EQUITY INVESTMENT CORPORATION

2020 Fourth Quarter Commentary
All-Cap Value & Large-Cap Value

January 2021

Stocks posted strong gains in the fourth quarter of 2020. The Russell 3000® Value Index (R3000V) increased 17.2%, and the Russell 1000® Value Index (R1000V) rose 16.3%, both outpacing the S&P 500® Index (S&P 500), which added 12.2%. Our All-Cap Value SMA (ACV) and Large-Cap Value SMA (LCV) composites gained 15.3% and 14.7% gross*, respectively, driven by a strong November when ACV rose 13.4%, and LCV climbed 12.8%. November was the second-best month for ACV in our 35-year history, behind only March of 2000, and the best month in the 20-year history of LCV. Net of an assumed maximum annual 3% SMA fee, our ACV and LCV composites correspondingly increased 14.5% and 13.8% for the quarter and 13.2% and 12.6% for November.[1]

After a poor start to 2020, stocks rose sharply in the final three quarters of the year. As a result, the R3000V gained 2.9% for the full year, and the R1000V advanced 2.8%, while the more growth-oriented S&P 500 climbed 18.4%. Our ACV and LCV composites rose 5.0% and 4.3% gross*, respectively. Net of an assumed maximum annual 3% SMA fee, our ACV and LCV composites correspondingly increased 1.9% and 1.2%.

While value outperformed growth in the fourth quarter (and its outperformance continues into 2021 as of the writing of this letter), it remains deeply out of favor across all capitalization sizes. In fact, value has trailed growth for the better part of 14 years, its longest period of subpar performance in history. Moreover, value's cumulative shortfall relative to growth now exceeds that of the tech bubble.[2]

Compared to the value indexes, our overall execution managing through last year's volatility was roughly in line with our historical record. Our downside capture through the market bottom on March 23rd was 88-89%, not quite as good as we've done in the past, as our focus on valuation, traditionally a key source of stability for us, detracted from performance during the pandemic downturn. From the bottom, our upside capture for the remainder of the year's strong performance was 87-88%, about what we've done historically.[3] Taken together, we came out ahead of our value benchmarks with lower volatility.[4] Relative to growth and the growth-heavy S&P 500, however, our performance was disappointing, though not surprising in a market where stocks with higher valuations outpaced those with lower valuations.

Investment Environment

Market participants won't soon forget 2020. Sir John Templeton famously said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria."[5] For growth stocks, 2020 packed all these elements into just one short year. We saw pessimism in the COVID-19 panic-induced market crash in March, skepticism amid the early stage recovery in the spring, optimism about vaccines and an eventual end to the disease in the summer, and full-blown euphoria in late summer and fall. Meanwhile, though up sharply from the bottom, value stocks are still stuck, depending on the sector, somewhere between the pessimism and early optimism stages. There are green shoots visible in continued improving economic activity and a short stretch of value outperformance, but there is certainly no euphoria in the value universe.

Despite value's outperformance in the fourth quarter, one of the biggest stories of 2020 continued to be the utter dominance of growth. In fact, during the third quarter, growth posted the best relative 12-month performance versus value in over 25 years, surpassing its previous high-water mark, the 12 months ended February 2000.[6]

As we have discussed in past letters, growth came into 2020 already quite expensive relative to value. The divergence widened further during the year, aided in part by several growth companies benefitting rather than suffering from the shutdown. However, most of the performance differential was not due to better fundamental performance but instead to relative valuation expansion, giving rise to a valuation chart that looks much like it did in the late 1990s, as seen below. [7]

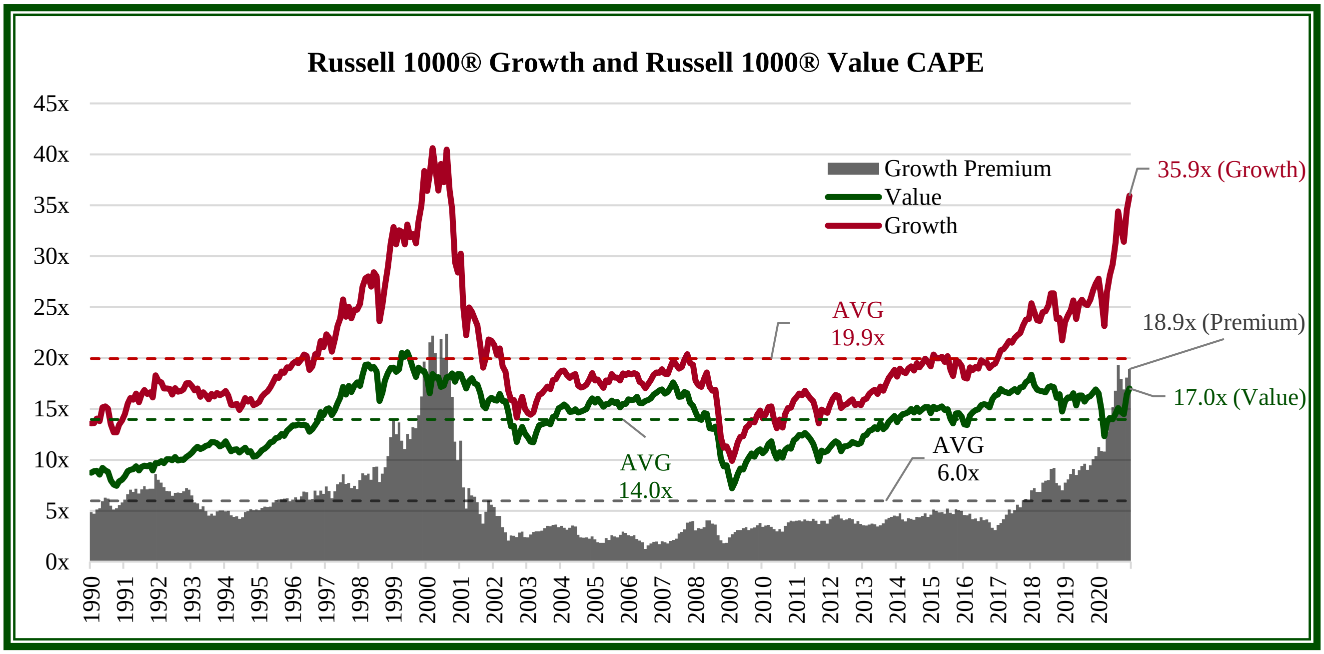

Chart 1 Data Source: S&P Global Market Intelligence. See footnote 8.

Growth stocks have now gone vertical. In contrast, value stocks trade close to historical average valuations and in some pockets, namely energy and financials, remain very cheap. We used modified CAPE ratios in our analysis to smooth earnings volatility, but other valuation metrics lead to the same conclusion. Like the late 1990s, the positive price momentum in growth stocks has fed on itself and metastasized into extreme optimism and excesses in unforeseen places. The following examples are but a sample of this.

Retail trading, particularly in options, has surged to all-time highs, as has margin borrowing.[9] Brokerage firms opened more than eight million retail accounts in the first nine months of 2020 alone, as people quarantined at home took to day-trading. Retail traders accounted for 20% of volume, double the share of a decade ago. Armed with a Twitter account and a brokerage app, individual traders piled into story stocks, and momentum became the critical factor for stock market success.[10] For instance, Tesla climbed over 700% in 2020 and increased another 25% in the first week of 2021. As a result, the company became the 5th largest in the United States by market cap, and Elon Musk is now one of the world's richest people.[11] Tesla trades at over 400x pro forma earnings, makes little from its actual automotive operations, and commands a fraction of 1% of the global vehicle market share.[12,13] It remains junk-rated by S&P and Moody's.[14] But optimism abounds.

Initial public offerings (IPOs) in 2020 have exceeded their 1999-2000 historical highs in both the number of issues and dollars raised.[15] About 45% of these IPOs were special purpose acquisition companies (SPACs), which raised a record $78 billion in 2020, an amount approaching the total dollars raised in all previous years combined for these vehicles.[16] For the uninitiated, a SPAC, also known as a "blank-check company", raises money for an unspecified target at inception, promises to return the money after a few years if a target isn't found, and if and when a target is found, the financial sponsor typically takes 15-20% of the total equity as their fee. In short, it is a remarkable compensation scheme that involves a high degree of faith on the part of investors. That faith has historically gone unrewarded, as the pre-2020 performance record of SPACs has been poor, and that was with much smaller amounts of capital to deploy.[17] Many of this year's hottest stocks have come public via SPACs. They are generally loss-making companies, in many cases pre-revenue but with compelling long-term stories and sky-high valuations.[18]

Outside the stock market but nonetheless indicative of investors' irrational exuberance, the price of Bitcoin gained over 300% last year, taking out its previous 2017 high, and was up a further 40% in the first week of 2021.[19]

In looking more broadly at factors that drove performance in the Russell 3000® Index in 2020, the highest valuation stocks beat the lowest valuation stocks by 58%. Money-losing stocks performed even better, outperforming the lowest valuation stocks by 72%. Stocks with the highest short interest (indicating heightened controversy) outperformed the lowest short interest stocks by 54%.[20]

Similar to the late 1990s, even sober investors are getting caught up in the madness. Rather than participating in the most speculative areas of excess, however, many are playing it "safe" by holding large weightings in more "reasonably" priced growth stocks, such as many large-cap tech and consumer discretionary names that "only" sport valuations in the 30-40x non-depressed-earnings range. Anecdotally, we are seeing this more frequently among even our value peers.

<u>Portfolio Positioning</u>[21]

Most investors acknowledge that the market is expensive. Nevertheless, many continue to pile into the most expensive parts of the market, perhaps due to a fear of missing out on further gains. As a result, starting valuations, which are a key driver of future returns, are approaching levels not seen since December 1999. Growth stocks are now priced for minimal returns or worse, while value stocks are priced for adequate equity-like returns. The following chart shows the forward returns of growth relative to value that were produced at different starting valuation levels. If history is a guide, it suggests value will outperform growth significantly over the coming decade.

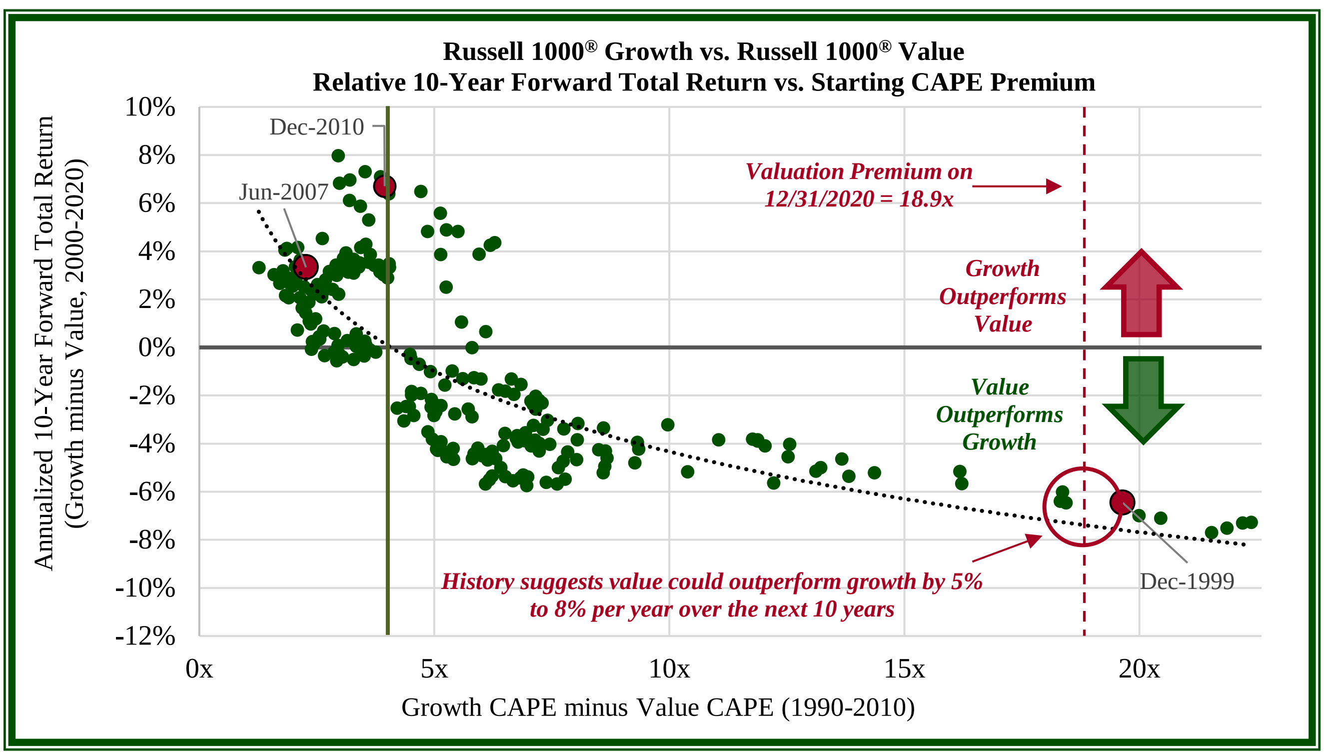

Chart 2 Data Source: S&P Global Market Intelligence. See footnote 22.

Our view of 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.

We've always invested where value leads, rather than focusing on whether a stock is labeled as "growth", "core", or "value". Indeed, it is not uncommon for stocks classified as growth and core to meet our valuation criteria. For example, after underperforming in the 2000s, growth and core stocks were attractively valued, and in 2010 we invested almost 70% of our portfolios in them.

Today, we're finding the most attractive investment opportunities among stocks classified as value. Accordingly, the proportion of our holdings in the value classification is among the highest weighting we have seen in nearly 20 years, as shown in the chart below.

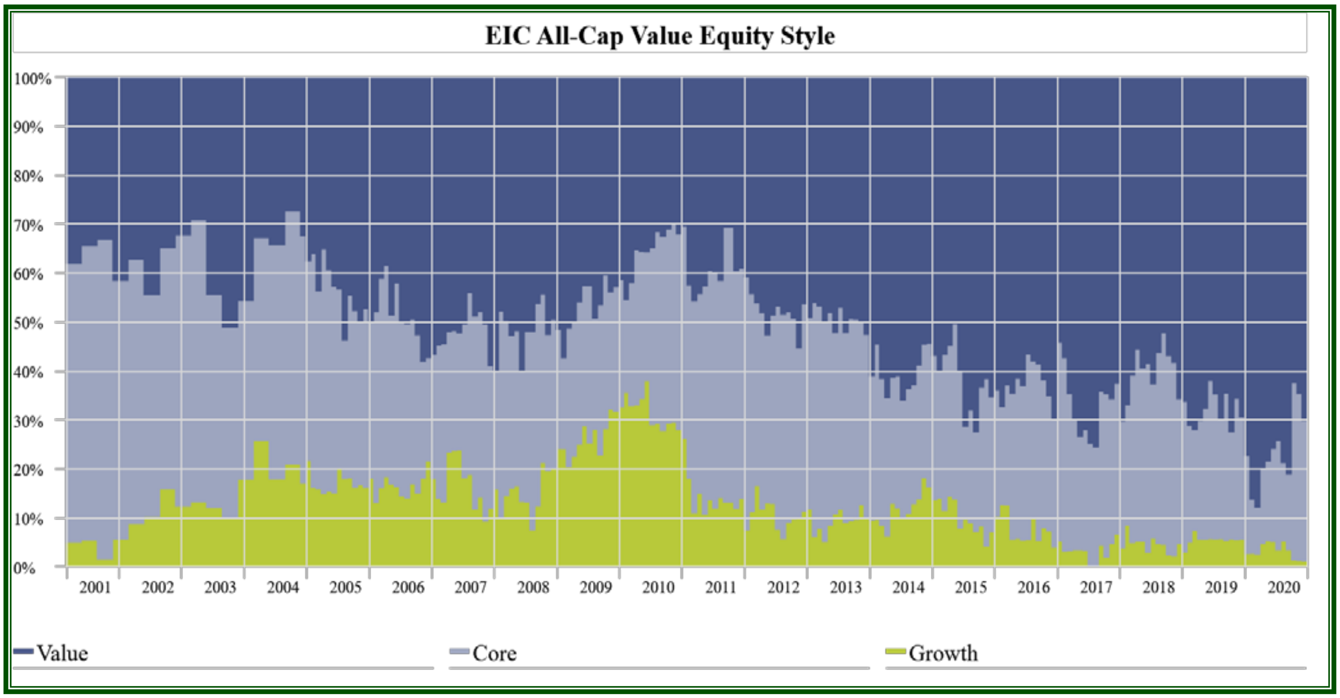

Chart 3 Source: Morningstar Direct SM. See footnote 23.

In summary, we are positioned to avoid the heightened risk and poor prospective returns embedded in high-priced growth stocks while taking advantage of the investment opportunities offered by out-of-favor value stocks. More specifically, we see opportunity in the two most out-of-favor sectors, financials and energy, where we have significant overweights. Banks are already signaling that pandemic-related losses will be more manageable than first feared. They have passed stringent regulatory stress tests without requiring additional capital, and regulators have recently approved a resumption of capital returns. Moreover, the 10-year Treasury is back above 1%, steepening the yield curve and improving banks' interest-earning prospects.[24] In the energy sector, oil is again trading north of $50, and with a resumption of economic activity, notably travel, coupled with industry-led capital discipline, the backdrop remains favorable.[25] While conditions are improving, and financial and energy stocks have risen recently, they remain depressed and attractively valued.

For the first time in our history, we are also meaningfully overweight in utilities relative to the value indexes. We often have little or no exposure to the sector – utilities tend to be slow growers, typically earn middling returns on capital, and carry too much debt for our liking. Nonetheless, utilities underperformed in 2020, creating some attractive investment opportunities.

With this in mind, we initiated a new position in OGE Energy (OGE), a holding company with electric utility operations in Oklahoma and Arkansas. OGE generates electric power from natural gas (64%), coal (25%) and wind/solar (11%). All of the utility's operations are regulated, providing a reasonable amount of stability to its outlook. Unlike many utility peers, the company has internally funded its capital spending in recent years, limiting dilution from equity offerings. In addition, the company is currently rated *BBB+* by S&P and has no debt maturities until 2025. The utility portion of OGE trades at roughly a 20% discount to utility peers, which offered an attractive entry point. As a result of this purchase, we enter 2021 with 8-9% invested in the utilities sector.

During the quarter, we sold Sysco Corporation, the food distributor, and Booking Holdings, the online travel agency. We purchased Sysco during the March market declines and sold it for a significant gain, while Booking was purchased in early 2019 and also sold at a gain. In both cases, the stock prices met our already optimistic assessments of fair value, despite the businesses facing significant continued pandemic-related headwinds.

Beyond those sales, we trimmed PPG Industries and UPS on valuation and added to existing positions in Cisco Systems, General Dynamics, GlaxoSmithKline, Ingredion, Kroger, Walgreens Boots Alliance, and Wells Fargo. In total, these moves reduced our cash during the quarter.

The near-term direction from here is uncertain, and it's not clear what will break the growth fever, nor when it will happen. But that is not unusual – there's still debate about the ultimate catalyst for market turns in the U.S. in 2000 and Japan in the early 1990s. Like 1999, growth has had a fantastic run, but it is currently too expensive to deliver good prospective returns, while its high valuation dramatically increases its risk. Left behind are a group of quality stocks trading at reasonable prices. Returning to the Templeton quote from this letter's opening, "Bull markets are born on pessimism . . .." We believe pessimism and its attendant valuations are setting the stage for value to carry the next decade.

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

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Please see disclosures on the following pages.

[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 GIPS® Composite Reports, which are considered an integral part of this report. 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: S&P Global Market Intelligence. Difference in calendar-year returns between the Russell 3000 Value Index and Russell 3000 Growth Index, as well as the cumulative arithmetic difference from 1/1/1986 through 12/31/2020.*

[3]*Upside and Downside Capture is based on intra-quarter returns. Upside and Downside Capture are the measures of performance in up and down markets relative to the benchmark indexes over each period. The higher the upside capture, the better the performance in a rising market. Conversely, the lower the downside capture, the better the performance in a declining market. Intra-quarter returns are estimated "pure" gross returns calculated from subsets of EIC's All-Cap Value SMA and Large-Cap Value SMA composites, before EIC or brokerage firm wrap fees, and differ from the calculation of composite returns by (1) inclusion of accounts that terminate or otherwise leave the composite by quarter-end; (2) inclusion of unreconciled accounts; and (3) using a beginning-of-period cash-flow adjusted weighting scheme, and are presented as supplemental information to the full disclosure presentations, which are considered an integral part of this report.*

[4]*Data Source: Morningstar Direct℠. Volatility is measured by Standard Deviation, a statistical measure describing the degree of variability around the monthly returns for the entire period 1/1/2020 to 12/31/2020.*

[5]*As quoted in Templeton, Lauren C. and Phillips, Scott. Investing the Templeton Way: The Market-Beating Strategies of Value Investing's Legendary Bargain Hunter. New York: McGraw Hill, 2008.*

[6]*Data Source: S&P Global Market Intelligence, Russell 3000 Growth Index, Russell 3000 Value Index. Rolling 12-month returns from January 31, 1995 through September 30, 2020, ranking by excess return of growth index over value index.*

[7]*Data Source: S&P Global Market Intelligence. Cumulative Russell 1000 Value Index total return relative to cumulative Russell 1000 Growth Index total return for 12/31/2000 through 12/31/2020. Multiple expansion defined by the relative valuation of the Russell 1000 Value Index modified CAPE vs. the Russell 1000 Growth Index modified CAPE at the end of the period divided by their relative valuation at the beginning of each period. Fundamental Return is earnings growth and dividends defined by the relative Total Return of Russell 1000 Value Index vs. Russell 1000 Growth Index minus relative Valuation Change. Modified CAPE (Cyclically Adjusted Price-to-Earnings) is the ratio of index prices to trailing 10-year average index level earnings before taxes (EBT) calculated 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.*

[8]*Russell 1000 Growth modified CAPE (red line), Russell 1000 Value modified CAPE (green line), Russell 1000 Growth modified CAPE premium over Russell 1000 Value modified CAPE (gray area) for each month-end from 1/31/1990 to 12/31/2020.*

[9]*Wursthorn, Michael. "Investors Double Down on Stocks, Pushing Margin Debt to Record." 27 December 2020. https://www.wsj.com/articles/investors-double-down-on-stocks-pushing-margin-debt-to-record-11609077600?st= pcl1l4h20el7fmd&reflink=article.*

[10]*Reidy, Gearod; Mookerjee, Ishika; Ponczek, Sarah; and Barnert, Jan-Patrick. "Day Traders Put Stamp on Market With Unprecedented Stock Frenzy." 31 December 2020. https://www.bloomberg.com/news/articles/2020-12-31/day-trader-legacy-in-2020-was-a-stock-frenzy-like-never-before.*

[11]*Frank, Robert. Elon Musk is now the richest person in the world, passing Jeff Bezos." 7 January 2021. https://www.cnbc.com"/2021/01/07/elon-musk-is-now-the-richest-person-in-the-world-passing-jeff-bezos-.html.*

[12]*Wayland, Michael and Kolodny, Lora. "Tesla's market cap tops the 9 largest automakers combined – Experts disagree about if that can last." 14 December 2020. https://www.cnbc.com/2020/12/14/tesla-valuation-more-than-nine-largest-carmakers-combined-why.html.*

[13]*Data Source: S&P Global Market Intelligence as of 1/8/2021. Tesla 12/31/2019 to 12/31/2020 return; Tesla 1/1/20021 to 1/8/2021 return; Russell Top 200® market capitalizations at 1/8/2021; Tesla non-GAAP EPS (TTM) at 1/8/2021.*

[14]*Data Source: S&P Global Market Intelligence as of 12/17/2020. Moody's Investor Service, Inc. as of 7/23/2020. Credit-quality ratings represent Standard & Poor's/ Moody's opinions as to the quality of the securities they rate. The ratings range from AAA/Aaa (extremely strong capacity to meet its financial commitments) to D/C (in default). Ratings are relative and subjective and are not absolute standards of quality.*

[15]Farrell, Maureen. "Record IPO Surge Set to Roll On in 2021." 30 December 2021. https://www.wsj.com/articles/record-ipo-surge-set-to-roll-on-in-2021-11609324381.

[16]Tse, Christine. "No End in Sight for Blank-Check Firms After Year of the SPAC." 23 December 2020. https://www.bloomberg.com/news/articles/2020-12-23/no-end-in-sight-for-blank-check-companies-after-year-of-the-spac?sref=0dfncL6V.

[17]Klausner, Michael; Ohlrogge, Michael; and Ruan, Emily. "A Sober Look at SPACs." 19 November 2020. https://corpgov.law.harvard.edu/2020/11/19/a-sober-look-at-spacs/.

[18]Boudette, Neal E. and Kelly, Kate. "Electric Vehicle Makers Find a Back Door to Wall Street." 23 August 2020. https://www.nytimes.com/2020/08/23/business/electric-cars-spac-wall-street.html?searchResultPosition=2.

[19] Data Source: yahoo! Finance, Bitcoin USD. https://finance.yahoo.com/quote/BTC-USD?p=BTC-USD. 8 January 2021

[20]Data Source: S&P Global Market Intelligence as of 12/31/2020. One-year total return of Russell 3000 Index constituents grouped into quintiles by starting valuation and starting short interest. For Valuation, constituents are separated into 7 buckets based on 12/31/2019 forward P/E ratio. All companies with negative EPS are in one bucket, and all companies with no EPS estimates are in another bucket. The remaining companies are divided equally into 5 quintiles by forward P/E level. For short interest, constituents are separated into 5 buckets based on 12/31/2019 short interest. For each bucket, total return metrics for 2020 are calculated on an index-weighted basis using weights as of 12/31/2019.

[21]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 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.

[22]Russell 1000 Growth modified CAPE premium over Russell 1000 Value modified CAPE (x-axis) for each month-end 1/31/1990 to 12/31/2010, plotted against the annualized 10-year forward total return difference between the Russell 1000 Growth and Russell 1000 Value (y-axis) through each month-end 1/31/2000 to 12/31/2020.

[23]EIC All-Cap Value portfolios from 1/31/2001 through 12/31/2020. Graph examines portfolio consistency and trends based on the percentage of portfolio holdings grouped into value, growth and core categories as defined by Morningstar.

[24]Data Source: yahoo! Finance, Treasury Yield 10 Years. https://finance.yahoo.com/quote/%5ETNX?p=%5ETNX. 12 January 2021.

[25]Data Source: yahoo! Finance, Crude Oil February 2021. https://finance.yahoo.com/quote/CL%3DF?p=CL%3DF. 12 January 2021.

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. 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 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)
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®) 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 September 30, 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 ensure the accuracy of any specific composite 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. 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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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 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)
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). "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

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