EQUITY INVESTMENT CORPORATION

2019 Third Quarter Commentary
All-Cap Value & Large-Cap Value
October 2019

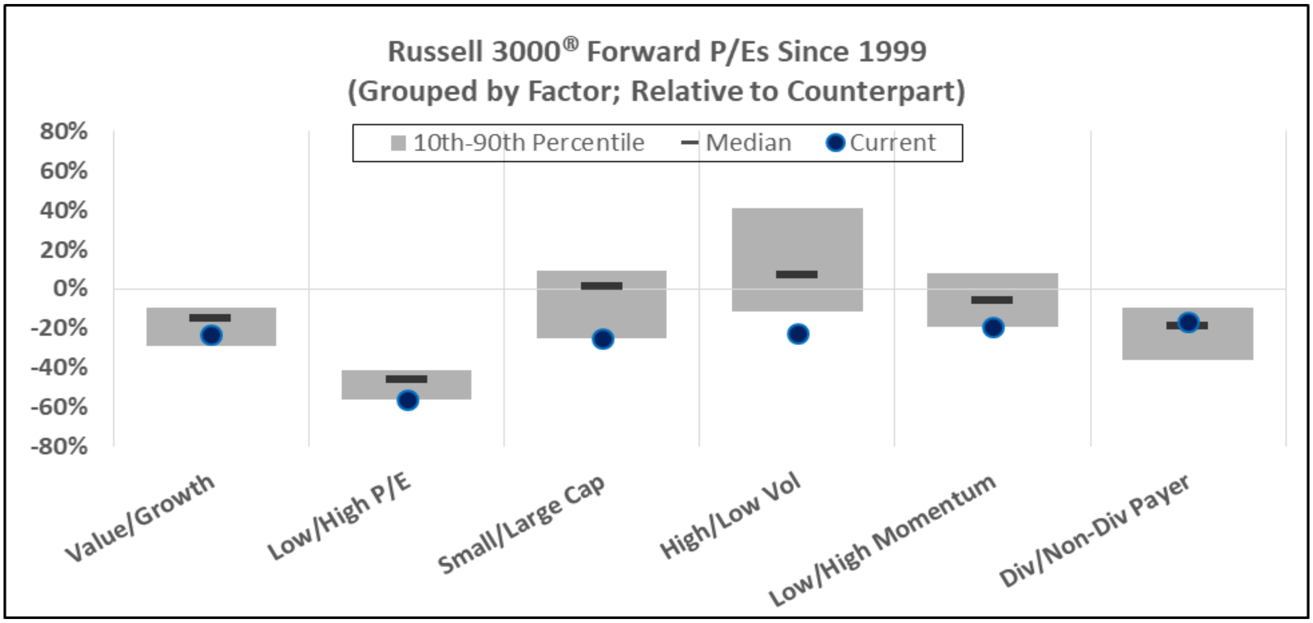
Following a strong start to the year, most stock-market indices posted modest gains in the third quarter. The Russell 3000® Value Index (R3000V) rose 1.2%, while the S&P 500® Index increased 1.7%. Our All-Cap Value (ACV) SMA and Large-Cap Value (LCV) SMA composites climbed 2.6% and 2.5% respectively (gross*). Year-to-date, stocks have advanced sharply. The R3000V rose 17.5% through the first nine months of 2019, while the more growth-oriented S&P 500 Index increased 20.6%. Our ACV SMA and LCV SMA composites climbed 16.1% (gross*). Net of a 3% hypothetical maximum annual SMA fee, results for ACV and LCV would be 1.8% for the quarter and 13.5% year-to-date.[1]

Investment Environment

Rebounding from a weak 2018, the S&P 500 is off to its best nine-month start to the year since 1997, despite 2019 earnings estimates that continue to come down. Full year earnings-per-share growth is now expected to be roughly 1%, a deceleration from the estimated 2% full-year growth expected at the end of last quarter, almost 7% growth expected at the start of the year, and nearly 10% growth expected one year ago.[2] Back out share buybacks, which in recent years have ranged 2-3% per year of total shares outstanding,[3] and earnings dollars will likely decline for the full year. Only three sectors (communication services, financials, and health care) are expected to register high single-digit earnings growth for the year, while four sectors (energy, information technology, materials, and utilities) are expecting earnings declines.[4] To say the least, the economic picture is a mixed bag, with the industrial sector seemingly in recession and the yield curve inverted, while employment and consumer spending remain strong.

Valuations are high, with the S&P 500 trading at roughly 22x trailing GAAP earnings[5] and 18x expected 2019 pro forma earnings[6]. Though we have seen some weakness in guidance this year, margins remain elevated by historical standards. This suggests that valuations may be even richer than the headline numbers if margins were to revert to historical averages. Digging deeper, the valuation dynamics are more nuanced with increasing separation among themes or factors. As seen in the following chart, currently out-of-favor factors such as value, small-cap, high beta, and low momentum are trading unusually cheap to their in-favor counterparts, a setup which presents forward looking investors with opportunity.

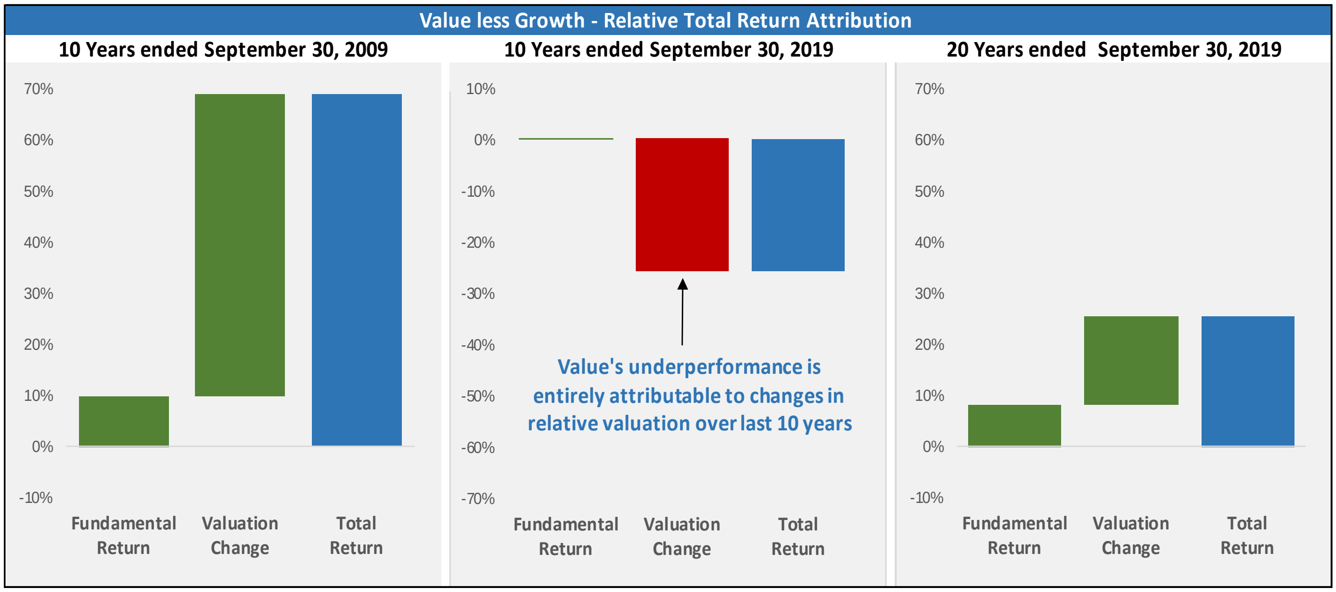
The chart shows where several factors are currently trading (blue dot) relative to their counterparts (e.g., value versus growth) and where they typically have traded over the past twenty years (shaded area). The first five factors highlighted in the chart are trading quite cheaply compared to their history, in some cases extraordinarily so. Of particular note is the high volatility factor (as measured by historical beta), which is trading among its lowest valuations ever compared to its low volatility counterpart. (For further context, in the far right column of the chart, we have added dividend payers, a subset of the low volatility theme, to show their relative historical richness.) The relative attractiveness of higher volatility areas is a theme we have explored in past letters and is an area where we are finding opportunity. We believe that historical beta only tells us so much about risk, and if investors overpay for low-beta exposure, they may find themselves with the opposite result of what they intended.



Data Source: S&P Capital IQ; Russell 3000 constituents. Median average forward Price/Earnings (P/E) ratios over each quarter from January 1999–October 2019 grouped by six factors. See footnote 7 for factor definitions.

Regarding small-caps, they are trading as cheaply as they have relative to large-caps since the bursting of the dot-com bubble. Though our portfolios continue to be biased toward large-cap stocks, we now find ourselves spending more time researching small-cap and mid-cap opportunities. However, small-cap stocks are not as cheap as they nominally look. Many small-cap companies have suffered significant capital-structure degradation, and leverage trends in aggregate are worse, so we're treading carefully.

It's no secret that growth has trounced value over the last decade, leading some to believe that growth is a permanently better investing factor. A closer look at the attribution, however, is telling.



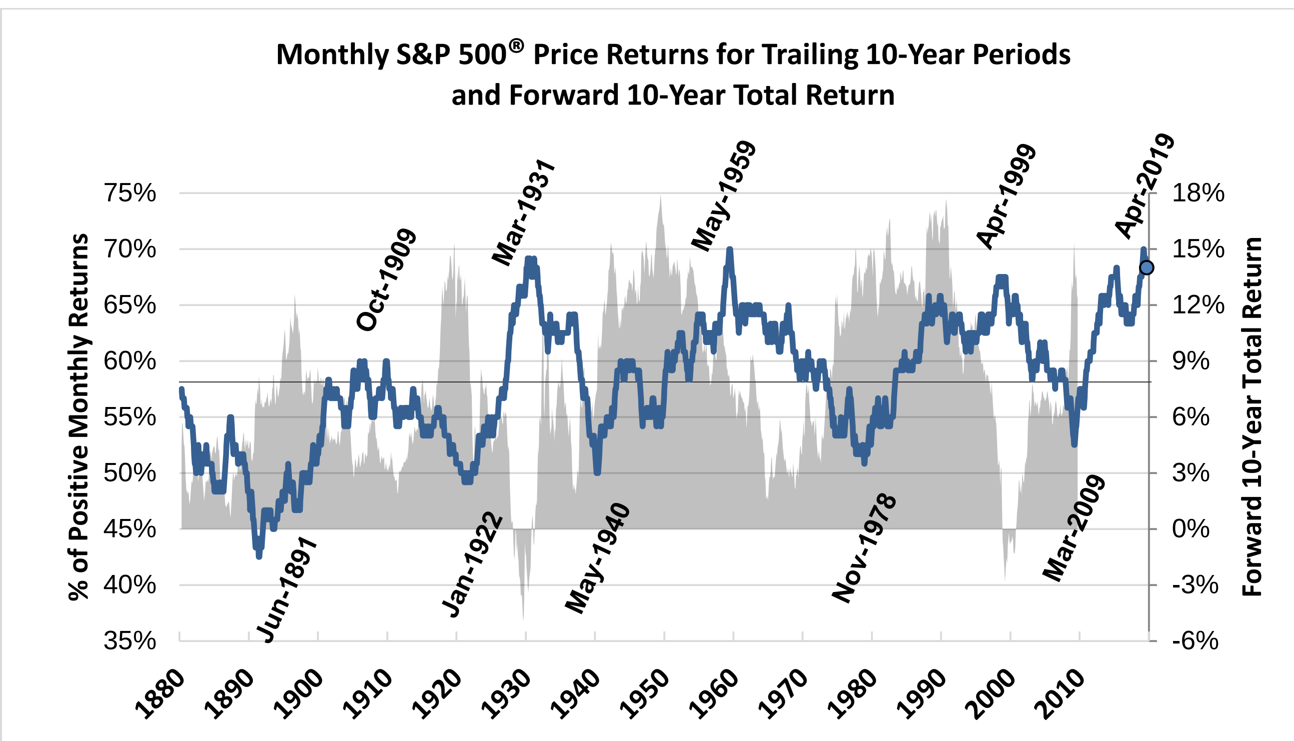
Data Source: S&P Capital IQ. Cumulative Russell 3000 Value Index returns relative to cumulative Russell 3000 Growth Index returns. See footnote 8 for definitions.

The diagram shows relative performance of value versus growth over the last 20 years, broken up into two 10-year periods (September 1999–September 2009 and September 2009–September 2019), along with the full 20-year period. A few highlights:

- Over the first 10-year period, value outperformed growth. Most of this outperformance was attributable to valuation change (i.e., multiple expansion), though the fundamental return (earnings growth + dividends) also contributed.
- Over the last 10 years (middle chart), all of the relative outperformance of growth versus value has come from valuation change.
- Over the full 20 years, the fundamental return of value stocks has actually outperformed growth stocks.
- Value stocks maintain a 20-year performance edge versus growth of roughly 1% per year, despite the financial crisis and several energy crashes which disproportionately affected value.

Today, value stocks trade at their cheapest levels relative to growth in 25 years, with the exception of the 1999-2000 tech-stock bubble, which distorts the historical data.[9] As we have often said, ***starting valuation matters a great deal in determining forward investment returns.***

We have talked at length in past letters about how unusual the past 10 years have been, with low interest rates pushing investors out on the risk spectrum and causing all manner of distortions, from bonds with negative yields to pockets of growth-stock valuations reminiscent of the late '90s. As we enter the final 90 days of this decade, we wanted to share an interesting chart with you. It shows, using Shiller data going back to the 1880s,[10] the percentage of positive monthly returns of the S&P 500 (and predecessors) on a rolling 10-year basis (left axis, blue line), along with the subsequent 10-year returns from that point forward (right axis, gray area).



Data Source: Online Data Robert Shiller. Month over month price returns for the S&P 500 index for rolling 10-year periods from February 1871–September 2019. Compound annual growth rate (CAGR) of S&P 500 price return plus annualized dividends from April 1880–September 2019 for rolling forward 10-year periods.

Two points stand out:

- The last 10 years have been among the highest in history in terms of instances of positive monthly index returns. In fact, almost 70% of the S&P 500's monthly returns have been positive.
- There appears to be a strong ***negative*** correlation between frequency of trailing monthly positive returns and actual subsequent returns. When the overall market persistently increases, that tends to reinforce risk taking, pushing conditions to excess, which then are worked off in the form of lower forward returns. And then the cycle repeats.

In the first quarter of 1999, near the tail end of another growth-led bull market, we wrote the following to reinforce the perils of outcome chasing versus process-driven investment management:

In his book Into Thin Air, Jon Krakauer relates the tale of guides leading relatively low-skilled climbers up Mount Everest.… Each guide faced a dilemma: patrons paying high fees expected to "get to the top", but the capriciousness of high-altitude conditions sometimes means turning back for safety before reaching the summit.… Unfortunately, the competing guides led novices to ever higher heights, and ultimately did reach the summit. But they did so by ignoring their own preset decision rules on latest safe turnaround times, as well as other grave risks. Too late to get down safely, they perished, along with a number of their clients, as an unnoticed storm came from below to engulf the expedition.

In this case, the stakes are not nearly as high as those faced on Everest, but a significant drawdown or an extended period of muted returns would represent a major setback for most investors. How the market and its constituents perform tomorrow, next quarter or even next year is anyone's guess. But we are optimistic about our current opportunity set. The market is offering up relatively extreme valuation disparities. Our focus on attractively priced, out-of-favor stocks bodes well for future returns, especially compared to the overall market and to currently in-favor themes and factors.

Portfolio Review[11]

During the third quarter, we purchased new positions in Sanofi and AGNC Investment Corp.

Sanofi (SNY) is the sixth largest pharmaceutical company in the world. Compared to peers, Sanofi's portfolio tilts away from many of the headline industry risks prevalent today – it has negligible exposure to opioids, it is underweight the U.S. (drug-price regulation risk), and its largest drug accounts for a modest 9% of revenue. In addition, stiff headwinds from generic competition in legacy drugs are now abating, allowing the company to produce its best organic revenue growth rate in more than a decade. In short, risk is lower, growth is improving and the valuation is reasonable – a recipe shared with many of our past successful investments.

AGNC Investment Corp. (AGNC) is the second largest mortgage REIT in the world. The company is fundamentally a "borrow short, lend long" investment vehicle – it borrows short term in the repo market to invest long term in agency residential mortgage-backed securities. Given the flattening yield curve, AGNC has endured compressing net interest margins for nearly a decade. With the yield curve now inverted, most of that compression should be behind it. We believe AGNC's high dividend yield and below-book-value price support its valuation and offer opportunity for good prospective returns. Furthermore, compared to peers, we like the company's focus (almost exclusively investing in government-guaranteed, agency-backed securities) and corporate governance (internally- rather than externally-managed).

Also during the third quarter, we trimmed our positions in Target and Medtronic, which have performed well, while adding modestly to our position in Kroger.

Thank you for your continued partnership with EIC and the trust you have placed in us.

Investment Team

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Disclosures

[1] EIC'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. 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. 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.*

[2] Data Source: S&P Capital IQ. Year-over-year forecast of calendar year 2019 earnings per share growth for S&P 500 based on consensus earnings estimates. Data as of October 7, 2019.

[3]Data Source: S&P Dow Jones Indices. Quarterly buyback yield 2015-2018. 7 Oct. 2019. <https://us. spindices. com/indices/equity/sp-500/sp-500-buyback.xlsx>.

[4] Data Source: S&P Capital IQ. Year-over-year forecast of calendar year 2019 earnings per share growth for S&P 500 GICS® sectors based on consensus earnings estimates. Data as of October 7, 2019.

[5]Data Source: S&P Dow Jones Indices. Actual as reported Generally Accepted Accounting Principal (GAAP) earnings for trailing four quarters as of June 30, 2019. 8 Oct. 2019. <https://us.spindices.com/indices/equity/sp-500/sp-500-eps.est.xlsx>.

[6] Data Source: S&P Capital IQ. Year-over-year forecast of calendar year 2019 earnings per share growth for S&P 500 based on consensus earnings estimate. Data as of October 7, 2019.

[7] Value/Growth: Russell 3000 Value Index vs. Russell 3000 Growth Index; Low/High P/E: 50% of Russell 3000 stocks with lowest P/E vs. 50% with highest P/E; Small/Large Cap: 80% of Russell 3000 stocks with smallest market capitalization vs. 20% with largest market capitalization; High/Low Vol: 50% of the Russell 3000 stocks with highest 5-year monthly beta vs. 50% with lowest 5-year monthly beta; Low/High Momentum: 50% of the Russell 3000 stocks with worst trailing quarterly returns vs. 50% with best trailing quarterly returns; Div/Non-Div Payer: Russell 3000 stocks that pay a dividend vs. those that do not.

[8]Total Return: Relative total return of the Russell 3000 Value Index vs. the Russell 3000 Growth Index for each period; Valuation Change: Relative valuation of the Russell 3000 Value Index P/E vs. the Russell 3000 Growth Index P/E at the end of each period divided by their relative valuation at the beginning of each period; Fundamental Return: Relative Total Return of Russell 3000 Value Index vs. Russell 3000 Growth Index minus relative Valuation Change.

[9]Data Source: Yardeni, Edward & Abbott, Joe. <u>Investment Style Guide</u> (7 October 2019), Figure 31. 3 October 2019 <https://www.yardeni.com/pub/style.pdf>.

[10]Data Source: Shiller, Robert J. <u>Irrational Exuberance.</u> Princeton University Press: 2000, 2nd ed.: 2005, 3rd ed.: 2015, updated. 3 October 2019 <http://www.econ.yale.edu/~shiller/data/ie_data.xls>.

[11]Portfolio 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.

S&P 500 and Russell indices are sourced from S&P Capital IQ.

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 US 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 representing 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)
2019 (through 6/30)	13.2%	11.5%	16.0%	10.6%	12.2%	0.5%	2286	$1,160.5	$1,891.3	$2,320.4	$4,211.7
2018	-6.4%	-9.2%	-8.6%	9.3%	11.1%	0.3%	2341	$1,064.9	$1,721.0	$2,219.9	$3,940.9
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

See next page for Table Notes and other disclosures

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 – 2017: <1%. 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®) 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, 2019. 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).

Large-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 are the value-weighted, time-weighted, total return composite results of fully discretionary large-cap value wrap fee (SMA) accounts managed in the style of the firm's traditional value methodology with a large-cap bias. The strategy employs a flexible framework 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 Large-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. The composite creation date is January 1, 2001, and SMA accounts comprise 100% of the composite. For comparison purposes the composite is measured against the Russell 1000® Value Index, which excludes an advisory fee. On January 1, 2003, the benchmark was changed retroactively from the S&P 500® Index to the Russell 1000® Value Index, which is more representative of the composite. The Russell 1000® Value Index measures the performance of the large-cap value segment of the US equity universe. It is a subset of the Russell 3000® Value Index and includes those Russell 1000® companies with lower price-to-book ratios and lower expected long-term mean earnings growth rates. The Russell 1000® represents approximately 90% 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 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)
2019 (through 6/30)	13.2%	11.5%	16.2%	10.5%	11.9%	0.5%	872	$294.2	$1,891.3	$2,320.4	$4,211.7
2018	-6.4%	-9.2%	-8.3%	9.1%	10.8%	0.4%	898	$262.8	$1,721.0	$2,219.9	$3,940.9
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%	8.6%	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.

See next page for additional disclosures

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, 2019. 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, 2019. 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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