EQUITY INVESTMENT CORPORATION

2021 Second Quarter Commentary

All-Cap Value & Large-Cap Value

July 2021

Stocks rose for the fifth consecutive quarter. Our All-Cap Value SMA (ACV) composite gained 5.2% gross*, compared to the Russell 3000® Value (R3000V) and S&P 500® (SP500) indexes, which increased 5.2% and 8.5%, respectively. (Net of an assumed maximum annual 3% SMA fee, our ACV composite rose 4.4%.) Similarly, our Large-Cap Value SMA composite (LCV) gained 5.0% gross (4.3% net), versus the 5.2% return of the Russell 1000® Value (R1000V) Index.

Year to date, our ACV composite climbed 22.0% gross*, compared to the R3000V and SP500 indexes, which advanced 17.7% and 15.3%, respectively. (Net of an assumed maximum annual 3% SMA fee, our ACV composite rose 20.2%.) Likewise, our LCV composite increased 21.5% gross (19.8% net), versus the 17.0% return of the R1000V Index.[1]

Investment Environment

The economy is growing, while vaccination rates and employment continue to climb, putting the worst of 2020 behind us. Last year's fears of contraction have been replaced this year with fears of inflation. Some of the inflationary pressures should prove transitory as supply chains continue to work through pandemic-induced bottlenecks. Other inflationary pressures, however, may prove more long-lasting, including labor, housing, and perhaps even some commodities.

Despite value's giveback this quarter, it has outperformed growth year-to-date and for the last 9 and 12 months.[2] Nevertheless, we believe that we are still in the early stages of a value performance rotation, and our portfolios are positioned to benefit. Notably, our bias towards value stocks is ***not*** a top-down decision. Rather, we build portfolios from the bottom up, one stock at a time. We've always invested where value leads instead of focusing on whether a stock is labeled as "growth", "core", or "value". In fact, it is not uncommon for stocks classified as growth or core to sometimes meet our valuation criteria. Today, we continue to find the most attractive investment opportunities among stocks classified as value.

As seen in the chart on the next page, valuations for growth stocks and the spread between growth and value remain near historical highs (gray area), eclipsed only by a brief period at the top of the tech bubble. In the past, high overall valuation levels for growth and big spreads to value have resulted in poor subsequent returns and meaningful underperformance for growth stocks. As we have detailed in previous communications, the math of high valuations is ultimately punitive to future returns. In contrast, lower valuations drive higher fundamental returns.[3]

The chart shows that value stocks are also priced near their highs (green line), but valuations are much less extreme than for growth stocks (red line). When valuation levels were comparable to today, during the late '90s and early '00s tech bubble, value stocks delivered strong forward outperformance relative to growth.[4] Beyond value's current relative valuation advantage, active management can further add alpha relative to passive value indexes through stock selection. Moreover, as occurred in the tech bubble and is now happening again, some expensive growth stocks have moved into the value indexes during the annual Russell index reconstitution.[5] This leaves value indexes more expensive in aggregate than some individual sectors and stocks within the indexes. As a result, we are still finding some reasonably priced investment opportunities among the value universe despite high overall valuations.

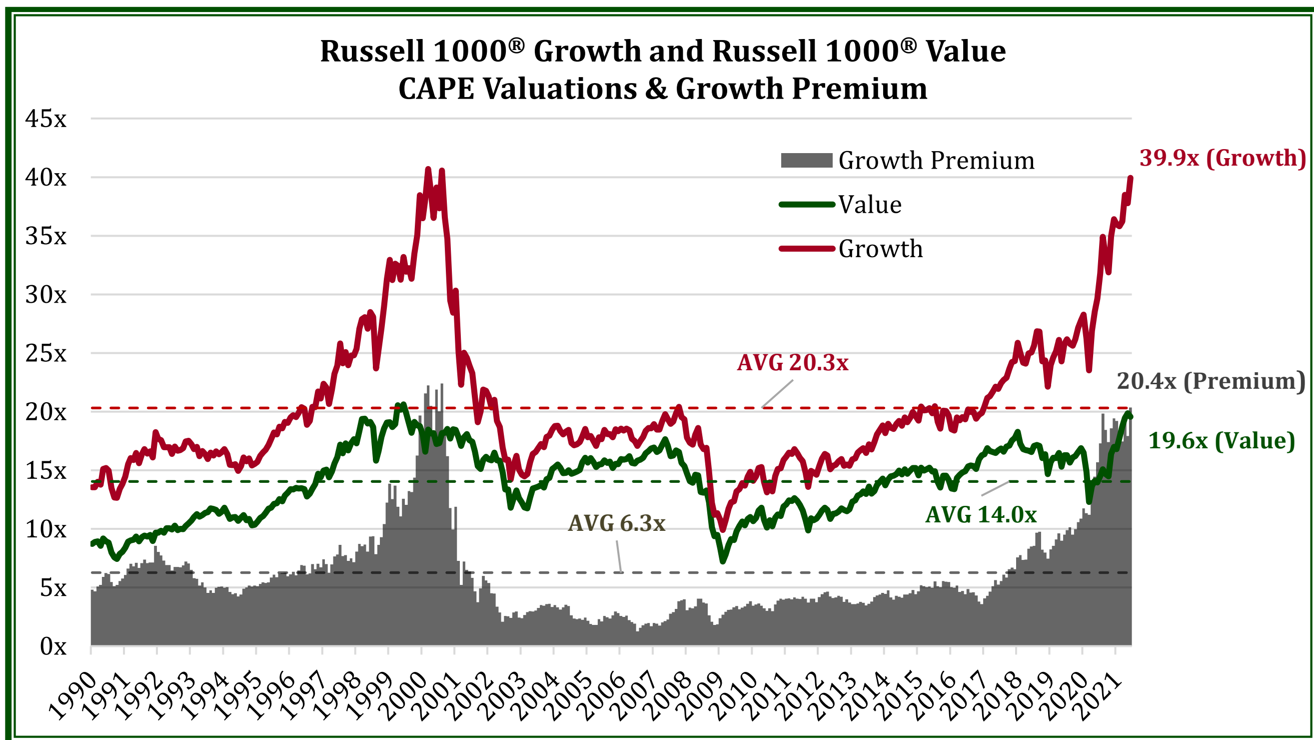

Chart 1 Data Source: S&P Global Market Intelligence. See footnote 6.

Aside from the growth/value divide, there continue to be other significant risks in the markets. Junk bond yields and spreads versus Treasuries are at or near historic lows, and at current inflation rates are priced to yield zero on a real basis.[7,8] Thematic investments, such as electric vehicles, COVID-19 and work from home beneficiaries, "meme" stocks, SPACs, and cryptocurrencies have mostly declined from their highs but have still significantly outperformed the market since the beginning of 2020.[9] Despite recent price declines, most still exhibit some combination of excessive valuations, accounting/governance issues, and, in the case of cryptocurrencies, questions about their ultimate use that should render them un-investable to the conservative investor.

Perhaps nothing is as emblematic of the current environment as the cryptocurrency Dogecoin. Created as a joke by its founders, not supply-constrained like Bitcoin, and currently with no widespread commercial use beyond speculation, the digital currency is down over 60% from its highs in May of this year. But at present levels, it is still up nearly 11,000% over the past year. An investor earning an assumed long-term average stock market return of approximately 10% a year would have to invest for 50 years, an investing lifetime, to compound that same return. And Dogecoin is not a micro-cap sideshow. It carries a market value of over $30 billion, larger than almost half of the names in the S&P 500 Index of large-cap companies. [10]

Dogecoin may be an extreme performance outlier, but investments of a similar ilk are common in today's market. Performance like this, often amplified with leverage from margin or options, is causing many investors to ignore the mounting risks. Completely detached from valuation, driven by momentum, and often the more absurd, the better, this market has been referred to as nihilistic investing.[11] As Charlie Munger, Warren Buffet's erudite and witty partner put it recently: "If you're not a little confused by what's going on, you don't understand it."[12]

Based on recent market performance, investors' return expectations seem to be increasing precisely when they should be more cautious. A recent survey by Natixis, a France-based financial services firm, found that individual US investors are currently expecting 17.5% annual long-term returns, a number that, on a nominal basis, is almost double actual long-term returns.[13] Based on history, however, at these starting valuations, investors should be prepared for returns substantially below long-term averages.

We are often asked about the so-called reopening trade, economically sensitive businesses that should benefit the most from an end to the COVID-related lockdowns. In particular, they include companies in the airline, cruise ship, hotel, online travel, and restaurant industries. A year ago, in the depths of uncertainty, we think there was value in careful security selection among these groups. Today, as shown in the chart below, we are convinced a successful reopening of the economy is more than priced in for this group, and prices have taken on some of the speculative enthusiasm evident elsewhere. At current levels, these stocks are trading at higher valuations than they did peak pre-pandemic (red line), yet in most cases, earnings aren't expected to reach or surpass past peak earnings for several more years. Furthermore, because of the pandemic-induced revenue shortfalls, the group has increased debt significantly (gray area), introducing more credit risk and placing valuations even higher than past peaks on a total enterprise value (TEV) basis (blue line).

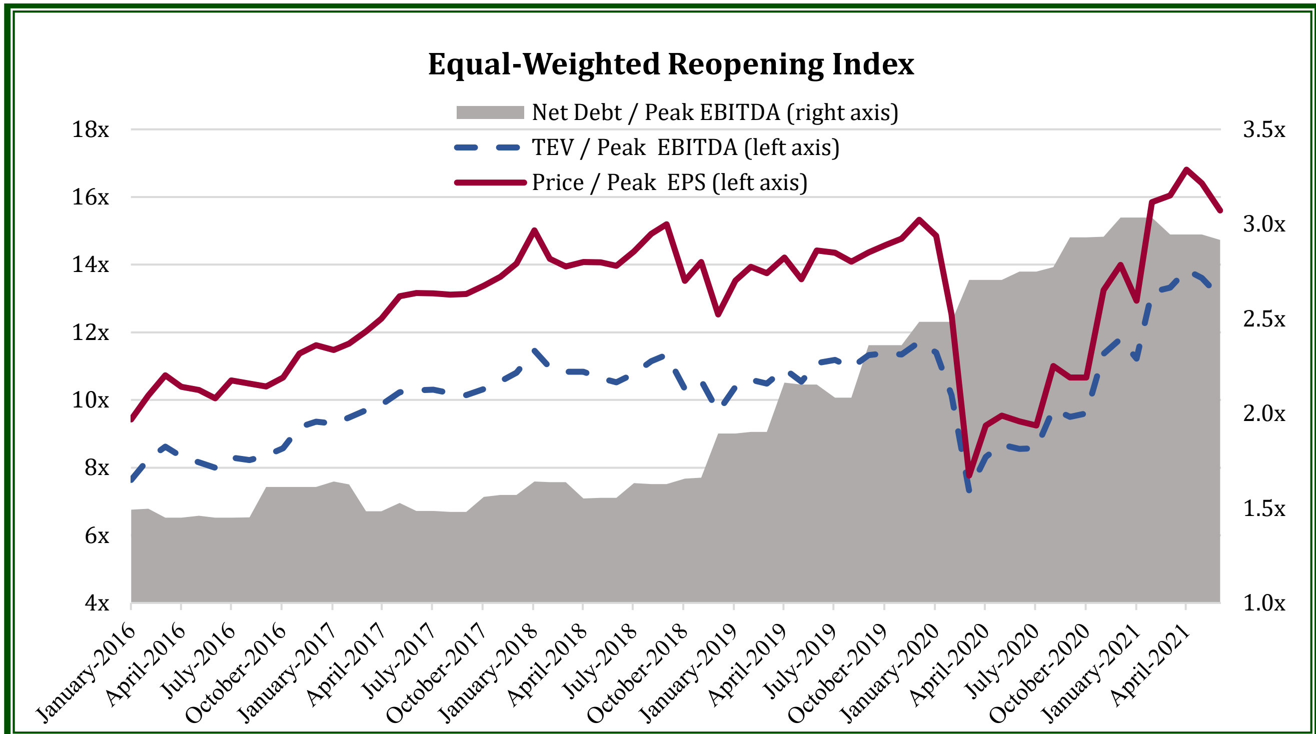

Chart 2 Data Source: S&P Global Market Intelligence. Equal-Weighted Reopening Index represents the simple average of data on 16 stocks: Airlines (DAL, UAL, AAL, LUV); Cruise lines; (CCL, RCL, NCLH); Online Travel Agents (EXPE, BKNG); Hotels (MAR, HLT, H); and, Restaurant/Foodservice (DRI, ARMK, TXRH, SYY). See footnote 14.

Portfolio Positioning[15]

As a result of this quarter's trading activity, cash in our representative portfolios declined to the lowest levels in about nine years at the end of Q2. While the overall market may be expensive, we continue to find reasonably priced investment opportunities. To that end, our portfolios trade at roughly 14x projected earnings, have a composite credit rating of A to A-, and offer a well-covered dividend yield of 2.8%.[16,17]

During the quarter, we added to existing positions in Sanofi and Discovery based on valuation, and we trimmed four stocks (Cisco Systems, Hartford Financial Services Group, PPG Industries, and US Bancorp) that saw significant price increases. We also sold two holdings – Medtronic and Target – as both stocks traded well through our estimates of fair value.

We first purchased Medtronic in 2007 at an average price of $49. Subsequently, we sold our position in January of 2020 at $120 per share. Just two months later, we re-purchased Medtronic at an average price of $76 in the COVID-related market selloff. We sold it for the second time in April of this year at an average

price of $121. The relatively quick back-to-back trades in the first quarter of 2020 are somewhat atypical for us, but they highlight our valuation-driven investment discipline.

Likewise, we have owned Target since 2008. Our initial purchase price was $44, but we added to the position at a price as low as $27 during the financial crisis. The company has performed well over our holding period, albeit with some bumps along the way, and has proved itself a relevant and formidable competitor in the age of Amazon. Target was a pandemic beneficiary, and we believe they may have gained some small permanent advantages due to the COVID-related disruptions. Nonetheless, this seems to be more than fully reflected in Target's stock price. Accordingly, we sold the position in May of this year at an average price of $211.

Finally, we added two new names during the quarter, AT&T and Dollar Tree.

In May, we acquired a 3% position in AT&T (T) at an average price close to $29. We made this purchase shortly after the company announced it would be spinning off WarnerMedia, merging the unit with Discovery (another one of our holdings), and cutting its dividend. After years of missteps and distracting acquisitions, the company is now on a path to simplify its operations, reduce debt, and refocus on its core wireless and wireline competencies. AT&T's wireless business will account for more than 75% of operating income after the WarnerMedia spin-off. The company also announced that it would be cutting its outsized dividend, putting added pressure on the stock despite AT&T's sharpened strategic focus. Assuming the deal with Discovery goes through, this weakness allowed us to purchase a stake in the future AT&T (i.e., AT&T without WarnerMedia) at an implied 13% free-cash-flow yield and more than 5% dividend yield (after factoring in the dividend cut). We believe this is an attractive price for a stake in a stable, concentrated industry that generates healthy returns on capital.

In June, we purchased a 2.5% position in Dollar Tree (DLTR) at an average price near $100. The consolidated business consists of two brands: Dollar Tree and Family Dollar. The Dollar Tree Stores, which relies more on discretionary sales, have a long history of strong growth and outstanding unit economics and profit margins. Meanwhile, the more staples-focused Family Dollar has fallen behind peer Dollar General in most relevant metrics in recent years. To close the gap, management has made a number of adjustments and investments since acquiring Family Dollar stores in 2015, including closing and re-bannering underperforming stores, opening combination Dollar Tree/Family Dollar stores, and making key capital improvements to the store sites to improve the shopping experience. While these moves have yet to narrow the performance shortfall relative to Dollar General, we are starting to see some signs of progress in store efficiency. We also believe the company has room to increase its total store count meaningfully in the coming years, which should help drive multi-year earnings growth. And, importantly, the market is valuing Dollar Tree at a significant discount to its peers and history.

We continue to be overweight in the financials and energy sectors. Unlike much of the market, where margins are historically high, financials are arguably under-earning due to the low interest rates of the past decade. Post pandemic, banks find themselves with significant excess capital that will likely be distributed to shareholders through higher dividends and share buybacks. In energy, oil demand is rebounding, but under-investment in production has somewhat constrained supply, providing support to current prices. Our focus in both areas is on higher-quality companies with strong balance sheets and higher returns on capital. Both sectors are cheap historically compared to the market and inexpensively valued on current earnings. Any inflation that manifests itself in higher interest rates or commodity prices should boost fundamental earnings for the two sectors but is unnecessary for today's valuations to work.

We are also overweight in utilities and modestly overweight in the consumer staples and communication services sectors. All of these investments share the following characteristics: relatively stable and less cyclical earnings streams, conservative capital structures, decent growth prospects, and good to strong returns on capital. And they trade at valuations that offer reasonable prospective returns.

Our main underweight is in information technology, where we have been net sellers based on valuation over the last few years.

With today's levels of general market over-valuation coupled with significant retail exuberance and credit and accounting risks, we think it is more important than ever to focus on the fundamentals of price and quality. In our view, many investors are ignoring the risks, perhaps instead driven by the fear of missing out. From here, history suggests that many of their investments will provide inadequate returns over the coming decade. In particular, we are convinced that growth stocks are priced to deliver minimal returns or worse, while value stocks are priced to deliver reasonable returns. Our time-tested investment approach is well-suited for this environment. We continue to believe that a focus on quality, valuation, and diversification will serve our clients well.

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

Investment Team

W. Andrew Bruner, CFA, CPA
R. Terrence Irrgang, CFA
Ian Zabor, CFA

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) a maximum annual SMA fee of 3% (0.25% per month) (which is assumed to be equal to or higher than the highest actual SMA fee charged by a program sponsor). 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. Client net returns are reduced by EIC's management fees or may possibly be reduced by brokerage firm wrap fees, which include transaction costs, portfolio management, custody, and other administrative fees.***

[2]*Data Source: Morningstar Direct SM. Russell 3000 Value Index versus Russell 3000 Growth Index and Russell 1000 Value Index versus Russell 1000 Growth Index total returns for the 6-, 9-, and 12-months ended June 30, 2021.*

[3]*As we wrote in our Q4 2020 commentary, "…the superiority of value from current starting levels is not just a simplistic call for mean reversion of valuations, though that has happened in the past and would favor value. Rather, a cheaper entry price increases an investor's odds of outperformance, even accounting for higher earnings growth in the growth-stock universe. Our research shows that, whether a value or a growth stock, the majority of company earnings are used for either dividends or share buybacks. The lower a price an investor pays for today's earnings, the better the total return on that investment in either increased dividend yield or higher earnings-per-share growth due to more significant share buybacks at lower prices."*

[4]*Data Source: S&P Global Market Intelligence. Russell 1000 Growth Index modified CAPE premium over the Russell 1000 Value Index modified CAPE at each month-end January 31, 1990 to June 30, 2011, versus the annualized 10-year forward total return difference between the Russell 1000 Growth and Russell 1000 Value indexes at each month-end January 1, 2000 to June 30, 2021. For example, in late 1999 and early 2000 growth valuation premiums of 19x to 22x produced forward return differences of -6% to -8% versus value. At similar current valuations, history suggests value could outperform growth over the next 10 years.*

[5]*Data Source: S&P Global Market Intelligence. In May of each year, FTSE Russell classifies each constituent in the Russell 1000 Index as growth, value or a blend of the two. Style classification of each company is based on each constituent's weight in the Russell 1000 Value and/or Russell 1000 Growth indexes at each month-end December 31, 1979 to June 30, 2021. At June 30, 2021 there are 683 companies classified as value and 341 classified as growth. The index now has twice the number of companies considered to be value as those considered to be growth, exceeding the index's 40-year history of averaging 542 companies classified as value and 451classifed as growth.. At June 30, 1999 there were 615 companies classified as value and 385 companies classified as growth.*

[6]*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 January 31, 1990 to June 30, 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.*

[7]*Data Source: Ice Data Indices, LLC, ICE BofA US High Yield Index Effective Yield [BAMLH0A0HYM2EY], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/BAMLH0A0HYM2EY. 07 July, 2021.*

[8]*Data Source: Ice Data Indices, LLC, ICE BofA US High Yield Index Option-Adjusted Spread [BAMLH0A0HYM2], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/BAMLH0A0HYM2. 07 July 2021.*

[9]*Mackintosh, James. "Tesla and Other Bubble Stocks have Deflated Just Like 2000." 17 June 2021. Tesla and Other Bubble Stocks Have Deflated Just Like 2000 - WSJ. 18 June 2021.*

[10]*Data Source: yahoo! Finance, Dogecoin USD. https://finance.yahoo.com/quote/DOGE-USD?p=DOGE-USD&.tsrc=fin-srch. 07 July 2021.*

[11]*Gupta, Kriti. "Bubble Expert Jeremy Grantham Addresses 'Epic' Equities Euphoria." 22 June 2021. https://www.bloomberg.com/news/articles/2021-06-22/bubble-expert-jeremy-grantham-addresses-epic-equities-euphoria?sref=0dfncL6V. 07 July 2021.*

[12]*Munger, Charles Thomas, Executive Vice Chairman. Berkshire Hathaway Inc. Shareholder/Analyst Call, May 1, 2021. S&P Global Market Intelligence, page 58.*

[13]*Natixis Investment Managers, "The Next Normal." 2021 Global Survey of Individual Investors conducted by CoreData Research, March-April 2021. Survey included 8,550 investors from 24 countries.*

[14]*Equal-Weighted Reopening Index for each month- or quarter-end January 2016 through June 2021. TEV/Peak EBITDA (blue line) is the ratio of each month-end index TEV to the highest recorded EBITDA for the index at any quarter end. Total Enterprise Value (TEV) is net debt plus market capitalization on each month-end. EBITDA is trailing 12-month non-GAAP earnings before interest, taxes, and depreciation/amortization for each quarter-end. Net Debt/Peak EBITDA (gray area) is the ratio of quarter-end index net debt to the highest recorded EBITDA for the index at any quarter end. Net Debt is total short-term and long-term debt for each quarter-end. Price/Peak EPS (red line) is the ratio of each month-end index price to the highest recorded EPS for the index at each quarter-end. EPS is the trailing 12-month non-GAAP earnings per share for each quarter-end.*

[15]*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 herein 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.*

[16]*Data Source: Morningstar Direct℠ for representative All-Cap Value and Large-Cap Value accounts as of June 30, 2021. Price/Projected earnings is the reciprocal of an asset weighted average of the ratio of estimated earnings for the current fiscal year of all the stocks in the portfolio to the most recent month-end share price of all the stocks in the portfolio.*

[17] *Data Source: S&P Global Market Intelligence as of June 30, 2021. Credit-quality ratings represent Standard & Poor's (S&P) opinion as to the quality of the securities they rate. The ratings range from AAA (extremely strong capacity to meet its financial commitments) to D (in default). Ratings are relative and subjective and are not absolute standards of quality. The ratings provided relate to the underlying securities within the representative All-Cap Value or Large-Cap Value portfolio and not the portfolio itself.*

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All-Cap Value SMA Composite Report

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 (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, and the inception date is January 1, 1986. All accounts included in the composite are managed according to similar investment guidelines. 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 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)	Assumed 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)
2021 (through 3/31)	16.0%	15.1%	11.9%	17.6%	20.0%	0.4%	1560	$869.2	$1,914.2	$1,834.1	$3,748.3
2020	5.0%	1.9%	2.9%	17.3%	20.0%	1.0%	1574	$784.3	$1,694.6	$1,607.6	$3,302.2
2019	22.7%	19.1%	26.3%	10.6%	12.0%	0.6%	2065	$1,151.4	$1,942.4	$2,245.1	$4,187.5
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 assumed 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) 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. 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 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).

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Large-Cap Value SMA Composite Report

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 Large-Cap Value equity 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 and inception date is January 1, 2001, and SMA accounts comprise 100% of the composite. The benchmark index is the Russell 1000® Value Index (which excludes an advisory fee), and was chosen because it is representative of the composite's investment style. 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)	Assumed 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)
2021 (through 3/31)	15.7%	14.9%	11.3%	17.5%	19.7%	0.3%	566	$226.5	$1,914.2	$1,834.1	$3,748.3
2020	4.3%	1.2%	2.8%	17.3%	19.6%	0.8%	590	$206.6	$1,694.6	$1,607.6	$3,302.2
2019	22.6%	19.1%	26.5%	10.6%	11.8%	0.6%	786	$279.4	$1,942.4	$2,245.1	$4,187.5
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 assumed 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) 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] 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.

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See next page for additional disclosures

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