EQUITY INVESTMENT CORPORATION

Mid-Cap Value

2022 Third Quarter Commentary

October 2022

The U.S. equity market is suffering through one of the worst selloffs in the past 20 years, ahead of only the global financial crisis and COVID shutdown. While we never like losing money, our consistent focus on quality, value, and diversification has proved valuable for clients this year, as it has through prior bouts of market volatility. Our third-quarter, year-to-date, and longer-term results are shown below.

	July	Aug–Sept	Q3	YTD	1 Year	5 Year	10 Year	SI*
EIC MCV SMA Gross	5.9%	-9.4%	-4.1%	-8.3%	-2.5%	7.7%	10.5%	9.9%
EIC MCV SMA Net	5.6%	-9.9%	-4.8%	-10.4%	-5.4%	4.5%	7.3%	6.7%
Russell Midcap® Value Index	8.6%	-12.5%	-4.9%	-20.4%	-13.6%	4.8%	9.4%	8.6%

Table 1 *Data Source: Morningstar Direct℠. Returns are those of our Mid-Cap Value (MCV) SMA composite gross (before) and net (after) an assumed 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). Returns for periods greater than one year are annualized. *Since inception (SI): January 1, 2004.* ***Past performance does not guarantee future results.*** *See footnote 1.*

In isolation, one quarter doesn't offer much insight into an investment strategy. Still, it is notable that our performance during the third quarter was broadly consistent with our historical pattern of returns. More specifically, we trailed the Russell Midcap Value Index in July, a sharply positive month for stocks. From that brief respite, stocks continued their downward slide, and from the beginning of August through September, we outperformed the index, much as we have historically in challenging market environments.

For the nine months ended September 30, our MCV performance remains well ahead of the Russell index. Our outperformance was not driven by a handful of stocks or sector bets but was more broad-based. For instance, including stocks we sold, over 35% of the stocks in our portfolio this year have posted positive year-to-date returns.[2]

Investment Environment

Virtually nothing is working for investors this year. Not only are equity markets down sharply, but bond markets are also deeply negative, with the 10-year Treasury on track for its worst performance in modern history (since 1928).[3] Between continued COVID-related supply and demand issues, a hawkish Fed increasing interest rates to combat inflation, a prolonged war in Ukraine, a soaring dollar, and recession fears, uncertainty reigns. In fact, we've heard more US companies mentioning "uncertainty" on conference calls than at any time in the last 20 years except for 2020 and the bottom of the financial crisis in Q1 of 2009. The stock market feels like it is responding to an unrelenting drip of bad news. The numbers bear this out: through three quarters, 2022 has had among the highest percentage of negative trading days in market history, as shown in the following chart.

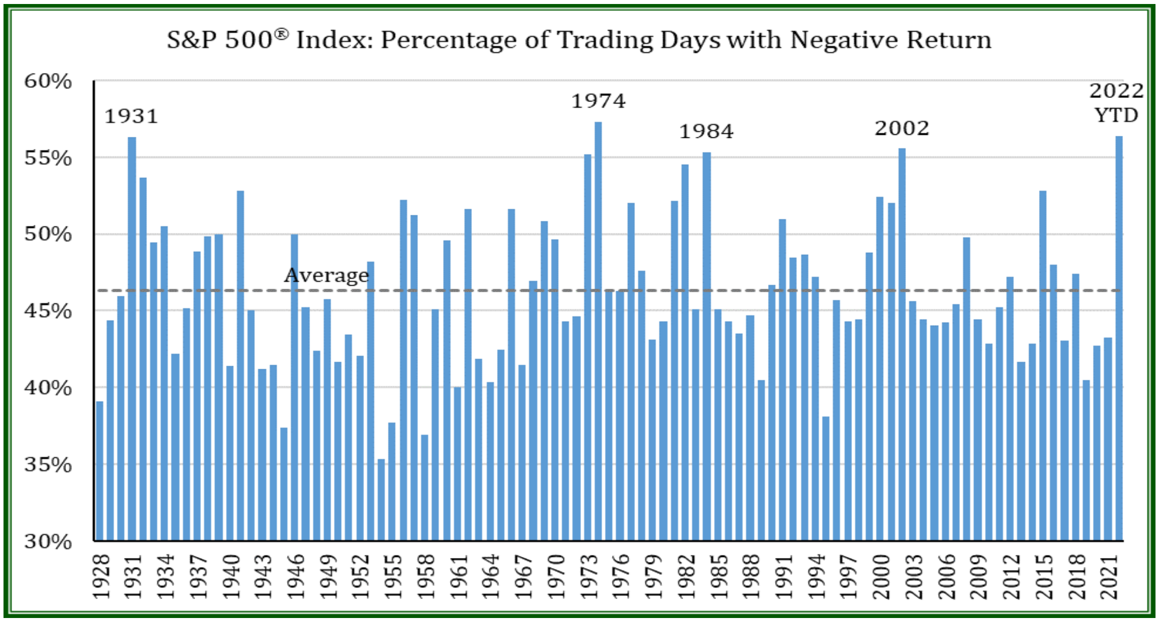

Chart 2 *Data Source: S&P Capital IQ[PRO]. See footnote 4.*

Stock prices, regardless of size, style, or sector, have been punished this year for disappointing corporate results or guidance, irrespective of the modesty or exuberance of the underlying expectations. Taking a step back, we believe this year's market volatility is beginning the necessary work of correcting for a period of excess. For instance, many of the most speculative investments of the last five years, including cryptocurrency, SPACs, and unprofitable growth companies, have suffered significant losses. Many investors are wondering if these large declines represent buying opportunities.[5] Indeed, we find ourselves looking at more growth stocks than we did a year ago. Unfortunately, the data suggests that more risk and volatility lie ahead, especially for growth investors. While the Russell 3000 Growth Index has tumbled 30.6% year to date, it still trades at levels rarely seen in the past, as shown in the next chart.

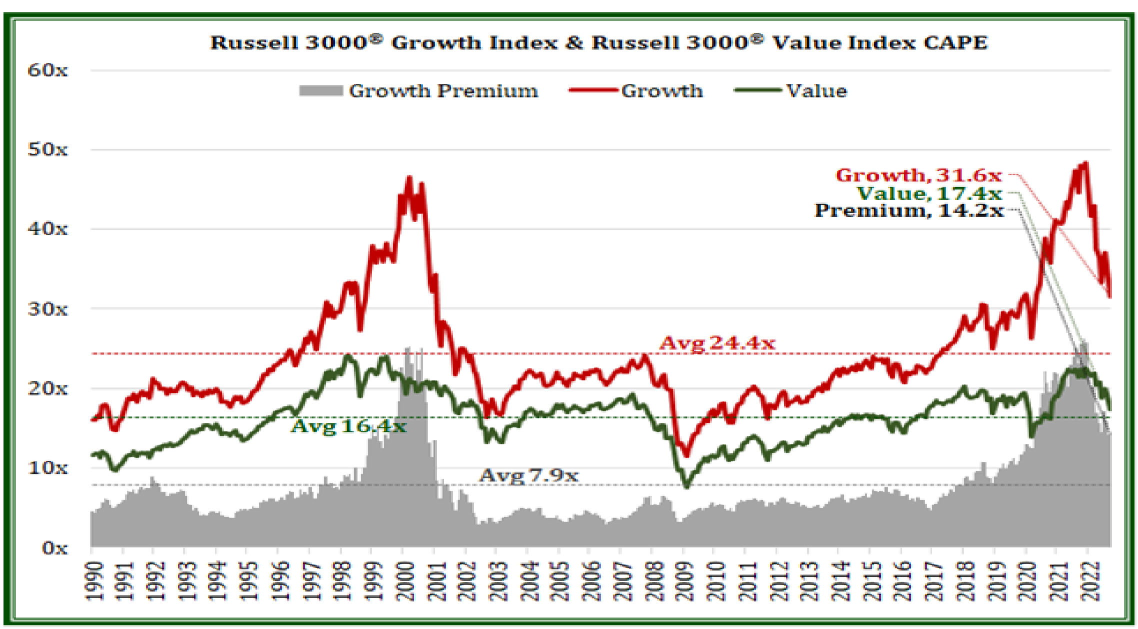

Chart 3 *Data Source: S&P Capital IQ[PRO]. See footnote 6.*

On top of elevated valuations, profit margins for growth companies remain higher than at any time prior to 2021, and earnings estimates continue to soften, pouring cold water on the notion that near-term earnings growth will lend support to stock prices.[7,8] Finally, already higher interest rates coupled with the specter of further increases loom over the market in general and growth stocks in particular.

At the beginning of the year, some pundits argued that growth stocks were reasonably priced relative to other investment options, given the low level of interest rates. At the time, the 10-year US Treasury yielded 1.5% while growth stocks traded at about 48x cyclically adjusted earnings, a 2.1% earnings yield. So indeed, growth stocks were "yielding" (in cyclically adjusted earnings) slightly more than treasuries. Today, growth stocks no longer offer a premium in earnings yield versus intermediate-term bonds — the 10-year US Treasury yields 3.8% while growth stocks trade around 32x cyclically adjusted earnings, a 3.2% earnings yield.[9,10] By this measure, growth stocks are currently ***more*** expensive than they were at the start of the year, even after falling over 30%!

One surprise this year has been the relatively poor performance of quality strategies, with some doing worse than the S&P 500.[11] These strategies presumably fare well in periods of market volatility by focusing on growing companies with stable earnings, high returns on capital, and balance-sheet strength. However, many of the highest quality companies, including some we have owned in the past, had simply become too expensive to safeguard against anything other than rosy fundamental and economic outcomes. To us, there has always been a difference between a quality business and a quality investment. Overpaying for good or even great businesses can lead to significant losses, as happened during the 1970s (Nifty Fifty), the early 2000s (Dotcom), and so far in 2022. It is the balance between quality and valuation — two hallmarks of our investment process — that provides a margin of safety for the investor.

Many factors have contributed to the stock market's decline this year, including a slowing economy, higher interest rates, inflation concerns, margin erosion, and external shocks such as the war in Ukraine. None were priced into the market a year ago. Today, the situation is much different, as wary investors have pushed valuations significantly lower. Still, we believe neither the market in general nor growth stocks in particular offer investors good odds of acceptable returns. Although we continue to look at growth stocks that have fallen in price, we have found little that meets our investment criteria.

We have no unique insight into what will happen in the future; ours is not a forecasting-based approach. Nevertheless, it would be anomalous for growth stocks to settle at valuation levels that are still so high relative to history.[12] In contrast, valuations are much more reasonable among value stocks and some core stocks. Consequently, our portfolio continues to favor value stocks and select core names, thus giving us reasonable odds of earning acceptable long-term returns.

Portfolio Review[13]

We continue to significantly overweight financials, which remain well-capitalized, inexpensive, and should benefit if interest rates stay high or go higher. In addition, we continue to overweight energy, which has emerged from a lost decade characterized by poor capital allocation. Demand for oil and gas continues to grow, but supply is constrained. And precisely because of their poor decisions over the last decade, management teams are focused on using cash flow for shareholders and not over-producing. Finally, we are also overweight in the less cyclical consumer staples sector.

A variety of opportunistic investments make up the rest of portfolio. For instance, due to the relative favorability of US markets and economic weakness elsewhere, most developed foreign markets trade at a meaningful discount to the US markets.[14] Though we don't invest directly in foreign markets, we can buy the ADRs of non-US companies, and our current exposure is higher than average.[15]

Our largest underweights remain technology, where valuations are still rich, industrials, and consumer discretionary.

In addition to several tax trades during the quarter (for taxable accounts only), we sold our position in OGE Energy Corp. based on valuation. We added to our existing position in AGNC Investment Corp., and we purchased two new stocks, Haleon plc and Jones Lang LaSalle.

We acquired a 2.0% position in Haleon plc (HLN). Haleon is a newly public consumer healthcare business that was recently spun off from GSK plc (formerly GlaxoSmithKline). The Haleon business was formed by the combination of Glaxo's and Pfizer's consumer healthcare businesses, and it owns a set of respected over-the-counter brands including Sensodyne and Pronamel toothpastes; Flonase and NicoDerm in respiratory; Advil, Panadol and Excedrin in pain relief; Tums and ENO in digestive health; and Centrum in vitamins. Haleon carries an investment grade credit rating (BBB) from S&P and trades at less than 15x expected consensus earnings estimates. [16,17]

Finally, we purchased a 2% position in Jones Lang Lasalle (JLL). The company is the world's second-largest property services business based on net revenues, less than half the size of its larger competitor, CBRE Group, but only about a third of its market capitalization. JLL primarily engages in leasing, real estate capital market activities, property management, project management, valuation services, and asset management. While capital markets revenue is likely to weaken with higher interest rates, the company's leasing business may prove to be more resilient than expected in a weakening economic environment, given that it had not fully recovered from the pandemic shock. JLL has historically produced attractive top-line growth, driven by market share gains from smaller competitors, accretive acquisitions, and a steady industrywide increase in the outsourcing of building management and leasing services. The company has a strong balance sheet, operating with approximately 1x of leverage and garnering a BBB+ rating from S&P. Shares also traded at an attractive 8x consensus estimates of forward earnings at purchase, a sizable discount to the broader market, its larger peer, and JLL's trading history.

As always, we thank you for your interest in EIC.

<u>Investment Team</u>

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

Robert Ladyman, CFA Thomas Knapp, CFA

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[1]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. Net returns are calculated by reducing gross returns with an assumed maximum annual SMA fee of 3.0%, applied monthly. SMA fees include transaction costs, portfolio management, custody, and other administrative fees. Platform sponsor fees may vary. SMA fee schedules are provided by independent SMA platform sponsors and are available upon request from the individual sponsor. 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. Performance data is historical. Current performance may be lower or higher than the performance quoted. Individual client portfolio results may vary.

[2]Data Source: Morningstar Direct[SM] In 2022 we have held 42 positions in the representative MCV portfolio. Sixteen of the holdings were either sold for a gain or had a year-to-date unrealized gain on September 30, 2022.

[3]Source: Bilello, Charlie. "No Safety from the Safety Trade." S&P 500, US 10-Year Treasury, and 60/40 Portfolio (Total Returns, 1928–2022 as of 9/30/2022). https://compoundadvisors.com/2022/10-chart-thursday-10-6-22. 7 October 2022.

[4]Number of S&P 500 Index daily returns that were negative to total number of index daily returns for each calendar year 1928–2021 and year-to-date September 30, 2022. Average over period measured was 46%.

[5]Source: Banerji, Gunjan and McCabe, Caitlin. "Buy the Dip Believers Are Tested by Market's Downward Slide." May 10, 2022. https://www.wsj.com/ articles/buy-the-dip-believers-are-tested-by-markets-downward-slide-1165 2197077. 26 September 2022.

[6]Russell 3000 Growth Index modified CAPE (red line), Russell 3000 Value Index modified CAPE (green line), Russell 3000 Growth Index modified CAPE premium over Russell 3000 Value Index modified CAPE (gray area) at each month-end from January 31, 1990 to September 30, 2022. 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.

[7]Data Source: S&P Capital IQ^PRO. Russell 3000 Growth and Russell 3000 Value indexes 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, 2022.

[8]Data Source: S&P Capital IQ^PRO. S&P 500 CY2022 aggregate estimates bottom up. Mar-07-2022 through Oct-03-2022.

[9]Data Source: yahoo! Finance, Treasury Yield 10 Years (^TNX), December 31, 2021 and September 30, 2022. 11 October 2022.

[10]Russell 3000 Growth Index modified CAPE, December 31, 2021, and September 30, 2022.

[11]Source: Zweig, Jason. "When Bad Things Happen to Good Stocks." September 23, 2022. https://www.wsj.com/articles /quality-stock-fund-etf-performance-blue-chip-11663942704. 26 September 2022.

[12]Source: Grantham, Jeremy. "Entering The Superbubble's Final Act." August 31, 2022. https://www.gmo.com/americas/ research-library/ entering-the-superbubbles-final-act/.

[13]Actual portfolio holdings may vary for each client, and there is no guarantee that a particular client's account, SMA or advisory program will hold any, or all, of the securities identified. The securities identified and described herein do not represent all 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.

[14]Zweig, Jason. "Where You Can Find Stock-Market Bargains.) September 16, 2022. https://www.wsj.com/articles /international-stocks-investing-analysis-11663340128. 26, September 2022.

[15]American Depository Receipts (ADRs) were 6% of the MCV representative portfolio on September 30, 2022, versus an 18-year average of 3% and range of 0%–7%.

[16]Data Source: S&P Capital IQ^PRO as of September 30, 2022. 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.

[17]Data Source: S&P Capital IQ^PRO as of September 29, 2022. Consensus of analyst forward earnings estimates.

Equity Investment Corporation
Mid-Cap Value SMA Composite Report

	Gross* Rate of Return[1] (Supplemental)	Assumed 3% Annual Fee Net Rate of Return[1]	Benchmark Return of Russell Midcap® Value Index
1 Year	-2.5%	-5.4%	-13.6%
5 Year (annualized)	7.7%	4.5%	4.8%
10 Year (annualized)	10.5%	7.3%	9.4%
Since Inception** (annualized)	9.9%	6.7%	8.6%

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 with an assumed annual SMA fee of 3.0% (0.25%/month).
**Inception Date: January 1, 2004

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 tables.

Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary Mid-Cap Value wrap (SMA) accounts. The strategy invests in high-quality, well-managed mid-cap companies, while at the same time avoiding those that look inexpensive relative to their historical record but are actually in structural decline. Prior to January 1, 2013, the composite was called the Mid-Cap Value Wrap Composite. Returns are generally presented net of foreign withholding taxes on dividends, interest income, and capital gains; however, returns for some accounts are presented gross of foreign taxes depending on the treatment by their custodian. All accounts included in the composite are managed according to similar investment guidelines. The composite creation and inception date is January 1, 2004, and SMA accounts comprise 100% of the composite. The benchmark index is the Russell Midcap® Value Index (which excludes an advisory fee), and was chosen because it is representative of the composite's investment style. The Russell Midcap Value Index measures the performance of the mid-cap value segment of the US equity universe. It is a subset of the Russell Midcap® Index and includes approximately 800 of the Russell 1000® companies with lower price-to-book ratios and lower expected long-term mean earnings growth rates.

Performance has been measured on a monthly basis from January 1, 2004, to present. Periods are geometrically linked to obtain the quarterly and annual results. Eligible new accounts are added to the composite at the beginning of the first full quarter under EIC management. Trade-date accounting with monthly valuations and adjustments for large cash flows are used. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The US Dollar is the currency used to express performance. Returns include the reinvestment of all income. There are no non-fee paying accounts. Economic and market conditions have differed over the time period displayed, and likewise will be different in the future. Policies for valuing investments, calculating performance and preparing GIPS Composite Reports are available upon request.

Equity Investment Corporation
Mid-Cap Value SMA Composite Report

									Advisory-Only (UMA) and Managed Assets		
Year Ended Dec - 31	Gross* Rate of Return[1] (Supplemental)	Assumed 3% Annual Fee Net Rate of Return[1]	Benchmark Return of Russell Midcap® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion[2] of Annual Returns (St Dev)	Number of Portfolios	Composite Assets ($ Millions)	UMA Assets[3] ($ Millions) (Supplemental)	GIPS® Firm Assets ($ Millions)	Total Assets[3] ($ Millions) (Supplemental)
2022 (through 9/30)	-8.3%	-10.4%	-20.4%	20.3%	23.5%	0.2%	10	$2.9	$2,042.3	$1,940.1	$3,982.4
2021	30.2%	26.5%	28.3%	18.9%	22.0%	0.7%	12	$3.4	$2,108.2	$2,027.4	$4,135.6
2020	3.5%	0.4%	5.0%	18.6%	22.6%	0.8%	10	$2.2	$1,694.6	$1,607.6	$3,302.2
2019	18.3%	14.9%	27.1%	9.4%	12.8%	0.7%	22	$5.5	$1,942.4	$2,245.1	$4,187.5
2018	-6.4%	-9.2%	-12.3%	8.4%	12.0%	0.7%	21	$4.7	$1,721.0	$2,219.9	$3,940.9
2017	12.6%	9.3%	13.3%	7.5%	10.3%	1.0%	20	$5.4	$2,044.9	$2,790.7	$4,835.6
2016	16.6%	13.2%	20.0%	8.4%	11.3%	1.0%	15	$4.3	$2,044.5	$2,994.4	$5,038.9
2015	-2.1%	-5.0%	-4.8%	8.9%	10.7%	1.0%	9	$2.3	$1,590.0	$3,658.9	$5,248.9
2014	15.2%	11.8%	14.8%	8.9%	9.8%	N/A	5	$1.8	$1,657.7	$3,862.6	$5,520.3
2013	33.6%	29.7%	33.5%	10.5%	13.7%	N/A	3	$1.1	$1,009.2	$3,286.3	$4,295.5
2012	11.3%	8.0%	18.5%	10.7%	16.8%	N/A	3	$0.9	$665.6	$2,301.1	$2,966.7
2011	5.3%	2.2%	-1.4%	15.3%	22.8%	N/A	1	$0.2	$314.5	$1,127.9	$1,442.5
2010	22.8%	19.3%	24.8%	17.9%	27.1%	0.4%	7	$1.7	$77.9	$836.9	$914.8
2009	28.1%	24.4%	34.2%	17.6%	25.0%	0.9%	8	$1.5	$10.5	$541.2	$551.8
2008	-20.4%	-22.8%	-38.4%	13.0%	18.7%	1.2%	11	$1.7	$0.0	$362.6	$362.6
2007	4.4%	1.3%	-1.4%	8.3%	9.1%	0.7%	16	$3.2	$0.0	$448.1	$448.1
2006	12.2%	8.9%	20.2%	7.3%	8.7%	0.5%	20	$6.6	$0.0	$487.2	$487.2
2005	6.0%	2.9%	12.7%	N/A	N/A	0.8%	29	$8.6	$0.0	$463.6	$463.6
2004	19.8%	16.3%	23.7%	N/A	N/A	N/A	32	$10.5	$0.0	$388.1	$388.1

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

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

[3] 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.

<u>Additional Note</u>: 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 *(cont.)*:

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 March 31, 2022. 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).