

PENNSYLVANIA STATE UNIVERSITY



SMEAL College of Business



NITTANY LION FUND, LLC

MONTHLY REPORT

May 2015





NITTANY LION FUND, LLC | THE MONTHLY REPORT

Alumni Spotlight

Where Are They Now?

Michael Mathis graduated from Penn State in 2013 with a degree in Finance. Mike joined the Nittany Lion fund as a sophomore in the Healthcare sector as an Associate Analyst, became the Lead Analyst, and then transitioned as the Director of Education. During the summer of 2011, he interned at Tobin and Company Investment Banking Group in Charlotte, NC, advising tech companies. Mike interned at Goldman Sachs in their Healthcare group the following summer and received a full-time offer. After almost two years as an Analyst at Goldman, Mike recently joined Numina Capital Management, an equity long/short event-driven hedge fund focused on spin-offs, M&A, and a number of corporate events. He can be reached at mcm5340@gmail.com



Alex Zabaloieff graduated from Penn State in 2011 with a BS in Finance. During his time with The Nittany Lion Fund from 2009-2012, he served as the Lead Analyst of the Healthcare sector. In the summer of 2009, he interned for Taylor Companies, Inc (a boutique investment bank based in Washington DC) and subsequently interned for J.P. Morgan in their Healthcare Investment Banking group in 2010. Upon graduation, Alex returned to J.P. Morgan for a two year investment banking program in New York. Alex currently works in Washington, DC with the private equity firm American Capital Equity, focusing on the healthcare and business services sectors. He can be reached atzabaloieff.alexander@gmail.com



TJ Smith graduated from Penn State in 2010 with a degree in Finance. TJ joined the Nittany Lion fund as a sophomore in the Utilities sector as an Associate Analyst and then transitioned to the Director of Equity Research position. During his senior year at Penn State, TJ decided to pursue a career in investment banking and received a full-time offer at Bank of America Merrill Lynch in their Energy and Power group. In 2012, after two years as an Analyst at Bank of America Merrill Lynch, TJ joined Rockland Capital, a power-focused private equity fund in Houston, Texas. After two years at Rockland Capital, he transitioned to the TMT space, joining ZelnickMedia Capital, a middle-market PE shop in New York City this past summer. He can be reached at tj.smith1922@gmail.com



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BDT Capital Visit

Henry and Eric Clair

On April 23, Henry Yeagley and Eric Clair from BDT Capital visited the Nittany Lion Fund managers in the Rodgers Trading Room. Henry graduated from Penn State in 2008. Eric graduated from Penn State in 2011. During his time at Penn State, Eric was both an associate manager and a lead in the The Nittany Lion Fund. Both worked as analysts in the Investment Banking Division at JPMorgan Chase before their current role at BDT Capital. Henry worked at JPMorgan from 2008 and then joined BDT Capital in 2011. Eric, on the other hand, worked at JPMorgan from 2011 and joined BDT Capital in 2013. Henry is currently an Associate, while Eric is currently an analyst.

Both Henry and Eric talked about their experiences working at the merchant bank. In 2009, Byron Trott started BDT Capital after leaving Goldman Sachs. The bank primarily focuses primarily on advising and investing in family-controlled businesses. Some of the Company's advisory clients include the Pritzker, Koch, and Waltons. From an investing standpoint, BDT has invested in Peet's Coffee & Tea, Weber-Stephen Products, and Einstein Bros.



CIO Commentary

April 2015

Equity markets in April were a mixed bag of competing economic and market data points. These competing market forces led to a modest rise in Global Equities and a strong rebound in the Energy sector, though the advent of poor United States economic growth and job data led to changed investor expectations, including the timing of the pending interest rate hike amongst others. Broadly speaking, global macro-economic headlines continued to drive equity markets as focus points of the month included further setbacks to the United States economic recovery, volatility in the Energy market, and further developments to the Greek debt negotiation saga.

Domestically, poor Gross Domestic Product data showed that U.S. GDP increased at an annual rate of 0.2%, citing harsher than expected East Coast winter weather and the effect of West Coast port shut-downs. The poor first reading raised many questions regarding the viability and strength of the perceived and expected U.S. economic recovery. Additionally, lower than expected PMI, inflation, and jobs numbers, have highlighted the weaknesses in the domestic market, causing the Federal Reserve to continue to push back expectations of its pending rate-hike. At its April rate-setting meeting, Janet Yellen focused on the "transitory" weakness of the first quarter as well as the impact that the strengthening dollar has had on foreign trade. Nevertheless, expectations of rising interest rates have crept into the bond market, as the yield on the 10-year treasury rose in the month of April.

Energy markets rebounded in the month of April as the price of oil—tied to the overarching supply of crude in the United States, began to tick upward as Exploration and Production companies began to pare back their producing rigs. The reduction of their current and expected rig counts helped oil prices rally to their highest point in 2015. The rebound in oil prices left many investors scratching their heads wondering when, if ever, the data would signal or suggest a rebound in the consumer and retail markets.

Further development to the European banking policy and Greece's debt concerns continued to provide competing market forces. Euro-zone business activity generally increased in response to the Quantitative Easing policy implemented in March, and the aggressive policy sparked a strong first-quarter rally in European Stocks and Bonds. However, competing market forces came from further developments to the Greek Debt crisis. New political leadership was forced to renegotiate terms on a \$240 bn Euro international bailout while the Greek government ordered regional municipalities to overturn their tax revenues to further stave off a loan default.

Looking forward, the United States economy must continue toward its path to recovery, though it is clear that the lack of manufacturing and job growth will provide headwinds. Finally, the expectations for a Federal Funds rate hike—through predicated on improving economic data, continue to grow for the third quarter. Investors will be looking towards the next FOMC in June for further insights into the plans of the Federal Reserve.



Sector of the Month

Materials



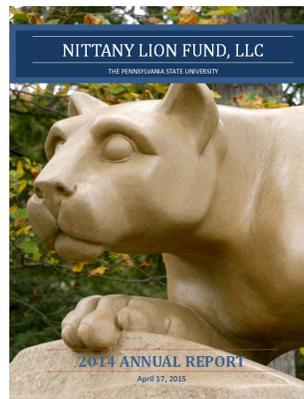
The Materials Sector returned 10.14% nominally in April, a relative outperformance of 6.85%. Performance was driven by Freeport-McMoran, as well as rebounding oil prices reinsured investor confidence in LyondellBasell’s ability to sustain its margins.

Freeport-McMoRan returned 22.80% in April, trading up as increases in copper, gold, and oil assuaged investors concerns about Freeport’s ability to pay its debt obligations. Multiple firms have upgraded shares of Freeport to either “Buy” or “Overweight”. These increases occurred after concerns regarding Freeport’s margins have been reduced due to production cost reductions and increasing volumes.

LyondellBasell returned 17.90% in April, trading up as rallies in oil prices throughout the month reassured investors that the company will maintain a margin advantage by using ethane as an input in its North American production of ethylene. When producing ethylene, chemical companies will either use natural gas-based ethane or crude-based naphtha as inputs. LyondellBasell uses ethane in its North American operations and naphtha in its European production.

2015 Annual Meeting Recap

April 17, 2015



On April 17, the Nittany Lion Fund hosted its 10th annual investor meeting, which was attended by both investors and alumni. The meeting was held at the Smeal College of Business’ Business Building and was meant to provide insight into both the Nittany Lion Fund’s performance in 2014 as well as every sector’s outlook for the remainder of 2015.

The meeting started with the Executive Board of the Nittany Lion Fund providing an overview about fulltime placements for internships and careers in 2015, broad investing strategies, and insight into the Fund’s 2014 performance. Following the Executive Board, the CEO of the Nittany Lion Fund, Dr. Woolridge, spoke about initiatives that the Fund has taken over the year, as well as highlighting the reasons for the Nittany Lion Fund’s strong Wall Street placement. From there, each sector was given the opportunity to talk about its current holdings as well as future outlook. Investors and alumni in the audience were then given the opportunity to ask the sector any questions that they may have had. The meeting was concluded with announcements and remarks from the Chairman of the Board of Directors, Art Miltenberger.

The Nittany Lion Fund would like to sincerely thank everyone who was able to attend the Annual Meeting. If you would like a copy of the annual presentation, or a video of the meeting itself, please contact Ed Goodall at etg122@gmail.com.

SECTOR SUMMARIES — Month Ended April 30th



HALLIBURTON

Goldman
Sachs



Consumer Discretionary returned (2.07%) nominally this month, a relative underperformance of (2.03%). The Sector's best performing holding this month was Publicis Groupe, trading up 8.90% nominally. Publicis Groupe's reported 1Q2015 earnings in April, with revenues growing 32.0% y/y due to favorable currency tailwinds and growth in digital display advertising. The Sector's worst performing holding this month was Whirlpool, returning (13.10%) nominally. Whirlpool's poor performance for the month of April is largely attributable to the recent surge in the strength of the dollar relative to other major currencies, which caused the Company to miss both sales and earnings estimates.

Consumer Staples returned (2.35%) nominally this month, a relative underperformance of 1.60%. The Sector's best performing holding this month was Reynolds American, trading up 6.37% nominally. Reynolds American reported 1Q2015 earnings this month and beat estimates on both EPS and revenues due to strong performance from all of the Company's business segments. The Sector's worst performing holding this month was Kroger, returning (10.11%) nominally. Kroger reached an agreement this month to increase the pay for 14,000 of its employees as it faces the industry wide pressures of raising the wages for its employees.

Energy returned 4.60% nominally this month, a relative underperformance of (1.91%). The Sector's best performing holding this month was Halliburton, trading up 11.55% nominally. Halliburton benefited most from the rise of crude oil prices, with West Texas Intermediate crude reaching \$59.00, and Brent touching \$66.00.

The Sector's worst performing holding this month was Exxon Mobil, returning 2.79% nominally. Exxon Mobil reported 1Q2015 earnings last month, citing a 46% loss in profit, more than most competitors who have reported this year.

Financials returned 0.98% nominally this month, a relative outperformance of 0.80%. The Sector's best performing holding this month was Goldman Sachs, trading up 4.50% nominally. Goldman Sachs benefitted from increased trading revenues and underwriting growth in 1Q2015, leading to a strong beat on both the top and bottom line. The Sector's worst performing holding this month was Prologis, returning (7.71%) nominally. Prologis was significantly hurt by rising interest rates, as the yield on the ten year Treasury note rose 8.51% in April, due in large part to strong economic data.

Healthcare returned (1.69%) nominally this month, a relative underperformance of 0.35%. The Sector's best performing holding this month was Merck, trading up 3.62% nominally. The Company reported 1Q2015 earnings on April 28, beating top and bottom line estimates despite currency headwinds due to strong sales of oncology and diabetes treatments as well as the continued integration of the Cubist Pharmaceuticals acquisition. The Sector's worst performing holding this month was Thermo Fisher Scientific, returning (6.45%) nominally. The Company reported 1Q2015 earnings on April 22, beating bottom line estimates but missing top line expectations due to weak spending from government and academic end markets as well as significant currency headwinds.

SECTOR SUMMARIES — Month Ended April 30th



Industrials returned 0.68% nominally this month, a relative outperformance of 0.70%. The Sector's best performing holding this month was General Electric, trading up 9.15% nominally. This was due to the Company's announcement that it would be divesting large portions of its GE Capital segment and focusing on its industrials core business, while distributing more cash to shareholders. The Sector's worst performing holding this month was Northrop Grumman, returning (4.30%) nominally. This was due to market expectations trailing off regarding the possibility that Northrop will win the Long Range Strike Bomber contract.

Information Technology returned 2.14% nominally this month, a relative underperformance of 0.18%. The Sector's best performing holding this month was Microsoft, trading up 19.64% nominally. The Company reported strong 3QFY2015 earnings this month, beating on both top and bottom due to record cloud growth. The Sector's worst performing holding this month was Texas Instruments, returning (5.20%) nominally. Texas Instruments reported 1Q2015 earnings this month, missing on both top and bottom due to weaker than expected quarterly PC sales.

Materials returned 10.14% nominally this month, a relative outperformance of 6.85%. The Sector's best performing holding this month was Freeport-McMoRan, trading up 22.80% nominally. Freeport has traded up as the increases in copper, gold, and oil prices have assuaged investors' concerns about the Company's ability to repay its outstanding debt. The Sector's worst performing holding this month was PPG Industries,

returning (1.76%) nominally. PPG Industries traded down as investors grew worried that the increase in crude oil prices is putting pressure on the Company's margins.

Telecommunications returned 5.08% nominally this month, a relative underperformance of 0.73%. The Sector's best performing holding this month was AT&T, trading up 6.09% nominally. On April 23, AT&T announced that it would offer \$17.5 bn in new notes which was seen by the market as an indicator that management is confident that the AT&T and DirecTV merger will be approved by regulators. The Sector's worst performing holding this month was Verizon, returning 3.72% nominally. On April 19, Verizon began offering its new skinny bundle for FiOS TV customers, however, the Company immediately received resistance from content providers, such as Disney.

Utilities returned (1.27%) nominally this month, a relative underperformance of 0.82%. The Sector's best performing holding this month was Dominion Resources Inc., trading up 1.14% nominally. In an effort to comply with new EPA requirements, Dominion Virginia Power, a subsidiary of the Company, decided to close its coal ash ponds at four different power plants. The Sector's worst performing holding this month was NextEra Energy Inc., returning (3.00%) nominally. NextEra Energy Inc. reported earnings in April beating top and bottom line estimates, as earnings were driven by strong performance from the Company's competitive energy business and strategic solar investments.



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NITTANY LION FUND | PORTFOLIO ANALYSIS

PORTFOLIO OVERVIEW

Year Beginning Portfolio Value	\$6,868,263.20
Month Beginning Portfolio Value	\$7,008,291.62
Month Close Portfolio Value	\$7,053,924.60
Cash Balance	\$310,499.12

PERFORMANCE

Performance	Monthly	YTD
Nittany Lion Fund	0.65%	2.70%
S&P 500 Index	0.96%	1.92%
NLF vs. S&P 500 ²	(0.31%)	0.78%

KEY STATISTICS

Key Statistics	NLF
Portfolio Beta	1.02
Sharpe Ratio	0.95
Volatility (26 week)	11.69%
Weighted Ave. Market Value	\$153.42 billion
P/E (NTM)*	20.43
YTD Turnover Ratio	19.54%
Annualized Dividend Yield	1.74%

SECTOR ANALYSIS

Sector Analysis	Monthly	S&P	Relative
Consumer Discretionary	(2.07%)	(0.04%)	(2.03%)
Consumer Staples	(2.35%)	(0.76%)	(1.60%)
Energy	4.60%	6.64%	(1.91%)
Financials	0.98%	0.18%	0.80%
Healthcare	(1.69%)	(1.34%)	(0.35%)
Industrials	0.68%	(0.01%)	0.70%
Information Technology	2.14%	2.33%	(0.18%)
Materials	10.14%	3.08%	6.85%
Telecommunications	5.08%	5.85%	(0.73%)
Utilities	(1.27%)	(0.45%)	(0.82%)

CURRENT HOLDINGS

Current Holding	Ticker	Purchase Date	Purchase Price	Price as of 3/31/15 or Purchase ¹	Price as of 4/30/2015	Monthly Return
Walt Disney Co/The	DIS	4/13/2012	\$41.85	\$104.89	\$108.72	3.65%
Gap Inc/The	GPS	10/25/2013	\$36.63	\$43.33	\$39.64	-8.52%
Publicis Groupe SA	PUBGY	2/2/2015	\$18.84	\$19.29	\$21.00	8.90%
TJX Cos Inc/The	TJX	1/31/2011	\$23.75	\$70.05	\$64.54	-7.87%
Volkswagen AG	VLKAY	3/21/2014	\$48.17	\$51.25	\$51.02	-0.45%
Whirlpool Corp	WHR	9/25/2014	\$150.89	\$202.06	\$175.60	-13.10%
NIKE Inc	NKE	3/10/2015	\$96.73	\$100.33	\$98.84	-1.49%
Chipotle Mexican Grill Inc	CMG	4/24/2015	\$635.80	\$650.54	\$621.34	-4.49%
Anheuser-Busch InBev NV	BUD	10/20/2014	\$106.93	\$121.91	\$120.04	-1.53%
CVS Health Corp	CVS	7/7/2014	\$78.36	\$103.21	\$99.29	-3.80%
Kroger Co/The	KR	6/16/2014	\$48.97	\$76.66	\$68.91	-10.11%
Archer-Daniels-Midland Co	ADM	2/23/2015	\$48.22	\$47.40	\$48.88	3.12%
Procter & Gamble Co/The	PG	2/28/2014	\$78.59	\$81.94	\$79.51	-2.97%
Reynolds American Inc	RAI	10/16/2013	\$50.91	\$68.91	\$73.30	6.37%
Molson Coors Brewing Co	TAP	10/1/2014	\$72.47	\$74.45	\$73.51	-1.26%
Chevron Corp	CVX	3/5/2013	\$118.19	\$104.98	\$111.06	5.79%
EOG Resources Inc	EOG	11/11/2014	\$98.57	\$91.69	\$98.95	7.92%
Enterprise Products Partners L	EPD	4/1/2014	\$35.24	\$32.93	\$34.25	4.01%
Halliburton Co	HAL	5/21/2013	\$44.93	\$43.88	\$48.95	11.55%
Valero Energy Corp	VLO	10/4/2013	\$34.12	\$63.62	\$56.90	-10.56%
Exxon Mobil Corp	XOM	9/13/2011	\$71.55	\$85.00	\$87.37	2.79%
Allstate Corp/The	ALL	3/11/2013	\$49.11	\$71.17	\$69.66	-2.12%
BlackRock Inc	BLK	3/16/2015	\$373.77	\$365.84	\$363.94	-0.52%
American International Group I	AIG	3/26/2015	\$54.27	\$54.79	\$56.29	2.74%
Discover Financial Services	DPS	5/7/2014	\$56.41	\$56.35	\$57.97	2.87%
Goldman Sachs Group Inc/The	GS	5/30/2012	\$94.88	\$187.97	\$196.42	4.50%
JPMorgan Chase & Co	JPM	2/18/2014	\$58.55	\$60.58	\$63.26	4.42%
Prologis Inc	PLD	1/2/2014	\$36.80	\$43.56	\$40.20	-7.71%
TCF Financial Corp	TCB	1/7/2015	\$14.77	\$15.72	\$15.66	-0.38%
Wells Fargo & Co	WFC	7/9/2010	\$29.41	\$54.40	\$55.10	1.29%
Actavis plc	ACT	11/4/2014	\$245.01	\$297.62	\$282.86	-4.96%
Gilead Sciences Inc	GILD	3/26/2014	\$73.79	\$98.13	\$100.51	2.43%
iShares Nasdaq Biotechnology E	IBB	5/19/2014	\$231.81	\$343.43	\$333.66	-2.84%
Johnson & Johnson	JNJ	10/10/2014	\$101.72	\$100.60	\$99.20	-1.39%
McKesson Corp	MCK	2/11/2014	\$174.22	\$226.20	\$223.40	-1.24%
Medtronic PLC	MDT	1/2/2014	\$57.25	\$77.99	\$74.45	-4.54%
Merck & Co Inc	MRK	6/26/2014	\$58.37	\$57.48	\$59.56	3.62%
Thermo Fisher Scientific Inc	TMO	4/2/2015	\$133.15	\$134.34	\$125.68	-6.45%
Cigna Corp	CI	4/22/2015	\$129.55	\$129.44	\$124.64	-3.71%
Cummins Inc	CMI	4/12/2013	\$116.88	\$138.64	\$138.26	-0.27%
United Rentals Inc	URI	4/6/2015	\$93.65	\$91.16	\$96.58	5.95%
FedEx Corp	FDX	4/28/2014	\$134.93	\$165.45	\$169.57	2.49%
General Electric Co	GE	12/14/2011	\$16.68	\$24.81	\$27.08	9.15%
Northrop Grumman Corp	NOC	1/26/2015	\$155.30	\$160.96	\$154.04	-4.30%
Spirit AeroSystems Holdings In	SPR	6/6/2014	\$33.79	\$52.21	\$50.89	-2.53%
Apple Inc	AAPL	9/8/2011	\$60.94	\$124.43	\$125.15	0.58%
Broadcom Corp	BRCM	10/20/2014	\$36.12	\$43.30	\$44.21	2.10%
Microsoft Corp	MSFT	3/2/2015	\$43.74	\$40.66	\$48.64	19.64%
Facebook Inc	FB	10/28/2014	\$80.10	\$82.22	\$78.77	-4.19%
Fortinet Inc	FTNT	2/25/2014	\$23.10	\$34.95	\$37.74	7.98%
Google Inc	GOOGL	2/12/2007	\$260.91	\$554.70	\$548.77	-1.07%
Texas Instruments Inc	TXN	3/30/2015	\$57.87	\$57.19	\$54.21	-5.20%
Verint Systems Inc	VRNT	6/17/2013	\$34.00	\$61.93	\$61.43	-0.81%
El du Pont de Nemours & Co	DD	11/9/2011	\$48.75	\$71.47	\$73.20	2.42%
Freeport-McMoRan Inc	FCX	4/2/2015	\$19.03	\$18.95	\$23.27	22.80%
LyondellBasell Industries NV	LYB	4/10/2013	\$60.45	\$87.80	\$103.52	17.90%
PPG Industries Inc	PPG	12/8/2009	\$59.35	\$225.54	\$221.56	-1.76%
AT&T Inc	T	9/20/2011	\$29.14	\$32.65	\$34.64	6.09%
TELUS Corp	TU	12/10/2014	\$35.06	\$33.24	\$34.62	4.15%
Verizon Communications Inc	VZ	5/1/2009	\$30.29	\$48.63	\$50.44	3.72%
Dominion Resources Inc/VA	D	6/9/2011	\$48.66	\$70.87	\$71.68	1.14%
NextEra Energy Inc	NEE	4/27/2012	\$64.34	\$104.05	\$100.93	-3.00%
Wisconsin Energy Corp	WEC	5/21/2009	\$18.53	\$49.50	\$49.12	-0.77%
NiSource Inc	NI	3/20/2015	\$44.00	\$44.16	\$43.42	-1.68%