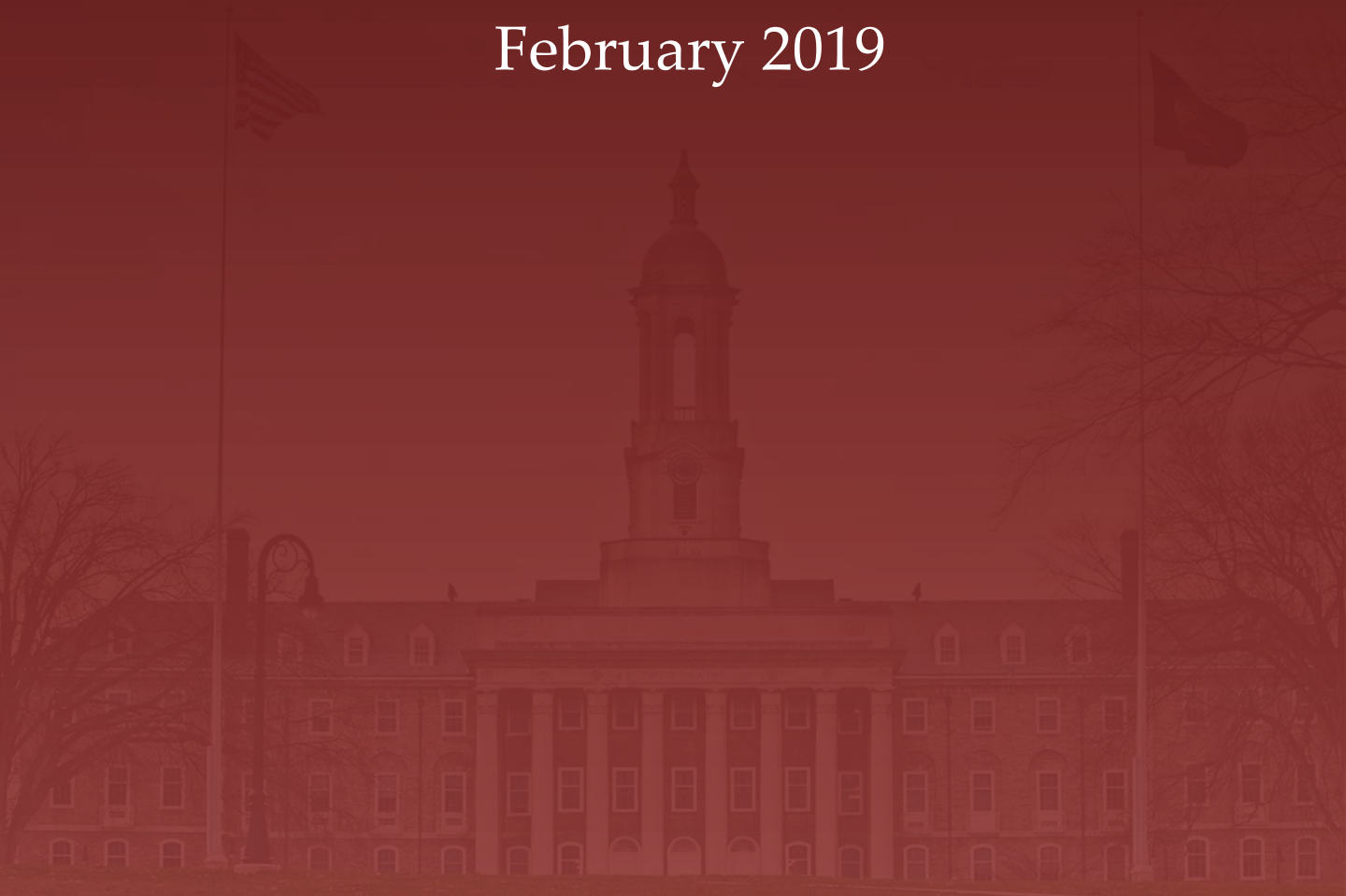


Leveraged Lion Capital Monthly Report

February 2019



LLC Updates

On February 22nd, Leveraged Lion Capital had the privilege of visiting Citi, Bank of America and UBS in New York. At LevFun Day, guest speakers outside of bank employees included Lee Shaiman (Executive Director of the LSTA), Ted Basta (Executive Vice President of the LSTA) and Tim Farley (Associate at Benefit Street Partners). The organization learned a tremendous amount of new information about deal origination, syndication, secondary market trading and CLO's. LLC would like to formally thank everyone involved for such an incredible experience.

On campus, each sector has completed two rounds of leveraged loan and high yield bond pitches. The new analysts have progressed exponentially in their first two months of involvement.

PSFIA will have two more education sessions before formally conducting first round interviews on April 2nd. The remaining educations include a sample pitch and a networking reception where PSFIA members can have their resumes screened and practice their professional skills.

As the recruiting season begins, LLC will begin to shift its focus from analyst education to interview prep.

LLC HY Index

After announcing that Leveraged Lion Capital will be benchmarking all high yield bond holdings against the Bloomberg Barclays High Yield Corporate Index, the organization ran into a slight problem. The index does not differentiate holdings by industry like the LSTA Index. As a result, a new index was created to benchmark bond holdings by sector.

Zak Zeff, with the help of Rohit Madhu and Ishaan Diwan, created the Leveraged Lion Capital High Yield Index. The index is broken out into the eight LLC sectors and includes the ten largest bonds outstanding within each sector. The organization's singular bond holding underperformed the IT sector, but outperformed the new index.

Page 1

- Organization Developments

Page 2 & 3

- Loan Markets News & CIO Commentary
– *Rohit Madhu*

Page 4 & 5

- Sector Summaries

Page 6

- Portfolio Analysis
– *Zak Zeff*

Page 7

- Organizational Overview

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Leveraged Loan News

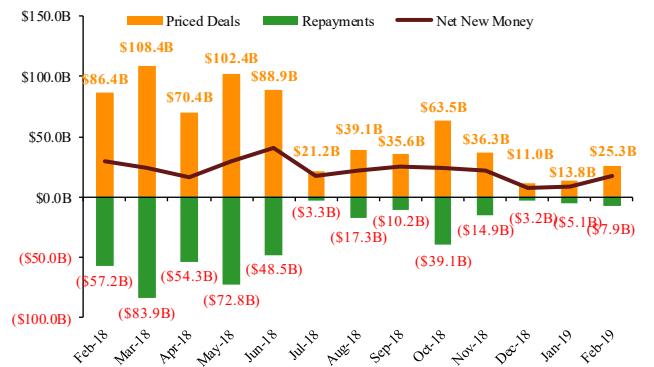
The loan and the High Yield markets rally persisted through February, marking the strongest start of year in a decade. Loan prices increased another 1.1pts to \$96.9 but still sit well below the \$98-99 price band that loans traded in over past two years. Loan returns exceeded HY by 0.67% in February, outperforming for the first month since October 2018. Nevertheless, loans are still playing catch-up to High Yield, which has had a remarkable start to the year returning 6.8% YTD. February saw just one new default in both the loan and the High Yield space. In the equity markets, the major U.S. indices continued its recovery with another month of solid positive returns with the S&P 500, Dow, and NASDAQ each returning 3.21%, 3.60%, and 4.03% respectively. This was broadly driven by the positive sentiment change on the U.S. China trade talks and the Federal Reserve remaining dovish on interest rates.

In the primary market, gross issuance rebounded to a three-month high of \$25.3bn in February. Despite the increase, new issuance continues to lag historical average of \$31bn. Issuance for the month was primarily driven by M&A and LBO activity which accounted for 66.5% of February's launched volume as underwriters continue to whittle down last year's pipeline. CLO volume picked up for the month with a three-month high of \$13.4bn after a slow couple of months with weak market sentiment. Looking at retail, although mutual funds flows remained sluggish, recording five straight month of outflows, the sentiment seems to be changing and the outflows have slowed substantially compared to the last couple of months. New issue spreads were mixed for the month with first-lien spreads climbing 39 bps to L+464 and second-lien spreads tightening 14 bps. In regards to flex activity, issuers remained in the driver's seat for the month with 16 deals flexing lower versus five higher.

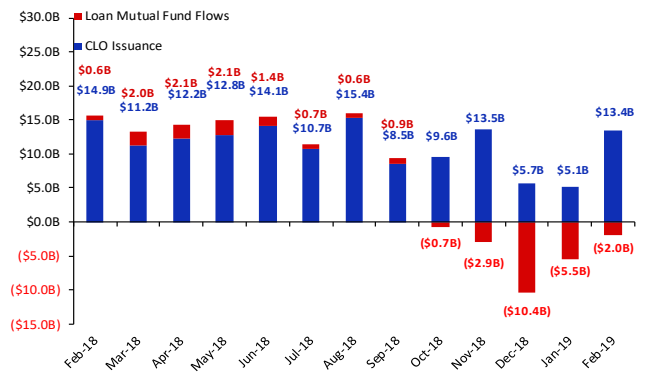
CIO Commentary

For the month ending February 2019, Leveraged Lion Capital returned 2.01% nominally, a relative underperformance of (0.68%). The IT sector was the sole outperformer for the month. All sectors posted positive returns for the month with higher beta sectors outperforming. Similar to the past few months, LLC's portfolio is still comprised of safer paper compared to the LSTA 100 index, driving relative underperformance during months of positive rally. Going forward, we are looking to selectively position in higher yielding paper with good risk-adjusted returns as we believe certain sectors still provide interesting opportunities that resulted from the December overall market selloff.

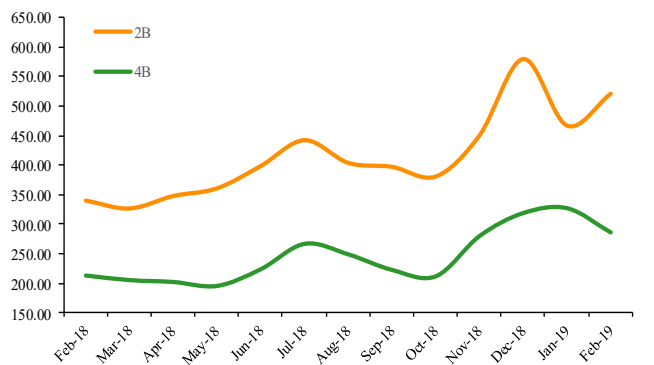
Net New Money



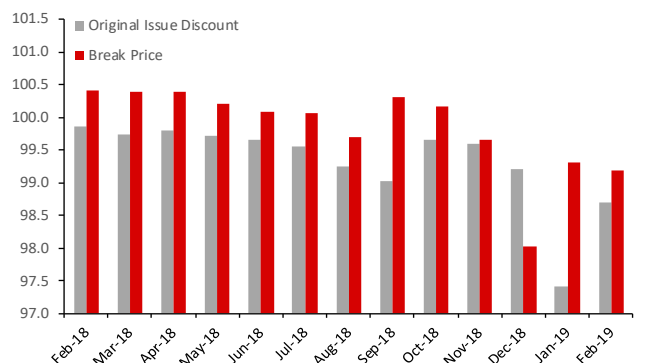
CLO/Mutual Fund Flows



Regular Way Deal Pricing



Break vs Issue Price



New-Issue Market Trends

With few opportunistic transactions, loans supporting M&A or LBO activity represented 66.5% of Feb. launched volume. That's down from 84% in Jan. but compares with 26.5% in Feb-18. Mirion Technologies, however, became the first issuer to ink a spread-cutting exercise in 2019 via a refinancing effort that lowered the margin on the loan to L+400 from L+475 and added portability to the deal. Flex activity was squarely in favor of issuers, with 15 issuers tightening pricing and only six flexing higher. Following the late-year volatility, some issuers elected to place debt privately, including 1st-lien large-cap deals by Staples and MINDBODY. A trio of late-month launches for Travelport, ConvergeOne and DentalCorp increased 2nd-lien volume in February to \$930mm from four issuers.

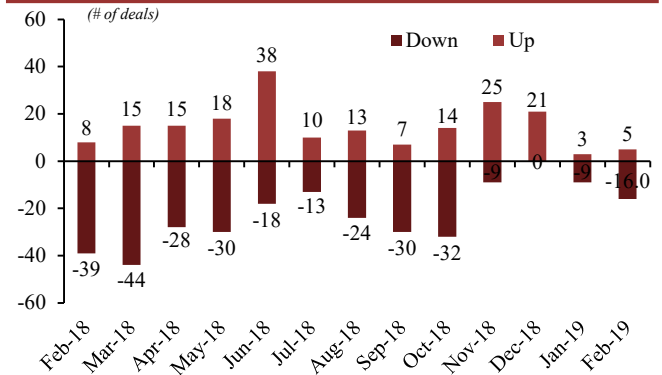
Credit/Documentation Trends

Managers have ceded some ground in respect to documentation after the late year downdraft forced arrangers and sponsors to rein in terms. Overall, documentation remains more investor-friendly. Seven loans cleared with an MFN sunset in tact in Feb., well inside the monthly average of 14. Only one issuer, Altice USA, won off-market 75 bps of MFN protection. Free-and-clear incremental tranches were set at 0.76x EBITDA for the three months ended Feb. 28. The percentage of deals with a grower ticked up to 77% in the three months ended Feb. 28. As for carve-outs, fewer deals (~21%) included dollar-capped carve outs in the three months ended Feb.; however, maturity carve-outs increased to 32%. Investors gained some ground with respect to EBITDA adjustments, as the percentage of 1st-lien loans that allowed uncapped EBITDA adjustments slid to 35%, the lowest read since Q4 17.

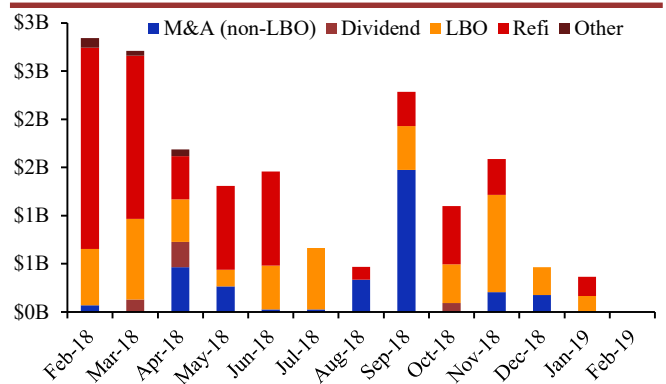
Default Statistics

With Windstream Services' chapter 11, as well as Ditech's return to bankruptcy court, the TTM default rate increased to 1.7% at the end of Feb. Windstream's default was the largest since Murray Energy's distressed exchange in June. With \$7.7 bn of defaults dropping from the TTM calculation in March, including iHeart Communications' \$6.3bn default, the default rate could drop to 1.1% in March. There were defaults from five issuers totaling ~3.12 bn in Feb: Charlotte Russe (\$89mm), Trident Holdings (\$220mm), Ditech (\$961mm), Windstream (\$1.75bn) and a partial default from One Call (\$104.5mm). By comparison, there was only one default for a slight \$124mm in Feb-18.

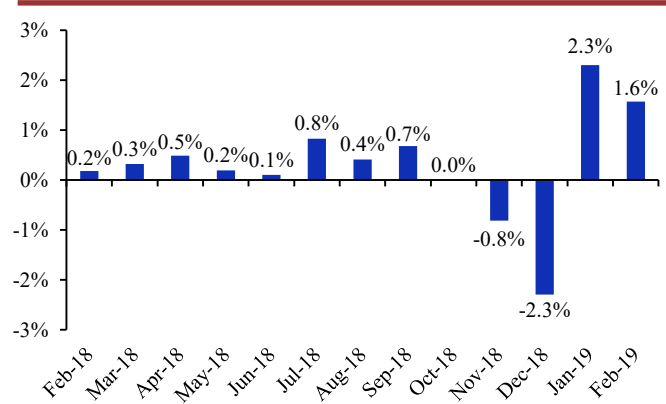
Flex Activity



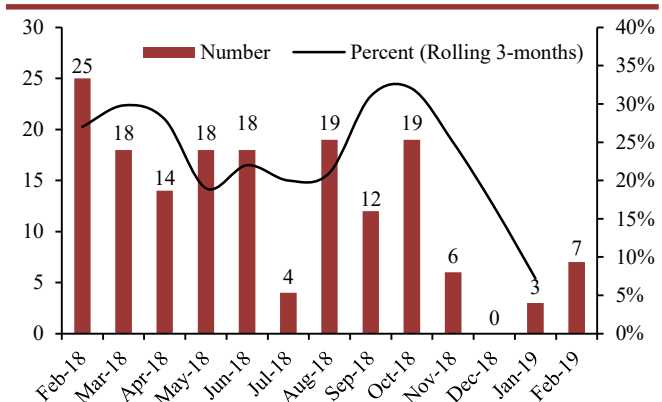
New-Issue Middle-Market Loan Volume



Monthly Returns

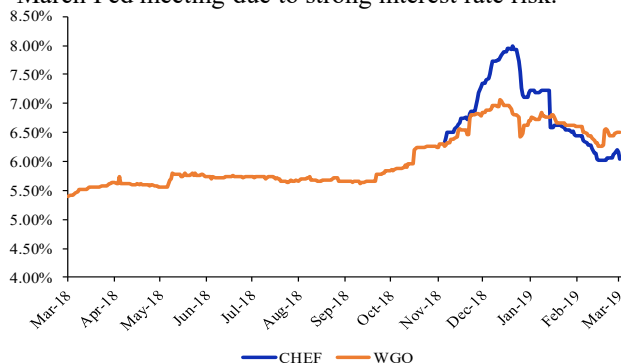


Deals that Cleared with MFN Sunsets



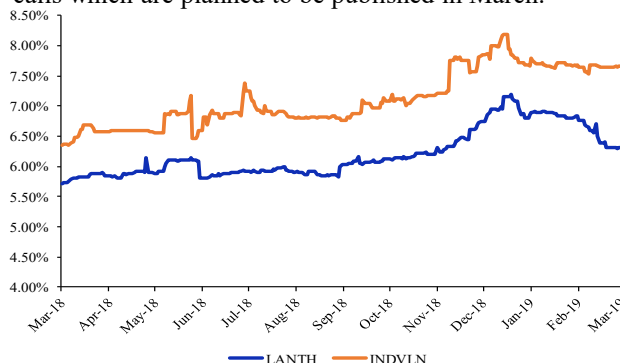
Consumer & Retail

Consumer returned 1.27% nominally this month, a relative underperformance of 0.21%. The Sector's best performing holding was Chefs' Warehouse TL B, returning 1.94% nominally. The Company returned positively following a favorable earnings report where it beat consensus estimates and increased guidance for the next several quarters. The Sector's worst performing holding this month was Winnebago Industries TL B, returning 0.46% nominally. The Company has underperformed due to concerns surrounding its escalating debt levels, as well as the rising costs of inputs from tariffs and sourcing issues. Looking forward, the Sector will be monitoring the upcoming March Fed meeting due to strong interest rate risk.



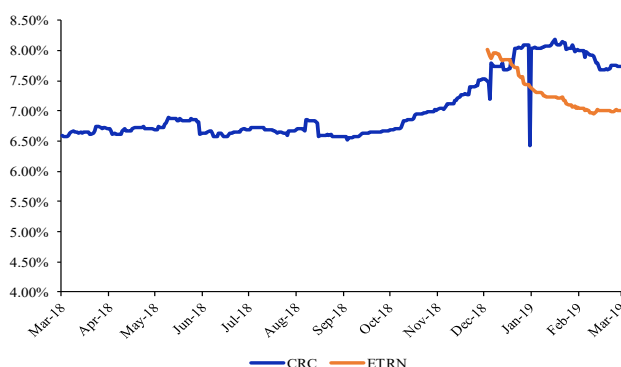
Healthcare

Healthcare returned 0.84% nominally this month, a relative underperformance of 0.03% to the LSTA 100 index. The Sector's best performing holding this month was Lantheus TL B returning 1.30% nominally. The Company outperformed following continued success and optimism surrounding its DEFINITY product line. The Sector's worst performing holding this month was Indivior PLC TL B, returning 0.39% nominally. The Company returned positively following continued demand for their product Suboxone, a drug to treat opioid addiction that showed 57.00% of users relapsed while the competition showed 65.00%. The Sector will be monitoring the release of 1Q2019 healthcare earnings calls which are planned to be published in March.



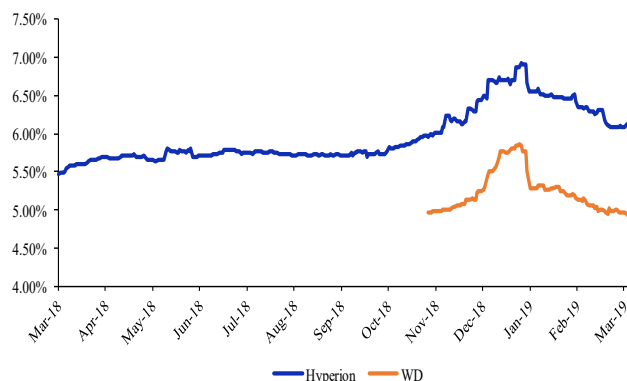
Energy

Energy returned 0.69% nominally this month, a relative underperformance of 1.36%. The Sector's best performing holding this month was California Resources 1L TL returning 1.38% nominally. The Company returned positively in February after reporting 4Q2018 earnings, beating on top by \$419.21 MM, and on bottom by \$0.84. The Sector expects to move into Equitrans Midstream TL B this month as it hedges the portfolio's relative exposure to crude oil price fluctuations. The Company was pitched due to its expansion projects, superior downside protection, and overall hedge towards declining crude oil prices.



REGAL-FIG

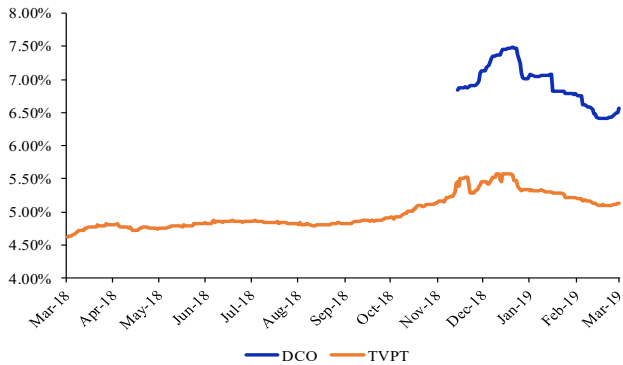
REGAL-FIG returned 1.01% nominally this month, a relative underperformance of 0.76%. The Sector's best performing holding this month was Iron Mountain TL A, trading up 1.49% nominally. The Company returned positively due to a positive sentiment regarding its data center business, as well as positive EPS expectations. The Sector's worst performing holding this month was Walker & Dunlop TL B, trading up 0.36% nominally. The Company underperformed due to persisting fears concerning the health of the real estate market. Finally, the Sector will be monitoring the release of March Home Builders' Index and Existing Home Sales data



Sector Summaries

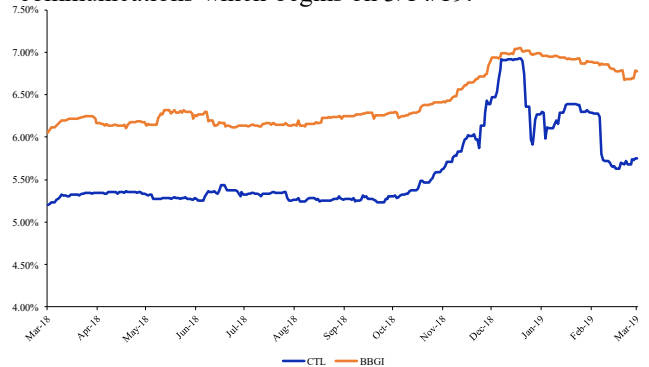
Industrials

Industrials returned 1.26% nominally this month, a relative underperformance of 2.66%. The Sector's best performing holding this month was Ducommun TL B, trading up 2.00% nominally. This is attributed to Ducommun's 4Q2018 earnings, where its gross margins improved to 19.90%. The Sector's worst performing holding this month was Travelport's TL B, trading up 0.63% nominally. The Company reacted negatively to the releasing of its 10-K as it revealed the financial impact of losing the Flight Centre contract to its competitor. Looking ahead, the Sector will be focused on whether the U.S. and China will be able to work through trade discussions by the end of March.



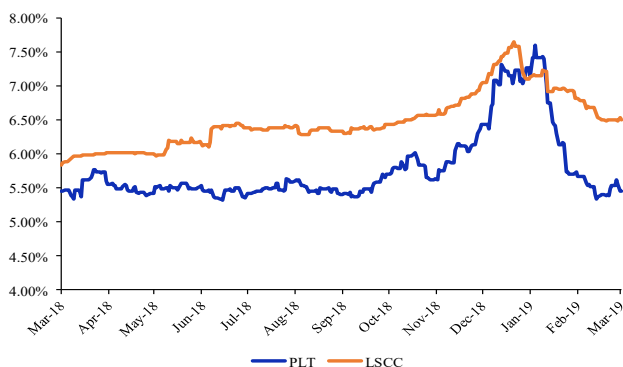
Media & Communications

Media & Communications returned 1.70% nominally this month, a relative underperformance of 0.96%. The Sector's best performing holding this month was CenturyLink TL B, trading up 3.54% nominally. This can be attributed to the Company's plan to decrease dividends from \$2.16 to \$1.00 per share as it commits to a target leverage of 2.75x to 3.25x. The Sector's worst performing holding this month was Beasley Broadcast TL B, trading up 0.24% nominally. Beasley Broadcast returned positively following a 29.1% year-over-year increase in net revenue during 4Q2018. Finally, the Sector will be monitoring the progress of the FCC's radio frequency spectrum auction for 5G wireless communications which begins on 3/14/19.



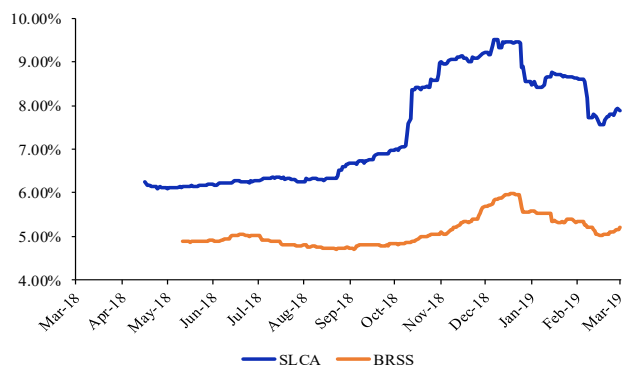
Information Technology

Information Technology loans returned 0.91% nominally this month, a relative outperformance of 0.28%, while bonds returned 1.44% nominally this month, a relative underperformance of 0.50%. The Sector's best performing holding this month was Plantronics HY Bond, returning 1.44% nominally. The bond outperformed after the Company announced its integration with Polycom. The Sector's worst performing holding this month was Lattice Semiconductor TL B, returning 0.87% nominally. Shares of Lattice outperformed by 52.26% in February following stellar 4Q2018 earnings and first quarter revenue guidance of \$94.00 to \$98.00 million.



Materials

Materials returned 2.44% nominally this month, a relative underperformance of 0.06%. The Sector's best performing holding this month was U.S. Silica's TL B, trading up 5.15% nominally. U.S. Silica's term loan traded up after it beat 4Q2018 EBITDA estimates from "very strong" customer demand. The Sector's worst performing holding this month was Global Brass and Copper's TL B, trading up 0.89% nominally from a decrease in the holding's metal cost recovery component. In the coming month, Materials will be anticipating the release of the April Purchasing Managers Index.



Portfolio Analysis

Company Name	Sector	Maturity	LIBOR Spread	Yield at Interest Payment Date	Buy-in Amount	February Return (%)	Corporate Rating	Facility Rating	Price as of 2/28/19
YUM Brands, Inc	Consumer	04/03/25	L + 175	4.35%	\$5084.40	0.80%	Ba1/BB	Ba1/BBB-	\$99.44
Winn-Dixie	Consumer	11/08/23	L + 350	6.10%	\$6101.40	0.46%	B1/BB-	B2/BB	\$98.00
Chef's Warehouse	Consumer	06/22/22	L + 400	6.60%	\$4271.00	1.94%	Ba/B+	B2/B+	\$100.25
The Container Store	Consumer	09/14/23	L + 500	7.60%	\$9965.20	1.71%	B2/B	B2/B	\$99.50
California Resources	Energy	12/31/22	L + 475	7.35%	\$3842.23	1.38%	Caa1/CCC+	B2/B	\$99.41
Cryolife	Healthcare	12/02/24	L + 400	6.60%	\$4044.00	1.24%	B2/B	B2/B	\$99.25
Indivior	Healthcare	12/19/22	L + 450	7.10%	\$4350.50	0.39%	B3/B+	B3/B+	\$100.00
Lantheus	Healthcare	06/30/22	L + 375	6.35%	\$2977.19	1.30%	B2/B	B2/BB	\$97.75
Travelport	Industrials	03/17/25	L + 250	5.10%	\$4944.50	0.63%	B1/B+	B1/B+	\$99.75
Transdigm	Industrials	06/09/23	L + 250	5.10%	\$12361.00	1.34%	B1/B+	Ba3/B+	\$99.91
CVGI	Industrials	04/12/23	L + 600	8.60%	\$2473.00	0.65%	B2/BB-	Ba1/BB+	\$98.67
Ducommun Incorporated	Industrials	11/21/25	L + 400	6.60%	\$5037.38	2.00%	B2/B+	B2/B+	\$98.00
Lattice Semiconductor	IT	03/10/21	L + 500	7.60%	\$6171.14	0.87%	B2/B	B2/B	\$101.00
MTS Systems Corp	IT	07/05/23	L + 325	5.85%	\$5082.00	0.95%	B1/BB-	B1/BB-	\$94.58
Plantronics	IT	05/31/23	5.50%	5.40%	\$4000.00	1.44%	Ba2/BB	B1/BB-	\$99.50
U.S. Silica	Materials	05/01/25	L + 400	6.60%	\$2689.56	5.15%	B1/B+	B1/B+	\$98.75
Global Brass & Copper Inc	Materials	05/29/25	L + 250	5.10%	\$3073.78	0.89%	Ba3/BB	B1/BB-	\$98.75
Boise Cascade	Materials	03/30/26	L + 213	4.72%	\$1921.11	0.93%	Ba1/BB-	Ba1/BB-	\$99.75
Sprint	Media & Comm	02/02/24	L + 250	5.10%	\$5289.75	1.49%	B2+/B=	Ba2+/BB-	\$99.38
CenturyLink	Media & Comm	01/31/25	L + 275	5.35%	\$7053.00	3.54%	Ba3/BB	Ba3/BBB-	\$98.13
Beasley Broadcast	Media & Comm	11/01/23	L + 400	6.60%	\$8122.71	0.24%	B2/B+	B1/BB-	\$98.63
Hyperion Insurance Group	REGAL-FIG	12/20/24	L + 350	6.10%	\$1987.02	1.27%	B2/B	B2/B	\$98.43
Walker & Dunlop	REGAL-FIG	11/07/25	L + 225	4.85%	\$1453.94	0.36%	Ba2/BB	Ba2/BBB-	\$100.31
Lindblad Expeditions	REGAL-FIG	03/27/25	L + 350	6.10%	\$3000.00	0.95%	B2/BB-	B2/BB	\$99.50
MGM Growth Properties	REGAL-FIG	04/23/21	L + 275	5.35%	\$2898.00	0.77%	Ba3/BB-	B2/B+	\$98.75
Iron Mountain Inc	REGAL-FIG	06/04/23	L + 175	4.35%	\$2841.60	1.49%	Ba3/BB-	Ba3/BBB-	\$100.37

Sector Analysis	Loans	LSTA 100	Relative	Bonds	LLC HY	Relative
REGAL-FIG	1.01%	1.77%	-0.76%	-	1.00%	-
IT	0.91%	0.63%	0.28%	1.44%	1.94%	-0.50%
Media & Comm	1.70%	2.66%	-0.96%	-	0.83%	-
Materials	2.44%	2.50%	-0.06%	-	1.83%	-
Energy	0.69%	2.05%	-1.36%	-	-1.33%	-
Consumer	1.27%	1.48%	-0.21%	-	0.45%	-
Industrials	1.26%	3.92%	-2.66%	-	0.49%	-
Healthcare	0.84%	0.87%	-0.03%	-	0.58%	-
Total	1.39%	2.01%	-0.68%	1.44%	0.69%	0.75%

Portfolio Overview

LLC Portfolio (Beginning 2/1/19)

Beginning Portfolio Value	\$122363.96
Current Portfolio Value	\$123988.33
Cash Balance	\$5080.98

Portfolio Overview

LLC Portfolio (YTD)

Leveraged Lion Capital	\$114523.04
Current Portfolio Value	\$123988.33
Cash Balance	\$5080.98

Performance

Performance	Through 2/28/19
Leveraged Lion Capital	1.34%
LSTA 100 Index	2.01%
LLC HY Bond Index	0.69%
LLC vs. LSTA 100 and HY Bond Index	-0.13%

Performance

Performance	YTD
Leveraged Lion Capital	3.41%
LSTA 100 Index	5.57%
LLC HY Bond Index	6.50%
LLC vs. LSTA 100 and HY Bond Index	-2.54%

PORTFOLIO BREAKDOWN



February Overall Best Performer



February 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).

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