EQUITY INVESTMENT CORPORATION

2021 First Quarter Commentary
Mid-Cap Value
April 2021

Our Mid-Cap Value SMA (MCV) composite rose 17.0% gross* for the quarter, ahead of the Russell Midcap® Value Index (RMCV), which gained 13.1%. (Net of an assumed maximum annual 3% SMA fee, our MCV composite increased 16.2%.)[1]

Value has now outperformed growth over the last three-, six-, nine-, and twelve-month periods. For the trailing 15 months, which includes the first quarter of 2020 with its steep and sudden pandemic-related selloff, growth beat value, with the Russell Midcap® Growth Index increasing a cumulative 34.8%, compared to 18.7% for the RMCV. Our MCV composite outperformed the value index over the trailing 15 months, rising a cumulative 21.1% gross (16.7% net).

This return fits our longer-term pattern in periods of stock market volatility and distress. By focusing on a diversified portfolio of reasonably priced, higher-quality companies, we tend to outperform the market during significant downdrafts when concerns about valuation and financial soundness come to the forefront. And, when the market offers up opportunity, as it did in the first quarter of 2020, we act decisively, positioning our portfolios towards areas that have been hit hard and offer greater return prospects. As a result, portfolio turnover in 2020 was elevated relative to our history. The long-term product of our downside protection and, when timely, opportunistic offense has been better-than-index returns with lower volatility.

Investment Environment

Despite value's recent strength, growth has significantly outpaced it over an extended period. Accordingly, we think that we are in the early stages of value's outperformance. As shown in the chart below, growth stocks still command a substantial, near-historic premium valuation compared to value stocks.

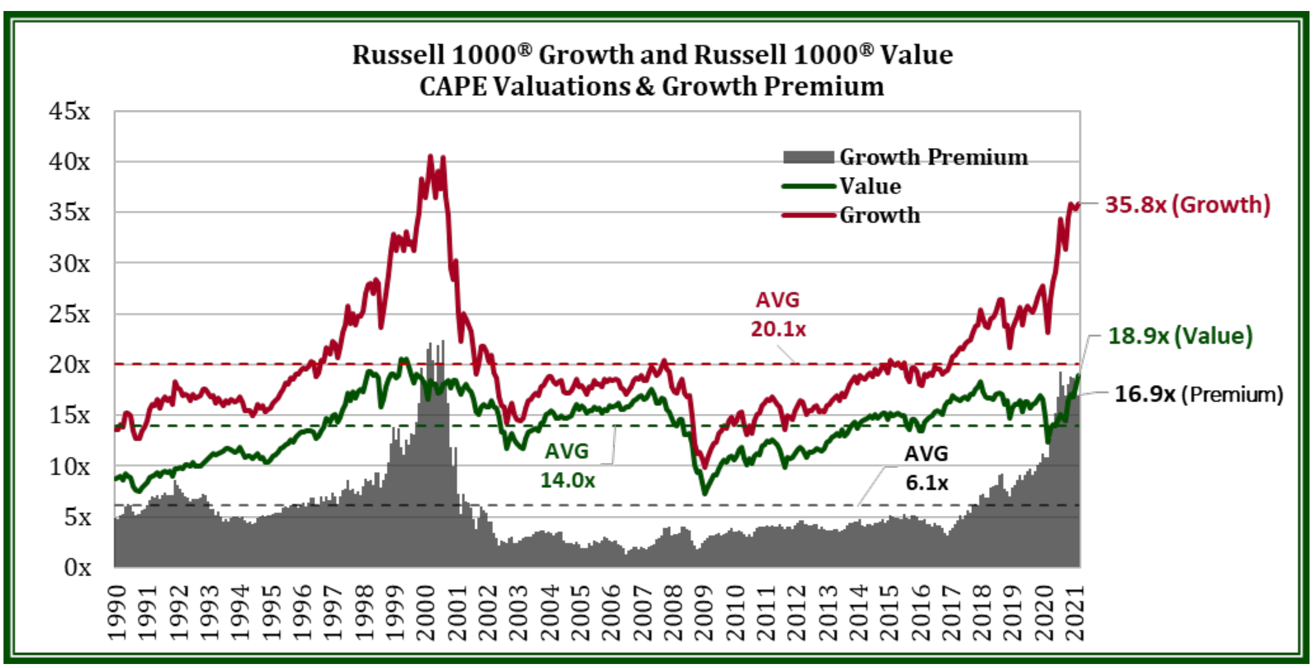

Chart 1 Data Source: S&P Global Market Intelligence. See footnote 2.

We believe growth stocks are priced to deliver subpar prospective returns.

Within the growth universe, there is significant variation in the degree of over-valuation, falling broadly into three categories. Mega-cap growth companies with dominant market positions, many of which are in the information technology, communication services, and consumer discretionary sectors, are all fully- to over-valued in our estimation. Smaller but proven growth names with revenues and/or cash flow, such as in the software and consumer discretionary space, appear to sport more extreme valuations. Finally, there is a large cohort of "concept" companies, with electric vehicle listings coming public via special purpose acquisition companies (SPACs) as most representative of this group. These companies are often pre-product and pre-revenue, and in our view, have nonsensical valuations.

A growth investor may not suffer substantial losses in the first group described above, but we think returns from these levels are likely to be poor over a multi-year period. The remaining groups are more egregiously overvalued, reminding us more of the dot-com bubble when there was way too much optimism, and the risk of capital loss was severe. At the peak of the bubble, there were roughly 200 stocks in the top 1,500 (ranked by market capitalization) that were unprofitable for the previous three years, and they had a collective market value of around $800 billion. Today, a similar number of companies have been unprofitable for the past three years, but they sport an aggregate market cap of over $2.2 trillion.[3] While there will inevitably be a handful of winners in the space, the majority will likely prove very poor investments from these levels.

As a result of the disparities between the growth and value universes, history suggests that, from here, value could outperform growth by 5-8% ***per year*** over the coming decade, as seen in the following chart, which plots starting valuation versus subsequent 10-year returns.

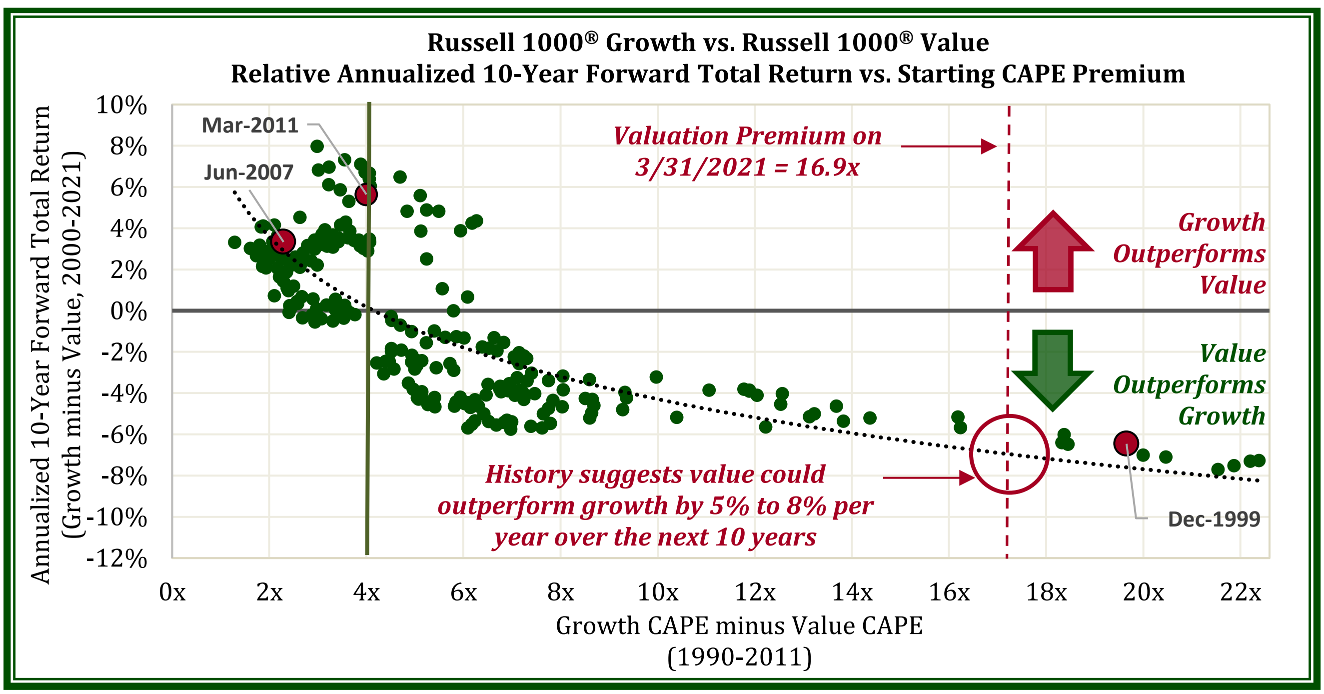

Chart 2 Data Source: S&P Global Market Intelligence. See footnote 4.

Over the last five years, most of growth's outperformance versus value has come from valuation expansion rather than improving fundamentals. Absent further relative valuation expansion, which seems unlikely given current valuation levels, fundamental performance will largely drive total returns. But high valuations tend to result in fundamental underperformance going forward, as expensively priced companies offer lower dividend yields and are able to buy back fewer shares of their stock. Low valuations, conversely, tend to lead to fundamental outperformance for the opposite reasons.

Notably, this generic advantage of value over growth likely undersells our current investment opportunity set. As happened in the late 1990s, when growth strongly outperformed value, Russell's annual index rebalancing in 2020 reclassified many growth-oriented stocks, moving them into the value universe. For example, as shown in the following chart, the Russell 1000® Index now has more than twice the number of companies considered to be value as those considered to be growth, a record amount in the index's more than 40-year history.

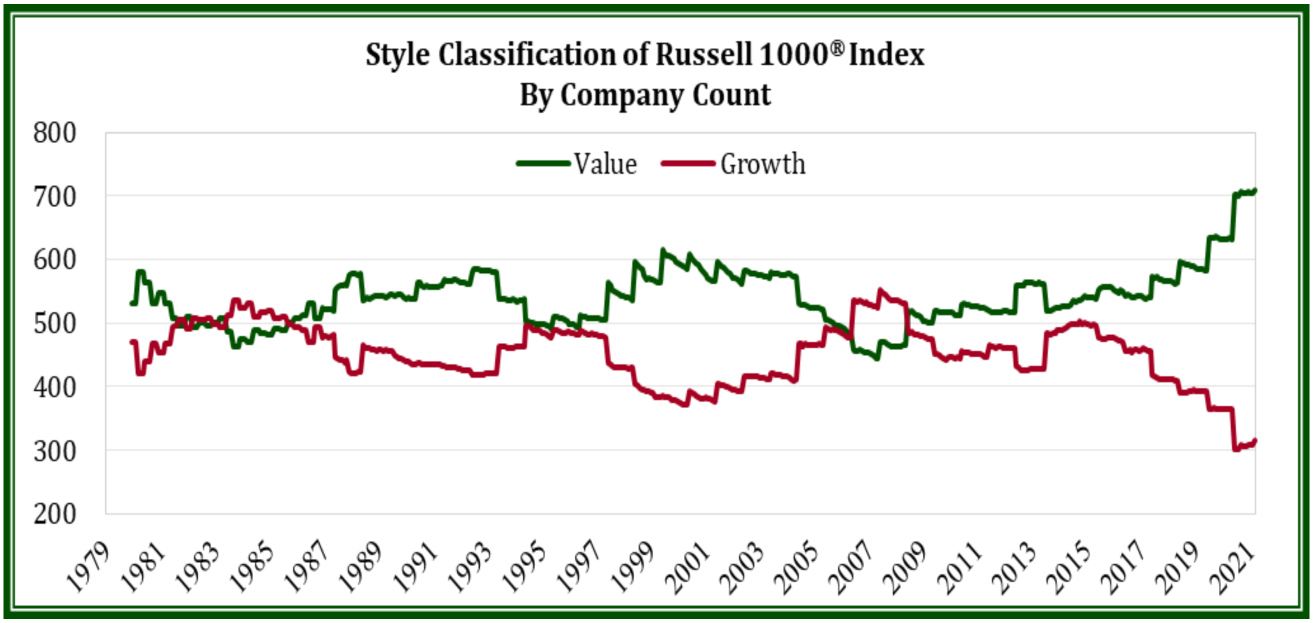

Chart 3 Data Source: S&P Global Market Intelligence. See footnote 5.

As a result, the growth indexes have become increasingly concentrated and risky. At the same time, the valuation gap ***within*** the value indexes has become more extreme, with pockets of very attractively valued stocks. For instance, in the R1000V, cheaper stocks (25th percentile) are now selling at a 60% discount to more expensive stocks (75th percentile), as shown in the chart below. In short, we continue to find plenty of attractive investment opportunities despite value's recent rally.

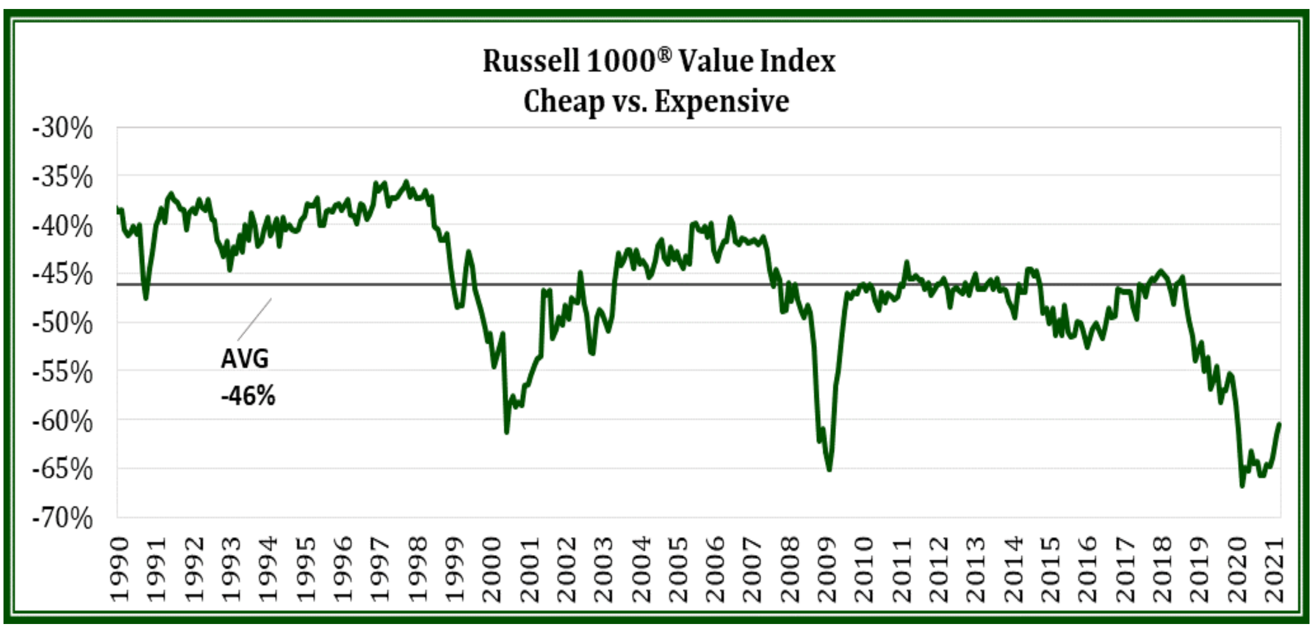

Chart 4 Data Source: S&P Global Market Intelligence. See footnote 6.

Stepping back, today's environment is much changed from a year ago and, indeed, even from the beginning of this year. The downturn of 2020 was precipitated by COVID-19 and the attendant economic shutdown, and the recovery has been a function of COVID-19's evolution. A year ago, in the depths of uncertainty about the pandemic's duration and severity and its ultimate impact on the economy, effective vaccines were a hopeful but unknown outcome. But as of this writing, the U.S. has administered over 150 million shots, averaging nearly three million shots per day over the last week. COVID-19 cases, hospitalizations and deaths are all down 70% or more from their winter highs (though worryingly a few states have seen recent upticks).[7] It now seems clear that an end to the pandemic is in sight, though the precise timing remains uncertain. In the meantime, the government remains highly supportive of the economy, with continued large stimulus programs and a significant infrastructure plan in the works. While the long-term implications of so much debt-financed spending remain to be seen, shorter term it should prove expansionary.

This combination has fueled a steadily improving employment picture beginning in May of 2020 and continuing into 2021, and the markets have begun to reprice a return to normal.[8] Oil prices, which briefly went negative for near-term delivery in the depths of March 2020, have rebounded and are now close to $60 per barrel.[9] On the back of a strengthening economy and rising inflation expectations, long-term interest rates, as measured by 10-Year Treasuries, have surged from a low of 52 bps in the summer of 2020 to 1.7%, matching levels seen in early 2020.[10,11] Moreover, the yield spread between 2-Year and 10-Year Treasuries is now as wide as it has been in nearly six years, offering improved returns for lenders and signaling economic strength.[12]

All of the above, should it continue, bodes well for value in general and our portfolios in particular. But we believe that by virtue of the portfolios' quality, diversification, and valuation, we are poised to deliver reasonable returns across a range of environments.

Portfolio Positioning[13]

We remain tilted toward traditional value. Relative to our benchmark, we are significantly overweight in financials, energy, and consumer staples, along with more modest overweights in health care and utilities.

During the quarter, we added to our positions in Smith & Nephew, Ingredion, and Washington Real Estate Investment Trust. We trimmed our position in Discovery Inc. based on valuation.

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

Investment Team

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Please see disclosures on the following page.

[1]*EIC's MCV results are those of our Mid-Cap Value SMA composite 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 GIPS® Composite Reports, which are considered an integral part of this commentary. All returns include reinvestment of dividends and interest. Indexes 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]*Russell 1000 Growth Index modified CAPE (red line), Russell 1000 Value Index modified CAPE (green line), Russell 1000 Growth Index modified CAPE premium over Russell 1000 Value Index modified CAPE (gray area) at each month-end from 1/31/1990 to 3/31/2021. Modified CAPE is the ratio of index prices to trailing 10-year index level earnings before taxes (EBT) on a time-weighted basis. Annual index level EBT is imputed by dividing the year-end index price by an aggregated price to EBT multiple of index constituents.*

[3]*Source: Callum, Thomas, @Callum_Thomas, 03 April 2021. https://twitter.com/Callum_Thomas/status/1378406974132391936?s=20. As seen in Opsal, Scott, The Leuthold Group LLC. "Valuation Extremes: Here Be Dragons." 17 March 2021. https://research.leutholdgroup.com/section/of-special-interest/articles/ 2021/03/17/ valuation-extremes-here-be-dragons.22840. 05 April 2021.*

[4]*Russell 1000 Growth Index modified CAPE premium over Russell 1000 Value Index modified CAPE (x-axis) at each month-end 1/31/1990 to 3/31/2011, plotted against the annualized 10-year forward total return difference between the Russell 1000 Growth and Russell 1000 Value indexes (y-axis) at each month-end 1/31/2000 to 3/31/2021.*

[5]*Style classification of each company in the Russell 1000 Index based on each constituent's weight in the Russell 1000 Value and/or Russell 1000 Growth indexes at each month-end 12/31/1979 to 3/31/2021.*

[6]*Valuations based on Russell 1000 Value constituent price to prior three-year peak earnings at each month-end 1/31/1990 to 3/31/2021. "Cheap" stocks (at 25% percentile of all constituent valuations) over "Expensive" stocks (at 75% percentile of all constituent valuations.)*

[7]*Data Source: Centers for Disease Control and Prevention, COVID-19, COVID Data Tracker Weekly Review, "The Race to Vaccinate," 02 April 2021. https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covidview/index.html. 05 April 2021.*

[8]*U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS. 08 April 2021.*

[9]*Data Source: yahoo! Finance, Crude Oil May 2021. https://finance.yahoo.com/quote/CL%3DF?p=CL%3DF&.tsrc=fin-srch. 07April 2021.*

[10]*Kasumov, Aziza; Smith, Colby; and Platt, Eric. "US companies sound inflation alarm."30 March 2021. https://www.ft.com/content/f0bbed31-bea8-4542-b953-096762d2e59f. 05 April 2021.*

[11]*Data Source: Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10. 05 April 2021.*

[12]*Data Source: Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity [T10Y2Y], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/T10Y2Y. 05 April 2021.*

[13]*Portfolio data is from representative Mid-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.*

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia. EIC has been providing investment advisory services to clients since 1986. Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary Mid-Cap Value wrap (SMA) accounts. The strategy invests in high-quality, well-managed mid-cap 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 Mid-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. All accounts included in the composite are managed according to similar investment guidelines. The composite creation and inception date is January 1, 2004, and SMA accounts comprise 100% of the composite. The benchmark index is the Russell Midcap® Value Index (which excludes an advisory fee), and was chosen because it is representative of the composite's investment style. The Russell Midcap Value Index measures the performance of the mid-cap value segment of the US equity universe. It is a subset of the Russell Midcap® Index and includes approximately 800 of the Russell 1000® companies with lower price-to-book ratios and lower expected long-term mean earnings growth rates.

									Advisory-Only (UMA) and Managed Assets		
Year Ended Dec - 31	Gross* Rate of Return[1] (Supplemental)	Assumed 3% annual Net Rate of Return[1]	Benchmark Return of Russell Midcap® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion[2] of Annual Returns (St Dev)	Number of Portfolios	Composite Assets ($ Millions)	UMA Assets[3] ($ Millions) (Supplemental)	GIPS® Firm Assets ($ Millions)	Total Assets[3] ($ Millions) (Supplemental)
2021 (through 3/31)	17.0%	16.2%	13.1%	19.2%	22.8%	0.4%	10	$2.5	$1,914.2	$1,834.1	$3,748.3
2020	3.5%	0.4%	5.0%	18.6%	22.6%	0.8%	10	$2.2	$1,694.6	$1,607.6	$3,302.2
2019	18.3%	14.9%	27.1%	9.4%	12.8%	0.7%	22	$5.5	$1,942.4	$2,245.1	$4,187.5
2018	-6.4%	-9.2%	-12.3%	8.4%	12.0%	0.7%	21	$4.7	$1,721.0	$2,219.9	$3,940.9
2017	12.6%	9.3%	13.3%	7.5%	10.3%	1.0%	20	$5.4	$2,044.9	$2,790.7	$4,835.6
2016	16.6%	13.2%	20.0%	8.4%	11.3%	1.0%	15	$4.3	$2,044.5	$2,994.4	$5,038.9
2015	-2.1%	-5.0%	-4.8%	8.9%	10.7%	1.0%	9	$2.3	$1,590.0	$3,658.9	$5,248.9
2014	15.2%	11.8%	14.8%	8.9%	9.8%	N/A	5	$1.8	$1,657.7	$3,862.6	$5,520.3
2013	33.6%	29.7%	33.5%	10.5%	13.7%	N/A	3	$1.1	$1,009.2	$3,286.3	$4,295.5
2012	11.3%	8.0%	18.5%	10.7%	16.8%	N/A	3	$0.9	$665.6	$2,301.1	$2,966.7
2011	5.3%	2.2%	-1.4%	15.3%	22.8%	N/A	1	$0.2	$314.5	$1,127.9	$1,442.5
2010	22.8%	19.3%	24.8%	17.9%	27.1%	0.4%	7	$1.7	$77.9	$836.9	$914.8
2009	28.1%	24.4%	34.2%	17.6%	25.0%	0.9%	8	$1.5	$10.5	$541.2	$551.8
2008	-20.4%	-22.8%	-38.4%	13.0%	18.7%	1.2%	11	$1.7	$0.0	$362.6	$362.6
2007	4.4%	1.3%	-1.4%	8.3%	9.1%	0.7%	16	$3.2	$0.0	$448.1	$448.1
2006	12.2%	8.9%	20.2%	7.3%	8.7%	0.5%	20	$6.6	$0.0	$487.2	$487.2
2005	6.0%	2.9%	12.7%	N/A	N/A	0.8%	29	$8.6	$0.0	$463.6	$463.6
2004	19.8%	16.3%	23.7%	N/A	N/A	N/A	32	$10.5	$0.0	$388.1	$388.1

[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 with an assumed annual SMA fee of 3.0% (0.25%/month).

[2] Dispersion is an asset-weighted standard deviation for the accounts in the composite the entire year (or year-to-date) and is calculated using gross returns. "N/A" represents when dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

[3] "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 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, 2004, 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 are no non-fee paying accounts. Economic and market conditions have differed over the time period displayed, and likewise will be different in the future. Policies for valuing investments, calculating performance and preparing GIPS Composite Reports 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 December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to the composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. 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. The firm's list of broad distribution pooled funds is available upon request. 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).