EQUITY INVESTMENT CORPORATION

2010 First Quarter All-Cap Value Commentary

April 16, 2010

The first quarter of 2010 began a new decade with signs that the economic slowdown had stabilized and possibly reversed. Significantly, with our Q1 increase of 5.2%[1] (gross) we recouped the losses from 2008-9's market slump (see table below). This was primarily because our holdings declined less during the downturn (-37.6% versus -48.5% for the S&P 500 and -51.3% for the Russell 3000 Value from 1/1/08 to 2/28/09), making the climb back easier.

% Return (Periods Ending March 31, 2010) [1]

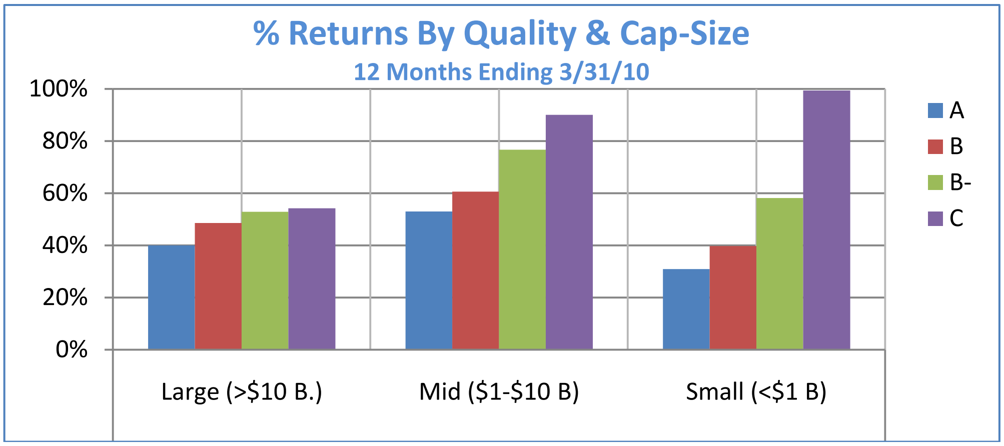
	EIC All-Cap Value			
Period	**Gross**	**Net**	**R3000V**	**S&P 500**
Q1, 2010	**5.2%**	**5.0%**	7.1%	5.4%
12-months	**51.8%**	**50.7%**	54.5%	49.8%
Since 2008	**1.5%**	**-0.1%**	-18.3%	-16.0%

Declining less in bear markets is neither random nor chance with our investment approach. *Since 1986 we have out-performed the S&P 500 and Russell 3000 Value indices in 100% and 90% of the rolling 12-month periods, respectively, when they experienced double-digit declines.* This non-random pattern in down markets is a reflection of our willingness to ignore over-priced *ideas* that capture the imagination and momentum of the crowd, and instead invest in less popular areas that offer better values. This not only reduced losses versus the indices, it also increased long-term returns, as shown below.

% Returns (Annualized, Periods Ending March 31, 2010) [1]

	EIC All-Cap Value			
Period	**Gross**	**Net**	**R3000V**	**S&P 500**
Last 5 Years	**5.2%**	**4.4%**	1.2%	1.9%
Last 10 Years	**8.3%**	**7.4%**	3.5%	-0.7%
Last 15 Years	**10.4%**	**9.5%**	8.8%	7.7%
Last 20 Years	**10.6%**	**9.7%**	9.5%	8.7%
Since 1986	**12.0%**	**11.1%**	10.3%	9.9%

The market's prevailing *idea* today is economic recovery and its cyclical beneficiaries, principally lower quality and smaller companies. The graph on the next page shows the degree to which the market's return over the past 12-months has been driven by low quality and small-cap companies.



While the consumer/banking credit-quality and derivative crisis of 2007-8 has been abated by many monetary and fiscal actions, the underlying trade and government deficits creating worldwide imbalances remain unsolved, and to an extent, have been exacerbated by the crisis. The ramifications of these imbalances are likely moving from consumers to governments. Equally important, a great deal of capital has been lost due to misallocation decisions and risk misjudgments. The magnitude of lost capital is worse than other post World War II periods and will take longer to replace. We believe these factors create the possibility of further bumps in the road ahead, which means recovery bets carry risk.

Meanwhile, today's market is not requiring a premium price for quality companies with more stable earnings (like we typically own) because recovery optimism is not built in. The table below shows that high quality companies have greater stability, and sustain a return on equity during bad times (reflected by the "Low" ROE), that exceeds the cost of capital. As a result, high quality companies tend to be survivors during economic stress, while low-quality ones are not. Today, A-rated companies sell at unusually low prices, historically, as shown by the P/E ratio column to the right. This provides an above-average investment opportunity, both from the perspective of survivorship (if further economic adjustments become necessary), and prospective return (due to lower-than normal prices).

ROE Stability & P/E By Quality Rating *

Quality	% ROE Stability	"Low" ROE	Current P/E
A	75%	11.3%	13.5
B	64%	8.5%	15.1
B-	28%	2.6%	17.2
C	<0%	<0%	32.1

* Quality is based on Standard & Poor's Ratings for companies comprising the Russell 3000 index. "Stability" is calculated by dividing each company's "Low" return on equity (ROE), by its mean ROE. "Low" ROE is determined by subtracting one standard-deviation of ROE over the past decade from the mean ROE. Price/Earnings ratio (P/E) is calculated by dividing each company's March 2010 price by consensus earnings estimates for the 12-months ending March 2011. Each figure is a universe median. Standard Deviation is a statistical measure of stability/volatility. Assuming a "normal distribution", two-thirds of observations would fall within ± 1 standard deviation. Source: Equity Investment Corporation; Standard & Poor's Research Insight

This segmentation of the market's risk and opportunity is why we believe one should not view the market as a single monolithic entity, nor focus on its rise from March 2009, but rather on the opportunity being presented among higher quality stocks that are selling at historically attractive prices. Our portfolio today is one of the highest quality ones we have ever owned and should not only hold up relatively well if further economic bumps lie ahead, but provide solid results over the longer-term as well.

Portfolio Review

During the first quarter, we shifted and slightly increased our energy exposure, by buying ExxonMobil, adding to ConocoPhillips, and selling Cimarex and Cenovus. For some time now we have tilted toward natural gas, believing the historical price relationship between oil and gas would be restored. Although that reversion has not occurred, smaller producers like Cimarex rallied while larger and more-stable integrated companies like ExxonMobil and ConocoPhillips lagged, and are priced at a discount. Hence, our movement toward integrated producers last quarter.

We reduced our position in Dr Pepper Snapple after its price increased due to strong earnings. Also, we increased our positions in Molson Coors and Kimberly-Clark where prices have lagged due to short-term headwinds (declining industry-wide beer volumes and increasing wood pulp costs, respectively). We believe these concerns create the opportunity to add to two high quality and resilient businesses.

In Summary

We recouped the losses of 2008-9. While there are signs of recovery, there remain substantial imbalances and economic risks, and we believe the road to recovery will be long. The market today is favoring lower-quality and smaller companies, but larger and high quality companies are available at prices below historical norms, and should provide reasonable long-term return possibilities, while protecting on the downside if the recovery stalls.

Conference Call

A replay of our First Quarter Conference Call is available at www.eicatlanta.com/presentations.htm

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[1] Disclosures

***Not approved for presentation to wrap program clients. Such presentations should reflect EIC's wrap composite information**. EIC results are those of our All-Cap Value Composite, after commissions and before (gross) and after (net) EIC management fees, and are presented as supplemental information to a full GIPS® disclosure presentation, which is available upon request. All returns include reinvestment of dividends and interest. Index returns exclude fees and commission costs. Results are historical and do not imply future rates of returns or volatility for EIC or the indices, which may be materially different from the past and from one another. Individual account results may differ from those of the composite.*