

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Quint Tatro, Investment Committee Community Member and
Managing Director and Chief Investment Officer, Joule Financial



Student Managed Investment Fund (SMIF) Portfolio Update

Presenters



Elena Messuro
Senior
Finance and Accounting



Erin Howell
Senior
Accounting, Economics
and Finance

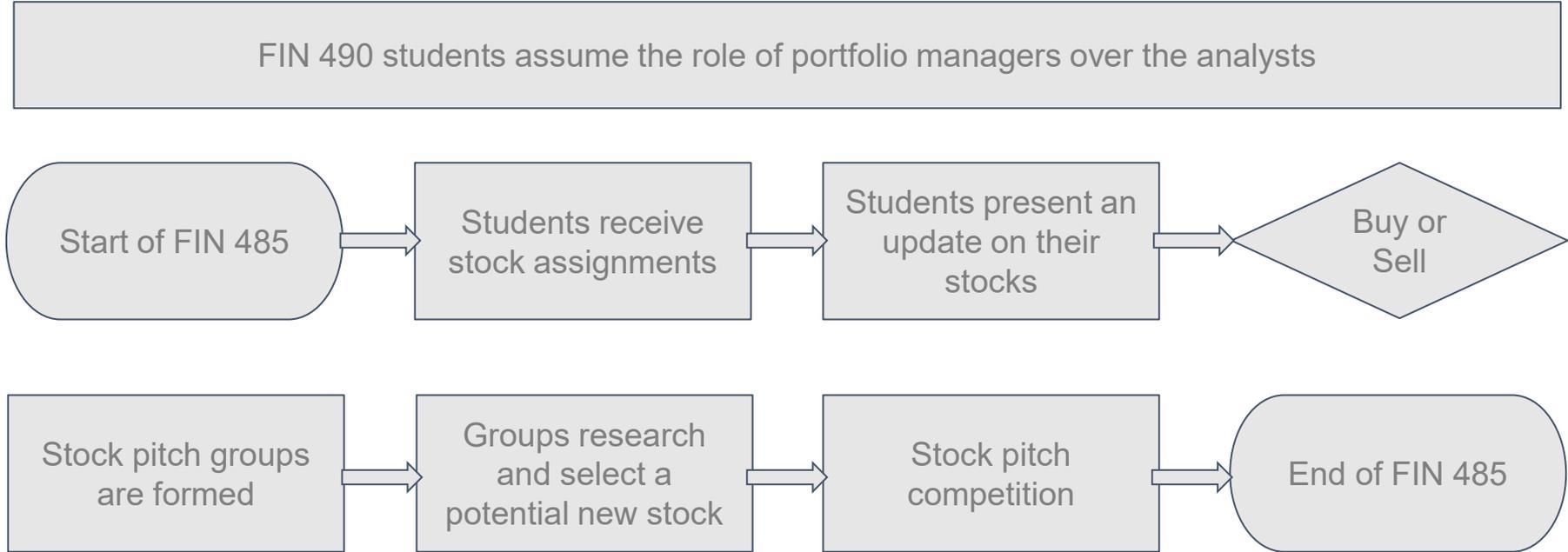


Ryan Scanlon
Senior
Finance, Management
and Analytics



Scott Schoeffler
Junior
Finance and Accounting

Class Structure



Portfolio

TOP 10 HOLDINGS

Apple	5.84%
Goldman Sachs	5.33%
Oracle	5.06%
Alphabet	4.90%
Intel	4.79%
Western Union	4.71%
LKQ	4.68%
JPMorgan	4.44%
Skyworks	4.42%
F5 Networks	4.04%

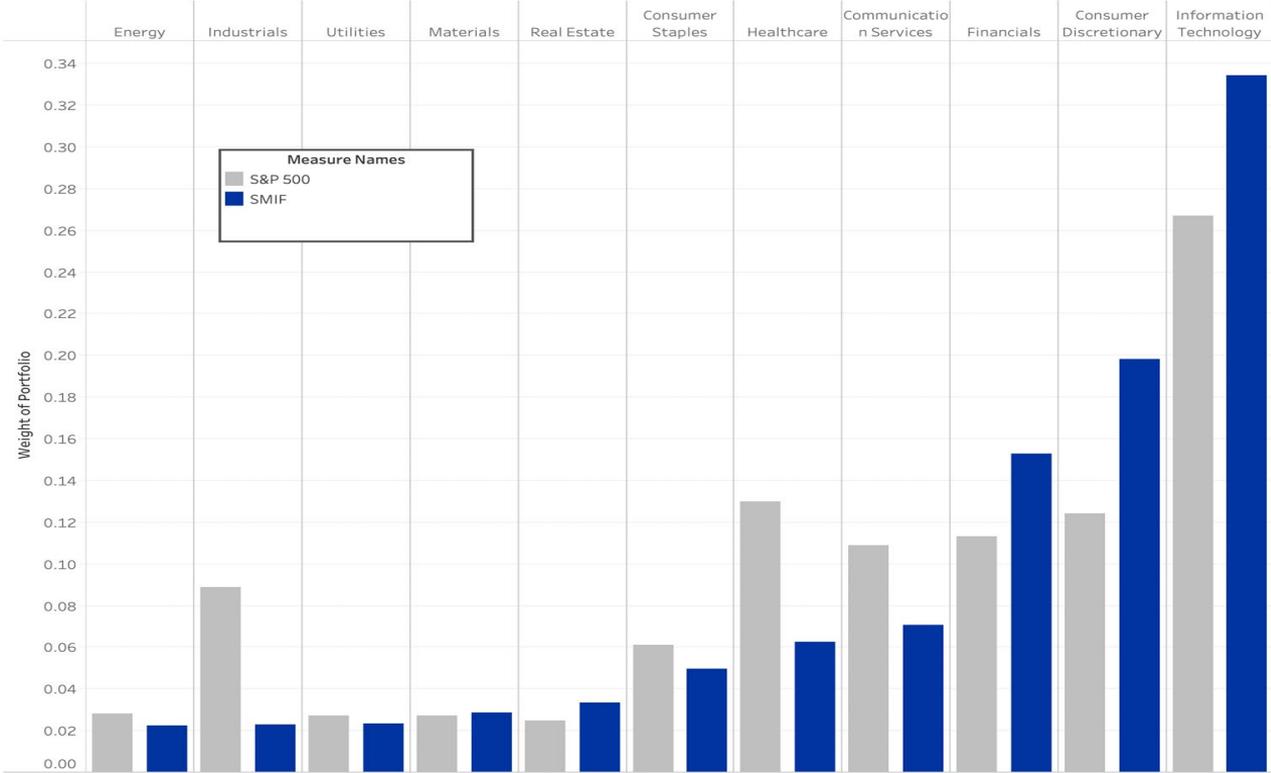
SECTOR BREAKDOWN

Communication Service	6.69%
Consumer Discretionary	18.08%
Consumer Staples	4.68%
Energy	2.11%
Financials	14.27%
Healthcare	6.10%
Industrials	2.17%
Information Technology	31.23%
Materials	2.71%
Real Estate	3.30%
Utilities	2.28%

MARKET CAP BREAKDOWN

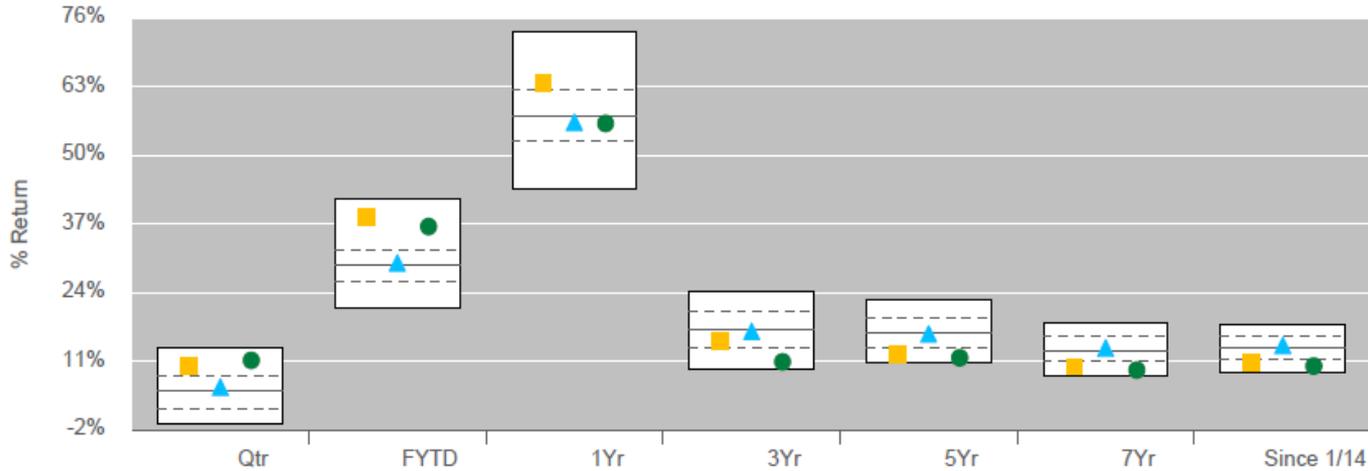
Mega (\$100B+)	44.83%
Large (\$10-\$100B)	37.93%
Mid (\$2-\$10B)	17.24%

SMIF Sector Weights vs. S&P 500



Portfolio Performance Comparison

For Report Periods Ending March 31, 2021

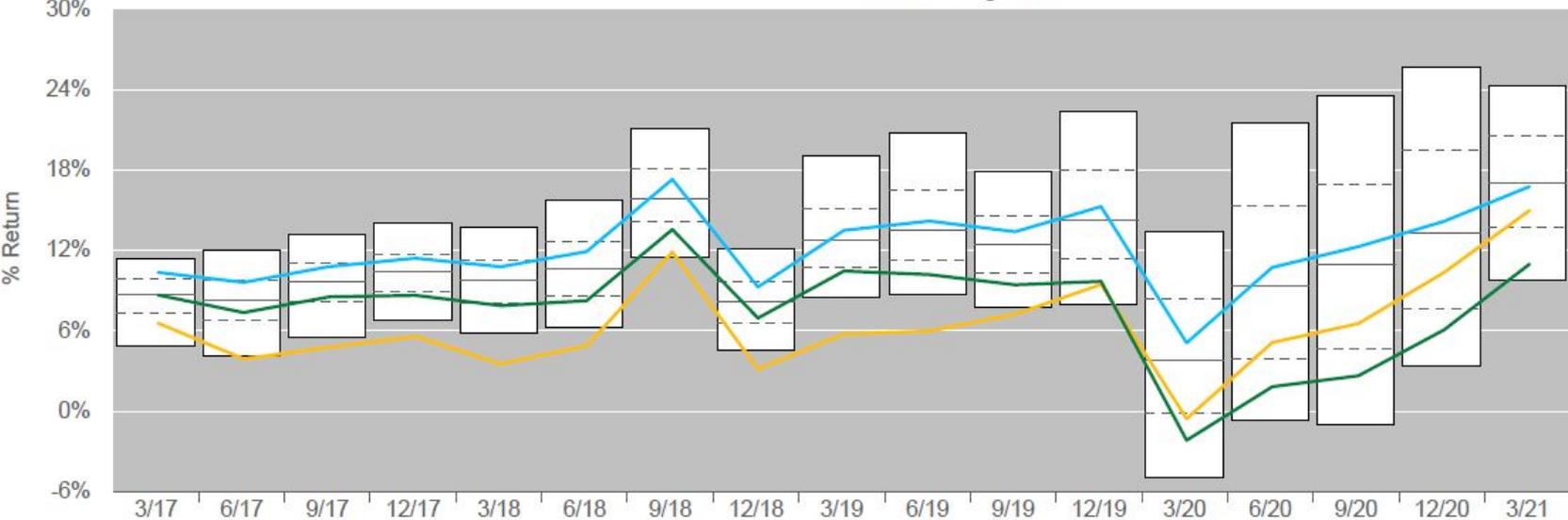


	Qtr	FYTD	1Yr	3Yr	5Yr	7Yr	Since 1/14
■ - UK Student Mgd. Investment Fund - Active	10.1%	38.3%	63.8%	15.0%	12.3%	10.0%	10.7%
▲ - S&P 500 Index	6.2	29.7	56.3	16.8	16.3	13.6	14.1
● - Russell 1000 Value Index	11.3	36.6	56.1	11.0	11.7	9.4	10.2

Trailing 3-Year Performance

- - UK Student Mgd. Investment Fund - Active
- ▲ - S&P 500 Index
- - Russell 1000 Value Index

Report From March 31, 2014, to March 31, 2021
3-Year Rolling Periods



Performance Year-to-Date (YTD)

	Market Value/Price on 12/31/2020	Market Value/Price-to- Date	YTD Return:
SMIF	\$3,770,789.97	\$4,206,793.46	11.56%
S&P 500	\$373.88	\$412.86	10.43%
Russell 1000	\$136.73	\$154.5	12.96%

“The Great Market Rotation”

- Market has been overweight in technology stocks
- We have started to see a transition from growth to value
- Class structure allows us to capitalize on gains and trim against risks when necessary, which is reflective in our performance
- Main objective remains to find value in companies that the rest of the market is not seeing

YTD Performance Comparison: S&P vs. Russell 1000



Intel Corporation



- American multinational corporation and technology company headquartered in Santa Clara, California
- Acquisition made this semester
- Data center group leading the way
 - 94% market share, 11% year-over-year growth
- Partnership with IBM
 - Improve chip performance and efficiency
- Strong emphasis on semiconductor industry going forward
 - Auto industry experiencing shortage
 - One of few chip makers in the U.S.



Intel Valuation



INTEL CORPORATION (XNAS:INTC)

Levered Beta	0.74
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H-Model Projected Sales Growth	2021	2022	2023	2024	Constant Growth
	10%	8%	6%	5%	3%

Discount Rate	
Market Cap	\$ 263,567,000
Debt	\$ 33,879,000
Firm Value (Assets)	\$ 297,446,000
Debt/Value	11.39%
Equity	\$ 263,567,000
Equity/Value	88.61%
Cost of Debt	2.0%
Cost of Equity	5.99%
WACC	5.5373%

Equity/Share	Price/Share	Recommendation
\$ 121.83	\$ 64.87	Good Investment

MOS: 47%

* MOS = 25%

Term/k	3%	3.5%	4%	4.5%
5 %	\$157.73	\$210.25	\$315.30	\$630.42
6%	\$101.22	\$121.48	\$151.86	\$202.50
6.5%	\$85.08	\$99.29	\$119.18	\$149.02
7%	\$72.98	\$83.45	\$97.40	\$116.94
7.5%	\$63.57	\$71.57	\$81.85	\$95.56
8%	\$56.05	\$62.34	\$70.19	\$80.29

Market Data	
Risk Free Rate	1.70%
Expected Return (Market)	7.50%

Using IDM 2.0
w/ k = 5.54%

H-Model Projected Sales Growth	2021	2022	2023	2024	Constant Growth
	8%	8%	12%	15%	3%

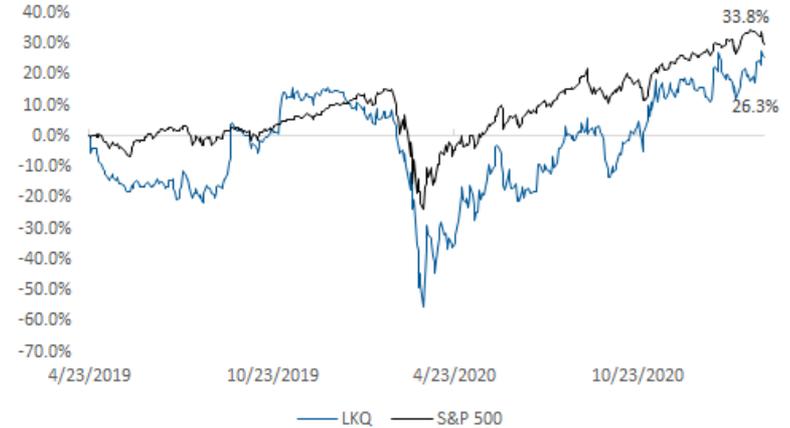
Equity/Share	Price/Share	Recommendation
\$ 139.24	\$ 64.87	Good Investment

MOS: 53%



LKQ Corporation

- Founded in 1998 and distributes a variety of car parts for repairs to both repair shops and individuals
- Grows inorganically via acquisitions
 - Leverage has not grown much despite acquisitions
- Strong competitive moat
- Considering comps; such as Genuine Parts Corporation, Copart and KAR Auction Services; they are toward the bottom but should begin to surpass or catch up
- Risks: thin margins and growth internationally



One Year Performance vs. S&P 500

LKQ Corporation Valuation

	2019A	2020A	2021P	2022P	2023P	2024P	2025P
Revenue	\$12,506	\$11,629	\$11,978	\$12,457	\$12,955	\$13,344	\$13,744
Revenue Growth	5.30%	-7.01%	3.00%	4%	4%	3%	3%
Gross Profit	4,872	4,600	4,791	4,983	5,182	5,337	5,498
Margin	38.96%	39.56%	40.00%	40.00%	40.00%	40.00%	40.00%
EBIT	1000.4	1054.5	\$1,077.99	\$1,121.11	\$1,165.95	\$1,200.93	\$1,236.96
EBIT Margin	8.00%	9.07%	9.00%	9.00%	9.00%	9.00%	9.00%
Less: Taxes	215.3	249.5	\$301.84	\$313.91	\$326.47	\$336.26	\$346.35
Tax Rate	28.40%	28.40%	28.00%	28.00%	28.00%	28.00%	28.00%
NOPAT	\$785.10	\$805.00	\$776.15	\$807.20	\$839.49	\$864.67	\$890.61
Add: D&A	312	294	\$ 299.44	\$ 280.28	\$ 259.10	\$ 266.87	\$ 240.52
D&A % of Capex	117.44%	170.21%	100.00%	90.00%	80.00%	80.00%	70.00%
Add: SBC	\$ 27.70	\$ 29.08	\$ 29.94	\$ 31.14	\$ 32.39	\$ 33.36	\$ 34.36
SBC % of rev	0.22%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Less: NWC	-85.64	-464.23	(\$239.55)	(\$249.14)	(\$259.10)	(\$266.87)	(\$274.88)
NWC % of Rev	-0.68%	-3.99%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Less: Capex	266	173	\$299.44	\$311.42	\$323.88	\$333.59	\$343.60
Capex % of Rev	2.12%	1.49%	2.50%	2.50%	2.50%	2.50%	2.50%
Unlevered FCF	\$917.09	\$1,390.49	\$1,045.65	\$1,056.33	\$1,066.20	\$1,098.19	\$1,096.77

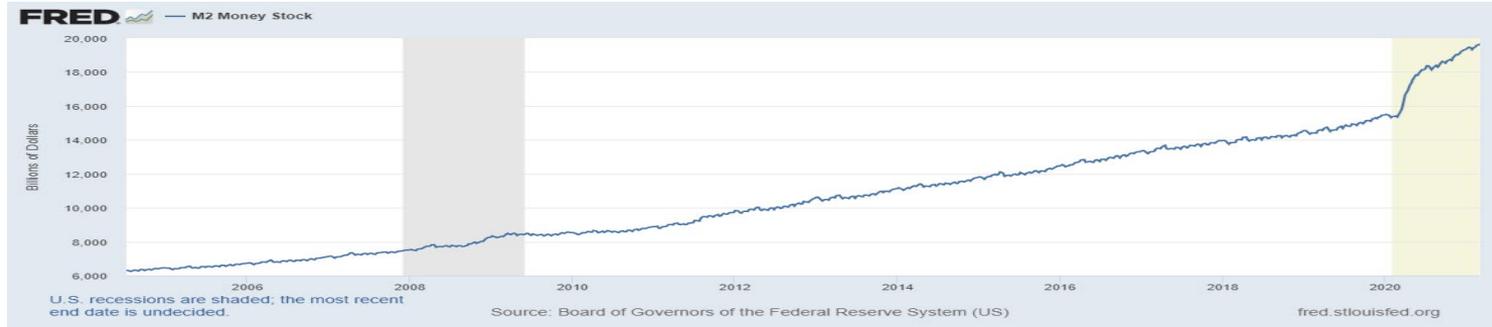
	1	2	3	4	5
	\$977.24	\$922.64	\$870.34	\$837.80	\$781.98

Perpetuity Growth	
Perpetuity Growth Rate	2%
Terminal Value	\$22,374.14
PV of Terminal Value	\$15,952.45
Sum of PV FCF	\$4,390.01
EV	\$20,342.46
Less Net Debt	4036
EqV	\$16,306.46
EqV Per Share	\$53.76
Exit EV/EBITDA	13.77
Historic EV/EBITDA	12.19
Industry EV/EBITDA	16.03

Price Target: \$53.76

Summary: Reflation Trade Continues

- M1 vs. Velocity of Money
- Macro views are shaping our portfolio going forward



QUESTIONS

