

EQUITY INVESTMENT CORPORATION

2011 Second Quarter All-Cap Value Commentary

July 18, 2011

Our All-Cap Value Composite rose 2.3% (gross¹) last quarter versus the Russell 3000 Value index's decline of 0.7%, and the S&P 500's increase of 0.1%. Our strong relative Q2 is a dramatic reversal from the prior nine months when we trailed the indices, for reasons we explained in our Q1 Commentary:

"Today's environment...is one where the earnings and apparent growth being capitalized in some sectors leading the market (industrials, materials, and consumer discretionary stocks) may be unsustainable by-products of an artificial environment created by government fiscal and monetary policies, rather than reflecting a self-sustaining reality". (EIC Q1 Commentary, 2011)

Last quarter, these economically-sensitive sectors led the market's decline, as weak economic data challenged beliefs in a self-sustaining economic recovery. Hence, our better results versus the market.

While our year-to-date results remain slightly behind the indices (4.8% versus 5.7% for the Russell 3000 Value and 6.0% for the S&P 500), the longer-term paints a brighter picture. We've eclipsed our pre-Crisis high reached May, 2007 by 12.5%¹, while the S&P 500 and Russell 3000 Value indices remain 5.7% and 14.4%, respectively, below their highs. The table below shows the cumulative value of time and our approach in growing capital (see the Growth of \$1 figures on the right).

<i>(Ending 6/30/11)</i>	% Rate of Return				Growth of \$1.00			
	EIC All-Cap Value		R3000V	S&P 500	EIC All-Cap Value		R3000V	S&P 500
	Gross	Net			Gross	Net		
Period								
Last 3 Yrs.	7.8%	7.0%	2.7%	3.3%	\$1.25	\$1.23	\$1.08	\$1.10
Last 5 Yrs.	6.4%	5.7%	1.3%	2.9%	\$1.36	\$1.32	\$1.06	\$1.16
Last 10 Yrs.	7.8%	7.0%	4.3%	2.7%	\$2.12	\$1.96	\$1.52	\$1.31
Last 15 Years	10.2%	9.4%	7.6%	6.5%	\$4.30	\$3.84	\$3.01	\$2.57
Since 1986 (25.5 yrs.)	12.1%	11.2%	10.4%	10.0%	\$18.28	\$14.95	\$12.36	\$11.31

The Importance of Quality: Last Quarter & Longer-term

Our approach has always had a bias toward quality companies, and this has been an important contributor to our more stable returns. For example, using Morningstar's definitions for financial health, 52.6% of our current holdings are A-rated, versus only 28.4% for the Russell 3000 Value index. The importance of quality in protecting against last quarter's market decline is seen below using Morningstar's ratings for financial health (left side), and Standard & Poor's Quality ratings (right side). While higher quality holdings held up, lower quality stocks declined as some fear returned to the market.

<u>Morningstar</u>	<u>R3000V %</u>
<u>Rating</u>	<u>Return</u>
A	4.4%
B	0.6%
C	-5.2%
D	-8.3%

<u>S&P Rating</u>	<u>R3000V</u>
<u>Rating</u>	<u>Return</u>
A	0.3%
B+	-1.4%
B-	-2.7%
C	-7.8%

Sources: Morningstar, Russell Corporation, Standard & Poor's Research Insight, Equity Investment Corporation

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EIC All-Cap Value is available on select SMA and/or UMA Platforms

'Quality' is a vague and frequently used word that is often misunderstood. For some, it means narrow financial metrics, like low debt or stable earnings (even though this included Ambac and MBIA in 2007). For others, it means 'blue chips' (even though this included GM, AIG and Citigroup in 2007). *Our* definition is broad: *Quality consists of all those factors that reduce our odds of being wrong about an investment.* This includes narrow financial measures (earnings stability, debt, leases, leverage ratios, etc.), but also factors like the quality of earnings (tax rates, extraordinary items, reserves, and earnings sustainability/repeatability, etc.); the degree to which management is straight with shareholders (especially in its accounting); the strength of the business franchise versus competition; the nature of the product and its pricing power; etc. It is because of this broad definition of *Quality* that we avoided so many poor investments in the 2007-09 Crisis (especially among financials).

Today's Economic Environment & Our Investment Posture

Since the Crisis, the artificial economic environment fueled by monetary and fiscal stimulus is unprecedented, and *predicting* the outcome is an exercise with very low odds of success. Instead, we believe caution in capitalizing recovery earnings resulting from the stimulus, and a focus on *protecting* against the possible outcomes of inflation (if efforts overshoot) and earnings declines (if efforts are insufficient), is the appropriate investment posture for today.

The principal issue is a broad loss in capital (and confidence) resulting from excessive credit expansion in the decades before. Since these are the fuel of capitalism, any re-start of economic growth is difficult, inefficient, and hard to sustain. This underlying problem accumulated slowly over many years as asset prices rose in response to credit expansion, creating a false sense of capital (wealth) creation and a misappraisal of risk. When credit could no longer be added because it had reached the breaking points of borrowers' solvency, demand slackened, asset values securing debt fell (while debt owed did not), so capital (the difference between asset values and debt owed) declined. This loss is part of what the Federal Reserve has tried to offset by attempting to increase asset prices (inflation) through quantitative easing.

While some progress has been made since the 2007 crisis began, much needs to be done. We continue to see high risk assets and derivatives on the balance sheets of major banks, which jeopardize shareholders and the system. Likewise, government balance sheets have been severely impacted by the crisis, due to significant declines in tax revenues, purchases of low-quality assets to supply fresh reserves into the financial system (bail-outs), increased spending to stimulate economic recovery, and increased demands due to high unemployment, loss of health care, etc.

What began as a credit expansion issue in the private sector is being transformed into a public policy issue. While short-term efforts to replenish lost capital and confidence are no doubt necessary, a broader definition of capital, not unlike our broader definition of quality, may be appropriate. *Capital may be viewed as all those factors that reduce the odds of being wrong about a society's ability to sustain economic growth.* In this broader definition, safety of the banking system; efficiency of infrastructure; workforce quality and education; energy sufficiency; amount of corruption undermining economic decisions; etc., all become important elements of improving the odds of sustaining growth.

Current Opportunity Set & Portfolio Review

We continue to believe today offers a good investment opportunity set for investing in large, high quality companies. While buyers of these companies in 2000 were embedding very low long-term prospective returns into their portfolios via *high* prices, we believe investors are embedding higher-than-normal long-term prospective returns into their portfolios today due to *low* prices.

Our holdings continued to post progress last quarter that in our view is under-appreciated by the market. As a result, we added to a number of positions. For example, while we hold few financials due to balance sheet concerns, Wells Fargo continued strengthening its balance sheet by reducing leverage and increasing liquidity, while troubled assets trended downward. We added to our position as financials

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declined. Likewise, we added to our position in Google when its price was pressured by anti-trust concerns and reduced margins (resulting from high investment spending). The company continues to post strong cash flow growth from its advertising businesses while expanding into new markets, and sells at an attractive price. Finally, Target Corporation posted continued earnings per share growth despite weak same-store sales, and we added to our position on price weakness.

We trimmed C.R. Bard, Sigma-Aldrich and eBay, all of which are approaching our assessment of full value. We sold our position in Nabors Industries, which had benefited from strong energy markets, but added to our position in Encana whose onshore North American natural gas assets have not benefitted from the recent increase in oil prices.

Conference Call

Our Second Quarter conference call is scheduled for Tuesday, July 26 at 4:30 (Eastern Time). Instructions for visuals are on the reverse side, and the audio portion can be heard by calling **800-977-8002**, and entering the pass code of **200414#**. We hope you can join us. A replay will be posted at www.eicatlanta.com 24-hours after the call.

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¹ **Disclosure**

For Financial Professionals Only. 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) EIC management fees, and are presented as supplemental information to a full GIPS® disclosure presentation. Net of fees, the All-Cap Value Composite rose 2.2% for the first quarter, 4.5% year-to-date, and is now 9.4% above its May 2007 pre-crisis peak. 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.

Equity Investment Corporation makes every reasonable effort to comply with industry best practices and the Global Investment Performance Standards (GIPS®). As part of our compliance with the GIPS® standards we prepare and present our composite performance and make this presentation available to all current and prospective clients. Attached you will find our disclosure presentations (through Q1, 2011) prepared and presented in accordance with the GIPS® standards. Please take the time to review these disclosures and let us know if you have any questions.

Audio & Visual Instructions for Conference Call – July 26 at 4:30 (EST)

The audio may be accessed by calling 800-977-8002, and entering the passcode of 200414#. Visuals for the call are accessed by either of two methods:

- **Live on-line Visuals:** Follow 4 steps below
 - a. **Browse:** www.livemeeting.com/cc/eicvalueatlanta/join
 - b. **Scroll to bottom:** "Accept Terms and Use LiveMeeting Access"
 - c. **Enter:** Your Name; Meeting ID: **EICQ22011**; (no Entry Code needed)
 - d. **Register:** Use your E-mail & company name
(Firefox is supported despite message to contrary)
- **Pre-packaged Visuals:** Visit: www.eicatlanta.com/presentations.htm

A replay will be posted 24 hours after the call on the Presentations Tab of our website: www.eicatlanta.com/presentations.htm. If you have any technical questions beforehand, please contact Jennifer Raeburn at 404-239-0111 or jraeburn@eicatlanta.com.

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All-Cap Value Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia since 1986. Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary, internally administered non-wrap All-Cap Value Equity accounts. The strategy employs a flexible framework (not constrained by any cap size limitations) of investing in high quality, well managed companies, while at the same time avoiding those that look inexpensive relative to their historical record but are actually in structural decline. All returns are presented net of foreign withholding taxes on dividends, interest income, and capital gains. The composite creation date is January 1, 1986. All accounts included in the composite are managed according to similar investment guidelines. On January 1, 2003 the benchmark (which excludes an advisory fee) was changed retroactively from the S&P 500 to the Russell 3000 Value Index because it is more representative of the composite. The Russell 3000 Value Index measures the performance of the broad value segment of the US equity universe. It is the portion of the Russell 3000 companies with lower price-to-book ratios and lower forecasted growth rates. The Russell 3000 consists of the largest 3000 US companies and represents 98% of the investable US equity market. Performance results earned on behalf of EIC's clients are calculated gross of investment advisory fees, and net returns reflect EIC's advisory fees.

Year Ended Dec - 31	Gross Rate of Return	Net Rate of Return	Benchmark Return of Russell 3000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ¹ of Annual Returns (St Dev)	Number of Portfolios	Composite Assets (\$ mm)	Composite Assets as % of Total Product Assets ²	Non-Fee Paying Portfolios (%)	Total Firm Assets (\$ Millions)
2011 (thru 3/31)	2.5%	2.3%	6.5%	18.5%	23.4%	0.2%	168	\$151.7	20%	1%	\$994.6
2010	18.0%	17.2%	16.2%	18.8%	23.5%	0.5%	158	\$142.6	22%	1%	\$837.0
2009	25.9%	25.0%	19.8%	17.3%	21.3%	1.2%	143	\$112.5	26%	<1%	\$541.2
2008	-23.4%	-23.9%	-36.3%	11.8%	15.5%	0.8%	148	\$87.3	26%	<1%	\$362.6
2007	3.3%	2.6%	-1.0%	7.1%	8.3%	0.8%	138	\$110.8	27%	<1%	\$448.1
2006	16.6%	15.7%	22.3%	6.2%	7.0%	0.5%	116	\$101.0	26%	0%	\$487.2
2005	2.8%	1.9%	6.9%	8.8%	9.7%	0.7%	92	\$72.3	23%	0%	\$463.6
2004	13.9%	12.9%	16.9%	11.5%	14.8%	0.4%	61	\$51.3	23%	0%	\$388.1
2003	25.2%	24.3%	31.1%	13.5%	16.0%	0.6%	39	\$97.9	50%	0%	\$231.0
2002	-3.6%	-4.4%	-15.2%	15.9%	16.6%	1.5%	37	\$58.7	72%	0%	\$110.7
2001	16.9%	15.8%	-4.3%	15.6%	14.1%	1.7%	23	\$51.7	85%	0%	\$82.2
2000	18.0%	17.3%	8.0%	17.9%	16.8%	1.1%	28	\$43.8	75%	1%	\$62.3
1999	0.7%	0.0%	6.6%	15.6%	15.9%	0.9%	36	\$38.2	73%	1%	\$64.1
1998	15.8%	14.9%	13.5%	14.2%	14.9%	0.7%	27	\$24.4	87%	0%	\$35.2
1997	30.5%	29.5%	34.8%	8.8%	9.5%	0.7%	24	\$21.0	73%	0%	\$38.8
1996	9.0%	8.1%	21.6%	7.7%	9.2%	0.9%	29	\$28.3	57%	0%	\$69.7
1995	19.0% ³	18.1%	37.0%	6.3%	8.3%	0.6%	33	\$30.1	43%	0%	\$93.4
1994	0.2% ³	-0.6%	-1.9%	5.7%	8.2%	0.8%	65	\$32.7	46%	0%	\$92.6
1993	11.3% ³	10.4%	18.7%	8.0%	9.5%	0.7%	72	\$44.0	66%	0%	\$84.5
1992	10.6% ³	9.8%	14.9%	12.5%	13.7%	0.9%	69	\$53.3	70%	0%	\$84.1
1991	37.0% ³	36.0%	25.4%	13.3%	14.5%	1.3%	58	\$35.6	73%	0%	\$48.9
1990	-8.0% ³	-8.7%	-8.8%	13.2%	13.5%	0.7%	59	\$25.8	85%	0%	\$30.4
1989	20.8% ³	20.0%	24.2%	18.0%	17.6%	1.6%	51	\$21.4	77%	0%	\$27.8
1988	27.4%	26.2%	23.6%	19.9%	18.9%	1.7%	14	\$6.0	75%	2%	\$8.0
1987	10.6%	9.5%	-0.1%	N/A	N/A	N/A	5	\$0.5	78%	36%	\$0.6
1986	25.0%	23.8%	18.8%	N/A	N/A	N/A	2	\$0.2	100%	100%	\$0.2

See next page for Table Notes

Table Notes:

¹ Dispersion is an asset-weighted standard deviation for the accounts in the composite for the entire year (or year-to-date).

N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

²The All-Cap Value composite represents less than 100% of the product assets because EIC manages various wrap accounts that are included in separate composites pursuant to GIPS® guidelines, and are available upon request.

³Results for the period January 1, 1989 through July 1, 1995 include wrap accounts and are shown as supplemental information. For this period, wrap accounts represent on average 24% of the composite assets. Gross returns for wrap accounts are stated gross of all fees and brokerage firm wrap fees; net returns have been reduced by all fees and brokerage firm wrap fees, which include trading costs, portfolio management, custody, and other administrative fees.

Additional Note: The three year annualized standard deviation measures variability of the composite (gross of fees) and the benchmark returns over the preceding 36 month period.

EIC's after-fee performance through 1988 is based on typical management fees of 1% per year. Beginning in 1989, performance is based on actual fees. Prior to 2003, EIC charged clients a fixed percentage of the assets managed, which ranged from .50% to 1.5%. Some clients chose an incentive fee arrangement and were charged a base fee (ranging from .50% to 1.00%) plus an incentive fee which was triggered by the gross of fees performance of the account versus a Benchmark index. Performance has been measured on a monthly basis from January 1, 1986 to present. Periods are geometrically linked to obtain the quarterly and annual results. Eligible new accounts are added to the composite at the beginning of the first full quarter under EIC management. Trade date accounting with monthly valuations and adjustments for large cash flows are used. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The US Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Economic and market conditions have differed over the time period displayed, and likewise will be different in the future. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Equity Investment Corporation (EIC) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. EIC has been independently verified for the periods January 1, 1986 through March 31, 2011. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The All-Cap Value composite has been examined for the periods January 1, 1986 through March 31, 2011. The verification and performance examination reports, as well as a complete list and description of all the firm's composites, are available upon request by contacting Equity Investment Corporation, 3007 Piedmont Road NE, Suite 200, Atlanta, GA 30305. Prospective clients should be aware that results are historical and do not imply future rates of return or volatility for EIC or the indices, which may be materially different from the past and from each other.

Investment management fees are based on market values of the assets under management. Annual fees (charged quarterly) are as follows: 0.75% on the first \$10 million, 0.60% on the next \$15 million, and 0.40% on the remainder of the assets. Actual investment advisory fees incurred by clients may vary.

All-Cap Value WRAP Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia since 1986. Performance numbers (beginning July 1, 1995) are the value-weighted, time-weighted, total return composite results of fully discretionary wrap All-Cap Value Equity accounts. The strategy employs a flexible framework (not constrained by any cap size limitations) of investing in high quality, well managed companies, while at the same time avoiding those that look inexpensive relative to their historical record but are actually in structural decline. All returns are presented net of foreign withholding taxes on dividends, interest income, and capital gains. Net returns are after actual EIC and brokerage firm wrap fees, which include trading costs, portfolio management, custody, and other administrative fees. Prior to July 1, 1995, the returns are that of the All-Cap Value equity composite. Results for the period January 1, 1989 through July 1, 1995 include both wrap and non-wrap accounts. During this period, wrap accounts represent on average 24% of the composite. Since July 1, 1995, wrap accounts comprise 100% of the composite. Net returns prior to July 1, 1995 are simulated by reducing gross returns (which reflect trading commissions) of the All-Cap Value composite by an annual fee of 2.75% (0.6875%/qtr), which is reflective of our highest wrap fee arrangement. The composite creation date is July 1, 1995. All accounts included in the composite are managed according to similar investment guidelines. Performance includes reinvestment of dividends, and EIC's returns also include interest earned on cash. The benchmark index is the Russell 3000 Value Index, which excludes an advisory fee, and was chosen because it is representative of the composite's investment style. The Russell 3000 Value Index measures the performance of the broad value segment of the US equity universe. It is the portion of the Russell 3000 companies with lower price-to-book ratios and lower forecasted growth rates. The Russell 3000 consists of the largest 3000 US companies and represents 98% of the investable US equity market.

Year Ended Dec - 31	Net Rate of Return	Benchmark Return of Russell 3000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ¹ of Annual Returns (Standard Deviation)	Number of Portfolios	Number of Accounts ² (see below)	Composite Assets (\$ mm)	Composite Assets as % of Total Product Assets	Non-Fee Paying Portfolio Assets (%)	Total Firm Assets (\$ Millions)
2011 (thru 3/31)	2.3%	6.5%	18.5%	23.4%	0.2%	1088	298	\$491.5	65%	<1%	\$994.6
2010	16.7%	16.2%	18.7%	23.5%	0.5%	937	283	\$432.6	67%	<1%	\$837.0
2009	25.2%	19.8%	17.3%	21.3%	1.3%	743	152	\$282.7	66%	0%	\$541.2
2008	-24.1%	-36.3%	11.8%	15.5%	1.0%	946	235	\$220.2	66%	0%	\$362.6
2007	1.9%	-1.0%	7.1%	8.3%	0.9%	935	230	\$283.5	68%	0%	\$448.1
2006	15.0%	22.3%	6.4%	7.0%	0.8%	758	229	\$252.7	66%	0%	\$487.2
2005	1.2%	6.9%	9.0%	9.7%	0.7%	675	226	\$195.5	62%	0%	\$463.6
2004	11.4%	16.9%	11.8%	14.8%	0.8%	531	176	\$137.4	62%	0%	\$388.1
2003	22.5%	31.1%	13.7%	16.0%	0.8%	289	100	\$70.0	36%	0%	\$231.0
2002	-5.3%	-15.2%	16.1%	16.6%	1.5%	59	56	\$14.6	18%	0%	\$110.7
2001	14.8%	-4.3%	15.5%	14.1%	0.8%	13	13	\$5.4	54%	0%	\$82.2
2000	16.4%	8.0%	18.0%	16.8%	0.8%	16	16	\$6.5	11%	1%	\$62.3
1999	0.3%	6.6%	15.7%	15.9%	1.0%	27	27	\$13.0	25%	1%	\$64.1
1998	13.8%	13.5%	14.6%	14.9%	0.9%	11	11	\$2.8	10%	0%	\$35.2
1997	27.6%	34.8%	9.1%	9.5%	0.8%	12	12	\$4.9	17%	0%	\$38.8
1996	6.2%	21.6%	8.0%	9.2%	0.6%	19	19	\$16.6	34%	0%	\$69.7
1995	17.6%	37.0%	6.4%	8.3%	0.6%	42	42	\$23.0	33%	0%	\$93.4
1994	-1.5%	-1.9%	5.8%	8.2%	0.8%	65	65	\$32.7	46%	0%	\$92.6
1993	9.2%	18.7%	8.0%	9.5%	0.7%	72	72	\$44.0	66%	0%	\$84.5
1992	8.3%	14.9%	12.5%	13.7%	0.9%	69	69	\$53.3	70%	0%	\$84.1
1991	34.2%	25.4%	13.4%	14.5%	1.3%	58	58	\$35.6	73%	0%	\$48.9
1990	-9.5%	-8.8%	13.2%	13.5%	0.7%	59	59	\$25.8	85%	0%	\$30.4
1989	17.9%	24.2%	17.8%	17.6%	1.6%	51	51	\$21.4	77%	0%	\$27.8
1988	24.2%	23.6%	19.7%	18.9%	1.7%	14	14	\$6.0	75%	2%	\$8.0
1987	7.7%	-0.1%	N/A	N/A	N/A	5	5	\$0.5	78%	36%	\$0.6
1986	21.7%	18.8%	N/A	N/A	N/A	2	2	\$0.2	100%	100%	\$0.2

See next page for Table Notes

Equity Investment Corporation

Table Notes:

¹ Dispersion is an asset-weighted standard deviation for the accounts in the composite for the entire year (or year-to-date). For 1986 through 1995 dispersion represents EIC's All-Cap Value composite, which contains both wrap and non-wrap accounts. For 1996 through 2005, dispersion represents EIC's internally administered wrap accounts.

² Number of accounts - Each internally administered wrap account is treated as a separate account but each separately managed wrap program is considered only one account.

N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Additional Note: The three year annualized standard deviation measures variability of the composite (net of fees) and the benchmark returns over the preceding 36 month period.

Performance has been measured on a monthly basis from January 1, 1986 to present. Periods are geometrically linked to obtain the quarterly and annual results. Eligible new accounts are added to the composite at the beginning of the first full quarter under EIC management. Trade date accounting with monthly valuations and adjustments for large cash flows are used. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The US Dollar is the currency used to express performance. Returns include the reinvestment of all income. Economic and market conditions have differed over the time period displayed, and likewise will be different in the future. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

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Investment management fees are based on market values of the assets under management. EIC's maximum annual fees for Wrap accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year. Wrap schedules are provided by independent wrap sponsors and are available upon request from the individual wrap sponsor.