

# **Form ADV: Part 2A**

## **Firm Brochure**

**Provident Investment Management, LLC**  
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**March 31, 2014**

**This brochure provides information about the qualifications and business practices of Provident Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at 423-294-1011. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Provident Investment Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**With respect to any reference to Provident Investment Management, LLC being "registered" or a "registered investment adviser," please be advised that registration does not imply a certain level of skill or training.**

## **Item 2        Material Changes**

Provident Investment Management, LLC has not made any material changes to this brochure from the last annual update to this brochure, dated March 19, 2013.

## **Item 3        Table of Contents**

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## Item 4      **Advisory Business**

Provident Investment Management, LLC was organized as a Tennessee limited liability company on October 2, 1997. We are registered as an investment adviser with the United States Securities and Exchange Commission.

As used in this brochure, the words “we”, “our” and “us” refer to Provident Investment Management, LLC and “client” refers to either a client or prospective client of our firm. We also use the term “Supervised Person” throughout this brochure to refer to our directors, officers and employees, and all other individuals providing investment advice on behalf of our firm and who are subject to our supervision and control.

We are a direct, wholly owned subsidiary of Unum Group (“Parent”), a Delaware general business corporation and the ultimate holding company of affiliated insurance and non-insurance subsidiaries operating in the United States, the United Kingdom, and, to a limited extent, in certain other countries around the world.

We provide investment advisory services to certain affiliates, including Parent and each of Parent’s insurance subsidiaries, and to certain unrelated companies, including one unrelated insurance company and one registered investment company that is a separate account of a former affiliate. In managing our clients’ portfolios, we offer advice on the following types of investments, to which our investment advice is limited:

- Corporate debt securities;
- Bank loans;
- Commercial paper and similar cash equivalents;
- Municipal securities;
- Mutual fund shares;
- Government securities;
- Commercial mortgage loans;
- Mortgage and asset backed securities;
- Options contracts on securities;
- Futures contracts on intangibles;
- Private equity funds;
- Interests in partnerships investing in real estate and securities;
- Interests in the Massachusetts Cap Life Investment Initiative (which invests in tax credits), Low Income Housing Tax Credit Partnerships and partnerships investing in mezzanine debt; and
- Equity securities (including exchange-listed securities, securities traded over-the-counter, and securities of foreign issuers).

On occasion, we also furnish advice to our clients about the impact of proposed investment strategies, reinsurance arrangements, and potential transactions such as mergers or acquisitions. We require each client to enter into a written agreement with us setting forth

the terms and conditions of the engagement, describing the scope of the services to be provided, and the fees to be paid.

As of December 31, 2013, we managed \$47,257,860,944 in client assets on a discretionary basis using agreed upon general investment guidelines (which typically specify the types of investments that are permitted and impose asset class and issuer limits on the permitted investments) stipulated in the clients' written agreements, as discussed further in the "Investment Discretion" section of this brochure (Item 16). We do not manage any client assets on a non-discretionary basis.

At this time, we are not accepting or soliciting, directly or indirectly, new clients.

## **Item 5 Fees and Compensation**

We provide investment advisory services for a fee based on a percentage of assets under management. We charge a quarterly fee equal to an agreed upon basis point charge (as specified in the client's investment management agreement) based on the average market value of the client's assets under management as of the last business day of each calendar month in the quarter. The current fees are generally in the range of 6 to 15 basis points per annum and are payable quarterly in arrears within thirty days after receipt of a statement from our firm setting forth the calculation of the fees for the prior quarter. If we do not serve as investment adviser for a complete quarter, the fee is calculated and payable on a pro rata basis for the period of the quarter during which we act as the investment adviser. In some cases, we charge the fee on a monthly basis, in which case it is payable monthly in arrears.

We do not charge, nor do we permit clients to pay, our fees in advance. As indicated above, we bill our clients for fees incurred in connection with our services, generally on a quarterly (though in some cases monthly) basis.

The basis point charge is fixed and does not vary based on the market value of assets under management.

The fee payable by each client is not negotiable after entry into an investment management agreement. From time to time, however, we review the fees payable by our affiliated clients to ensure that they are consistent with those that would be charged by an unrelated manager for similar services.

Although we may furnish advice to clients about the impact of proposed investment strategies, reinsurance arrangements, and potential transactions such as mergers or acquisitions, we do not charge an additional fee for this service.

In addition to the basis point charge described above, clients may incur brokerage and other transaction costs in connection with the settlement of transactions initiated by our firm. These charges and fees are typically imposed by the broker-dealer or custodian through whom client account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. Further, if investments are made in mutual funds or exchange traded funds (ETFs), the fees and expenses charged by the mutual funds or ETFs (described in each fund's prospectus) will also be separate and distinct from the fee we charge for investment advisory services. These fees will generally include a management fee and other fund expenses. We do not share in any portion of these management fees or fund expenses. To fully understand the

total cost that may be incurred, clients should review all the fees charged by our firm, custodians, broker-dealers, mutual funds, ETFs, and others in which we invest but do not control the fees. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure (Item 12).

## **Item 6          Performance-Based Fees and Side-by-Side Management**

Neither we nor any of our Supervised Persons accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the "Fees and Compensation" section above (Item 5), and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7          Types of Clients**

We generally provide investment advice to affiliated insurance companies, although we also provide advice to affiliated non-insurance companies (including Parent and affiliated special purpose financial captive insurers and their holding companies) and certain unrelated companies (including one unrelated insurance company and one registered investment company that is a separate account of a former affiliate).

We do not have any requirements for opening or maintaining an account, such as a minimum account size. At this time, we are not accepting or soliciting, directly or indirectly, new clients.

## **Item 8          Methods of Analysis, Investment Strategies and Risk of Loss**

The methods of analysis we use in formulating investment advice or managing assets include:

- Fundamental – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's securities compared to the current market value.
- Quantitative – involves the use of various equity and bond market information, such as Bloomberg screens, to spot opportunities to buy or sell securities.
- Technical – involves analyzing statistics generated by market activity, such as past prices and volume, to identify patterns that can suggest future activity.
- Cyclical – involves analyzing stock charts to identify recurring movements in prices or other time series.

The main sources of information we use include (i) financial newspapers and magazines; (ii) inspections of corporate activities, such as mergers and/or acquisitions or issuances of

additional securities and offering memorandums associated therewith; (iii) research materials prepared by others; (iv) corporate rating services; (v) annual reports, prospectuses, and periodic filings with the Securities and Exchange Commission; and (vi) company press releases.

The investment strategies we use to implement the investment advice given to our clients include long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), and, to a lesser extent, trading (securities sold within thirty days), as well as utilization of forward interest rate swaps and other derivative instruments related to various risks such as interest rate risk and foreign currency risk to protect the investment.

Investing in securities involves risk of loss that clients should be prepared to bear, including partial or total loss of the investment. We do not warrant the rate of return on or market value of the investments with respect to which we provide advice, nor do we represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Past performance is in no way an indication of future performance.

Each type of security has its own unique set of associated risks. Set forth below are some of the risks associated with certain types of investments we may recommend. However, it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely.

- Corporate debt securities, or bonds, involve a variety of risks, including interest rate risk, credit risk of the issuer, and prepayment risk. Corporate bonds may not be traded frequently or may be in an industry that has little trade activity, in which case there may not be a significant amount of information available in the markets. These investments, like many others, are also subject to the risk of unforeseen events such as fraud or a change in regulations that would not be factored into our analysis.
- Bank loans involve risks associated with lenders and borrowers, including credit risk relating to failure or inability of borrowers to timely pay back their loans, interest rate risk, and liquidity risk relating to excessive withdrawal activity.
- Municipal securities may involve significant risks, including the creditworthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, and prepayment risk.
- Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination of these investments. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small or speculative companies, borrows money to a significant degree, or concentrates in a particular type of security rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. In addition, so-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute the interests of other investors.

## **Item 9           Disciplinary Information**

We are required to disclose whether there are legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any disciplinary information to disclose.

## **Item 10          Other Financial Industry Activities and Affiliations**

We are a direct, wholly owned subsidiary of Parent. The majority of our clients are affiliated insurance companies who are also a part of Parent's holding company structure. In addition, our President and Chief Investment Officer also serves as the Chief Investment Officer of Parent. Trades are settled, monitored for compliance and accounted for by personnel within Parent's Finance and Treasury areas who have no direct reporting relationship with our Chief Investment Officer or any of our Supervised Persons.

## **Item 11          Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics that sets forth both general principles and specific prohibitions with which all of our Supervised Persons are required to comply. The Code of Ethics requires that all Supervised Persons avoid activities, interests, relationships or conflicts of interest that might interfere with making decisions in the best interests of our clients. In addition, the Code of Ethics requires that Supervised Persons with access to certain nonpublic information periodically report their personal securities transactions and holdings to our chief compliance officer. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

We owe a fiduciary duty to our clients to serve their interests with undivided loyalty and must, at all times, pursue a course of conduct that is in our clients' best interests. If we have a conflict of interest with any of our clients, we will make full disclosure of the conflict to that client and, in some cases, obtain the client's prior informed written consent.

At times, we and/or our employees may hold, buy or sell positions in securities that we may also recommend to our clients. However, at no time will we or any employee receive preferential treatment over clients.

If more than one client account is prepared to buy or sell the same security at the same time, the transactions in such securities will be made, to the extent feasible, in a manner equitable to all with no account receiving preferential treatment.

## **Item 12          Brokerage Practices**

With respect to all client accounts for which we have investment discretion, we have a duty to obtain "best execution" for the client unless the client has directed our firm otherwise. In placing orders, we take into account the full range of applicable factors, including the operational facilities of the broker or dealer, the type and size of the transaction involved, the creditworthiness of the broker or dealer, the stability of the broker or dealer, execution and settlement capabilities, time required to negotiate and execute the trade, research services and any arrangements relating thereto, overall performance and the broker's commissions and dealer's spread or mark-up. The sole determinative factor in our selection

of a broker is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution for each client account.

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research. In addition, we do not routinely request or require a client to execute through a specific broker-dealer, nor do we permit clients to direct brokerage.

Transactions for each client may be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage. This practice is commonly referred to as "block trading." We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with client accounts; however, they will not be given preferential treatment.

### **Item 13      Review of Accounts**

On an ongoing basis, we utilize a formal, well-defined, and disciplined process to monitor and evaluate our clients' investment portfolios, supported by issuer specific research and documentation as of the end of each period. We also consider industry analyst reports and forecasts, sector credit ratings, future business prospects and earnings trends, issuer refinancing capabilities, actual and/or potential asset sales by the issuer, and other data relevant to the collectability of the contractual cash flows of the security. For our clients' mortgage loan portfolios, we use a comprehensive rating system to evaluate the investment and credit risk of the mortgage loans and to identify specific properties for inspection and reevaluation. The individuals who conduct this review process include our head of research and the portfolio managers for the various asset classes included within the applicable investment portfolios.

There are a number of significant risks inherent in the process of monitoring our clients' investments for impairments and determining when and if an impairment is other than temporary. These risks and uncertainties include the following possibilities:

- The assessment of a borrower's ability to meet its contractual obligations may change.
- The economic outlook, either domestic or foreign, may be less favorable or may have a more significant impact on the borrower than anticipated, and as such, the investment may not recover in value.
- New information may become available concerning the security, such as disclosure of accounting irregularities, fraud, or corporate governance issues.
- Significant changes in credit spreads may occur in the related industry.



- Significant increases in interest rates may occur and may not return to levels similar to when securities were initially purchased.
- Adverse rating agency actions may occur.

The process results in a thorough evaluation of investments. On at least a quarterly basis, we review the performance of the portfolios with our clients.

For affiliated clients in Parent's holding company group, Supervised Persons within our firm provide weekly transaction reports, in writing, detailing purchase and sale activity for the previous week, to the Investment Subcommittee of the Parent and to the Investment Committees of the affiliated clients. They also provide quarterly transaction reports, in writing, detailing purchase and sale activity for the quarter, to the Finance Committee of the Board of Directors the Parent and to the Board of Directors of each affiliated client that is an insurance company. Personnel within Parent's Finance area perform a quarterly review of compliance with the investment policy and guidelines of each affiliated client, and a detailed report is provided, no less frequently than annually, to the Board of Directors of the affiliate. Based in part upon this review, we make recommendations to the Board of Directors of our affiliated clients, at least annually, regarding updates to the affiliates' investment policies and guidelines.

For non-affiliated companies, periodic written reports are provided to the companies detailing activity, performance, strategy and holdings as stipulated in the company's investment management agreement. In addition, trade tickets and related information are provided on an ongoing basis in the manner stipulated by the investment management agreement.

#### **Item 14      Client Referrals and Other Compensation**

We do not receive any economic benefit from someone other than a client for providing investment advisory services to our clients. In addition, we do not directly or indirectly compensate any person for client referrals.

#### **Item 15      Custody**

We do not maintain custody of funds or securities for any of our clients' accounts. However, we do furnish our clients with quarterly and, in some cases, monthly account statements (depending on the frequency required by the clients). All clients who receive quarterly account statements from our firm receive separate statements directly from their custodians and are urged to compare the account statements they receive from their custodians with those they receive from us.

#### **Item 16      Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. This authorization includes deciding which securities to buy and sell, when to buy and sell and in what amounts, and the broker or dealer to be used, without obtaining prior consent or approval from the client for each transaction, in each case subject to investment policies and guidelines established by the client and provided to us in writing. Discretionary authority is typically granted by the investment management agreement each client signs

with our firm, a power of attorney, and/or trading authorization forms. Our clients often limit our discretionary authority (for example, limiting the types of securities that can be purchased for their accounts) by providing our firm with investment policies and guidelines in writing.

#### **Item 17      Voting Client Securities**

We exercise proxy voting authority for client accounts. To ensure that client proxies are voted in the best interest of our clients' accounts and are not affected by any material conflicts of interest within our firm, we have adopted proxy voting policies and procedures.

We vote in the best interest of our clients. Generally, we will support company management actions which, in our opinion, have the intent and ability to maximize shareholder wealth over the long term. Unless we determine it is not in a client's best interest, we follow a pre-determined voting policy in which we vote in accordance with management recommendations on proposals except that it is our policy to oppose: (1) proposals that diminish rights of shareholders or diminish management or board accountability to shareholders; and (2) compensation plans that are excessive relative to comparable companies' compensation packages or appear unreasonable in light of the companies' performance. Accordingly, the potential for a conflict of interest arises primarily when we determine that it is in a client's best interest to vote securities contrary to our pre-determined policy. In these instances, we require senior management approval of our voting recommendation.

Clients may obtain a copy of our proxy voting policies and procedures upon request. In addition, clients may obtain information on how we voted the securities in their portfolio by making written or oral request to our firm.

#### **Item 18      Financial Information**

We are not required to include financial information in this brochure because we do not:

- require or solicit the prepayment of more than \$1,200 in fees per client, six or more months in advance;
- take custody of client funds or securities; or
- have a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.