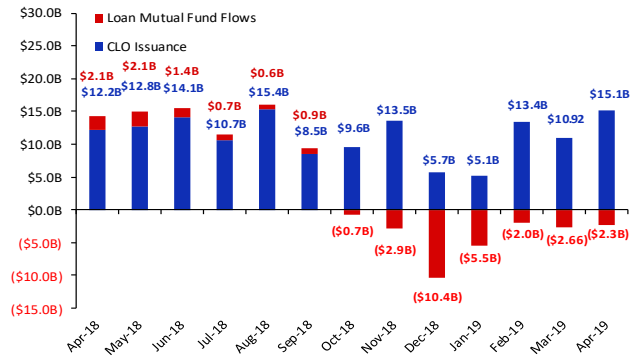
CIO Commentary

For the month of April, Leveraged Lion Capital returned 1.06%, while the LSTA 100 returned 1.84%, a relative underperformance of (0.78%). All but one sector recorded positive returns for the month. Industrials and Media & Comm were the strongest performing sectors during the month. Healthcare was the worst performer returning (1.99%). The poor performance was specifically driven by the drop in Indivior TL B price from ~\$98 to ~\$90, which fell after the U.S. Department of Justice indicted the company for allegedly engaging in fraudulent marketing of its Suboxone Film drug, which is used in the treatment of opioid addiction.

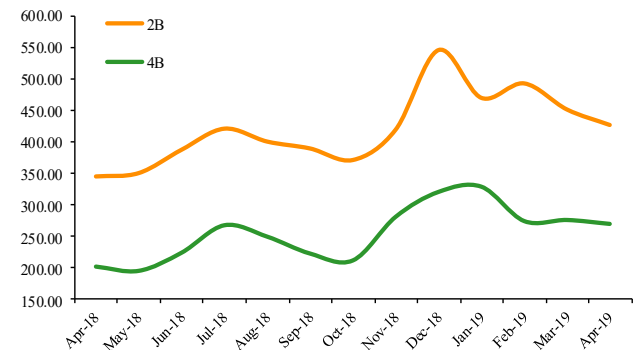
Net New Money



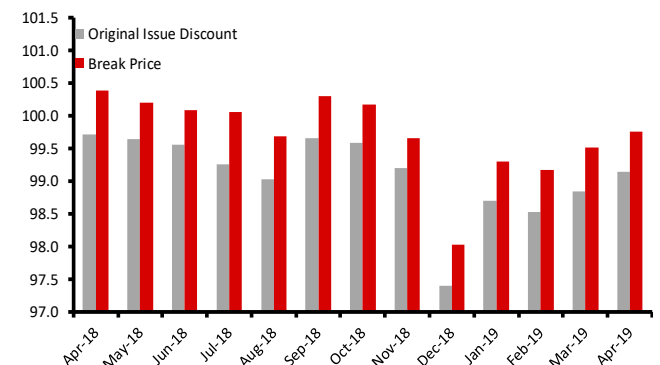
CLO/Mutual Fund Flows



Regular Way Deal Pricing



Break vs Issue Price



New-Issue Market Trends

Leveraged loan new issues were slower for the month. Arrangers priced in a mere 56 deals for \$27 bn during the month, compared to 99 and \$77.4 bn in April 2018. The muted new-issue market was driven by weak M&A pipeline, relatively more attractive terms in the high-yield market and limited opportunistic business. Dividend recaps were the story of the month. Dividend-related loan issuances were at \$4.52 bn, the highest monthly total since June 2018. Flexes continued to be in favor of issuers, with 26 issuers pricing tighter and 4 issuers widening pricing. First-lien new issue yields fell by 40 bps during April to 6.54%, the tightest level since October 2018. The average break price climber to a six-month high in April at 99.76% of par, from 99.52% in March.

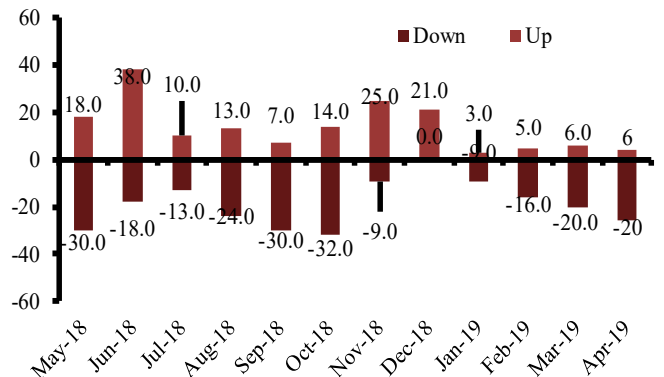
Credit/Documentation Trends

Loan documentation trends continued to loosen in April but are nowhere close to the borrower friendly conditions we saw in the second half of last year when loans were the talk of the market. During April, 15 loans cleared with an MFN sunset, the highest monthly total since October 2018. The percentage of deals with no EBITDA caps increased to 35% from Q1 reading of 33%, but is still materially lower than what we saw in 2018 where Q1 and Q4 recording 63% and 42% respectively. Pro forma average EBITDA adjustments grew to 24.3%, up from 22.5% in Q4 2018. Arrangers say that while activity remains muted deals that are coming into the market seem to be in the wide end of the range of leverage and EBITDA adjustments. This can be attributed to the Fed's dovish position and equity markets recording all-time highs.

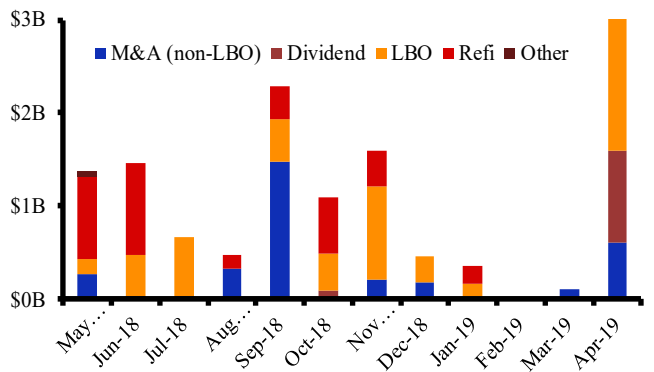
Default Statistics

While three issuers defaulted in April, the TTM default rate held constant at 1.2% in April. This remains as the lowest rate since 2011. The three issuers that defaulted during the month were Fusion Connect, Crossmark Holdings, and SunGard Availability Services. This brings up the total number of defaults over the past year to 14. During the past year, Consumer and Services fared the worst compared to other sectors with three defaults each.

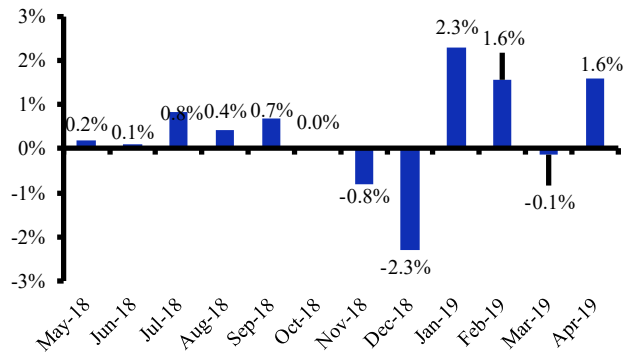
Flex Activity



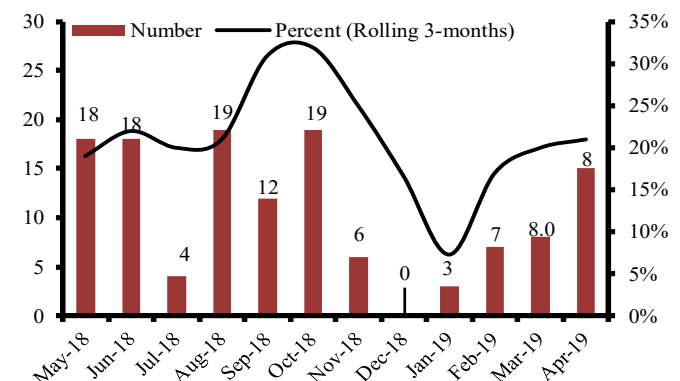
New-Issue Middle-Market Loan Volume



Monthly Returns



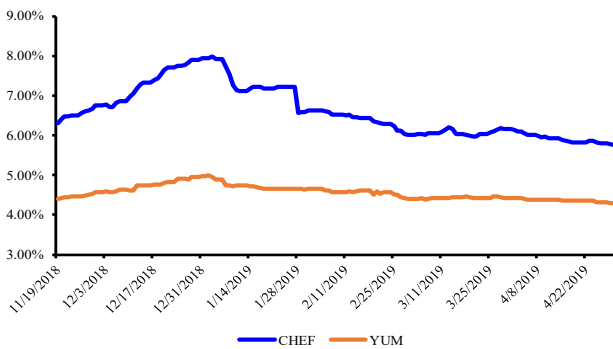
Deals that Cleared with MFN Sunsets



Sector Summaries

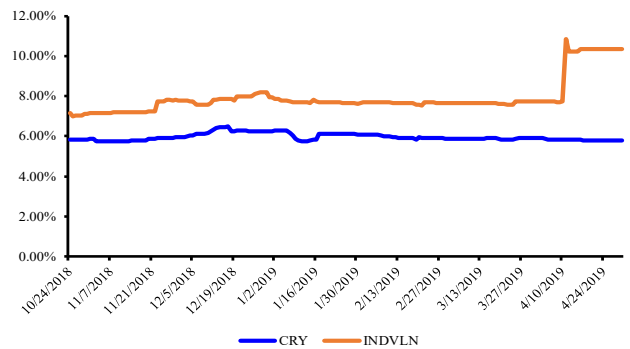
Consumer & Retail

Consumer & Retail returned 1.35% nominally this month, a relative underperformance of 1.57%. The Sector's best performing holding this month was Chef's Warehouse TL B, trading up 1.59% nominally. The Company's 1Q2019 earnings report revealed that net sales increased by 12.10% from 1Q2018 to 1Q2019. The Sector's worst performing holding this month was Yum Brands TL B, returning 0.91% nominally. The Company's satisfactory performance may be due in part to the CFO announcing strategic investments. Consumer & Retail is monitoring the deterioration of trade progress between China and the U.S., which will have a significant impact on manufacturing.



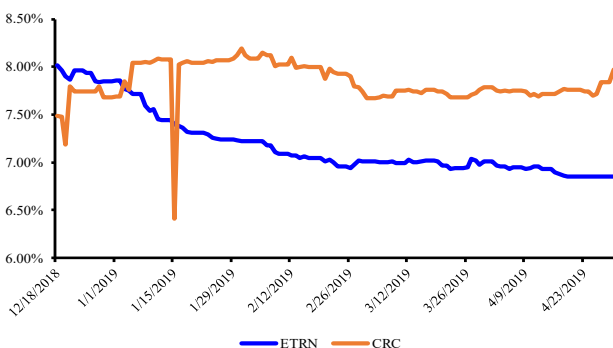
Healthcare

Healthcare returned (1.99%) nominally this month, a relative underperformance of 0.15%. The Sector's best performing holding this month was Cryolife, Inc. TL B, trading up 1.15% nominally. Investors reacted positively after the Company beat consensus expectations on earnings, as the Jotec product line gained market share. The Sector's worst performing holding this month was Indivior TL B, returning (7.34%) nominally. The Company underperformed ahead of an indictment charge amid declining Suboxone drug product sales. The Sector will monitor new Global Artificial Intelligence information being released on software for robot-assisted surgery and dosage error reduction.



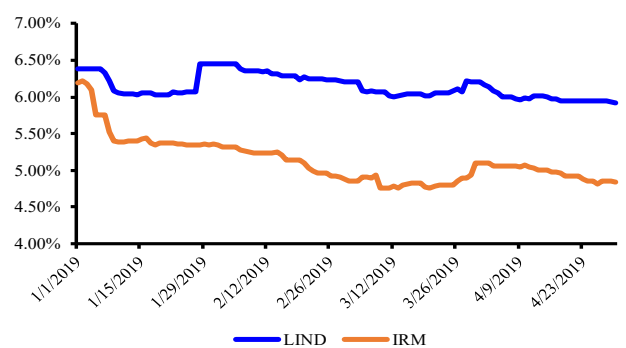
Energy

Energy returned 0.22% nominally this month, a relative outperformance of 0.23%. The Sector's best performing holding this month was Equitrans Midstream Corporation TL B, returning 1.14% nominally. The Company continued to increase its quarterly dividend but announced that it is unlikely that the Mountain Valley pipeline will be finished in 2019. The Sector's worst performing holding this month was California Resources Corporation TL B, returning (0.72%) nominally. At the end of April, CRC's Midway Sunset crude blend fell by 4.01%. The California Assembly's Natural Resources Committee passed Assembly Bill 345, which will further regulate oil and gas companies.



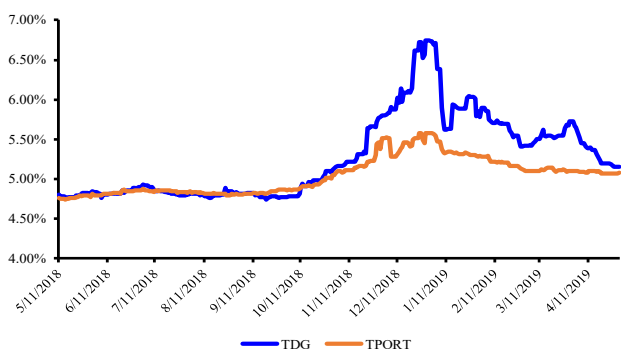
REGAL-FIG

REGAL-FIG returned 1.16% nominally this month, a relative underperformance of 2.59%. The Sector's best performing holding this month was Lindblad Expeditions TL B, trading up 1.62% nominally. The market expects the Company to beat 1Q2019 EPS estimates, which are to be reported in early May. The Sector's worst performing holding this month was Iron Mountain Inc. TL A, trading up 0.61% nominally. The Company reported quarterly funds from operations slightly below consensus estimates. The Sector will be closely monitoring 1Q2019 earnings reports for its holdings in addition to the release of the Federal Budget on May 10.



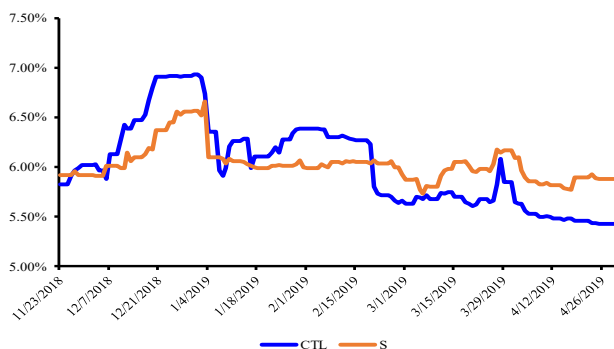
Industrials

Industrials returned 1.92% nominally this month, a relative underperformance of 0.80%. The Sector's best performing holding this month was Transdigm TL F, trading up 2.58% nominally. The Company continued to display organic growth following a history of successful acquisitions, including the October 2018 Esterline purchase which led to \$122.00 mm in net sales in Q2 2019. The Sector's worst performing holding this month was Travelport TL B, trading up 0.40% nominally. The Company has recently been facing flat EBITDA growth and net income decreased by 47.00% in the latest earnings report. The Industrials Sector will continue to monitor the U.S.-China trade dispute.



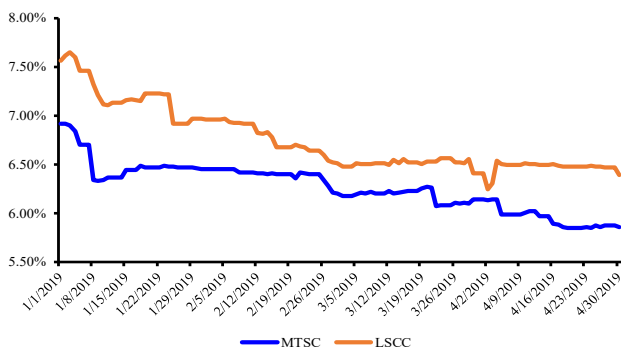
Media & Communications

Media & Communications returned 1.46% nominally this month, a relative underperformance of 2.71%. The Sector's best performing holding this month was CenturyLink TL B, trading up 2.40% nominally. The Company's strong loan performance is attributable to management's decision to cut dividends. The Sector's worst performing holding this month was Sprint TL B, trading down 0.30% nominally. The Company is currently involved in pessimistic negotiations with federal regulators in regard to a potential merger with T-Mobile. The Media & Communications Sector will continue to monitor news of the potential merger during the upcoming month.



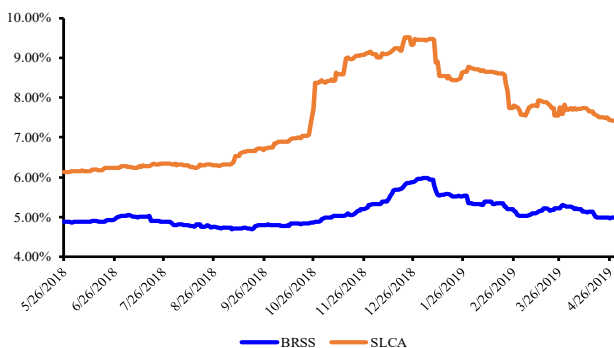
Information Technology

Information Technology returned 1.11% nominally this month, a relative underperformance of 3.16%. The Sector's best performing holding this month was MTS Systems TL B, trading up 1.49% nominally. The Company reported revenues of \$233 mm in 2Q2019, the highest revenue-producing quarter in its history. The Sector's worst performing holding this month was Lattice Semiconductor TL B, returning 0.80% nominally. The Company's lukewarm performance came in spite of planned investments in 5G connectivity and servers. The Information Technology Sector will be following the near-term outcomes of both Uber's IPO and the upcoming DBT Conference.



Materials

Materials returned 1.79% nominally this month, a relative underperformance of 0.64%. The Sector's best performing holding this month was Global Brass & Copper Inc. TL B, trading up 1.93% nominally. German copper manufacturer Wieland-Werke, nearly four times the size of BRSS, purchased Global Brass for a 27% share premium in mid-April. The Sector's worst performing holding this month was U.S. Silica TL B, trading up 1.68% nominally. Amid questionable EBITDA adjustments, SLCA registered a \$19.3 mm net loss for 1Q2019. The Materials Sector will be closely monitoring President Trump's decision to hike tariffs on Chinese imports from a rate of 10.00% to 25.00%.



Portfolio Analysis

CURRENT HOLDINGS

Company Name	Sector	Maturity	LIBOR Spread	Yield at Int. Pmt.	Buy-In Amount	Opening Price	Closing Price	Facility Rating	April Return (%)
YUM Brands, Inc	Consumer	4/03/2025	L + 175	4.30%	\$5,084.40	\$99.56	\$100.13	Ba1/BBB-	0.91%
Winn-Dixie	Consumer	11/08/2023	L + 350	6.32%	\$6,101.40	\$98.44	\$99.13	B2/BB	1.20%
Chiefs' Warehouse	Consumer	6/22/2022	L + 400	5.78%	\$4,271.00	\$99.81	\$100.88	B2/B+	1.59%
The Container Store	Consumer	9/14/2023	L + 500	7.52%	\$9,965.20	\$99.25	\$100.19	B2/B	1.56%
California Resources	Energy	12/31/2022	L + 475	8.19%	\$3,842.23	\$98.56	\$97.25	B2/B	-0.72%
Equitrans	Energy	1/31/2024	L + 450	6.84%	\$3,842.23	\$100.38	\$100.94	Ba3/BB+	1.14%
Cryolife	Healthcare	12/01/2024	L + 400	5.77%	\$4,044.00	\$99.63	\$100.25	B2/B	1.15%
Indivior	Healthcare	12/18/2022	L + 450	10.36%	\$4,350.50	\$98.00	\$90.25	B3/B+	-7.34%
Lantheus	Healthcare	6/30/2022	L + 375	6.23%	\$2,977.19	\$100.00	\$100.25	B2/BB	0.77%
Travelport	Industrials	3/16/2025	L + 250	5.08%	\$4,944.50	\$100.00	\$100.00	B1/B+	0.40%
Transdigm	Industrials	6/09/2023	L + 250	5.13%	\$12,361.00	\$97.69	\$99.81	Ba3/B+	2.58%
CVGI	Industrials	4/12/2023	L + 600	8.69%	\$2,473.00	\$98.06	\$99.63	B2/B	2.30%
Ducommun Incorporated	Industrials	11/21/2025	L + 400	6.44%	\$5,037.38	\$99.69	\$100.75	B2/B+	1.61%
Lattice Semiconductor	IT	3/10/2021	L + 500	6.40%	\$6,171.14	\$100.50	\$100.69	B2/B	0.80%
MTS Systems Corp	IT	7/05/2023	L + 325	5.84%	\$5,082.00	\$98.94	\$99.94	B1/BB-	1.49%
Plantronics	IT	5/31/2023	5.50%	5.17%	\$4,000.00	\$100.68	\$101.23	B1/BB-	0.99%
U.S. Silica	Materials	5/01/2025	L + 400	7.44%	\$2,689.56	\$94.81	\$95.94	B1/B+	1.68%
Global Brass & Copper Inc	Materials	5/29/2025	L + 250	4.96%	\$3,073.78	\$99.13	\$100.63	B1/BB	1.93%
Boise Cascade	Materials	3/30/2026	L + 213	4.76%	\$1,921.11	\$98.44	\$99.75	Ba1/BB-	1.72%
Sprint	Media & Comm.	2/03/2024	L + 250	5.72%	\$5,289.75	\$98.06	\$97.38	Ba2/BB-	-0.30%
CenturyLink	Media & Comm.	1/31/2025	L + 275	5.43%	\$7,053.00	\$97.56	\$99.50	Ba3/BBB-	2.40%
Beasley Broadcast	Media & Comm.	11/01/2023	L + 400	2.17%	\$8,122.71	\$100.19	\$101.44	B1/BB-	1.79%
Hyperion Insurance Group	REGAL-FIG	12/20/2024	L + 350	5.99%	\$1,987.02	\$99.63	\$100.38	B2/B	1.24%
Walker & Dunlop	REGAL-FIG	11/07/2025	L + 225	4.93%	\$1,453.94	\$99.13	\$99.44	Ba2/BBB-	0.71%
Lindblad Expeditions	REGAL-FIG	3/27/2025	L + 350	5.95%	\$3,000.00	\$99.50	\$100.63	B1/BB	1.62%
MGM Growth Properties	REGAL-FIG	6/14/2023	L + 225	4.87%	\$2,898.00	\$98.81	\$99.81	Ba3/BB+	1.40%
Iron Mountain Inc.	REGAL-FIG	6/04/2023	L + 175	4.85%	\$2,841.60	\$98.00	\$98.25	Ba3/BB	0.61%

SECTOR ANALYSIS

Sector Analysis	Loans	LSTA 100*	Relative	Bonds	LLC HY*	Relative
Consumer & Retail	1.35%	2.92%	-1.57%	-	0.01%	-
Energy	0.22%	-0.01%	0.23%	-	-1.60%	-
Healthcare	-1.99%	-1.84%	-0.15%	-	0.32%	-
Industrials	1.92%	2.72%	-0.80%	-	1.27%	-
IT	1.11%	4.27%	-3.16%	0.99%	3.07%	-2.08%
Materials	1.79%	2.43%	-0.64%	-	0.63%	-
Media & Communications	1.46%	4.18%	-2.71%	-	0.46%	-
REGAL-FIG	1.16%	3.76%	-2.59%	-	1.22%	-
Total	1.06%	1.84%	-0.78%	0.99%	2.11%	-1.12%

*Estimates for LSTA 100 and LLC HY individual sector performance. For the most accurate measure of Leveraged Lion Capital's relative performance, please refer to Total figures.

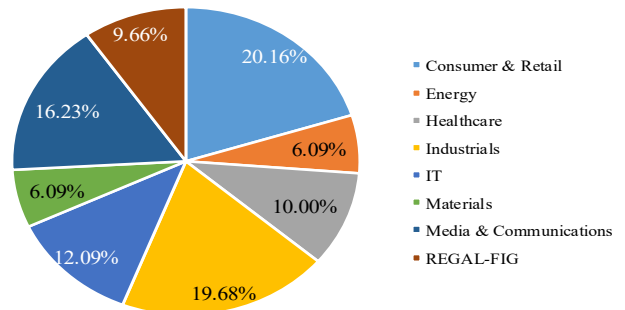
PORTFOLIO OVERVIEW

LLC Portfolio (beginning 1/1/2018)	
Beginning Portfolio Value	\$124,854.79
Current Portfolio Value	\$130,431.31
Cash Balance	\$1,238.75
LLC Portfolio (YTD)	
Beginning Portfolio Value	\$125,366.54
Current Portfolio Value	\$130,431.31
Cash Balance	\$1,238.75

PERFORMANCE

April 2019 Performance	
Leveraged Lion Capital	1.06%
LSTA 100 Index	1.84%
LLC vs. LSTA 100	-0.78%
LLC HY	2.11%
LLC vs. LLC HY	-1.12%
YTD Performance	
Leveraged Lion Capital	4.04%
LSTA 100 Index	7.30%
LLC vs. LSTA 100	-3.26%
LLC HY	8.75%
LLC vs. LLC HY	-4.71%

PORTFOLIO BREAKDOWN



APRIL OVERALL BEST PERFORMER

TRANSDIGM
GROUP INC.

APRIL OVERALL WORST PERFORMER

INDIVIORTM

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).

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