

PENNSYLVANIA STATE UNIVERSITY



SMEAL College of Business



NITTANY LION FUND, LLC

MONTHLY REPORT

February 2015



2015 PSIA Kickoff

New Year, New Leadership



On Wednesday, January 28, the Penn State Investment Association kicked off for the 2015 calendar year under a new Executive Board and new leadership across the ten sectors of the Nittany Lion Fund. Despite a heavy downfall of snow during the day, over 250 students completely filled a classroom in Penn State's Forum Building, eager to hear the insights of various Nittany Lion Fund Managers. Some of the new initiatives introduced this semester include distributing weekly Economic Analysis and Equity Research reports to PSIA analysts and the continued development of the \$1 MM mock portfolio challenge for all of those that wish to test their market knowledge, first hand. In addition, traditional educations relating to a broad range of investing and financial topics are set to be presented each week to the association. Despite losing an extremely talented and dedicated senior class, members of the current Nittany Lion Fund are optimistic that 2015's PSIA members will include multiple future members of the Fund that will carry on its proud tradition.

INSIDE THIS ISSUE:

page 2

- **2015 PSIA Kickoff**
— New Year, New Leadership

page 3

- **CIO Commentary**
— January 2015
- **Little Lion Fund**
— State College Area HS

page 4

- **Stock of the Month**
— Valero Energy Corp. (VLO)
- **Sector of the Month**
— Consumer Staples

page 5 & 6

- **Sector Summaries**

page 7

- **Portfolio Analysis**

Attention NLF Alumni!

The 2015 Monthly Report wants to hear from you!

If you have any interest in being featured in our future alumni spotlight articles, please contact Ed Goodall at etg122@gmail.com



CIO Market Commentary

January, 2015

Equity markets in January were marked with fresh uncertainties that stemmed from major developments to global monetary policy as well as tepid economic growth. Focus points of the month included market reactions to the implementation of the Quantitative Easing policy in Europe, a continued slide in commodity prices, and lukewarm developments to the United States economic recovery.

The implementation of the extensive monetary policy in Europe known as Quantitative Easing came on the heels of the end of the same policy implemented by the U.S. Federal Reserve. The \$1.3 trillion stimulus plan will attempt to spur sluggish investment growth, as well as combat low levels of inflation. The advent of the QE Policy in Europe sent shock waves through the currency market, most notably exemplified by the abandonment of the value cap on the Swiss franc by the Swiss National Bank. Additionally, the common Eurozone currency hit its lowest value in comparison to the U.S. Dollar. Politically, the woes facing Greece hit both highs and lows relatively quickly. In a stunning victory, Greece's anti-austerity and radical leftist party, Syriza, was elected on promises to erase a chunk of the public debt, reverse privatizations and other structural reforms aimed at making the economy more competitive, expand the public sector, and enforce the restructuring of its debt plan and payments. However, the ECB has recently reiterated its policy regarding Greek debt, stating that it would no longer accept Greek bonds as collateral for Central Banks.

Domestically, as the U.S. dollar continued to strengthen on account of the diversion of monetary policies between prominent central banks, equities faced a volatile month of January. Less than favorable earnings by large multinational companies appeared to place much of the blame on currency headwinds. Additionally, the anticipation of a looming Federal Reserve rate hike caused much speculation regarding the outcome of the Federal Reserve's policy committee meeting, and although the Fed announced once again that it is in no hurry to begin raising interest rates, the Fed announced that it expects moderate growth to continue. Modest growth returned to the United States, as the U.S. economy grew more slowly in the fourth Quarter than in previous quarters. The 2.6% increase in Gross Domestic Product, was roughly half of that seen in the third quarter. Nevertheless, the consumer continues to serve as the backbone of the American recovery, as the increase in consumer spending marked the fastest growth since before the financial crisis. A significant growth factor continues to be the extended decline in oil prices as the effective tax-cut on the consumer has boosted consumer spending and confidence.

Looking forward, the United States economy should continue its recovery, as strong growth fundamentals continue to develop. However, weakness elsewhere may present risks to the domestic market—most notably the effect of uncertainty in Europe as well as the reduction of foreign sales and earnings growth for U.S. companies.

Little Lion Fund

State College Area High School

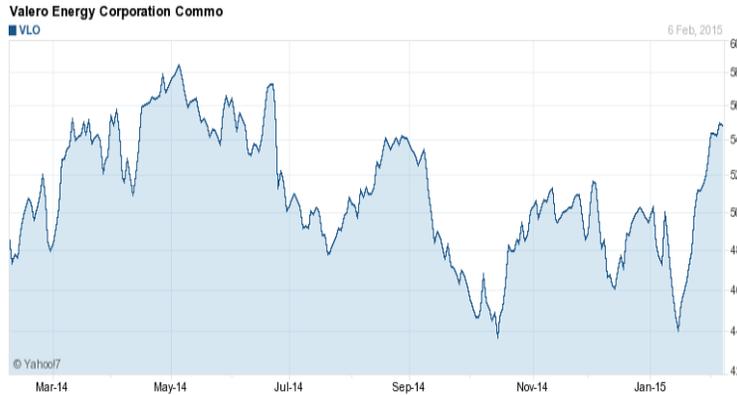


Just a few miles down the road from the Rogers Family Trading Room, students from State College Area High School are following in the footsteps of Nittany Lion Fund Managers. The Little Lion Fund, which was established in 2012, is a long-only equity fund with roughly 50 k AUM. Similar to the Nittany Lion Fund, all of the money in the Little Lion Fund is contributed by independent investors, and is completely independent of the school district. Current Nittany Lion Fund Managers Ginger Woolridge and Ed Goodall were a part of the group that founded the Fund when they were students at State College Area, and both continue to speak highly about the experience of having exposure to portfolio management at such a young age. Recently, the Little Lion Fund also visited the Trading Room to sit in on a Nittany Lion Fund class and to ask questions to various Fund Managers. The experience was not only beneficial to the high school students, who gained a great amount of knowledge about their respective sectors, but also for the Nittany Lion Fund Managers, as they were able to gain a completely different perspective on investing and how impacts can be made even at an early age.



Stock of the Month

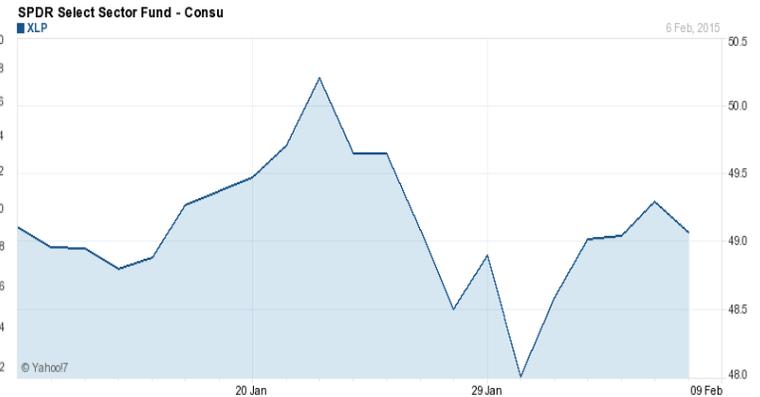
Valero Energy Corp. (VLO)



Valero Energy Corporation operates as an independent refinery company, and is located in the United States, United Kingdom, Caribbean and Ireland. It participates in the refining and distribution of crude oil and natural gas. The Company owns 16 independent refineries and has a throughput capacity of 3.1 MM barrels per day. During the month of January, Valero Energy returned 6.83% nominally. Recently, the prices of crude oil have driven the holding. West Texas Intermediate (WTI) prices have dropped to lows of \$45, and recently increased to \$48 as of the end of January. Brent crude prices, the international crude oil pricing index, have recently increased to \$52 after dipping to \$46 in December. As of early January, the price gap between both indexes have been the widest since December. Companies like Valero Energy, purchase crude oil prices at WTI levels, and sell their refined products in retail environments at Brent levels. A wider gap between WTI and Brent allows for a larger profit margin, thus, benefiting Valero Energy. Additionally, the very recent increase of oil prices from \$45 to \$48 has created positive industry sentiment, as companies like Valero Energy are able to receive more revenue than they would have received with low prices. The holding continues to be known as the best of its breed, having the capability to refine the heaviest crude in the country, which is an advantage against competitors. Additionally, it operates in the Gulf Coast of Mexico, where it is able to export its refined products at lower costs. We continue to have conviction behind Valero Energy, and value it as a holding within the Energy portfolio.

Sector of the Month

Consumer Staples



The Consumer Staples Sector returned 2.59% nominally in January, a relative outperformance of 3.91%. Performance was driven by a better consumer environment as well as Anheuser-Busch's initiatives to expand its market offerings.

Kroger returned 7.54% during January, trading up due to strong results from competitors and rumors that the company may acquire a competitor to enter a different geographical region. Competitors Supervalu Inc. and Costco Wholesale Corporation reported strong results indicating that the grocery industry is growing steadily. Additionally, positive, consumer-facing economic data released this month showed that consumers are becoming more confident in their spending habits.

Anheuser-Busch returned 8.68% during January, trading up due to aggressive campaigns aimed at gaining share in growing markets. During the month of January, Anheuser-Busch expanded its marketing campaign by announcing plans to launch a smartphone application that will deliver beer to customers with the touch of a button. Additionally, the Company has acquired Elysian Brewing in order to gain market share in the increasingly popular craft beer market.

SECTOR SUMMARIES — Month ended January 31st



GILEAD

Consumer Discretionary returned (1.73%) nominally this month, a relative outperformance of 1.45%. The Sector's best performing holding this month was Volkswagen, trading up 3.41% nominally. On January 29, Volkswagen announced that the company can outperform its initial 5 bn Euro (\$5.66 bn) target for reducing costs in order to boost profitability and improve margins. The Sector's worst performing holding this month was Scripps Networks Interactive, returning (5.55%) nominally. On January 20, Morgan Stanley released a report downgrading the media sector as a whole to "Cautious" stating that both the recovery in advertising and content monetization will continue to slow in the coming year as viewership erosion will accelerate even further.

Consumer Staples returned 2.59% nominally this month, a relative outperformance of 3.91%. The Sector's best performing holding this month was Anheuser-Busch, trading up 8.68% nominally. Anheuser-Busch announced that it will acquire Elysian Brewing in order to gain more exposure to the craft beer market. The Sector's worst performing holding this month was Procter & Gamble, returning (7.47%) nominally. Procter & Gamble reported 2Q2015 earnings in January and missed consensus estimates on revenues and earnings per share due to the negative effects of foreign exchange.

Energy returned (3.69%) nominally this month, a relative outperformance of 1.25%. The Sector's best performing holding this month was Valero Energy Corporation, trading up 6.83% nominally. Valero Energy performed well due to discounted crude oil prices from Latin American producers and continued success in its refining segment. The Sector's worst performing holding this month was National Oilwell Varco, returning (16.94%) nominally.

National Oilwell Varco was negatively impacted by lower crude oil prices which lead to lower E&P spending.

Financials returned (6.97%) nominally this month, a relatively flat performance of 0.00%. The Sector's best performing holding this month was Prologis, trading up 4.90% nominally. Prologis traded up significantly off of strong earnings and future guidance. The Sector's worst performing holding this month was Discover Financial Services, returning (16.96%) nominally. Discover Financial Services was hurt by weaker earnings due to a one-time expense associated with the cost of ending a credit card rewards program.

Healthcare returned 2.55% nominally this month, a relative outperformance of 1.36%. The Sector's best performing holding this month was Gilead Sciences, Inc., trading up 11.21% nominally. In January, Gilead was able to secure multiple deals from pharmacy benefit managers such as CVS and Prime for its hepatitis C treatments, Sovaldi and Harvoni. The Sector's worst performing holding this month was Johnson & Johnson, returning (4.24%) nominally. Johnson & Johnson reported 4Q2014 earnings on January 20, and management noted that the Company would be negatively impacted by the strong U.S. dollar and lower sales of Olysio moving forward.

SECTOR SUMMARIES — Month ended January 31st

NORTHROP GRUMMAN



Lyondellbasell



Wisconsin Energy Corporation

Industrials returned (3.65%) nominally this month, a relative outperformance of 0.03%. The Sector's best performing holding this month was Northrop Grumman Corporation, trading up 6.45% nominally. Northrop Grumman reported strong earnings for the previous quarter, due to better than expected performance in the face of lower government spending. The Sector's worst performing holding this month was General Electric Company, returning (5.46%) nominally. General Electric suffered from decreased capital expenditure levels from oil and gas companies as lower oil prices decrease spending on upgrades and repairs that the company could provide.

Information Technology returned (2.54%) nominally this month, a relative outperformance of 1.41%. The Sector's best performing holding this month was Apple, trading up 6.14% nominally. This month, Apple reported 1Q2014 earnings, beating analyst estimates for both earnings per share and revenues, along with record iPhone sales. The Sector's worst performing holding this month was Qualcomm, returning (15.97%) nominally. This month, Qualcomm reported 1Q2014 earnings, missing analyst estimates for earnings per share and touched on their continuing issues in China as well as their Snapdragon 810 processor's absence in the new Samsung Galaxy product line.

Materials returned (2.55%) nominally this month, a relative underperformance of 0.58%. The Sector's best performing holding this month was LyondellBasell Industries, returning (0.38%) nominally. LyondellBasell traded down due to the decline in oil prices, however analyst sentiment remains positive for the company because of its positioning in the strengthening petrochemical industry.

The Sector's worst performing holding this month was E. I. du Pont Nemours, returning (3.69%) nominally. DuPont's trade down has been perpetuated by the proxy battle with Nelson Pelz of Trian Management, who is attempting to split the company into three different entities and gain four seats on the Board of Directors.

Telecommunications returned (1.82%) nominally this month, a relative outperformance of 0.41%. The Sector's best performing holding this month was AT&T, returning (1.99%) nominally. During the month of January, AT&T reported earnings that beat analyst estimates for both revenues and earnings per share and announced the acquisition of Nextel Mexico. The Sector's worst performing holding this month was TELUS, returning (4.83%) nominally. The company has faced negative sentiment as the Canadian government has increased regulation in the telecommunications industry.

Utilities returned 3.07% nominally this month, a relative outperformance of 0.72%. The Sector's best performing holding this month was Wisconsin Energy, trading up 5.75% nominally. The company has experienced productive talks in the approval process of its Integrys Energy acquisition, as it is beginning to see backing from local governments and public utility commissions. The Sector's worst performing holding was Dominion Resources, returning (0.01%) nominally. Talks of the EPA issuing a more stringent ruling in mid-2015 on its coal ash report, highlighting the negative impacts of coal ash on the environment, could affect the Dominion negatively due to its use of coal for electricity generation.



NITTANY LION FUND, LLC | THE MONTHLY REPORT

NITTANY LION FUND | PORTFOLIO ANALYSIS

PORTFOLIO OVERVIEW

Year Beginning Portfolio Value	\$6,868,263.20
Month Beginning Portfolio Value	\$6,868,263.20
Month Close Portfolio Value	\$6,739,058.79
Cash Balance	\$147,346.83

PERFORMANCE

Performance	Monthly
Nittany Lion Fund	(1.88%)
S&P 500 Index	(3.00%)
NLF vs. S&P 500 ²	1.12%

KEY STATISTICS

Key Statistics	NLF
Portfolio Beta	0.89
Sharpe Ratio	1.44
Volatility (26 week)	12.91%
Weighted Ave. Market Value	\$136.88 billion
P/E (NTM)*	16.78
YTD Turnover Ratio	5.14%
Annualized Dividend Yield	1.76%

SECTOR ANALYSIS

Sector Analysis	Monthly	S&P	Relative
Consumer Discretionary	(1.73%)	(3.13%)	1.45%
Consumer Staples	2.59%	(1.27%)	3.91%
Energy	(3.69%)	(4.87%)	1.25%
Financials	(6.97%)	(6.97%)	0.00%
Healthcare	2.55%	1.17%	1.36%
Industrials	(3.65%)	(3.68%)	0.03%
Information Technology	(2.54%)	(3.90%)	1.41%
Materials	(2.55%)	(1.98%)	(0.58%)
Telecommunications	(1.82%)	(2.23%)	0.41%
Utilities	3.07%	2.33%	0.72%

CURRENT HOLDINGS

Current Holding	Ticker	Purchase Date	Purchase Price	Price as of 12/31/14 or Purchase ¹	Price as of 1/30/2015	Monthly Return
The Walt Disney Co	DIS	4/13/2012	\$41.85	\$94.19	\$90.96	-3.43%
Gap Inc	GPS	10/25/2013	\$36.63	\$42.11	\$41.19	-2.18%
Volkswagen AG	VLKAY	3/21/2014	\$48.17	\$43.06	\$44.53	3.41%
Scripps Networks Interactive	SNI	4/29/2013	\$66.86	\$75.27	\$71.09	-5.55%
TJX Companies Inc	TJX	1/31/2011	\$23.75	\$68.58	\$65.94	-3.85%
Whirlpool Corp.	WHR	9/25/2014	\$150.89	\$193.74	\$199.08	2.76%
Consumer Discretionary SPDR ETF	XLY	12/15/2014	\$69.67	\$72.15	\$69.99	-2.99%
The Kroger Company	KR	6/16/2014	\$48.97	\$64.21	\$69.05	7.54%
Procter & Gamble Co	PG	2/28/2014	\$78.59	\$91.09	\$84.29	-7.47%
Reynolds American Inc	RAI	10/16/2013	\$50.91	\$64.27	\$67.95	5.73%
Kraft Foods Group Inc	KRFT	6/16/2014	\$59.14	\$62.66	\$65.34	4.28%
CVS Health Corporation	CVS	7/7/2014	\$78.36	\$96.31	\$98.16	1.92%
Molson Coors Brewin Company	TAP	10/1/2014	\$72.47	\$74.52	\$75.93	1.89%
Anheuser-Bush InBev SA	BUD	10/20/2014	\$106.93	\$112.32	\$122.07	8.68%
Halliburton Co	HAL	5/21/2013	\$44.93	\$39.33	\$39.99	1.68%
Marathon Oil Corporation	MRO	10/6/2014	\$36.61	\$28.29	\$26.60	-5.97%
Exxon Mobil Corp	XOM	9/13/2011	\$71.55	\$92.45	\$87.42	-5.44%
Valero Energy Corp	VLO	10/4/2013	\$34.12	\$49.50	\$52.88	6.83%
EOG Resources Inc.	EOG	11/11/2014	\$98.57	\$92.07	\$89.03	-3.30%
National Oilwell Varco Inc	NOV	7/30/2013	\$69.41	\$65.53	\$54.43	-16.94%
Enterprise Products Partners	EPD	4/1/2014	\$35.24	\$36.12	\$34.44	-4.65%
Chevron Corp	CVX	3/5/2013	\$118.19	\$112.18	\$102.53	-8.60%
Berkshire Hathaway Inc	BRK/B	12/6/2013	\$116.24	\$137.25	\$143.91	4.85%
Allstate Corp	ALL	3/11/2013	\$49.11	\$70.25	\$69.79	-0.65%
Discover Financial Services	DFS	5/7/2014	\$56.41	\$65.49	\$54.38	-16.96%
Prologis Inc	PLD	1/2/2014	\$36.80	\$43.03	\$45.14	4.90%
Wells Fargo & Co	WFC	7/9/2010	\$29.41	\$54.82	\$51.92	-5.29%
Goldman Sachs Group Inc/The	GS	5/30/2012	\$94.88	\$193.83	\$172.41	-11.05%
Affiliated Managers Group Inc.	AMG	10/10/2014	\$191.72	\$212.24	\$205.52	-3.17%
TCF Financial Corporation	TCB	1/7/2015	\$14.77	\$15.89	\$14.70	-7.49%
JPMorgan Chase & Co	JPM	2/18/2014	\$58.55	\$62.58	\$54.38	-13.10%
iShares Biotech ETF	IBB	5/19/2014	\$231.81	\$303.35	\$321.65	6.03%
Gilead Sciences Inc	GILD	3/26/2014	\$73.79	\$94.26	\$104.83	11.21%
Actavis PLC	ACT	11/4/2014	\$245.01	\$257.41	\$266.54	3.55%
Merck & Co Inc	MRK	6/26/2014	\$58.37	\$56.79	\$60.28	6.15%
Stryker Corp	SYK	3/21/2014	\$81.78	\$94.33	\$91.05	-3.48%
McKesson Corp	MCK	2/11/2014	\$174.22	\$207.58	\$212.65	2.44%
Medtronic Inc	MDT	1/2/2014	\$57.25	\$72.20	\$71.40	-1.11%
Eli Lilly & Co	LLY	12/13/2013	\$49.54	\$68.99	\$72.00	4.36%
Johnson & Johnson	JNJ	10/10/2014	\$101.72	\$104.57	\$100.14	-4.24%
General Electric Company	GE	12/14/2011	\$16.68	\$25.27	\$23.89	-5.46%
FedEx Corp	FDX	4/28/2014	\$134.93	\$173.66	\$169.11	-2.62%
Cummins Inc	CMI	4/12/2013	\$116.88	\$144.17	\$139.46	-3.27%
Northrop Grumman Corp	NOC	1/26/2015	\$155.30	\$147.39	\$156.95	6.49%
Delta Air Lines Inc.	DAL	3/14/2014	\$34.18	\$49.19	\$47.31	-3.82%
Spirit AeroSystems Holdings, Inc.	SPR	6/6/2014	\$33.79	\$43.04	\$45.04	4.65%
Google Inc	GOOGL	2/12/2007	\$260.91	\$530.66	\$537.55	1.30%
Facebook Inc	FB	10/28/2014	\$80.10	\$78.02	\$75.91	-2.70%
EMC Corp	EMC	7/23/2014	\$28.81	\$29.74	\$25.93	-12.81%
Fortinet Inc	FINT	2/25/2014	\$23.10	\$30.66	\$29.90	-2.50%
Apple Inc	AAPL	9/8/2011	\$60.94	\$110.38	\$117.16	6.14%
Broadcom Corp	BRCM	10/20/2014	\$36.12	\$43.33	\$42.44	-2.07%
Verint Systems Inc	VRNT	6/17/2013	\$34.00	\$58.28	\$53.38	-8.41%
Qualcomm Inc	QCOM	6/19/2012	\$57.11	\$74.33	\$62.46	-15.97%
PPG Industries	PPG	12/8/2009	\$59.35	\$231.15	\$222.88	-3.58%
Lyondell Basell Industries	LYB	4/10/2013	\$60.45	\$79.39	\$79.09	-0.38%
El du Pont de Nemours & Co	DD	11/9/2011	\$48.75	\$73.94	\$71.21	-3.69%
Kaiser Aluminum Corp	KALU	5/16/2013	\$64.43	\$71.43	\$69.31	-2.97%
AT&T Inc	T	9/20/2011	\$29.14	\$33.59	\$32.92	-1.99%
TELUS Corporation	TU	12/10/2014	\$35.06	\$36.04	\$34.30	-4.83%
Verizon Communications	VZ	5/1/2009	\$30.29	\$46.78	\$45.71	-2.29%
Dominion Resources	D	6/9/2011	\$48.66	\$76.90	\$76.89	-0.01%
Xcel Energy Inc.	XEL	6/26/2014	\$31.65	\$35.92	\$37.53	4.48%
NextEra Energy Inc	NEE	4/27/2012	\$64.34	\$106.29	\$109.24	2.78%
Wisconsin Energy Corporation	WEC	5/21/2009	\$18.53	\$52.74	\$55.77	5.75%