



April 9, 2018

Mr. and Mrs. Client
123 Main Street
Anywhere, CA 98765

Dear Xxxx and Xxxx:

After two years of a steadily rising stock market and a quick gain of 8% to start the year, equities entered a period of uncertainty in February that included a correction (10% drop). Afterward the market seemed to regain its footing, recovered much of the decline and is in positive territory for the year.

The return of uncertainty isn't a bad thing for the market. Much of the reason is due to an economy that is moving toward faster growth that may cause the rate of inflation to rise above the Federal Reserve's 2% annual target. If this happens the Fed is more likely to raise interest rates more rapidly than expected, making stocks less attractive and bonds more so. However, rates are still low by historical standards and slow, steady advances are needed simply to get back to a normal level.

Strong corporate earnings growth should help stocks remain attractive to investors. Corporate tax reform has given a boost to earnings as analysts expect growth in the high-teens for 2018. More importantly, sales growth for companies is accelerating, creating the opportunity for even better earnings growth.

The year 2017 is a hard act to follow, but we got off to an excellent start despite market fluctuations. For 2017, your portfolio gained 23.0%, ahead of the S&P's return of 21.8%. A strong January propelled your portfolio up 8.7% over the past three months, well above the S&P's 3.0% return.

The results for the quarter:

<u>Portfolio Name</u>	<u>Current Quarter</u>	<u>Previous Quarter</u>	<u>Deposits/ Withdrawals</u>	<u>Investment Results</u>	
				<u>Amount</u>	<u>Percent</u>
Xxxx Individual	\$297,219	\$275,346	\$0	\$21,873	7.9
Xxxx Roth	107,837	99,477	0	8,360	8.4
Xxxx Roth	75,758	65,972	0	9,786	14.8
Xxxx IRA	<u>28,093</u>	<u>27,433</u>	<u>0</u>	<u>660</u>	2.4
Total	\$508,907	\$468,228	\$0	\$40,679	8.7

Congratulations! You passed the \$500,000 mark with us during the quarter, which brings your fee rate down, as shown at the end of this letter.

As mentioned in your last quarterly letter, we purchased Facebook in December, and sold Abbott Laboratories at the same time. We also purchased additional shares of Wabtec.

In January, we sold Aspen Technology. When we purchased Aspen we got an excellent entry price, correctly believing the market was over-reacting to the drop in oil prices and ignoring the growth prospects of its non-oil customer base. Even with stagnant revenue growth, the company has been able to grow earnings through shareholder-friendly actions, which included cost-cutting and substantial share repurchases. However, the significant appreciation in share price has stretched the stock's valuation and limited its upside potential.

Also in January, Bioverativ agreed to a friendly takeover offer from French pharmaceutical company Sanofi. The deal price is \$105 per share in cash, approximately 60% above Bioverativ's previous high and a 130% premium compared to its price a year ago. The deal was expected to close within three months, although companies usually set conservative timelines and try to close deals faster than scheduled. A higher bid seemed unlikely because Sanofi's premium was generous, and there are few other natural potential acquirers for Bioverativ's hemophilia-focused portfolio. Sanofi is a very credible acquirer and the deal did complete at \$105 on March 8th. To allay any risks of the deal falling through we accepted a slight discount to the full price and sold Bioverativ before the deal was completed.

In conjunction with the above sale, we purchased Comcast Corporation. Comcast has two businesses, Cable Communications and NBCUniversal. We believe the company is not getting enough credit for its excellent broadband business and its valuable position as the owner of the data pipe into the home. Within its territories, Comcast is typically either the only broadband provider or it competes with one other fixed-line competitor. With its ability to increase speeds, Comcast is well positioned to continue to grow its broadband business. The company's internet penetration is just over 45% of homes and businesses in its service area, leaving plenty of room for growth. Combined, business services and high-speed internet are growing revenue nearly double-digits, possess better margins than the video business (traditional cable), and account for the majority of profitability within Cable Communications. The company's other business, NBCUniversal, includes broadcast and cable networks (NBC, E!, Bravo, and USA), filmed entertainment (Universal Pictures and DreamWorks), and theme parks. This segment is also attractive and has been performing well. Overblown concerns regarding "cord cutting" have held back shares and we like its long-term prospects.

In late February, The Priceline Group Inc. (PCLN) changed its name and stock symbol to Booking Holdings Inc. (BKNG). While the new name is a bit of a mouthful, it does more properly align the firm's name with its main sales-generating internationally known travel website, booking.com.

An electronic invoice for \$1,271 is being sent to Fidelity for investment management services for the period March 1 through May 31, 2018. The Securities and Exchange Commission requires each Registered Investment Advisor to inform clients as to how management fees are calculated and to advise them that it is each client's responsibility to verify the accuracy of the fee if they wish since Fidelity does not do this. As you know, the fee is based on the value of your portfolio at the beginning of the quarter, \$508,907. It is calculated as one-fourth of our annual fee rate of 1% of the first million dollars, and is allocated as follows: Xxxx Individual, \$743; Xxxx Roth, \$269; Xxxx Roth, \$189, Xxxx IRA, \$70. The fees for both Xxxx and Xxxx Roth accounts are being taken from the Individual account.

If there are any changes in your financial situation or investment objectives of which we should be aware, please let us know. As always, whenever I can be of help to you, please feel welcome to give me a phone call or e-mail (DanB@investprovident.com).

Regards,

Daniel J. Boyle, CFA

DJB/tab
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