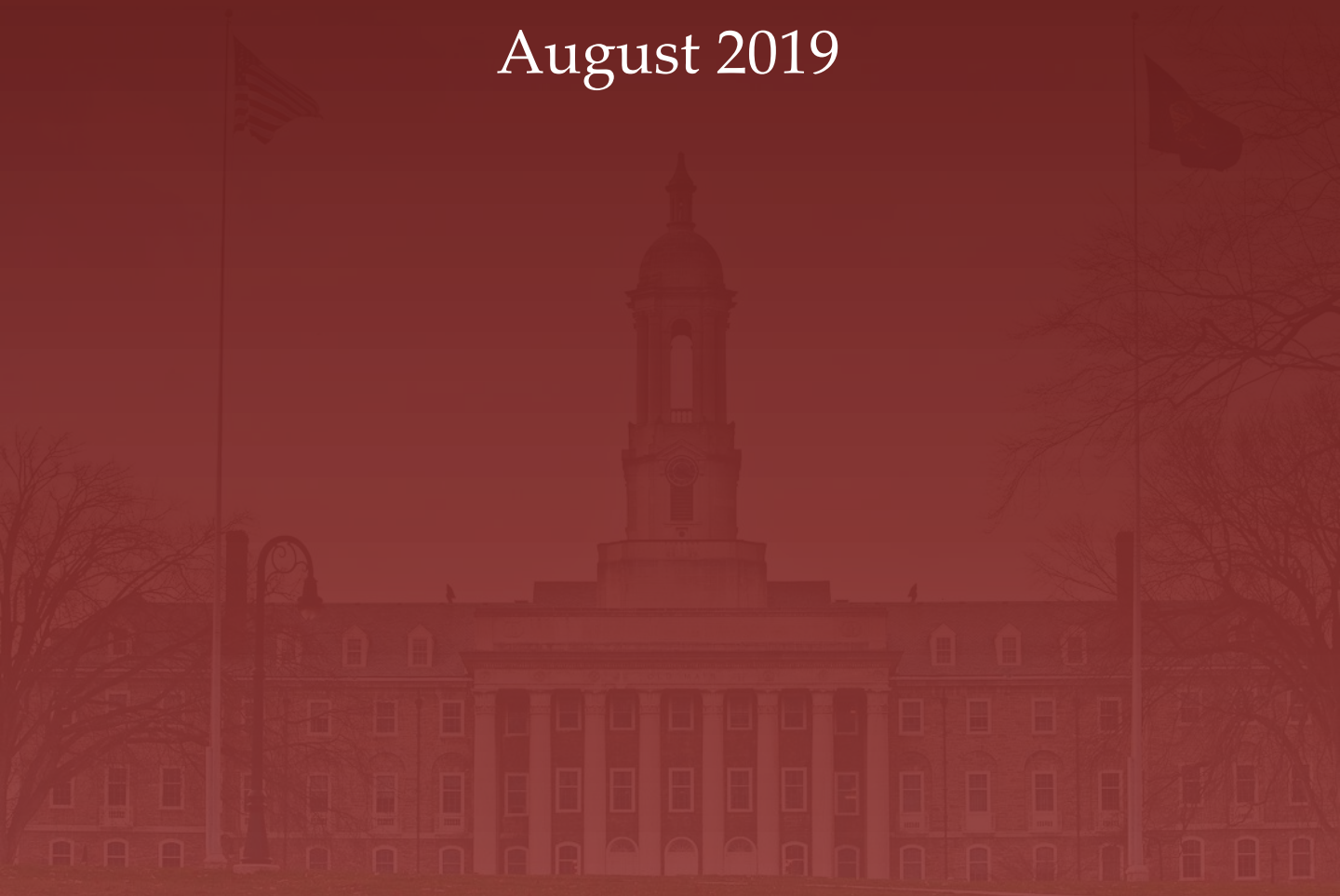


Leveraged Lion Capital Monthly Report

August 2019



LLC Updates

Leveraged Lion Capital welcomed students to their first day of FIN 497 class on Monday, August 19. Led by Dr. Woolridge and the Executive Board, LLC will begin each Monday, Wednesday, and Friday class with market updates and sector activity and contain educational lessons, pitches, and presentations delivered by members of the organization. The first Penn State Fixed Income Association (PSFIA) meeting is scheduled for Thursday, September 5 from 6:00-7:00pm in 112 Buckhout Lab. Following meetings are scheduled for Tuesday nights during the Fall and LLC looks forward to welcoming the next Associate class in the coming months.

In August, LLC launched a brand new website at <https://www.leveragedlioncapital.com>. The website will contain the history of the organization, information about fixed income markets for Penn State students interested in LLC, weekly and monthly reports, and rosters, bios, and future Fall 2019 headshots of current members. At the moment, ten LLC juniors have accepted Summer Analyst offers for Summer 2020. The LLC website will be continually updated as more career-related developments occur.

Current Placement – Class of 2021

Name	Placement	Division	Location
Michael Anderson	Barclays	Investment Banking	New York, NY
Nicole Chen	Guggenheim	Investment Banking	New York, NY
Christina Flowers	Deutsche Bank	Sales & Trading	New York, NY
Kevin Kalnas	Guggenheim	Investment Banking	New York, NY
Janeen Porter	Citigroup	Sales & Trading	New York, NY
Miguel Rios	Deutsche Bank	Sales & Trading	New York, NY
Julia Serafini	Citigroup	Sales & Trading	New York, NY
Swati Vipperla	Deutsche Bank	Investment Banking	New York, NY
Jack Williamson	Cowen	Investment Banking	New York, NY
Billy Young	Bank of America Merrill Lynch	Sales & Trading	New York, NY

New LLC Website

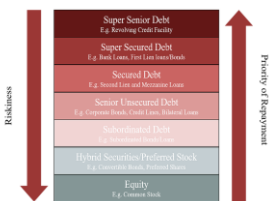
Leveraged Loan Market

Leveraged loans are an asset class that sit high in the capital structure, ranking senior to its fixed-rate counterpart. In conjunction with high-yield bonds, leveraged loans are issued to speculative grade companies (rating Ba/B and below) and typically have claims on collateral in the event of default. As exceptions, loans are usually issued with a receiver – a credit facility that acts as a corporate credit card – and have different claims on assets.

Leveraged loans typically have liens on hard assets such as PP&E, whereas receivers typically have liens on short-term accounts such as A/R.

The spike in leveraged buyouts (LBO) through the mid-1980s resulted in popularity growth for the asset class. The LBO of RJR Nabisco in 1989 furthered that growth through \$16.78b worth of loan debt.

Leveraged loans became the prominent way for issuers to tap bank debt for one reason: syndicated loans are less expensive and more efficient to administer than traditional bilateral credit lines. The asset class received business from speculative-grade issuers while investment-grade borrowers remained heavily entrenched in traditional vanilla bonds.



Page 1

- Organization Developments

Page 2 & 3

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

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- Sector Summaries

Page 6

- Portfolio Analysis – *Billy Young*

Page 7

- Organizational Overview

Thank You to Our Sponsors



Leveraged Loan & HY Bond News

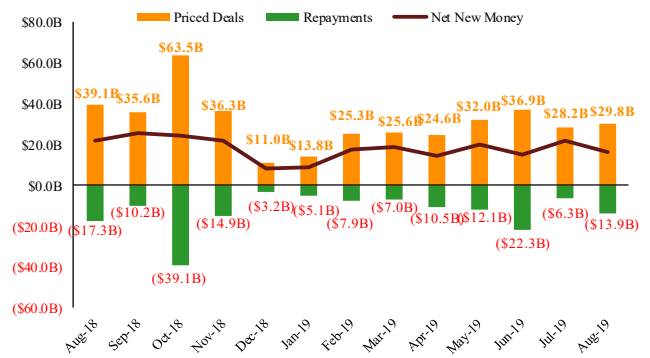
HY bonds saw mixed performance during the month of August. This was partly driven by falling rates offsetting equity weakness in response to an reescalation in U.S.-China trade tensions. HY bond spreads tightened 34bps in August to 486bps, which compares to the year-to-date low of 408bps that we saw in April. Higher-quality bonds continued to outperform in a backdrop of slowing growth and falling rates. BB-rated bonds returned 1.09%, outperforming lower quality B's 0.26% and CCC's (1.24%). Looking at the floating rate market, leveraged loans returned (0.28%) in August compared to minor gains for high-yield bonds of 0.22%. Loan prices fell \$0.45 during the month after the \$0.41 climb we saw in July with volatility across equities, government bonds, and corporate credit amid the reescalation of Chinese trade tensions affecting market sentiment. Underneath, the trend on flows continued as retail flows came negative for the 41st consecutive week and rates breached fresh lows in response to recalibrated Fed expectations. Meanwhile, CLOs continue to provide a relatively steady bid in the secondary market, with August's CLO ex-refi/resets totaling \$6.0B. The CLO ex-refi/resets YTD total \$81.0B, only down 8.1% from record levels.

On 9/1, U.S. tariffs of 10% on ~\$100B of Chinese goods went into effect along with China's retaliatory tariffs, although there is still hope the 12/15 U.S. tariffs, 10% on ~\$200B, can be avoided. Meanwhile, the U.S. Flash manufacturing PMI contracted to (49.9) in August for the first time since September 2009, and along with the first inverted 2s/10s U.S. yield curve since 2007, there are concerns about the sustainability of the expansion.

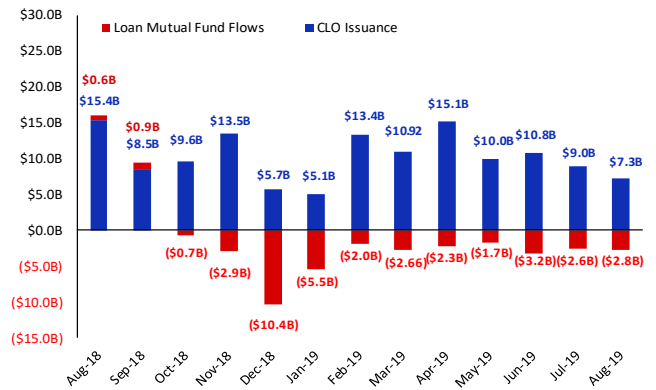
CIO Commentary

For the month ending August 2019, Leveraged Lion Capital returned 0.03% nominally, a relative outperformance to the LSTA 100 Index of 0.46%. The Healthcare and IT sectors were the best performers during the month on an absolute and relative basis, returning 1.46%, and 1.23% respectively. Energy was the worst performing sector during the month, returning (1.89%), primarily driven by CRC TL B's 5-point drop during the month following the oil price decline and weaker sentiment for upstream companies. Outperformance to the index can be attributed to the portfolio's positioning in niche markets and in credits with less exposure to trade tensions between U.S. and China.

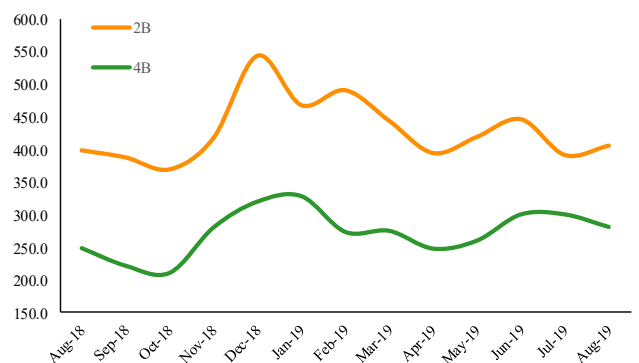
Net New Money



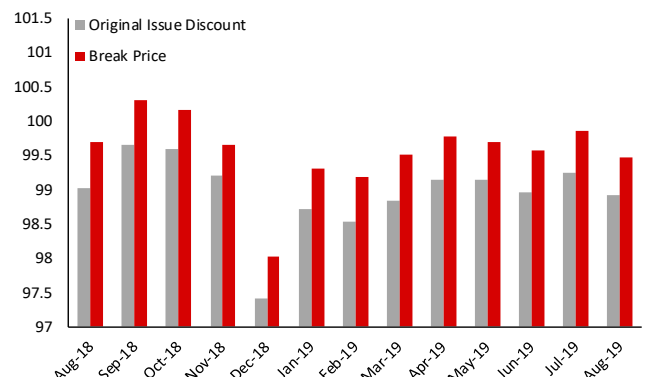
CLO/Mutual Fund Flows



Regular Way Deal Pricing



Break vs. Issue Price



New-Issue Market Trends

In August, investors gained more leverage to negotiate deal terms, with secondary market conditions eroding as the month progressed: 14 deals flexed higher and only 13 flexed lower. This was a turnaround from July when cuts outnumbered increases 20-to-6. New-issue first-lien spreads fell during the month, with the average single-B and double-B yields falling 15 bps and 19 bps respectively. Meanwhile, second-lien spreads dropped by 72 bps. Break prices and issue prices fell in August. A maturity extension effort by Q Holding Co. accounted for the entirety of August's \$275 million in middle-market leveraged loan activity, marking a four-month low and bringing the total for the first eight months of the year to \$8.8 billion, down from \$12.9 billion during the same period last year.

Credit/Documentation Trends

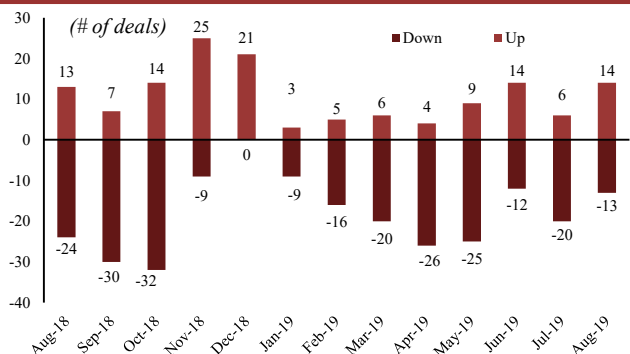
The cov-lite trend persists, with 83% of loans clearing without financial maintenance covenants in August compared to 90% in the month prior. During the month, 7 loans were cleared with an MFN sunset and the average pro forma EBITDA adjustment was 21.3%. More than a third of deals were still allowed to have uncapped EBITDA adjustments during the start of May to the end of August. Lastly, average total leverage rose substantially, with the overall adjusted debt multiple for M&A deals reaching 5.88x in the last three months compared to 5.77x in the previous quarter.

Default Statistics

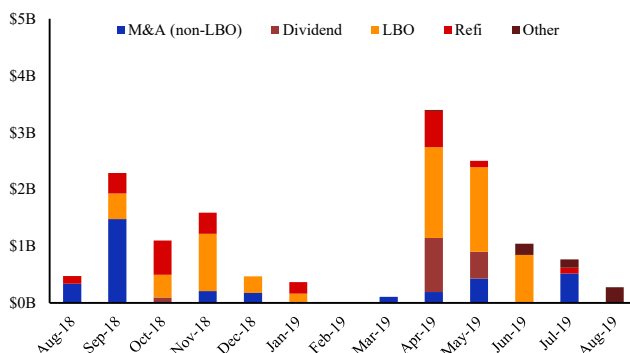
August saw two defaults totaling \$4.9B, which consisted of bonds only, following the five defaults totaling \$10.3B in bonds and loans that we saw in July. The largest default during the month was EP Energy, an E&P company which affected \$4.3B of bonds. This was the third largest default in 2019 behind Weatherford (\$6.4B) and Windstream (\$4.8B).

Data and charts used in the August CIO Commentary (pages 2 and 3) were directly retrieved from the LevFin Insights August Monthly Report, the Loan Syndications and Trading Association (LSTA) "August Secondary Market Monthly," Covenant Review, Fitch Ratings, and Thomson Reuters Lipper for educational purposes only. Data and charts for the Monthly Charts (located on pages 4 and 5) and Portfolio Analytics Report (page 6) were directly retrieved from Bloomberg, the LSTA, and S&P Global for educational purposes only. Leveraged Lion Capital is not associated with any of the aforementioned organizations and does not take credit for data and charts used in this report. No copyright infringement intended.

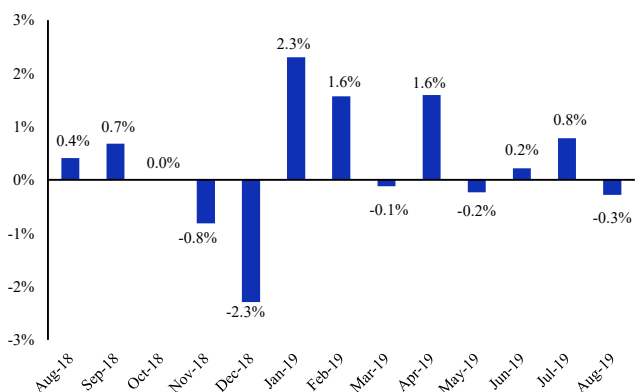
Flex Activity



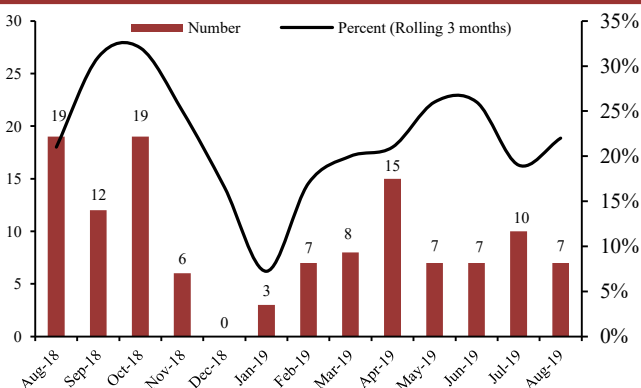
New-Issue Middle-Market Loan Volume



Monthly Returns



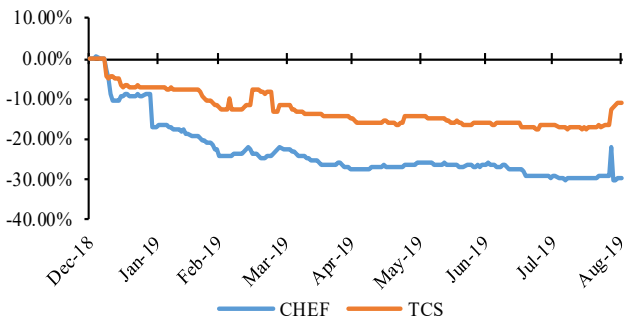
Deals That Cleared with MFN Sunsets



Sector Summaries

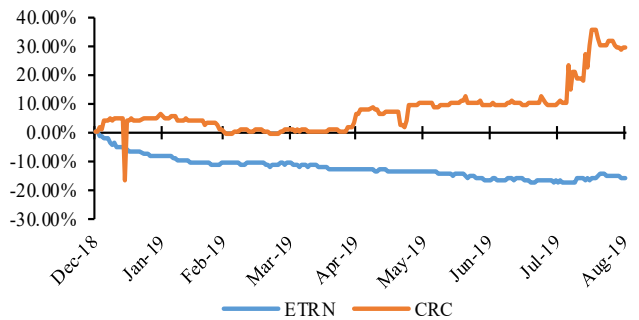
Consumer & Retail

Consumer & Retail returned (0.08%) nominally this month, a relative underperformance of (0.03%) The Sector's best performing holding this month was Chefs' Warehouse TL B, trading up 0.68% nominally. Chefs' Warehouse trades on a P/E ratio of 50.6x, well above the market average of 17.4x, and investors appear to be expecting sustained long-term growth. The Sector's worst performing holding this month was The Container Store TL B, returning (1.13%) nominally. Chairman of the Board William Tindell surrendered 2,765 shares while his wife and Co-Founder, Sharon Tindell, will resign from the Board. The Sector will be monitoring August consumer spending data.



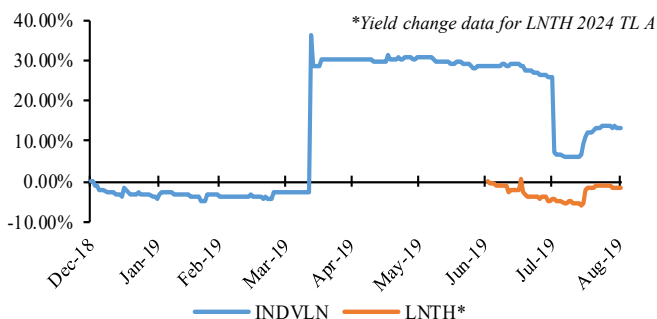
Energy

Energy returned (1.89%) nominally this month, a relative underperformance of 0.03%. The Sector's best performing holding this month was Equitrans Midstream TL B, trading down (0.22%) nominally. Although Equitrans did not trade up, it outperformed CRC as the safety of the midstream sector was favored in the high-yield energy space. The Sector's worst performing holding this month was California Resources TL B, returning (3.58%) nominally. Investors retreated from CRC's debt as oil prices fell by more than 5.00% in August along with CRC stock, which fell by more than 20.00%. The Sector will continue to monitor the price of WTI crude oil.



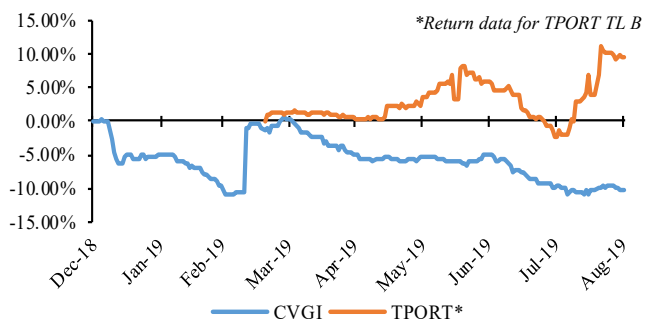
Healthcare

Healthcare returned 1.46% nominally this month, a relative outperformance of 1.61%. The Sector's best performing holding this month was Indivior TL B, trading up 3.70% nominally. The Company outperformed after it indicating stronger demand for its Suboxone Film prescription drug. The Sector's worst performing holding this month was Lantheus TL B, returning (0.29%) nominally. The Company has been recovering from a sales miss at the end of July. The Sector will be following U.S.-China trade relations after recent escalations in the past month and monitoring the release of the August jobs report on September 6.



Industrials

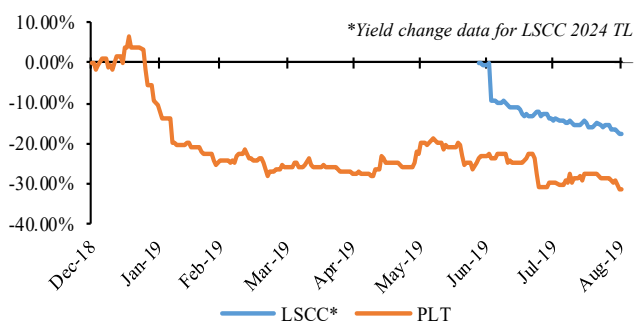
Industrials returned (0.61%) nominally this month, a relative outperformance of 0.01%. The Sector's best performing holding this month was CVGI TL B, trading up 0.77% nominally. The Company reacted positively to an increase in truck production in the U.S. as it is one of the main suppliers in the industry. The Sector's worst performing holding this month was Travelport TL B, trading down (4.76%). The Company is reportedly investing in a blockchain platform with IBM Services and BCD Travel. The Sector will continue to monitor trade tensions between the U.S. and China, with Presidents Trump and Xi's talks scheduled for September 5.



Sector Summaries

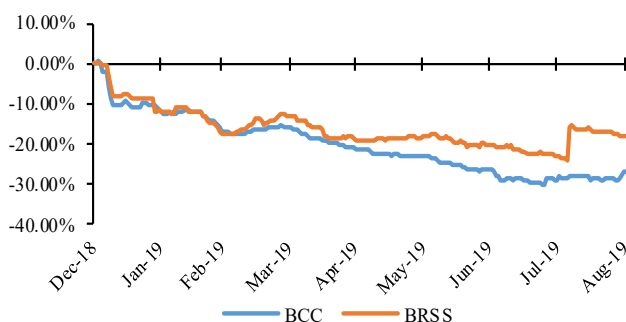
Information Technology

Information Technology returned 1.12% nominally this month, a relative outperformance of 0.20%. The Sector's best performing holding this month was Lattice Semiconductor TL B, trading up 1.38% nominally. The loan traded up following progress toward a potential trade deal. The Sector's worst performing holding this month was Plantronics HY Bond, returning 0.77% nominally. The Company reported a net loss of approximately \$45.00 MM in its recent earnings. Going into September, the Sector will be monitoring the outcome of new tariffs to be imposed on China.



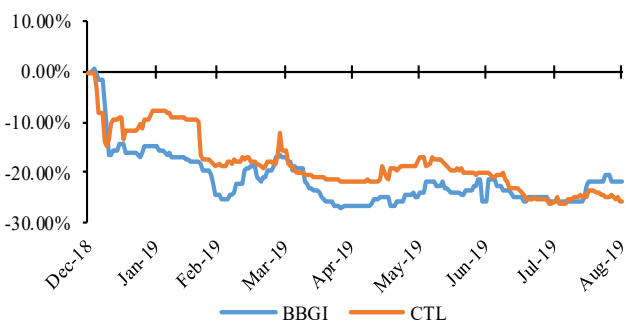
Materials

Materials returned (0.95%) nominally this month, a relative underperformance of (0.64%). The Sector's best performing holding this month was Boise Cascade TL, trading down (0.04%) nominally. Boise Cascade released 2Q2019 earnings, which showed shrinking YoY revenue and profit. The Sector's worst performing holding this month was Global Brass and Copper TL B, returning (1.39%) nominally. Proposed U.S. copper tariffs on the EU have made metal companies worried about potential price fluctuations. With a Category 4 hurricane off the coast of Florida, the Sector will be monitoring oil rigs in the Gulf and manufacturing infrastructure.



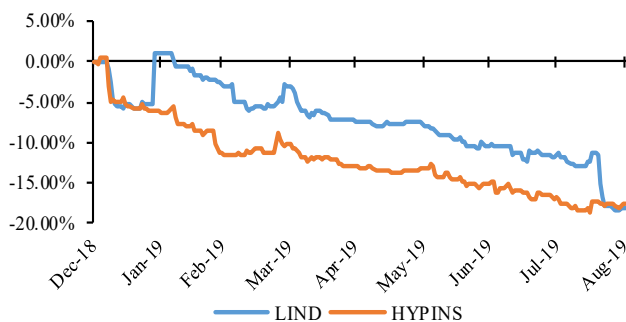
Media & Communications

Media & Communications returned 0.16% nominally this month, a relative outperformance of 0.48%. The Sector's best performing holding this month was Beasley Broadcast Group TL B, trading up 0.36% nominally. Beasley reportedly completed its announced acquisitions of 20kW Urban WDMK-FM and three translators in Detroit from Urban One. The Sector's worst performing holding this month was CenturyLink TL B, returning (0.07%) nominally. The FCC fined the Company for its "cramming" practices, or the practice of adding unauthorized third-party charges to customer bills. The Sector will be monitoring the integration of recent acquisitions as well as the ongoing court case regarding the Sprint and T-Mobile merger.



REGAL-FIG

REGAL-FIG returned 1.11% nominally this month, a relative outperformance of 1.50%. The Sector's best performing holding this month was Lindblad Expeditions TL B, trading up 2.06% nominally. The Company expects to have a better second half as data showed that booking pace is up 10.00% since this period last year. The Sector's worst performing holding this month was Hyperion Insurance Group TL B, trading up 0.31% nominally. The Company posted 16.00% YoY revenue growth from 2018-19 as it continues to add new talent in the U.K. and Europe. Moving forward, the Sector will be monitoring core inflation, which rose 0.1% last week to a current total of 1.4%.



Portfolio Analysis

CURRENT HOLDINGS

Company Name	Sector	Maturity	LIBOR Spread	Yield at Int. Pmt.	Buy-In Amount	Opening Price	Closing Price	Facility Rating ¹	August Return (%)
YUM Brands, Inc	Consumer	4/03/2025	L + 175	3.62%	\$5,084.40	\$99.88	\$100.13	Ba1/BBB-	0.55%
Winnbago	Consumer	11/08/2023	L + 350	5.33%	\$6,101.40	\$99.88	\$100.00	B2/BB	0.57%
Chefs' Warehouse	Consumer	6/22/2022	L + 400	5.87%	\$4,271.00	\$100.00	\$100.19	B2/B+	0.68%
The Container Store	Consumer	9/14/2023	L + 500	6.91%	\$9,965.20	\$99.25	\$97.56	B2/B	-1.13%
California Resources	Energy	12/31/2022	L + 475	6.90%	\$3,842.23	\$95.25	\$91.31	B2/B	-3.58%
Equitrans	Energy	1/31/2024	L + 450	6.35%	\$3,842.23	\$100.75	\$100.00	Ba3/BB+	-0.22%
Cryolife	Healthcare	12/01/2024	L + 325	5.03%	\$4,044.00	\$100.00	\$100.25	B2/B	0.67%
Indivior	Healthcare	12/18/2022	L + 450	6.03%	\$4,350.50	\$90.50	\$93.38	B3/B+	3.70%
Lantheus ³	Healthcare	6/30/2022	L + 375	6.09%	\$2,977.19	\$94.00	\$93.25	B2/BB	-0.29%
Travelpo ⁴	Industrials	3/16/2025	L + 250	4.68%	\$4,944.50	\$97.38	\$92.38	B2/B+	-4.76%
TransDigm	Industrials	6/09/2023	L + 250	4.37%	\$12,361.00	\$99.50	\$99.44	Ba3/B+	0.30%
CVGI	Industrials	4/12/2023	L + 600	7.67%	\$2,473.00	\$99.63	\$99.75	B2/B	0.77%
Ducommun Incorporated	Industrials	11/21/2025	L + 400	5.74%	\$5,037.38	\$100.50	\$100.50	B2/B+	0.48%
Lattice Semiconductor ⁵	IT	3/10/2021	L + 500	7.16%	\$6,171.14	\$96.00	\$96.75	B2/B	1.38%
MTS Systems Corp	IT	7/05/2023	L + 325	5.09%	\$5,082.00	\$100.00	\$100.63	B1/BB-	1.05%
Plantronics	IT	5/31/2023	5.50%	5.13%	\$4,000.00	\$101.62	\$101.98	B1/BB-	0.77%
U.S. Silica	Materials	5/01/2025	L + 400	5.77%	\$2,689.56	\$95.88	\$94.38	B1/B+	-1.09%
Global Brass & Copper Inc	Materials	5/29/2025	L + 250	4.40%	\$3,073.78	\$100.00	\$98.25	B1/BB	-1.39%
Boise Cascade	Materials	3/30/2026	L + 213	4.00%	\$1,921.11	\$99.75	\$99.38	Ba1/BB-	-0.04%
Sprint	Media & Comm.	2/02/2024	L + 250	4.34%	\$5,289.75	\$99.75	\$99.56	Ba2/BB-	0.17%
CenturyLink	Media & Comm.	1/31/2025	L + 275	4.49%	\$7,053.00	\$99.25	\$98.81	Ba3/BBB-	-0.07%
Beasley Broadcast	Media & Comm.	11/01/2023	L + 400	5.76%	\$8,122.71	\$100.88	\$100.75	B1/BB-	0.36%
Hyperion Insurance Group	REGAL-FIG	12/20/2024	L + 350	5.26%	\$1,987.02	\$100.00	\$99.88	B2/B	0.31%
Walker & Dunlop	REGAL-FIG	11/07/2025	L + 225	4.09%	\$1,453.94	\$100.00	\$100.19	Ba2/BBB-	0.53%
Lindblad Expeditions	REGAL-FIG	3/27/2025	L + 350	5.17%	\$3,000.00	\$100.13	\$101.75	B1/BB	2.06%
MGM Growth Properties	REGAL-FIG	6/14/2023	L + 275	4.60%	\$2,898.00	\$99.13	\$99.88	Ba3/BB+	1.14%
Iron Mountain Inc.	REGAL-FIG	1/02/2026	L + 175	3.56%	\$2,841.60	\$98.50	\$99.13	Ba3/BB	0.93%

SECTOR ANALYSIS

Sector Analysis	Loans	LSTA 100 ²	Relative	Bonds	LLC HY ²	Relative
Consumer & Retail	-0.08%	-0.05%	-0.03%	-	0.25%	-
Energy	-1.89%	-1.83%	-0.07%	-	9.41%	-
Healthcare	1.46%	-0.14%	1.61%	-	0.75%	-
Industrials	-0.61%	-0.62%	0.01%	-	3.18%	-
IT	1.23%	-0.36%	1.58%	0.77%	1.83%	-1.06%
Materials	-0.95%	-0.64%	-0.31%	-	3.32%	-
Media & Communications	0.16%	-0.32%	0.48%	-	1.66%	-
REGAL-FIG	1.11%	-0.39%	1.50%	-	2.02%	-
Total	0.08%	-0.38%	0.46%	0.77%	1.95%	-1.17%

PORTFOLIO OVERVIEW

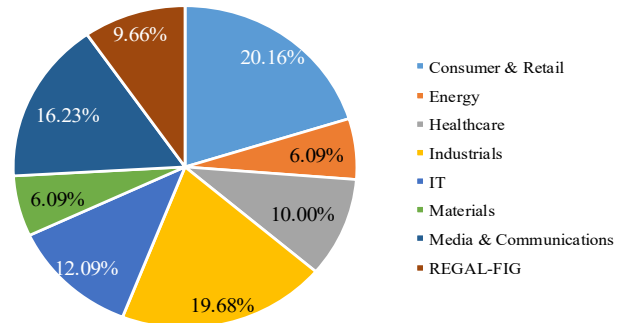
LLC Portfolio (beginning 1/1/2018)	
Beginning Portfolio Value	\$124,854.79
Current Portfolio Value	\$132,244.97
Cash Balance	\$1,238.75
LLC Portfolio (YTD)	
Beginning Portfolio Value	\$125,366.54
Current Portfolio Value	\$132,244.97
Cash Balance	\$1,238.75

PERFORMANCE

August 2019 Performance	
Leveraged Lion Capital	0.08%
LSTA 100 Index	-0.38%
LLC vs. LSTA 100	0.46%
LLC HY	1.95%
LLC vs. LLC HY	-1.17%

YTD Performance	
Leveraged Lion Capital	5.49%
LSTA 100 Index	7.50%
LLC vs. LSTA 100	-2.01%
LLC HY	13.77%
LLC vs. LLC HY	-8.29%

PORTFOLIO BREAKDOWN



AUGUST BEST PERFORMER



AUGUST WORST PERFORMER



¹ Most recent available ratings. ² 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. ³ Pricing data for Lantheus 2024 TL A. ⁴ Pricing data for Travelport TL B. ⁵ Pricing data for Lattice Semiconductor 2024 TL.

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 organization aims to educate undergraduate students about the world of fixed income through the utilization of various resources and unique relationships with financial organizations and institutions, including Bank of America Merrill Lynch, the LSTA, and S&P Global Market Intelligence. Managing an approximately \$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 portfolio is broken out into eight sectors that are derived from the S&P/LSTA 100 Index, consisting of 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
Executive Board			
Taylor Campbell	taylorjcam@gmail.com	President	Sales & Trading
Kyle Yousef	kyle18yousef@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
Annie Liu	16liua@gmail.com	Treasurer	Sales & Trading
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