EQUITY INVESTMENT CORPORATION

2021 Third Quarter Commentary
All-Cap Value & Large-Cap Value

October 2021

September was the worst month for stocks since March of 2020. The Russell 3000® Value Index (R3000V) declined 3.4%, the Russell 1000® Value Index (R1000V) dropped 3.5%, and the more growth-oriented S&P 500® Index fell 4.7%. Our All-Cap Value SMA (ACV) and Large-Cap Value SMA (LCV) composites decreased 0.9% gross*. (Net of an assumed maximum annual 3% SMA fee, our ACV and LCV composites fell 1.2%.)[1]

The quarter was a mixed bag – the R3000V and R1000V fell 0.9% and 0.8%, respectively, but the S&P 500 Index gained 0.6%. Our ACV composite rose 0.2% gross* (-0.6% net), and our LCV composite increased 0.4% gross* (-0.3% net). Relative to the value indexes, our value-added was attributable chiefly to our stock selection in the energy sector and our overweight in financials.[2]

Year to date, stocks have posted strong gains. The R3000V climbed 16.6%, the R1000V rose 16.1%, and the S&P 500 increased 15.9%. Our ACV composite gained 22.2% gross* (19.5% net), and our LCV composite rose 22.1% gross* (19.4% net). Compared to the value indexes, our outperformance was attributable to both our stock selection and our sector weightings.

Investment Commentary

We would describe the current economic environment as akin to playing Whac-A-Mole — when one problem is eliminated, another pops up, sometimes in a seemingly unrelated area. For instance, demand for goods and services is strong, but the U.S. continues to experience extreme supply chain bottlenecks, especially with semiconductors and seaborne shipping from Asian exporters. The labor market continues to improve slowly, but unfilled jobs remain stubbornly high. Interest rates remain low, yet inflation is elevated, and its future path weighs heavily on investors' minds. The Delta variant raged through the summer but now appears to be on the decline in many areas of the country, and vaccination rates continue to climb slowly. As our country learns to live with the disease, returning to "normal" is no longer an abstract goal, but uncertainty and distortions will likely be a continued part of the landscape for some time to come.

As conservative investors, we are actively minimizing exposure in areas that may be over-earning from COVID-induced demand or lingering imbalances, particularly when valuations don't reflect any skepticism over the sustainability of margins or earnings.

Despite value outperforming growth year to date, and some of the biggest thematic winners of 2020 underperforming so far in 2021,[3] there remains a historically wide valuation gap between growth and value stocks, as shown in the following chart. This gap was driven chiefly by growth's historic outperformance versus value over the past five years. According to our analysis, however, most of that performance was attributable to valuation change, not superior fundamentals.[4] As a result, growth stocks are now as expensive as they were during the tech bubble.

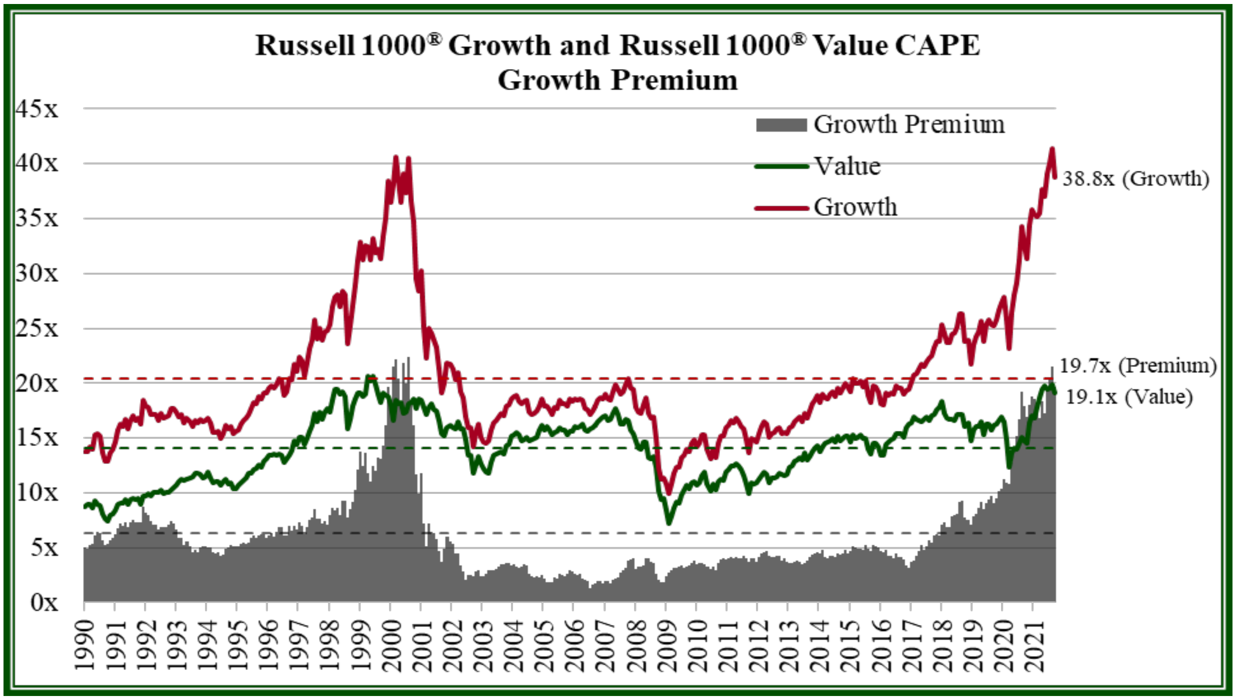

Chart 1 Data Source: S&P Capital IQ[PRO]. See footnote 5.

It is worth noting that value is also at the high end of its historical range, though that range has been much narrower than growth, and in the past has produced good returns from similarly high levels. As we have discussed in past letters, part of the increase in value stock valuations is due to the changing composition of the value index from each annual reconstitution.[6] There is still significant dispersion in valuations within the value index, and we continue to find attractively priced stocks.

Some claim the market, and growth in particular, is more reasonably priced on future earnings. On forward earnings expectations, the Russell 1000® Growth Index is trading at 27.5x earnings, while the Value Index is at 15.8x, and our representative portfolios are at 13.2–13.3x.[7] At first glance, this does indeed appear ***somewhat*** more reasonable for growth. However, it is worth looking at the margin expectations that underlie those valuations, as seen in the next chart.

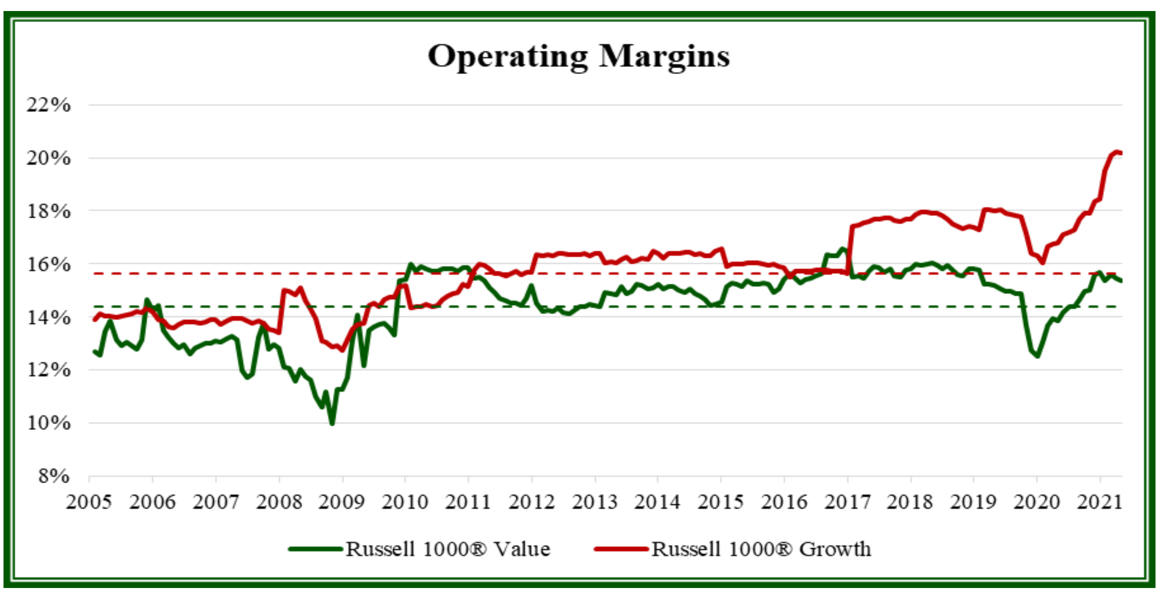

Chart 2 Data Source: S&P Capital IQ[PRO]. See footnote 8.

Forward margins for the value index are reasonably close to "normal". Moreover, pockets of value stocks have lower operating margins than their historical average.[9] Still, margin levels bear watching and careful analysis in security selection.

Turning to growth, however, not only are forward margin expectations at all-time highs, but they are also a fair amount higher than they have ever been. Thus, valuations are expensive on forward earnings estimates that are based on all-time high margins. At these valuation levels, growth investors need to have confidence that any margin boosts that occurred during the COVID pandemic will prove durable and that changes in work-from-home patterns, online consumption, stimulus-led demand, supply chain bottlenecks, exuberant venture capital funding, or just good, old-fashioned competition won't work to pressure and erode those margins. In the past, small negative changes in expected margins, growth, or earnings have often had an outsized impact on expensively priced stocks. Whether history repeats remains to be seen, but current growth valuations do not bode well for growth's forward returns, as seen in the chart below.

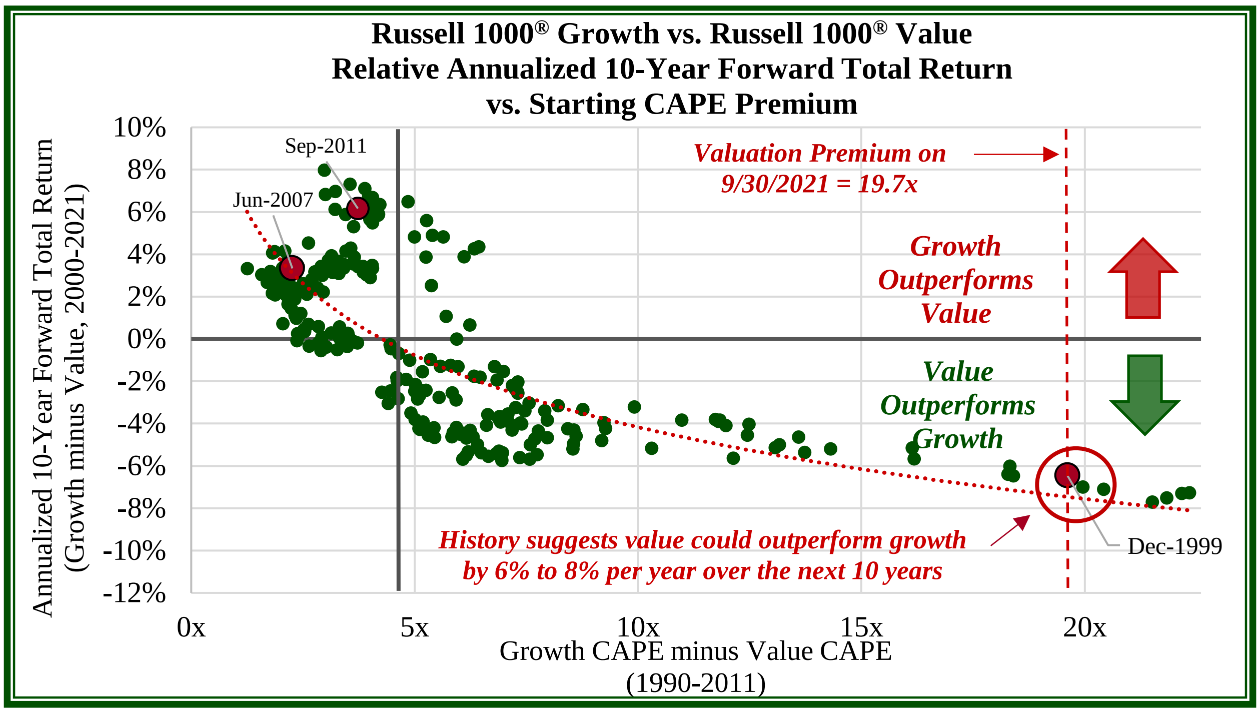

Chart 3 Data Source: S&P Capital IQ PRO. See footnote 10.

Today, growth carries a valuation premium of nearly 20x earnings over value. Growth stocks were priced at a similar premium in December of 1999. From that starting point, growth ***underperformed*** value for the next decade by 650 basis points annually, with value stocks delivering a return of 2.5% a year while growth ***declined*** 4% a year. Moreover, those absolute returns are somewhat muted by the inclusion of the financial crisis in 2008 and 2009, which disproportionately affected value. On a seven-year basis through year-end 2006, value stocks gained 7.8% annually compared to a 4.9% ***decrease*** for growth, a spread of 1,270 basis points in annual performance.[11]

In summary, we believe that the overall equity market remains extremely expensive on most valuation measures. To us, the principal risk for equity investors has less to do with the near-term path of COVID, supply chain bottlenecks, or inflationary pressures, and more to do with rich equity market valuations, particularly among growth stocks, which are trading at historically high levels based on record-high profit margins. In contrast, we continue to find pockets of attractive investments among the value-stock universe.

Portfolio Positioning[12]

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, due to the historic relative opportunity in value, our portfolios continue to tilt toward classic value names. Accordingly, the proportion of our holdings in the value classification is among the highest weightings we have seen in nearly 20 years, as shown in the following chart. Broadly speaking, at these valuation levels, we view value as the best chance equity investors have of earning reasonable returns.

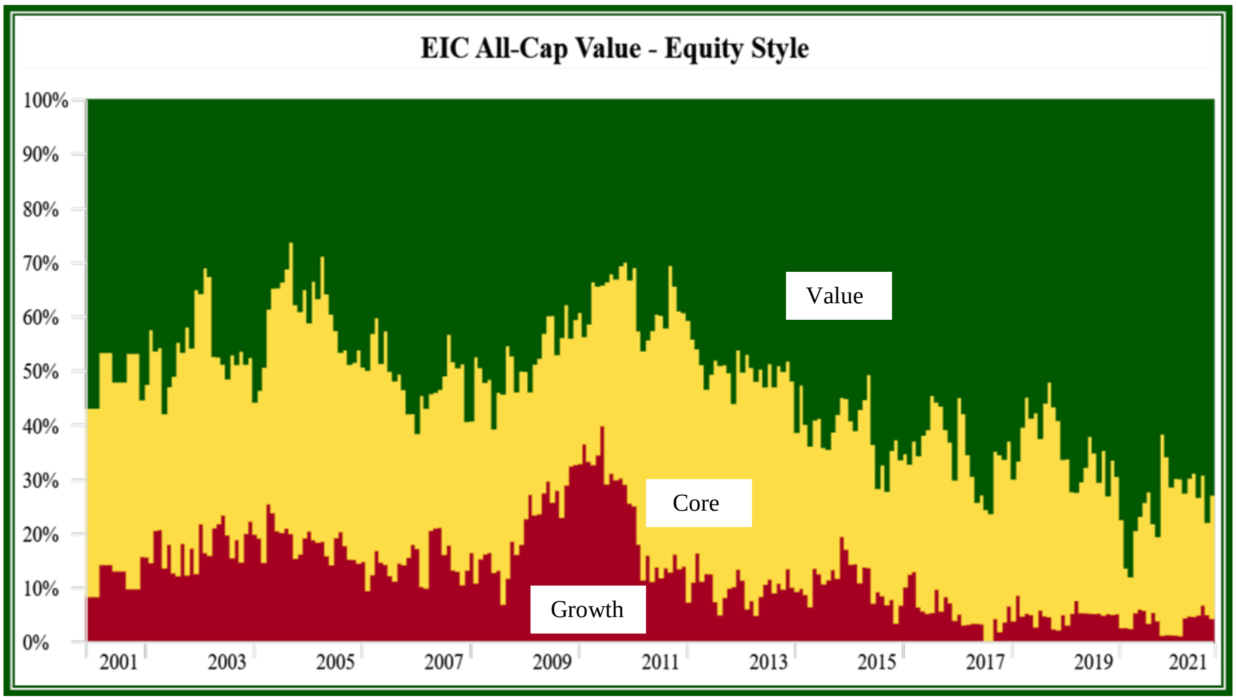

Chart 4 Data Source: Morningstar Direct SM. See footnote 13.

Equity investors have been lulled in recent years by a notion referred to as TINA – there is no alternative – due to ultra-low interest rates. We would counter that as broad equity markets, especially growth stocks, are priced to deliver poor returns, an alternative is reasonably priced, high-quality value stocks.

As a reminder, our sector weights are largely a residual of our stock selection process, subject to risk management limits. We do not attempt to make sector-based macro bets. That said, we maintain large overweights in financials and energy, with the combined sectors representing approximately 39% of our equity portfolios compared to a 27% combined weighting in our benchmark Russell Value indexes. Banks and energy companies are operating in a prudent and disciplined manner, born from the financial crisis and a decade of volatility in oil prices. They continue to trade very inexpensively relative to history. While rising inflation and attendant higher interest rates would further benefit these businesses, at current valuations we don't need those outcomes for the stocks to deliver attractive returns. As always, when investing in more economically sensitive areas, we focus on the quality of a business franchise, its balance sheet, and its proven ability to earn respectable returns on capital.

We are also finding value in more stable sectors and currently carry modest overweights in communication services, consumer staples, and utilities, representing approximately 27% of our equity portfolios compared to 20% for the Russell Value indexes. Excluding our two more economically sensitive holdings in the communication services sector, Facebook and Discovery, this basket of stocks sports modest growth prospects, defensive business characteristics, reasonable returns on capital, solid balance sheets, and a well-covered dividend yield near 4.0%, while trading at under 12x expected earnings.[14] Although this basket is unlikely to generate outsized absolute returns, it offers value as part of a diversified portfolio, especially in an environment with low yields on income-producing securities where reasonably priced, lower volatility investments are in short supply.

During the quarter, we didn't buy any new positions, but we did sell our position in National Grid, based on valuation. We also modestly trimmed our positions in Cisco Systems, American Express, Charles Schwab, and Cimarex Energy, as these stocks performed strongly. Finally, we opportunistically added to existing positions in Discovery, Ingredion, Dollar Tree, and AT&T. As a result of these trades, cash at the end of the quarter represented approximately 4% of our representative portfolios.

While we are pleased with our year-to-date performance, broad equity markets continue to trade near record highs. In particular, growth stocks remain richly priced, with a historically wide spread in valuation relative to value stocks. Accordingly, we believe our portfolios of reasonably priced, high-quality value stocks offer a measure of protection from prevailing equity-market risk.

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

Investment Team

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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]*Source: Morningstar Direct℠. Portfolio positions and their returns are from representative All-Cap Value and Large-Cap Value accounts relative to the Russell 3000 Value Index and Russell 1000 Value Index, respectively. Sectors are determined using the Global Industry Classification Standard ("GICS"). GICS® was developed by and is the exclusive property of Standard & Poor's Financial Services LLC ("S&P") and MSCI Inc. ("MSCI"). GICS is the trademark of S&P and MSCI. "Global Industry Classification Standard (GICS)" and "GICS Direct" are service marks of S&P and MSCI.*

[3]*Of the 10 Largest Thematic Funds in the U.S. mentioned in Morningstar's May 2021 Global Thematic Funds Landscape, eight of the funds listed have posted year to date performance through September 30, 2021 below their calendar year 2020 performance.*

[4]*Data Source: S&P Capital IQ PRO. Cumulative Russell 1000 Value Index returns relative to cumulative Russell 1000 Growth Index returns from September 30, 2016 through September 30, 2021. Total Return: Relative total return of the Russell 1000 Value Index vs. the Russell 1000 Growth Index for the period. Valuation Change: 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 the period. Fundamental Return: Earnings growth and dividends defined by the relative Total Return of Russell 1000 Value Index vs. Russell 1000 Growth Index minus relative Valuation Change.*

[5]*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 September 30, 2021. Modified CAPE (Cyclically Adjusted Price-to-Earnings) 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.*

[6]*As we wrote in our Q1 2021 commentary, "… the Russell 1000® Index now has more than twice the number of companies considered to be value as those considered to be growth ...". In May of each year, FTSE Russell classifies each constituent in the Russell 1000 Index as growth, value or a blend of the two. The number of companies in the Russell 1000 Index by style classification based on each constituent's weight in either the Russell 1000 Value Index and/or the Russell 1000 Growth Index for the month-ended September 30, 2021 was 341 growth and 685 value stocks.*

[7]*Source: Morningstar Direct℠. Russell 1000 Growth Index and Russell 1000 Value Index asset-weighted average of the ratio of September 30, 2021 share prices to each company's estimated EPS for the next fiscal year. P/E Ratio Forward of EIC ACV and LCV representative portfolios, respectively, as of September 30, 2021.*

[8]*Russell 1000 Growth Index and Russell 1000 Value Index forward operating margins calculated as index-weighted forward operating income divided by index-weighted forward revenue, using next 12-months (NTM) analyst estimates, from June 30, 2005 through September 30, 2021. Average ("normal") forward operating margin over entire period of 15.6% for Growth and 14.4% for Value.*

[9]*In the Russell 1000 Value Index, the Healthcare and Real Estate sectors along with the Food & Staples Retailing, Banks, Transportation, and Integrated Oil & Gas industries, have forward operating margins at September 30, 2021 below their historical average for June 30, 2005 through September 30, 2021.*

[10]*Russell 1000 Growth modified CAPE premium over Russell 1000 Value modified CAPE (x-axis) for each month-end January 31, 1990 to September 30, 2011, 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 January 31, 2000 to September 30, 2021.*

[11]*Source: Morningstar Direct℠. Russell 1000 Value Index and Russell 1000 Growth Index annualized returns for the periods January 1, 2000 through December 31, 2009 and January 1, 2000 through December 31, 2006.*

[12]*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.*

[13]*Source: Morningstar Direct℠. EIC All-Cap Value month-end portfolios from March 31, 2001 through September 30, 2021. Graph examines portfolio consistency and trends based on the percentage of portfolio holdings grouped into value, growth and core categories as defined by Morningstar.*

[14]*Data Source: S&P Capital IQ PRO. Basket of All-Cap Value representative portfolio holdings (ATT, VZ, EXC, NFG, OGE, PPL, INGR, KR, and WBA). Weighted average of price to NTM EPS and expected dividend yields as of September 30, 2021.*

Equity Investment Corporation
All-Cap Value SMA Composite Report

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)	Advisory-Only (UMA) and Managed Assets		
									UMA Assets[4] ($ Millions) (Supplemental)	GIPS® Firm Assets ($ Millions)	Total Assets[4] ($ Millions) (Supplemental)
2021	31.0%	27.2%	25.4%	17.1%	19.3%	0.8%	1565	$937.9	$2,108.2	$2,027.4	$4,135.6
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

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.

Disclosures:
Equity Investment Corporation (EIC) is an SEC-registered, independent investment adviser incorporated in the state of Georgia. EIC has been providing investment advisory services to clients since 1986.

From January 1, 1986, through December 31, 1999, Jim Barksdale was primarily responsible for creating and achieving the performance results. Over that time period, the All-Cap Value SMA composite gained 14.4% (annualized) (11.1% net of an assumed 3% fee), while the Russell 3000® Value Index rose 15.6% (annualized).

Andrew Bruner joined as the second member of EIC's investment team in December 1999. From that point through the present day, portfolios have been managed using a team-based approach. Terry Irrgang became the third member of our investment team in April of 2003. Ian Zabor became the fourth member of our team, joining EIC in July of 2005. From January 1, 2000 through December 31, 2021, our investment team was responsible for the All-Cap Value SMA composite increasing by 10.5% (annualized) (7.3% net of an assumed 3% fee); the Russell 3000 Value Index gained 7.8% (annualized).

Effective September 30, 2016, we implemented a succession plan to ensure the continuity and stability of our firm. In a transaction that closed on that date, a new investment adviser entity formed by Messrs. Bruner, Irrgang, and Zabor purchased substantially all of the assets and assumed all of the liabilities necessary for EIC's continuous operation from Mr. Barksdale. That new registrant succeeded to all of EIC's business. As planned, Mr. Barksdale's tenure at EIC ended in August of 2019 when his transitional employment agreement expired. From the date of the succession through December 31, 2021, our investment team was responsible for the All-Cap Value SMA composite advancing by 13.0% (annualized) (9.7% net of an assumed 3% fee), versus an 11.9% (annualized) increase for the Russell 3000 Value Index.

During all times after 1999, our investment team has been responsible for achieving the performance results shown in the table on page 1.

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.

Disclosures *(cont.)*:
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 September 30, 2021. 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 provided by a program sponsor. The assumed maximum fees for SMA accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year (which is assumed to be equal to or higher than the highest actual SMA fee charged by a program sponsor). 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).

Equity Investment Corporation
Large-Cap Value SMA Composite Report

								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	30.9%	27.1%	25.2%	17.1%	19.1%	0.8%	548	$235.1	$2,108.2	$2,027.4	$4,135.6
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

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. 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.

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.

Disclosures:

Equity Investment Corporation (EIC) is an SEC-registered, independent investment adviser incorporated in the state of Georgia. EIC has been providing investment advisory services to clients since 1986.

From January 1, 1986, through December 31, 1999, Jim Barksdale was primarily responsible for creating and achieving the performance results. Andrew Bruner joined as the second member of EIC's investment team in December 1999. From that point through the present day, portfolios have been managed using a team-based approach. Terry Irrgang became the third member of our investment team in April of 2003. Ian Zabor became the fourth member of our team, joining EIC in July of 2005.

Effective September 30, 2016, we implemented a succession plan to ensure the continuity and stability of our firm. In a transaction that closed on that date, a new investment adviser entity formed by Messrs. Bruner, Irrgang, and Zabor purchased substantially all of the assets and assumed all of the liabilities necessary for EIC's continuous operation from Mr. Barksdale. That new registrant succeeded to all of EIC's business. As planned, Mr. Barksdale's tenure at EIC ended in August of 2019 when his transitional employment agreement expired.

Our investment team has been responsible for achieving the performance results shown in the table on page 1.

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.

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Disclosures *(cont.)*:

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