

# PROVIDENT GROWTH FUND

The Provident Growth Fund (PGF) was established in 1992 by a donation from Provident Investment Counsel as an acknowledgement of its continued support for the SIF. Prior to 2001, PGF was managed as a large-cap core/growth fund. Since then, PGF has been managed as a pure mid-cap growth fund with the goal of providing additional diversification across the family of SIF funds.

## THE MANAGERS

*From left to right: Tracy Bai, Joseph Erhardt, Rodrigo Jarrin, Tejaswa Gavankar*



**Tejaswa Gavankar** graduated from the College of Engineering Pune with a degree in computer science. Subsequently, he began his career at Credit Suisse, building technology products for investment banking, data analytics and equity research. At KPMG, he advised aerospace and defense clients on growth strategy. He will be returning to technology strategy consulting at EY upon graduation. In his free time, he enjoys hiking and reading.

**Joseph Erhardt**, who spent his formative years in Japan, earned his B.S.B.A. from Colorado State University in 2015.

Before joining USC Marshall, he gained valuable experience at prominent tech companies such as Apple Inc., where he honed his skills in software and hardware development processes. Currently embarking on his CFA certification journey, Joseph aims to sit for the first exam in November 2024. In his leisure hours, he is engrossed in a Python project aimed at developing software capable of instantaneously running DCF analyses for all publicly traded companies.

**Rodrigo Jarrin** graduated Cum Laude from California State University, Long Beach with a degree in accounting, and later obtained his CPA license (Attestation) in the State of California. He began his career in financial audit at BDO, USA, LLP and later joined RSM, USA, LLP, specializing in various industries such as: Software, Manufacturing & Distribution, and Biotech. After public accounting, he transitioned to American Honda Motor, where he provided technical accounting and SEC reporting guidance to the various Honda entities across North America. Rodrigo enjoys running, playing tennis, and road biking. Some fun facts about him include having completed the LA marathon twice and having two fellow Trojan siblings.

**Xinyue (Tracy) Bai** graduated with a bachelor's degree in chemical engineering from Beijing University of Chemical Technology in China. Prior to her MBA, she dedicated four years to the consulting industry, specializing in investment research and pre-IPO due diligence. During her MBA program, Tracy completed a summer internship at J.P. Morgan Private Bank and an equity research internship at Evolution Global Advisors, a buy-side firm. Post-graduation, she aspires to build a career in investment management. In her free time, Tracy enjoys outdoor sports and reading. She is a professional photographer and holds a 2nd dan black belt in Taekwondo.

# INVESTMENT GUIDELINES

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## PROVIDENT GROWTH FUND

### FUND PURPOSE & STRATEGY

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PGF aims to outperform the Russell Mid Cap Growth Index and hold approximately 25 positions, of which no single position represents greater than 10% of the portfolio. In addition to providing the fund managers with experience in portfolio management, PGF also supports student scholarships.

From a top-down perspective, PGF maintains a constant eye on the portfolio's exposure across different sectors. Historically, PGF has gravitated towards sectors with high growth potential – technology and healthcare being prime examples. However, we acknowledge the dynamic nature of market cycles and macroeconomic conditions. As a result, we have become increasingly adaptable, adjusting sector focus based on evolving trends and company fundamentals. Shifting gears to the bottom-up approach, PGF actively seeks out investment opportunities in early and mid-stage growth companies. Their focus is on businesses with unique and differentiated business models that offer a strong competitive advantage. Scalability is another key criterion – we look for companies with the potential to rapidly expand their operations and market share. By focusing on companies operating in markets with significant growth potential, PGF increases the potential for long-term returns.

### SECURITY SELECTION METHODOLOGY

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#### Investment Mandate:

- Long only
- Market capitalization: \$500MM up to Largest Market Capitalization from the Russell Mid-Cap Growth Index
- Cash may not exceed 10% of the portfolio
- American Depository Receipts (ADRs) may not exceed 10% of the portfolio
- No security may account for more than 10% of the portfolio at time of purchase
- Annual turnover ratio must be  $\leq 50\%$  unless approved by the SIF Instructor

#### Additional Guidelines:

- Sustainable revenue growth (organic or inorganic) above GDP
- Industry tailwinds (cyclical or secular) or company competitive advantage to sustain growth
- Seasoned management team across market cycles
- Attractive valuations (EBITDA & Sales multiples, DCF, and others) when appropriate

#### Triggers to Re-evaluate:

- Share price reaches estimated fair value
- Strong sell-off in the market
- Disruption of thesis
- Headline risk
- Macroeconomic indicators point to bearish environment

#### Automatic Sell:

- Accounting fraud
- Loss of confidence in management team



# THE YEAR IN REVIEW

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## PROVIDENT GROWTH FUND (AUM \$2.15M)

For the fiscal year concluding on March 31, 2024, the Provident Growth Fund (PGF) achieved a capital appreciation of 13.38%, gross of fees. Although the fund outperformed our legacy portfolio by 1.05%, it fell short of the established benchmark, which recorded a gain of 25.36%. Throughout the year, the fund distributed \$58,842 in scholarships while incurring \$8,649 in management fees.

The period from April 2023 to March 2024 was marked by cautious optimism in the stock market following early volatility in 2023. Despite ongoing concerns over inflation, the Federal Reserve's indications of a possible halt in interest rate hikes offered a degree of relief to investors. The resilience of the manufacturing sector and a robust recovery in the housing market by March 2024 contributed to a widespread market rally. Notably, the technology sector experienced a significant rebound, particularly in companies involved with artificial intelligence, following a challenging 2022. Meanwhile, sectors like consumer discretionary lagged. The shifting investor preference from growth-focused stocks to value stocks continued to guide our investment strategy. We prioritized companies with robust profitability and competitive advantages, focusing significantly on sectors showing resurgence such as technology, and stability like healthcare. During this fiscal year, we initiated ten new positions and closed five, specifically increasing our stakes in the healthcare, technology, and energy sectors.

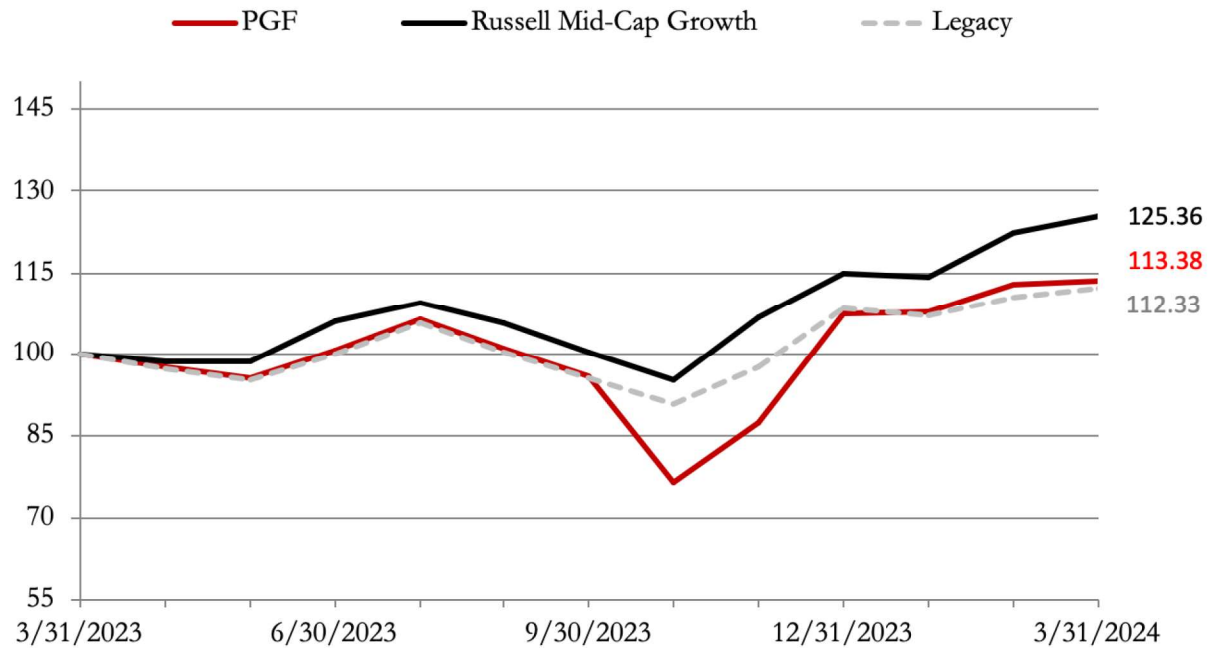
Our top performing new position was DaVita Inc. (+42.45%), a provider of dialysis services and integrated health care management services. Some other new positions included Fresenius Medical Care AG (+15.9%), Callon Petroleum Company (+14.8%), and ExproGroup Holdings NV (+8.8%).

Our top three performers across the portfolio were CyberArk Software Ltd. (+79.5%), Ally Financial Inc. (+59.2%), and DaVita Inc. (+42.45%). Our bottom three performers were Spirit AeroSystems Holdings, Inc. (-53.3%), MP Materials Corp. (-49.3%), and PENN Entertainment Inc. (-38.6%). To preserve capital, we made the collective decision to divest from these underperforming assets.

We would like to thank Professor Shephard, Dean Ku, and the CIS for this invaluable experience and learning opportunity. It was an honor to participate in this highly regarded program, and the investment management experience provided will be with us for the rest of our careers.

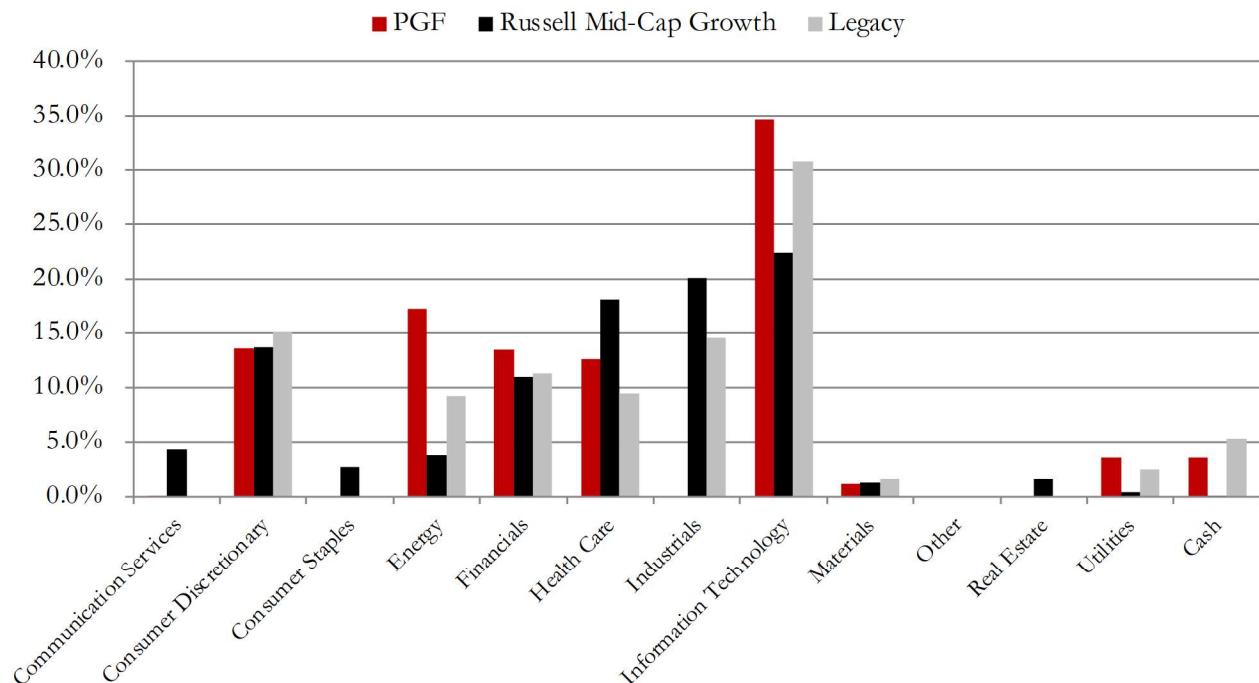
## PORTFOLIO PERFORMANCE vs. BENCHMARK

PROVIDENT GROWTH FUND



## SECTOR WEIGHTINGS

PROVIDENT GROWTH FUND



## PORTFOLIO HOLDINGS

### PROVIDENT GROWTH FUND

#### Provident Growth Fund

As of March 31, 2024

Sector/Company	Shares	Cost Basis	Year-End Price	Year-End Value	Percent of Net Assets
<b>Consumer Discretionary</b>					
ACADEMY SPORTS AND OUTDOORS, INC.	2,710	\$111,253	\$67.54	\$183,033	8.50%
KRISPY KREME, INC.	1,950	\$30,532	\$15.24	\$29,708	1.38%
NVR, Inc.	10	\$61,264	\$8,099.96	\$81,000	3.76%
<b>Financials</b>					
ALLY FINANCIAL INC.	1,600	\$49,093	\$40.59	\$64,944	3.01%
ONEMAIN HOLDINGS, INC.	2,350	\$61,394	\$51.09	\$120,062	5.57%
REGIONS FINANCIAL CORPORATION	3,525	\$75,709	\$21.04	\$74,166	3.44%
MARKEL GROUP INC.	20	\$29,685	\$1,521.48	\$30,430	1.41%
<b>Health Care</b>					
JAZZ PHARMACEUTICALS PUBLIC LIMITED COMPANY	415	\$56,903	\$120.42	\$49,974	2.32%
AMN HEALTHCARE SERVICES, INC.	890	\$75,038	\$62.51	\$55,634	2.58%
MARAVANI LIFESCIENCES HOLDINGS INC.	5,950	\$150,781	\$8.67	\$51,587	2.39%
FRESENIUS MEDICAL CARE AG	600	\$9,972	\$19.28	\$11,568	0.54%
DAVITA INC.	740	\$77,757	\$138.05	\$102,157	4.74%
<b>Utilities</b>					
BROOKFIELD INFRASTRUCTURE CORPORATION	2,150	\$76,949	\$36.04	\$77,486	3.60%
<b>Communication Services</b>					
LIBERTY LATIN AMERICA LTD.	500	\$4,090	\$6.97	\$3,485	0.16%
<b>Materials</b>					
MP MATERIALS CORP	1,800	\$56,861	\$14.30	\$25,740	1.19%
<b>Information Technology</b>					
CYBERARK SOFTWARE LTD.	1,000	\$40,943	\$265.63	\$265,630	12.33%
TWILIO INC.	950	\$68,345	\$61.15	\$58,093	2.70%
VEEVA SYSTEMS INC.	825	\$106,433	\$231.69	\$191,144	8.87%
SPRINKLR, INC.	3,500	\$45,185	\$12.27	\$42,945	1.99%
ZSCALER, INC.	323	\$35,200	\$192.63	\$62,219	2.89%
MONGODB, INC.	350	\$122,668	\$358.64	\$125,524	5.83%
<b>Energy</b>					
COTERRA ENERGY INC.	1,840	\$50,243	\$27.88	\$51,299	2.38%
DIAMONDBACK ENERGY, INC.	350	\$50,569	\$198.17	\$69,360	3.22%
CALLON PETROLEUM COMPANY	2,960	\$100,316	\$35.76	\$105,850	4.91%
HF SINCLAIR CORPORATION	1,750	\$99,845	\$60.37	\$105,648	4.90%
EXPRO GROUOP HOLDINGS NV	2,000	\$46,240	\$19.97	\$36,720	1.70%
Investments, at fair value				\$2,075,404	96.35%
Cash And Cash Equivalents				78,642	3.65%
<b>Net Assets</b>				<b>\$2,154,046</b>	<b>100.00%</b>

## WINNERS AND LOSERS

### PROVIDENT GROWTH FUND

As of March 31, 2024

Winners	Contribution	Losers	Detraction
Cyberark Software Ltd.	9.81%	Spirit Aerosystems Holdings, Inc.	-1.23%
DaVita Inc.	3.74%	PENN Entertainment, Inc.	-1.04%
OneMain Holdings Inc.	2.11%	Maravai LifeSciences Holdings Inc	-0.91%

# STATEMENT OF ASSETS AND LIABILITIES

## PROVIDENT GROWTH FUND

	March 31, 2024	March 31, 2023
Assets		
Investments, at fair value	\$2,075,404	\$1,845,457
Cash	254,641	113,554
Receivables		
Dividends and interest receivable	2,261	1,773
Investment securities sold		
Forward foreign exchange contract receivable		
Total Assets	2,332,306	1,960,784
Liabilities		
Scholarship payable	-	-
Investment securities purchased	178,261	-
Forward foreign exchange contract payable	-	-
Foreign taxes payable - dividends	-	-
Total Liabilities	178,261	-
Net Assets	2,154,046	1,960,784
Additional paid in capital	764,718	764,718
Retained earnings	1,389,328	1,196,066
Net Assets	\$2,154,046	\$1,960,784

# STATEMENT OF OPERATIONS

## PROVIDENT GROWTH FUND

For the twelve month period ending	March 31, 2024	March 31, 2023
Investment Income		
Interest	\$10,143	\$5,465
Dividends	28,675	27,924
Other Income	-	-
Total Income	38,817	33,389
Expenses		
Distributions for Scholarships	60,000	57,462
Management Fees	8,646	15,008
Other Expenses	168	27
Total Expenses	68,814	72,497
Net investment income	(29,997)	(39,108)
Realized and change in net unrealized gain (loss) from investments		
Net realized gain (loss) from investments	(266,779)	(309,837)
Change in net unrealized gain (loss) from investments	490,037	(691,941)
Net realized and change in net unrealized gain (loss) from investments	223,258	(1,001,778)
Realized and change in net unrealized gain (loss) from foreign currency		
Net realized gain (loss) from foreign currency	-	-
Change in net unrealized gain (loss) from foreign currency	-	-
Net realized and change in net unrealized gain (loss) from foreign currency	-	-
Net increase (decrease) in net assets from operations	\$193,261.80	(\$1,040,885)



# STATEMENT OF CASH FLOWS

## PROVIDENT GROWTH FUND

For the twelve month period ending	March 31, 2024	March 31, 2023
Increase (decrease) in net assets from operations	\$193,262	(\$1,040,885)
Cash flow from (used in) operating activities		
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash from (used in) operating activities		
Purchase of investment securities	(497,159)	(662,615)
Proceeds from disposition of investment securities	490,470	768,677
Proceeds from maturities	-	-
Proceeds, Other	-	-
(Increase) decrease in dividends and interest receivable	(488)	(1,446)
(Increase) decrease in receivable for securities sold	-	-
Increase (decrease) in payable for securities purchased	178,261	(151,327)
Increase (decrease) in payable for forward foreign exchange	-	-
Net realized (gain) loss from investments	266,779	309,837
Change in net unrealized loss (gain) from investments	(490,037)	691,941
Net realized (gain) loss from foreign currency	-	-
Change in net unrealized gain (loss) from foreign currency	-	-
Net cash from (used in) operating activities	141,088	(85,819)
Net cash flow (used in) from financing activities		
Increase (decrease) in paid in capital	-	-
Net cash flow from (used in) financing activities	-	-
Net increase (decrease) in cash	141,088	(85,819)
Cash		
Beginning balance	\$113,554	\$199,372
Ending balance	\$254,641	\$113,554

# RISK ASSESSMENT

## PROVIDENT GROWTH FUND

Distribution of Portfolio Returns		Distribution of Benchmark Returns					
SD	7.35%	SD	6.37%				
Skewness	-0.04	Skewness	-0.08				
Kurtosis	1.63	Kurtosis	0.19				
VaR 1%	18.90%	VaR 1%	15.90%				
VaR 5%	13.89%	VaR 5%	11.56%				
Diversification	0.57						
Inverse	1.76	Tracking error	3.23%				
CAPM							
CAPM Beta		Alpha					
PGF	1.1969	0.0038					
Benchmark	1.0886	-0.0034					
Fama French Factor Betas							
HML		SMB		Mkt-Rf		Alpha	
PGF	0.0851	0.6820	1.0801	0.0066			
Benchmark	-0.1809	0.3515	1.0392	-0.0022			
Interest Rate Sensitivity				Credit Sensitivity			
Duration Beta		Alpha		Credit Beta		Alpha	
PGF	0.0727	0.0169		0.1565		0.0174	
Benchmark	0.9222	0.0094		0.0071		0.0085	

The PGF expects a higher standard deviation at 7.35% compared to the Benchmark's 6.37%, and a CAPM Beta of 1.20, which is higher than the Benchmark's 1.08. Additionally, PGF is less influenced by changes in interest rates, yet its returns correlate more significantly with corporate credit performance. The Fund's skewness and kurtosis data shows that return is close to normally distributed, suggesting that outlier returns are unlikely to have occurred, with most data falling evenly within the curve. In terms of value at risk, PGF has a 1% chance of losing at least 18.90% in value and a 5% chance of losing at least 13.89% in value. In conclusion, this risk measurement dashboard indicates that the PGF comprises riskier holdings than the benchmark, due to a heavier weighting towards small to mid-cap stocks and sectors like information technology, real estate, healthcare, and energy. This is reflected in the Fama-French risk exposures, and it results in a greater value at risk for the Fund in any given period

compared to our Benchmark Portfolio.