

EQUITY INVESTMENT CORPORATION

2018 Third Quarter Commentary *All-Cap Value & Large-Cap Value* October 2018

Stocks continued their upward climb in the third quarter. The Russell 3000[®] Value Index (R3000V) gained 5.4%, the Russell 1000[®] Value Index (R1000V) rose 5.7%, and the S&P 500[®] Index increased 7.7%. Our All-Cap Value (ACV) SMA and Large-Cap Value (LCV) SMA composites gained 4.3% and 4.2% (gross*) respectively. Our stock-only performance essentially matched that of the value indices – most of our shortfall was caused by our cash position. Year-to-date, our ACV SMA composite's 4.3% return (gross*) marginally exceeded the 4.2% return of the R3000V, while our LCV composite outperformed the R1000V, 4.2% (gross*) to 3.9%. Net of a 3% hypothetical maximum annual SMA fee, results for both ACV and LCV would be 3.5% for the quarter, and 2.0% and 1.9% respectively for the year-to-date.¹

Growth continued to beat value, as it has for seven consecutive quarters. For instance, the Russell 3000 Value Index increased 5.4% in the quarter, while the Russell 3000[®] Growth Index increased 8.9%. In terms of size, large stocks outperformed smaller ones. More specifically, the Russell Top 200[®] Index increased 8.4% in the third quarter, and the Russell Midcap[®] Index rose 5.0%. In contrast, the Russell 2000[®] Index climbed 3.6%, while the Russell Microcap[®] Index gained just 0.8%.

Leading contributors to our performance during the quarter were our consumer discretionary holdings: our stocks rose over 8% versus gains of less than 1% for the R3000V and R1000V indices' consumer discretionary stocks. In addition, our holdings in the information technology sector combined for a 21%-plus return, while the indices' tech names gained closer to 8%.

Leading detractors to our performance during the quarter were healthcare, where we were underweight the strongest performing sector and our stocks increased a little over 7%, versus 15%-plus advances for the indices' healthcare stocks. Additionally, our cash levels, including our position in the iShares Short Treasury Bond ETF, averaged 16.0% in our ACV portfolio (and finished at 14.6%) and 17.6% in our LCV portfolio (and finished at 16.2%), which cost us 77 and 90 basis points respectively in performance relative to the indices.²

Investment Environment

The third quarter of 2018 marked the ten-year anniversary of several of the watershed events of the financial crisis. We expected that for a long time following 2008 prudence would govern investors' affairs in the form of more careful attention to valuations, earnings quality and balance sheets. While that appeared to be the case for a few years after the crisis, today it looks to us that many of the lessons learned and pain felt back then have now been cast aside in search of returns. As we have detailed over the last few years, risks are building that may represent significant impediments to investors achieving their return goals. None of these risks are as significant as the last two periods of instability, namely the aforementioned financial crisis and the tech bubble of the late '90s. Rather, today we have elements of both of the last two crises, albeit in lesser degrees. The signs seem to be popping up with increasing frequency, but for now, we believe that many investors are simply not paying attention.

Debt and Leverage: While household and financial sector balance sheets have improved since the financial crisis, non-financial corporate balance sheets have deteriorated significantly, aided by low borrowing costs and willing lenders. According to recent research, a full 54% of the investment grade corporate bond market by par value now carries a BBB rating, the lowest category of investment grade. More worrying, 45% of the investment grade corporate bond market has a leverage profile consistent with a sub-investment grade, or “junk” rating³. In our opinion, this indicates a lack of vigilance by the ratings agencies, which is surprising given their culpability in the financial crisis. In the actual sub-investment grade world, total debt outstanding has doubled since 2007, and on average, bonds and loans today have less covenant protection than before the financial crisis.⁴

Valuations: Stock valuations on current and forward earnings are elevated by historical standards, more so than on the eve of the financial crisis, though not as richly priced as in the late 1990s. Unlike the late ‘90s, however, there are not large segments of the market trading cheaply. In fact, looking at valuations by the median stock (as opposed to cap weighted), this market is almost 50% more expensive than in 2000.⁵ *One relative bright spot remains in the value universe, where stocks are cheaper relative to growth stocks than they have been in over a decade.* Adding to overall valuation concerns, margins underpinning earnings are also elevated relative to history, potentially compounding the risk of overpaying for stocks today. Moreover, roughly 80% of IPOs in 2018 have been for money losing companies, the highest percentage on record.⁶ Despite these elevated valuations, or counterintuitively perhaps *because* of them, M&A activity by dollar value is on pace to eclipse the previous record set in 2007.⁷ And in private equity, deal multiples are now at higher levels than 10 years ago, and increasingly feature pro-forma EBITDA adjustments.⁸

With 10 years of hindsight, a picture emerges as to how we likely arrived here. By lowering both short- and long-term interest rates to lessen the impact of the financial crisis, necessary government action eventually had its intended effect. As time wore on and rates stayed low, fear was replaced, first with prudent risk taking and then, of course, with excess. Interestingly, in the face of this excess, it seems many investors remained cautious, remembering their losses from the financial crisis. Though the memory lingered, they were simply forced into taking more risk. Earning zero to 2% in government bonds for 10 years, below inflation, simply wasn’t viewed as a practical option. However, interest rates are now on the rise, providing investors the opportunity to earn modest returns and take less risk.

Today, unemployment is low, the economy is growing, and unless we face unexpected material declines in the second half, 2018 should feature strong earnings growth, largely on the back of corporate tax cuts. But we contend that much of this positive environment is already reflected in stock prices. We believe that valuation, as much as any other factor, determines future investment returns. And, in our opinion, current valuations suggest modest forward returns.

Where the market and economy go from here, we don’t know. Our ability to forecast the future is poor, and it doesn’t factor much into our work. Our role, as always, is to attempt to maximize our clients’ odds of investment success. As in the past, we attempt to accomplish this by:

- Leaning away from the worst risks, be they margin, leverage, earnings quality or other;
- Diversifying so that our clients aren’t overly exposed to any one particular outcome; and
- Using reasonable assumptions to value holdings and selling when prices surpass full value.

In short, unlike many investors, we are paying attention and acting accordingly.

Portfolio Review²

2018 has seen an increase in volatility, a welcome change from last year, which was one of the least volatile on record. Moreover, earnings growth has outpaced stock price gains, resulting in modestly improved valuations overall. Consequently, we now have more opportunities to consider versus the past several years and our turnover, particularly in this quarter, has increased. More specifically, we added to and trimmed from several existing positions. We also sold Taiwan Semiconductor and Walmart. Both companies are doing well, but their stock prices rose above our fair value estimates. Finally, we purchased new positions in AmerisourceBergen, Facebook, and Mohawk Industries. As a result of this activity, we modestly worked down our cash balances.

AmerisourceBergen is the second-largest distributor of pharmaceuticals in the US, behind McKesson, another holding of ours. The stock has underperformed recently due to concerns around the potential entry of Amazon into the business, the political/regulatory scrutiny of drug prices, and the legal consequences of the opioid epidemic. While these are all legitimate challenges, we view pharmacy distribution as having high barriers-to-entry, with three players controlling 90% of the market, and strong financial characteristics. Further, AmerisourceBergen has the cleanest balance sheet and best capital allocation track record of the 'big-three', and the stock trades at a near-historic low relative to the broad market, which we believe expresses an overly negative view of the long-term prospects for the business.

Facebook serves 2.5 billion users worldwide through its Facebook, Instagram and WhatsApp platforms. The company primarily generates revenue by auctioning off advertising slots on its various platforms. While recent growth rates have been exceptionally strong, the company has faced heightened scrutiny as a result of data leaks, privacy concerns and the spread of misinformation on its platforms. These issues are expected to increase costs and lead to a deceleration in revenue and earnings growth in the coming years. While the future is uncertain, we believe these challenges are manageable due to the size of the company's platforms, its strong balance sheet and the continued industry shift to digital advertising. The shares currently trade at 20x earnings excluding net cash, a modest premium to the market, implying investors expect a significant deceleration from recent growth rates.

Finally, Mohawk Industries is the largest global residential and commercial flooring manufacturer. It manufactures and distributes a diverse portfolio of flooring products including carpet, rugs, tile, laminate, wood, and luxury vinyl tile. Coming out of the financial crisis, Mohawk began to grow revenues through new product introductions and M&A activity and developed an industry leading cost and margin structure. During their second quarter earnings report, the company faced a perfect storm of higher than expected input, transportation, and labor costs, which led to a stock-price drop of more than 35% from its 52-week high. We think that Mohawk's strong management, significant insider ownership, industry leading cost structure, and solid balance sheet coupled with a compelling valuation has given us an attractive entry point.

As always, thank you for your continued partnership with EIC.

Investment Team

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Please see disclosures on the next page.

VALUE DISCIPLINE • QUALITY FOUNDATION • GROWTH OBJECTIVE

Disclosures

¹EIC's ACV and LCV results are those of our All-Cap Value SMA and Large-Cap Value SMA composites gross* (before) and net (after) assumed maximum annual SMA fees of 3% (0.25% per month). SMA fees include transaction costs, portfolio management, custody, and other administrative fees. *Gross returns for EIC SMA composites are "pure" gross returns, do not reflect the deduction of any expenses, including trading costs, and are presented as supplemental information to the full disclosure presentations which are considered an integral part of this report. All returns include reinvestment of dividends and interest. Indices are unmanaged, do not incur management fees, costs or expenses, and cannot be invested in directly. Past performance is not indicative of future results. **Individual account results may differ from those of a composite. Client net returns are reduced by EIC's management fees and may possibly be reduced by brokerage firm wrap fees, which include transaction costs, portfolio management, custody, and other administrative fees.**

²Portfolio data is from representative All-Cap Value and Large-Cap Value accounts. Actual portfolio holdings may vary for each client, and there is no guarantee that a particular client's account, "wrap," or advisory program will hold any, or all, of the securities identified. The securities identified and described above do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

³Source: Morgan Stanley Research, Moody's, FTSE Fixed Income LLC, S&P LCD.

⁴Source: S&P Global Market Intelligence.

⁵Source: The Leuthold Group.

⁶Driebusch, Corrie and Farrell, Maureen, "No Profit, No Problem in Hot IPO Market." *The Wall Street Journal*. 02 October 2018.

⁷Mattioli, Dana and Cimilluca, Dana, "Hot M&A Market Is on Pace for Record." *The Wall Street Journal*. 02 July 2018.

⁸Source: Murray Devine Private Equity Valuations Report.

London Stock Exchange Group plc ("LSE Group") is the source and owner of FTSE Russell index data. FTSE Russell is a trading name of certain of the LSE Group companies. "Russell®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. S&P 500® and Russell indices information is sourced from S&P Capital IQ.

All-Cap Value SMA Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia. EIC was founded in 1986. Effective September 30, 2016, substantially all of the assets and liabilities of the firm were acquired by three members of the investment team who collectively have more than 40 years of experience at EIC. Accounts continue to be managed using the same investment process, and the firm continues to operate as EIC. Performance numbers (beginning July 1, 1995) are the value-weighted, time-weighted, total return composite results of fully discretionary All-Cap Value equity wrap fee (SMA) 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. Prior to January 1, 2013, the composite was called the All-Cap Value Wrap Composite. Returns are generally presented net of foreign withholding taxes on dividends, interest income, and capital gains; however, returns for some accounts are presented gross of foreign taxes depending on the treatment by their custodian. Prior to July 1, 1995, the returns are that of the All-Cap Value composite. Results for the period January 1, 1989 through July 1, 1995 include both SMA and non-SMA accounts. During this period, SMA accounts represent on average 24% of the composite. Since July 1, 1995, SMA accounts comprise 100% of the composite. The composite creation date is July 1, 1995. 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 Index to the Russell 3000® Value Index, which is more representative of the composite. Performance includes reinvestment of dividends, and EIC's returns also include interest earned on cash. The Russell 3000® Value Index measures the performance of the largest 3000 U.S. companies in the value segment of the US equity universe. The Russell 3000® Value Index is based on the Russell 3000® Index, a market-capitalization weighted equity index which represents approximately 98% of the investable US equity market.

											Advisory-Only (UMA) and Managed Assets	
Year Ended Dec - 31	Gross* Rate of Return ¹ (Supplemental)	Hypothetical 3% Annual Net Rate of Return ¹	Benchmark Return of Russell 3000® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ² of Annual Returns (St Dev)	Number of Portfolios ³	Composite Assets (\$ Millions)	UMA Assets ⁴ (\$ Millions) (Supplemental)	GIPS® Firm Assets (\$ Millions)	Total Assets ⁴ (\$ Millions) (Supplemental)	
2018 (through 9/30)	4.3%	2.0%	4.2%	7.5%	9.4%	0.2%	2363	\$1,211.4	\$1,979.6	\$2,519.4	\$4,498.9	
2017	15.6%	12.2%	13.2%	8.0%	10.3%	0.4%	2486	\$1,264.8	\$2,044.9	\$2,790.7	\$4,835.6	
2016	12.2%	8.9%	18.4%	8.6%	11.0%	0.5%	2893	\$1,406.1	\$2,044.5	\$2,994.4	\$5,038.9	
2015	-4.4%	-7.2%	-4.1%	8.9%	10.7%	0.5%	4727	\$1,964.8	\$1,590.0	\$3,658.9	\$5,248.9	
2014	14.9%	11.5%	12.7%	8.1%	9.4%	0.5%	5272	\$2,259.6	\$1,657.7	\$3,862.6	\$5,520.3	
2013	24.7%	21.1%	32.7%	9.2%	12.9%	0.6%	4290	\$1,703.6	\$1,009.2	\$3,286.3	\$4,295.5	
2012	10.0%	6.7%	17.6%	11.5%	15.8%	0.4%	2742	\$1,016.1	\$665.6	\$2,301.1	\$2,966.7	
2011	7.4%	4.2%	-0.1%	16.3%	21.0%	0.6%	1398	\$556.0	\$314.5	\$1,127.9	\$1,442.5	
2010	18.2%	14.7%	16.2%	18.7%	23.5%	0.5%	937	\$432.6	\$77.9	\$836.9	\$914.8	
2009	26.9%	23.2%	19.8%	17.3%	21.3%	1.3%	743	\$282.7	\$10.5	\$541.2	\$551.8	
2008	-22.9%	-25.2%	-36.3%	11.7%	15.5%	1.0%	946	\$220.2	\$0.0	\$362.6	\$362.6	
2007	3.3%	0.3%	-1.0%	7.0%	8.3%	0.8%	935	\$283.5	\$0.0	\$448.1	\$448.1	
2006	16.6%	13.1%	22.3%	6.2%	7.0%	0.8%	758	\$252.7	\$0.0	\$487.2	\$487.2	
2005	2.8%	-0.3%	6.9%	8.8%	9.7%	0.7%	675	\$195.5	\$0.0	\$463.6	\$463.6	
2004	13.9%	10.6%	16.9%	11.4%	14.8%	0.8%	531	\$137.4	\$0.0	\$388.1	\$388.1	
2003	25.2%	21.6%	31.1%	13.6%	16.0%	0.8%	289	\$70.0	\$0.0	\$231.0	\$231.0	
2002	-4.1%	-6.9%	-15.2%	15.9%	16.6%	1.5%	59	\$14.6	\$0.0	\$110.7	\$110.7	
2001	16.9%	13.5%	-4.3%	15.7%	14.1%	0.8%	13	\$5.4	\$0.0	\$82.2	\$82.2	
2000	18.6%	15.2%	8.0%	18.0%	16.8%	0.8%	16	\$6.5	\$0.0	\$62.3	\$62.3	
1999	2.1%	-0.9%	6.6%	15.7%	15.9%	1.0%	27	\$13.0	\$0.0	\$64.1	\$64.1	
1998	16.2%	12.8%	13.5%	14.5%	14.9%	0.9%	11	\$2.8	\$0.0	\$35.2	\$35.2	
1997	30.1%	26.4%	34.8%	8.8%	9.5%	0.8%	12	\$4.9	\$0.0	\$38.8	\$38.8	
1996	8.0%	4.8%	21.6%	7.7%	9.2%	0.6%	19	\$16.6	\$0.0	\$69.7	\$69.7	
1995	19.7%	16.2%	37.0%	6.2%	8.3%	0.6%	42	\$23.0	\$0.0	\$93.4	\$93.4	
1994	0.2%	-2.8%	-1.9%	5.7%	8.2%	0.8%	65	\$32.7	\$0.0	\$92.6	\$92.6	
1993	11.3%	8.0%	18.7%	8.0%	9.5%	0.7%	72	\$44.0	\$0.0	\$84.5	\$84.5	
1992	10.6%	7.4%	14.9%	12.5%	13.7%	0.9%	69	\$53.3	\$0.0	\$84.1	\$84.1	
1991	37.0%	33.0%	25.4%	13.3%	14.5%	1.3%	58	\$35.6	\$0.0	\$48.9	\$48.9	
1990	-8.0%	-10.7%	-8.8%	13.2%	13.5%	0.7%	59	\$25.8	\$0.0	\$30.4	\$30.4	
1989	20.8%	17.3%	24.2%	18.0%	17.6%	1.6%	51	\$21.4	\$0.0	\$27.8	\$27.8	
1988	27.4%	23.7%	23.6%	19.9%	18.9%	1.7%	14	\$6.0	\$0.0	\$8.0	\$8.0	
1987	10.6%	7.4%	-0.1%	N/A	N/A	N/A	5	\$0.5	\$0.0	\$0.6	\$0.6	
1986	25.0%	21.3%	18.8%	N/A	N/A	N/A	2	\$0.2	\$0.0	\$0.2	\$0.2	

Table Notes:

¹ *Gross returns, presented as supplemental information, are “pure” gross and do not reflect the deduction of any expenses, including trading costs, for SMA accounts. “Pure” gross returns from 10/1/02 through 12/31/06, reflect the deduction of trading costs but not any additional expenses. For the period 1/1/89 through 7/1/95, SMA accounts represent on average 24% of the composite assets. Prior to 7/1/95 and for the periods 10/1/02 through 12/31/06, the returns are that of EIC’s All-Cap Value composite. For all other periods, SMA accounts represent 100% of the composite assets. Net returns are calculated by reducing gross returns with an annual SMA fee of 3.0%, applied monthly.

² Dispersion is an asset-weighted standard deviation for the accounts in the composite for the entire year (or year-to-date). “N/A” represents when dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. For 1986 through 1995 dispersion represents EIC’s All-Cap Value composite, which contains both SMA and non-SMA accounts. For 1996 through 2005, dispersion represents EIC’s internally administered SMA accounts.

³ Number of Portfolios/Composite Assets significantly decreased in 2016 due to transitioning of a major SMA program to a model based (UMA) program during Q416.

⁴ “Total Assets” include our regulatory assets under management (“GIPS® Firm Assets”) and our advisory-only “UMA Assets”. EIC has no trading discretion for UMA accounts and provides a model portfolio to the program sponsor or overlay manager. The “UMA Assets” and “Total Assets ” amounts are shown as supplemental information.

Additional Notes: The three year annualized standard deviation measures variability of the composite (gross 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. There were non fee-paying accounts during the following years: 1986: 100%, 1987: 36%, 1988: 2%, 1999-2000: 1%, 2010 – Qtr. 2 2018: <1%. 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.

EIC claims compliance with the Global Investment Performance Standards (GIPS®) since inception 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 June 30, 2018. 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. Verification does not ensure the accuracy of any specific composite presentation. The verification reports, as well as a complete list and description of all the firm’s composites, are available upon request by contacting Equity Investment Corporation, 1776 Peachtree Street NW, Suite 600S, Atlanta, GA 30309. 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. In addition to a management fee, some accounts pay an all-inclusive fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes portfolio monitoring, consulting services, and in some cases, custodial services. EIC’s maximum annual fees for SMA accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year. SMA schedules are provided by independent SMA sponsors and are available upon request from the individual sponsor. Further information about fees and compensation is discussed in EIC’s form ADV Part 2 (www.adviserinfo.sec.gov).

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Large-Cap Value SMA Composite Performance Description

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Advisory-Only (UMA) and Managed Assets											
Year Ended Dec - 31	Gross* Rate of Return ¹ (Supplemental)	Hypothetical 3% annual Net Rate of Return ¹	Benchmark Return of Russell 1000® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ² of Annual Returns (St Dev)	Number of Portfolios ³	Composite Assets (\$ Millions)	UMA Assets ⁴ (\$ Millions) (Supplemental)	GIPS® Firm Assets (\$ Millions)	Total ⁴ (\$ Millions) (Supplemental)
2018 (through 9/30)	4.2%	1.9%	3.9%	7.3%	9.2%	0.3%	913	\$304.8	\$1,979.6	\$2,519.4	\$4,498.9
2017	15.6%	12.3%	13.7%	7.8%	10.2%	0.7%	902	\$301.6	\$2,044.9	\$2,790.7	\$4,835.6
2016	11.9%	12.3%	17.3%	8.5%	10.8%	0.5%	938	\$289.0	\$2,044.5	\$2,994.4	\$5,038.9
2015	-4.5%	-7.3%	-3.8%	8.9%	10.7%	0.4%	1146	\$318.5	\$1,590.0	\$3,658.9	\$5,248.9
2014	15.0%	11.6%	13.5%	8.1%	9.2%	0.5%	361	\$159.4	\$1,657.7	\$3,862.6	\$5,520.3
2013	24.8%	21.2%	32.5%	9.4%	12.7%	0.5%	863	\$328.7	\$1,009.2	\$3,286.3	\$4,295.5
2012	10.0%	6.8%	17.5%	11.5%	15.5%	0.3%	658	\$197.2	\$665.6	\$2,301.1	\$2,966.7
2011	8.2%	5.0%	0.4%	15.9%	20.7%	0.3%	465	\$130.1	\$314.5	\$1,127.9	\$1,442.5
2010	16.8%	13.4%	15.5%	18.5%	23.2%	0.4%	409	\$98.2	\$77.9	\$836.9	\$914.8
2009	25.0%	21.4%	19.7%	17.2%	21.1%	1.0%	386	\$80.0	\$10.5	\$541.2	\$551.8
2008	-22.8%	-25.2%	-36.9%	12.1%	15.4%	N/A	3	\$0.9	\$0.0	\$362.6	\$362.6
2007	2.1%	-0.9%	-0.2%	6.9%	8.1%	N/A	3	\$1.1	\$0.0	\$448.1	\$448.1
2006	17.7%	14.3%	22.3%	6.0%	6.7%	N/A	3	\$1.0	\$0.0	\$487.2	\$487.2
2005	5.7%	2.6%	7.1%	8.7%	9.5%	0.4%	18	\$9.3	\$0.0	\$463.6	\$463.6
2004	13.1%	9.8%	16.5%	12.7%	14.8%	0.4%	18	\$8.9	\$0.0	\$388.1	\$388.1
2003	23.3%	19.7%	30.0%	14.2%	16.0%	1.1%	21	\$8.5	\$0.0	\$231.0	\$231.0
2002	-9.0%	-11.7%	-15.5%	N/A	N/A	0.5%	42	\$11.0	\$0.0	\$110.7	\$110.7
2001	14.6%	11.3%	-5.6%	N/A	N/A	1.2%	45	\$12.4	\$0.0	\$82.2	\$82.2

¹ *Gross returns, presented as supplemental information, are “pure” gross and do not reflect the deduction of any expenses, including trading costs, for SMA accounts. Net returns are calculated by reducing gross returns by an annual SMA fee of 3.0% (0.75%/quarter during 2001 and 0.25%/month thereafter).

² Dispersion is an asset-weighted standard deviation for the accounts in the composite the entire year (or year-to-date). “N/A” represents when dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

³ Number of Portfolios/Composite Assets significantly decreased in Q4 2014 and Q4 2016 due to transitioning of two major SMA programs to model based (UMA) programs.

⁴ “Total Assets” include our regulatory assets under management (“GIPS® Firm Assets”) and our advisory-only “UMA Assets”. EIC has no trading discretion for UMA accounts and provides a model portfolio to the program sponsor or overlay manager. The “UMA Assets” and “Total Assets” amounts are shown as supplemental information.

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.

Performance has been measured on a monthly basis from January 1, 2001, 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. During 2002, 2% of the assets are non-fee paying accounts. There are no non-fee paying accounts during any other period. 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.

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 June 30, 2018. 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 Large-Cap Value SMA composite has been examined for the periods January 1, 2001, through June 30, 2018. The verification and composite examination reports, as well as a complete list and description of the firm's composites, are available upon request by contacting Equity Investment Corporation, 1776 Peachtree Street NW, Suite 600S, Atlanta, GA 30309. 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. In addition to a management fee, some accounts pay an all-inclusive fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes portfolio monitoring, consulting services, and in some cases, custodial services. EIC's maximum annual fees for SMA accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year. SMA schedules are provided by independent SMA sponsors and are available upon request from the individual sponsor. Further information about fees and compensation is discussed in EIC's form ADV Part 2 (www.adviserinfo.sec.gov).

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