

PENNSYLVANIA STATE UNIVERSITY



SMEAL College of Business



NITTANY LION FUND, LLC

MONTHLY REPORT

March 2015





NITTANY LION FUND, LLC | THE MONTHLY REPORT

Alumni Spotlight

Where Are They Now?

Charles Petredis graduated from Penn State in 2010 with a BS in Finance and a minor in Economics. During his time with the Nittany Lion Fund he served as the Lead Analyst of the Energy sector in 2008 and 2009. He interned at Quaker Capital Management in the summer of 2008 and at PNC Bank in the summer of 2009. After graduation he accepted a full time position with PNC Bank working as a Credit Underwriter in the Financial Institutions Group, focusing on insurance companies. In 2012, Charles joined Petredis Investment Advisors of Wells Fargo Advisors, LLC in Pittsburgh, where he currently works as a Financial Advisor. Charles obtained the right to use the Chartered Financial Analyst (CFA) ® designation in 2014. Charles can be reached at charles.petredis@gmail.com.



Sean Gillooly graduated from Penn State in 2013 from the Schreyer Honors College with a BS in Finance. During his time with the Nittany Lion Fund he served on the Executive Board as the Chief Investment Officer. Sean interned for Gardner Lewis Asset Management in the summers of 2010 & 2011 and subsequently interned for Morgan Stanley on the High Yield and Municipal Securities trading desks in 2012. Upon graduation, Sean returned to Morgan Stanley on the High Yield trading desk as a desk analyst. Recently he joined King Street Capital Management, a hedge fund in New York, where he is a distressed debt trader. He can be reached at seangillooly@gmail.com.



Ryan Dubin graduated from Penn State in December 2012 with a BS in Accounting. During his time with the Nittany Lion Fund he served as Lead Analyst of the Materials sector. Ryan interned for Goldman Sachs' Investment Banking Division in the summer of 2012. Upon graduation, Ryan joined Deutsche Bank's Investment Banking Division in New York. This past fall, Ryan transitioned to Perella Weinberg Partners' Investment Banking Division, where he currently focuses on M&A and Restructuring across all sectors. Ryan can be reached at dubinryan@gmail.com.



Ainsley Woolridge graduated from Penn State in 2012 with a BS in Finance. During her time with the Nittany Lion Fund she served as Associate Analyst of the Healthcare sector. Ainsley interned with Solus Alternative Asset Management in the summer of 2011 and subsequently interned for J.P. Morgan Asset Management in the summer of 2012. Upon graduation, Ainsley returned to J.P. Morgan Asset Management and currently works as an Analyst on an economic strategy team covering institutional and retail clients. Ainsley is a 2015 Level III Candidate in the CFA Program. She can be reached at awoolridge23@gmail.com.



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Alumni Spotlight

Continued

Taylor DeStefano graduated from Penn State in 2011 with a BS in Finance. During her time with the Nittany Lion Fund she served as Associate and Lead Analyst of the Financials sector and later served on the Executive Board as Vice President. She interned in Asset Management at Credit Suisse in the summer of 2009 and at BlackRock in 2010, in their Private Equity Partners group. Upon graduation, Taylor returned to Credit Suisse in New York to work in their Private Placements group. She can be reached at taylordestefano74@gmail.com.



Adam Stanowick graduated from Penn State in 2008 with a BS in Finance and a minor in International Business. During his time with the Nittany Lion Fund he served as the Associate Analyst of the Telecommunications Sector while also competing on the Penn State Varsity Track and Field Team. In the summer of 2007 he interned at UBS Wealth Management in Fixed Income Sales. Upon graduation, Adam took a position at Trillium Trading in New York, where he has been the past 6 years as a Proprietary Equity Trader. He can be reached at adam.stanowick@gmail.com.



Kyle White graduated from Penn State in 2013 with a BS in Finance. After joining the the Nittany Lion Fund through the Summer Analyst program, he served as Associate, and later, Lead Analyst of the Energy sector. He interned at Bank of America Merrill Lynch in the Equity Capital Markets group in the summer of 2012. Upon graduation, Kyle returned to Equity Capital Markets at BAML, focusing on Real Estate, Gaming, and Leisure. This past fall, Kyle began working at Point72, a Long/Short Hedge Fund based in Stamford and New York. He works in their Professional Development team, helping to improve the skills of the investment talent. He can be reached at kyle.white24@gmail.com.



Nestor Solari graduated from Penn State in 2010 with a BS in Finance. He joined the Nittany Lion Fund after his sophomore year as a Summer Analyst supporting the Telecommunications and Consumer Staples Sectors. Nestor then became Associate Analyst for the Telecommunications sector before serving as Director of PAG. He interned at Goldman Sachs during the summer of 2009 in the Securities Division where he rotated through Interest Rates Trading, Futures Sales, and Emerging Markets Derivatives Sales. Upon graduation, Nestor joined the Investment Banking Division at Goldman Sachs in their Emerging Markets Financing group. He later joined Developing World Markets, an emerging markets investment fund focused on financial institutions, where he worked in Credit Investing before joining the Private Equity team. Nestor can be reached at nestor.solari@gmail.com.





CFA Institute Research Challenge

Penn State Team Competes In Pittsburgh



CFA INSTITUTE RESEARCH CHALLENGE

On March 2, Nittany Lion Fund members Chris Loggia, Ameya Naik, and Ed Goodall traveled to Pittsburgh to compete in the regional CFA Institute Research Challenge. The Penn State team had big shoes to fill, as Penn State's 2014 team won the regional competition and advanced as far as the North American Finals in Denver, CO.

While last year's team was asked to analyze PPG Industries; a stock held by the Nittany Lion Fund, the 2015 Challenge forced the team a bit farther outside its comfort zone with Black Box Corporation (BBOX). With little research available on the \$333 MM company, Chris, Ameya, and Ed were forced to build an investment thesis completely from the ground up.

Although challenging at times, the team agreed that the process of putting together the competition's deliverables was extremely beneficial. Not only was the team exploring a completely new company and industry, but also the practice of writing a full equity research report and preparing a presentation for CFA professionals.

The Penn State team received plenty of positive feedback on its presentation at the competition, however could not take home the crown as region champions. The Nittany Lion Fund is confident, however, that a new team will approach the competition with a renewed vigor, and will lead Penn State back to the North American Finals.

CIO Commentary

February 2015

Equity markets in February can be characterized as a comeback of sorts, as equity markets were forced to digest continued developments to the advent of Global monetary policy and Eurozone debt negotiations, as well as domestic data suggesting and reflecting hopes for a stronger U.S. based economic recovery. Focus points of the month included further development to the Quantitative Easing policy in Europe, a last-minute Greek debt negotiation, a continued slide in commodity prices, and developments to the United States economic recovery.

Though 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 in January, European Equity markets in February rallied amid rising sentiment regarding the economic boost that the aggressive stimulus package will bring to Europe. Though European market performance was favorable in the month of February, the political unnerving by Greece's Syriza Party was the focus point of European markets. Due to the anti-austerity stance adopted by the Syriza party, the ECB had reiterated its policy, stating that it would no longer accept Greek bonds as collateral. However in a last-minute negotiation between the new Greek government and creditors over the Greek Eurozone, the affectionately titled "Grexit" was delayed by four months, as the window allows the newly elected government additional time to negotiate the terms of its debt.

Domestically, the U.S. dollar continued to strengthen on account of the diversion of monetary policies between prominent central banks. U.S. investors focused on stronger real wage growth figures as well as the potential for an increasingly tighter labor market to contribute to the spark in the housing market. In the U.S. crude oil market, the spread between U.S. and Brent Crude widened, pushed apart by the rising inventories of U.S. crude. Additionally, remarks by Janet Yellen continued the delay in the anticipated Federal Reserve rate hike. However, the Fed announced once again that it is in no hurry to begin raising interest rates as inflation and wage growth figures were lacking—though hawkish undertones of the other Fed members crept into the minds of investors. Gross Domestic Product was revised to 2.2% from 2.6%, with a wider trade deficit and lower business inventories blamed for the adjustment. Nevertheless, investors continued to look through the lower GDP figures as the U.S. economy added 257,000 jobs in January, signaling a further tightening in the labor market.

Looking forward, the United States economy should continue its recovery, though it becomes clear that the tightening of the labor market must be tied to wage growth in order to instigate a widespread recovery. Additionally, the dichotomy between central bank policies may prove risky for U.S. companies in the earnings cycle, while imported deflation from oil prices may further delay a Fed Rate Hike.

SECTOR SUMMARIES — Month ended February 28th



Consumer Discretionary returned 8.39% nominally this month, a relative underperformance of 0.05%. The Sector's best performing holding this month was Walt Disney, trading up 14.42% nominally. On February 3, Walt Disney reported adjusted EPS of \$1.27 for 1Q2015, beating consensus estimates of \$1.07 per share, on revenues of \$13.39 bn, beating consensus estimates of \$12.86 bn, driven by strong growth in the Company's Consumer Products segment. The Sector's worst performing holding this month was The Gap, returning 1.00% nominally. The Gap reported 4Q2014 adjusted EPS of \$0.75, beating consensus estimates of \$0.74 per share, on revenues of \$4.71 bn, meeting consensus estimates. This included a heavy negative impact from currency headwinds, causing the Company to issue cautious guidance for FY2015.

Consumer Staples returned 2.86% nominally this month, a relative underperformance of 1.25%. The Sector's best performing holding this month was Reynolds American, trading up 11.29% nominally. Reynolds American reported earnings on February 10 and met estimates for both EPS and revenues due to higher pricing and strong primary brand performance. The Sector's worst performing holding this month was Molson Coors, returning (0.05%) nominally. Molson Coors reported earnings on February 10 and missed estimates for EPS due to declining volumes and currency headwinds.

Energy returned 4.64% nominally this month, a relative outperformance of 1.10%. The Sector's best performing holding this month was Valero Energy, trading up 16.66% nominally. While the spread between West Texas Intermediate and Brent crude oil surpassed \$10, Valero Energy was able to capitalize on this large profit margin. The Sector's worst performing holding this month was Enterprise

Product Partners, returning (3.19%) nominally. Enterprise Products Partners announced a 22% decline in 4Q2014 revenues, which was a much larger decline than its largest competitors.

Financials returned 6.15% nominally this month, a relative outperformance of 0.49%. The Sector's best performing holding this month was JPMorgan Chase, trading up 12.69% nominally. The Company announced a \$1.40 bn cost-cutting program by closing 300 branches and lowering excess deposits from institutional investors. The Sector's worst performing holding this month was Prologis, returning (5.38%) nominally. Prologis shares were negatively impacted by the higher interest rate environment experienced during the month, in which the yield on the 10-year treasury note increased by 28.21%, reaching a high of 2.15%.

Healthcare returned 3.13% nominally this month, a relative underperformance of 0.95%. The Sector's best performing holding this month was Actavis, trading up 9.31% nominally. The Company reported 4Q2014 earnings on February 18, significantly beating top and bottom line estimates due to robust growth in each of its business segments, while also raising FY2015 guidance in anticipation of strong synergies from the Allergan acquisition. The Sector's worst performing holding this month was Merck, returning (2.89%) nominally. The Company reported 4Q2014 earnings on February 4, missing top and bottom line estimates, while lowering guidance due to expectations of strong currency headwinds, generic and biosimilar competition, and sales loss from divestitures.

SECTOR SUMMARIES — Month ended February 28th



Industrials returned 5.12% nominally this month, a relative underperformance of 0.07%. The Sector's best performing holding this month was Spirit AeroSystems, trading up 9.26% nominally. This was due to strong earnings that beat market expectations, as headwinds from lower oil prices did not impact the financial performance of the Company. The Sector's worst performing holding this month was Delta Air Lines, returning (5.90%) nominally. Delta traded down due to oil prices trending slightly higher in the month and the negative impact that those higher prices cause to Delta's profit margins, as fuel costs represent 33.00% of the Company's cost structure.

Information Technology returned 9.29% nominally this month, a relative outperformance of 1.30%. The Sector's best performing holding this month was Qualcomm, trading up 16.09% nominally. Qualcomm was fined ¥6 bn (\$975 MM) in anti-monopoly penalties by Chinese regulators (~¥3 bn less than expected), concluding over 2 years of anti-monopoly investigations and sparking a large number of analyst upgrades. The Sector's worst performing holding this month was Facebook, returning 4.03% nominally. Facebook lagged this month due to negative sentiment on slowing quarterly growth as well as data privacy violations in Europe, which sparked multiple privacy investigations in the region.

Materials returned 8.43% nominally this month, a relative outperformance of 0.59%. The Sector's best performing holding this month was DuPont, trading up 9.32% nominally. DuPont traded up in February as the Company continued its proxy battle with Trian Management, and disputed false claims made by activist investor Nelson Peltz. The Sector's worst performing holding this month was

PPG Industries, trading up 5.61%. While PPG was the Sector's worst performing holding this month, the Company traded up, as it launched various new products to take advantage of the growing demand in the Paints & Coatings industry.

Telecommunications returned 6.64% nominally this month, a relative outperformance of 0.09%. The Sector's best performing holding this month was Verizon, trading up 8.18% nominally. Verizon announced that the Company would sell a total of \$15.5 bn in wireline assets to pay for the Company's purchase of AWS-3 Spectrum. The Sector's worst performing holding this month was TELUS, returning 3.67% nominally. TELUS announced that the Company would begin charging customers who exceed their monthly data allowance.

Utilities returned (6.00%) nominally this month, a relative outperformance of 1.00%. The Sector's best performing holding this month was NextEra Energy, Inc., trading down 5.29% nominally. The Company continued to make infrastructural headway on its acquisition of Hawaiian Electric by planning out the state's liquid natural gas transport systems in tandem with Hawaii Gas, while submitting a lease request for land on the south coast of Maui to build the state's largest wind farm. The Sector's worst performing holding this month was Wisconsin Energy Corp., returning (8.59%) nominally. Mayor of Chicago, Rahm Emanuel, expressed concerns about ballooning costs of natural gas pipeline replacement programs. Costs have risen to \$4.6 bn from \$2.2 bn in 2009.

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NITTANY LION FUND | PORTFOLIO ANALYSIS

PORTFOLIO OVERVIEW

Year Beginning Portfolio Value	\$6,868,263.20
Month Beginning Portfolio Value	\$6,739,058.79
Month Close Portfolio Value	\$7,110,297.17
Cash Balance	\$208,981.57

PERFORMANCE

Performance	Monthly	YTD
Nittany Lion Fund	5.51%	3.52%
S&P 500 Index	5.75%	2.57%
NLF vs. S&P 500 ²	(0.24%)	0.95%

KEY STATISTICS

Key Statistics	NLF
Portfolio Beta	0.90
Sharpe Ratio	1.13
Volatility (26 week)	13.44%
Weighted Ave. Market Value	\$147.86 billion
P/E (NTM)*	16.99
YTD Turnover Ratio	11.44%
Annualized Dividend Yield	1.75%

SECTOR ANALYSIS

Sector	Monthly	S&P	Relative
Consumer Discretionary	8.39%	8.44%	(0.05%)
Consumer Staples	2.86%	4.16%	(1.25%)
Energy	4.64%	3.50%	1.10%
Financials	6.15%	5.63%	0.49%
Healthcare	3.13%	4.13%	(0.95%)
Industrials	5.12%	5.19%	(0.06%)
Information Technology	9.29%	7.88%	1.30%
Materials	8.43%	7.79%	0.59%
Telecommunications	6.64%	6.54%	0.09%
Utilities	(6.00%)	(6.93%)	1.00%

CURRENT HOLDINGS

Current Holding	Ticker	Purchase Date	Purchase Price	Price as of 1/30/15 or Purchase ¹	Price as of 2/27/2015	Monthly Return
The Walt Disney Co	DIS	4/13/2012	\$41.85	\$90.96	\$104.08	14.42%
Gap Inc	GPS	10/25/2013	\$36.63	\$41.19	\$41.60	1.00%
Volkswagen AG	VLKAY	3/21/2014	\$48.17	\$44.53	\$49.66	11.51%
Publicis Groupe SA	PUBGY	2/2/2015	\$18.84	\$18.74	\$20.43	9.03%
TJX Companies Inc	TJX	1/31/2011	\$23.75	\$65.94	\$68.64	4.09%
Whirlpool Corp.	WHR	9/25/2014	\$150.89	\$199.08	\$211.95	6.46%
Consumer Discretionary SPDR ETF	XLY	12/15/2014	\$69.67	\$69.99	\$75.97	8.54%
The Kroger Company	KR	6/16/2014	\$48.97	\$69.05	\$71.15	3.04%
Procter & Gamble Co	PG	2/28/2014	\$78.59	\$84.29	\$85.13	1.00%
Reynolds American Inc	RAI	10/16/2013	\$50.91	\$67.95	\$75.62	11.29%
Archer-Daniels-Midland Co	ADM	2/3/2015	\$48.22	\$46.63	\$47.88	2.68%
CVS Health Corporation	CVS	7/7/2014	\$78.36	\$98.16	\$103.87	5.82%
Molson Coors Brewin Company	TAP	10/1/2014	\$72.47	\$75.93	\$75.89	-0.05%
Anheuser-Bush InBev SA	BUD	10/20/2014	\$106.93	\$122.07	\$126.66	3.76%
Halliburton Co	HAL	5/21/2013	\$44.93	\$39.99	\$42.94	7.38%
Marathon Oil Corporation	MRO	10/6/2014	\$36.61	\$26.60	\$27.86	4.74%
Exxon Mobil Corp	XOM	9/13/2011	\$71.55	\$87.42	\$88.54	1.28%
Valero Energy Corp	VLO	10/4/2013	\$34.12	\$52.88	\$61.69	16.66%
EOG Resources Inc.	EOG	11/11/2014	\$98.57	\$89.03	\$89.72	0.78%
National Oilwell Varco Inc	NOV	7/30/2013	\$69.41	\$54.43	\$54.35	-0.15%
Enterprise Products Partners	EPD	4/1/2014	\$35.24	\$34.44	\$33.34	-3.19%
Chevron Corp	CVX	3/5/2013	\$118.19	\$102.53	\$106.68	4.05%
Berkshire Hathaway Inc	BRK/B	12/6/2013	\$116.24	\$137.25	\$147.41	7.40%
Allstate Corp	ALL	3/11/2013	\$49.11	\$69.79	\$70.60	1.16%
Discover Financial Services	DFS	5/7/2014	\$56.41	\$54.38	\$60.98	12.14%
Prologis Inc	PLD	1/2/2014	\$36.80	\$45.14	\$42.71	-5.38%
Wells Fargo & Co	WFC	7/9/2010	\$29.41	\$51.92	\$54.79	5.53%
Goldman Sachs Group Inc/The	GS	5/30/2012	\$94.88	\$172.41	\$189.79	10.08%
Affiliated Managers Group Inc.	AMG	10/10/2014	\$191.72	\$205.52	\$216.42	5.30%
TCF Financial Corporation	TCB	1/7/2015	\$14.77	\$14.70	\$15.69	6.73%
JPMorgan Chase & Co	JPM	2/18/2014	\$58.55	\$54.38	\$61.28	12.69%
iShares Biotech ETF	IBB	5/19/2014	\$231.81	\$321.65	\$337.47	4.92%
Gilead Sciences Inc	GILD	3/26/2014	\$73.79	\$104.83	\$103.53	-1.24%
Actavis PLC	ACT	11/4/2014	\$245.01	\$266.54	\$291.36	9.31%
Merck & Co Inc	MRK	6/26/2014	\$58.37	\$60.28	\$58.54	-2.89%
Stryker Corp	SYK	3/21/2014	\$81.78	\$91.05	\$94.75	4.06%
McKesson Corp	MCK	2/11/2014	\$174.22	\$212.65	\$228.70	7.55%
Medtronic Inc	MDT	1/2/2014	\$57.25	\$71.40	\$77.59	8.67%
Johnson & Johnson	JNJ	10/10/2014	\$101.72	\$100.14	\$102.51	2.37%
General Electric Company	GE	12/14/2011	\$16.68	\$23.89	\$25.99	8.79%
FedEx Corp	FDX	4/28/2014	\$134.93	\$169.11	\$176.98	4.65%
Cummins Inc	CMI	4/12/2013	\$116.88	\$139.46	\$142.23	1.99%
Northrop Grumman Corp	NOC	1/26/2015	\$155.30	\$156.95	\$165.71	5.58%
Delta Air Lines Inc.	DAL	3/14/2014	\$34.18	\$47.31	\$44.52	-5.90%
Spirit AeroSystems Holdings, Inc.	SPR	6/6/2014	\$33.79	\$45.04	\$49.21	9.26%
Google Inc	GOOGL	2/12/2007	\$260.91	\$537.55	\$562.63	4.67%
Facebook Inc	FB	10/28/2014	\$80.10	\$75.91	\$78.97	4.03%
EMC Corp	EMC	7/23/2014	\$28.81	\$25.93	\$28.94	11.61%
Fortinet Inc	FINI	2/25/2014	\$23.10	\$29.90	\$33.61	12.43%
Apple Inc	AAPL	9/8/2011	\$60.94	\$117.16	\$128.46	9.64%
Broadcom Corp	BRCM	10/20/2014	\$36.12	\$42.44	\$45.23	6.59%
Verint Systems Inc	VRNT	6/17/2013	\$34.00	\$53.38	\$60.88	14.04%
Qualcomm Inc	QCOM	6/19/2012	\$57.11	\$62.46	\$72.51	16.09%
PPG Industries	PPG	12/8/2009	\$59.35	\$222.88	\$235.38	5.61%
Lyondell Basell Industries	LYB	4/10/2013	\$60.45	\$79.09	\$85.91	8.62%
El du Pont de Nemours & Co	DD	11/9/2011	\$48.75	\$71.21	\$77.85	9.32%
Kaiser Aluminum Corp	KALU	5/16/2013	\$64.43	\$69.31	\$75.55	9.00%
AT&T Inc	T	9/20/2011	\$29.14	\$32.92	\$34.56	4.98%
TELUS Corporation	TU	12/10/2014	\$35.06	\$34.30	\$35.56	3.67%
Verizon Communications	VZ	5/1/2009	\$30.29	\$45.71	\$49.45	8.18%
Dominion Resources	D	6/9/2011	\$48.66	\$76.89	\$72.09	-6.24%
Xcel Energy Inc.	XEL	6/26/2014	\$31.65	\$37.53	\$35.28	-6.00%
NextEra Energy Inc	NEE	4/27/2012	\$64.34	\$109.24	\$103.46	-5.29%
Wisconsin Energy Corporation	WEC	5/21/2009	\$18.53	\$55.77	\$50.98	-8.59%