EQUITY INVESTMENT CORPORATION

Mid-Cap Value

2025 First Quarter Commentary

April 2025

Midcap stocks fell in the first quarter. Our benchmark, the Russell Midcap® Value Index (RMCV), *declined* 2.1%, while the Russell Midcap® Growth Index *declined* 7.1%. In contrast, our Mid-Cap Value (MCV) SMA composite *increased* 5.6% on a gross basis.

It was a good quarter for us, both in absolute and relative terms. Our outperformance was attributable to the combination of our sector weightings and stock selection in every sector.[1] Longer term, we remain ahead of our benchmark on a gross basis, as shown below.

For the periods ended March 31, 2025	Q1	1 Year	5 Year	10 Year	SI*
EIC MCV SMA Gross	5.6%	11.9%	20.3%	10.1%	10.8%
EIC MCV SMA Net	4.8%	8.6%	16.8%	6.9%	7.5%
Russell Midcap® Value Index	-2.1%	2.3%	16.7%	7.6%	9.2%

*Table 1 Data Source: Morningstar Direct℠. *Since Inception (SI): January 1, 2004 for MCV. Returns for periods greater than one year are annualized. Past performance does not guarantee future results. See footnote 2.*

Investment Environment

Federal Reserve Chairman Powell's comments in January stand out both for their foreshadowing of events during the first quarter and for their universal truth.

> "I guess I'd say this: Uncertainty[…] is with us all the time. It's[…] human nature, apparently, to underestimate[…] how fat the tails are[…] we think of things in a normal distribution, and in the economy it's not a normal distribution. The tails are very fat, meaning things can happen way out of your expectations. *It's never not that way.*"[3]

Eventual mistakes, unwelcome news, or setbacks (i.e., "fat tails") are a consistent feature of the economic and investing landscape, even if a strong run of positive results deceives investors into forgetting or ignoring this truth. Adversity is the eventual rule, not the exception, and fundamental progress rarely, if ever, continues uninterrupted in a straight line forever. Successful long-term investing, therefore, plans for adversity and invests accordingly.

As we wrote in our 2024 Year-End Commentary, the market was positively euphoric due to the prospects for Artificial Intelligence (AI) and an incoming presidential administration perceived as more business-friendly. Growth stock valuations had reached all-time highs, surpassing the peak of the tech bubble. Investors, particularly in growth stocks, were simply not paying attention to valuation or any of the numerous other potential headwinds.[4] During the first quarter of this year, reality reasserted itself, leading to a selloff and rotation out of U.S. stocks in general, and growth stocks in particular.[5]

Beginning in January, developments in AI weighed on shares, from the emergence of a Chinese competitor offering a less expensive AI model of comparable quality, to price competition and anecdotes surrounding overcapacity and continued slow customer uptake.[6] None of these events were earth-shattering in isolation, but together, they have introduced more doubt and uncertainty into AI-themed growth stocks. As a result, the "Magnificent Seven," all perceived AI plays in one way or another, collectively underperformed the Russell 3000® Index and accounted for 90% of its year-to-date decline.[7] While noteworthy, this is not an unusual outcome when stocks priced for perfection meet with even marginally disappointing fundamental developments.

Beyond AI, the market is contending with continued signs of weakness in the U.S. economy, as evidenced by stubborn inflation, a soft housing market, declining consumer spending, falling household savings, and a decline in manufacturing activity, where, worryingly, input prices are accelerating while output is dropping.[8] Since the end of 2024, earnings growth estimates have decreased in every sector.[9] Coincident with this economic weakness, or perhaps partly responsible for it, businesses wrestle with the effects of broad-based tariffs.

Shortly after the quarter's end, President Trump unveiled a comprehensive set of tariffs at levels not seen in nearly a century. The resulting uncertainty is already having a chilling effect on business planning, and market volatility has risen sharply.[10] During times like these, it is human nature to ask, what will happen next? How will countries respond? Where will tariff rates settle in six months, eighteen months, or a few years from now? Will we slip into a recession? Many investors are tempted to answer questions like these, divining the future and investing accordingly.

Instead of attempting to predict the future, we strive to build portfolios designed to withstand a range of economic outcomes. We accept uncertainty, buying a range of healthy and well-capitalized businesses at reasonable prices that aren't dependent on a favorable environment. We believe this approach increases our odds of success by minimizing major investment mistakes, thus avoiding significant losses. Over the long term, our process has yielded strong full-cycle results while proving resilient in periods of heightened volatility.

The near-term direction of stocks is anyone's guess, but a look at current valuations in the following chart suggests continued long-term challenges ahead. While growth stocks no longer trade at historic highs, they are still richly priced compared to their long-run median. Based on history, from these levels, growth investors should continue to expect disappointing returns over the next decade. Meanwhile, value stocks are more reasonably priced, with expectations for positive returns.[11]

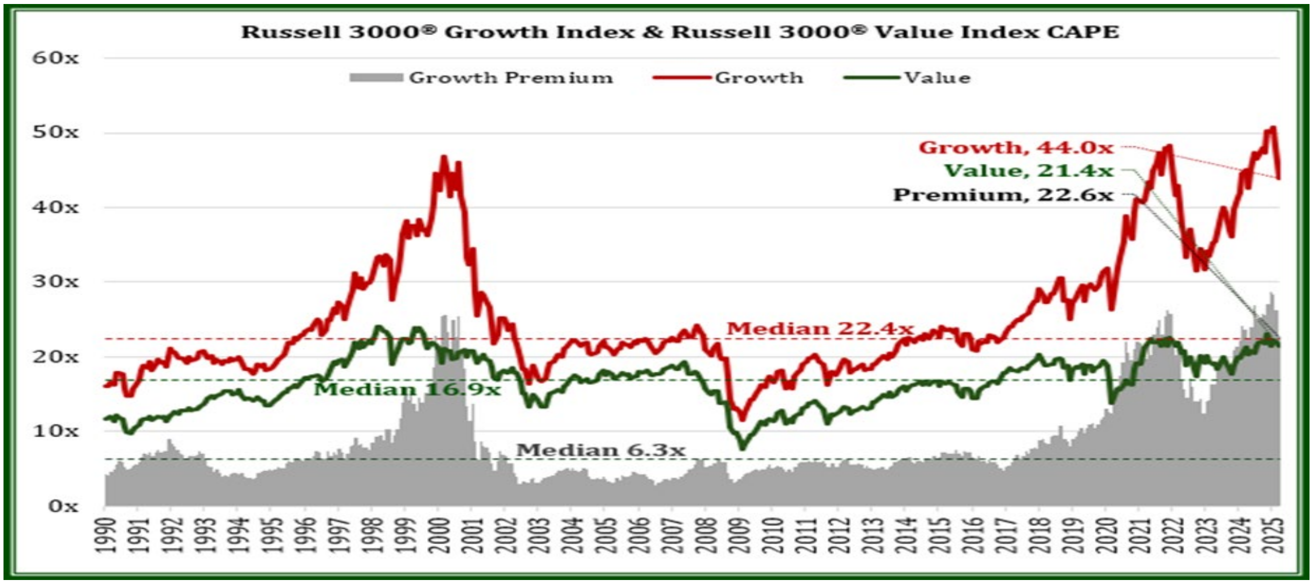

Chart 1 Data Source: S&P Capital IQ PRO. See footnote 12. Charts are provided for illustrative purposes only.

Of course, the future is uncertain. Thus, any investment must be considered probabilistically, encompassing a range of outcomes and giving some thought to whether its current price provides reasonable odds of success in adverse conditions. Despite the pain for growth investors during the first quarter, we believe that prices for growth stocks still reflect extreme optimism, with little room for error in the event of general economic or earnings weakness, a slowdown, an outright bust in AI, or tariff-related shocks. Accordingly, our portfolios are heavily tilted towards high-quality value stocks.

Portfolio Review[13]

During the quarter, we purchased a 2% position in Ovintiv Inc. (OVV). Formerly known as Encana, the company traces its roots to natural gas production in the Montney Formation of Western Canada. Over the past decade, Ovintiv has completed several acquisitions and divestitures and now holds a more diversified portfolio of oil, natural gas, and natural gas liquids, including positions in the premium, low-cost Permian and Anadarko Basins. The company is currently directing capital to active oil exploration and production (E&P), and as a result, revenues are primarily derived from the sale of U.S.-produced oil. That said, we believe the company also stands to benefit from growing demand for natural gas over the long term. Ovintiv is investment-grade rated by S&P, and management has prudently allocated capital to debt paydown and share repurchases over the past few years.[14] The stock has recently underperformed its more richly priced E&P peers as oil and gas futures prices have diverged. To that end, we paired our purchase with the full sale of our position in Expand Energy (EXE) based on valuation.

We also added to and trimmed from several holdings during the quarter, all based on valuation. More specifically, we added to our positions in NNN Reit Inc. (NNN), Oshkosh Corporation (OSK), PPG Industries Inc. (PPG), and W.P. Carey Inc. (WPC). We trimmed our positions in Coterra Energy Inc. (CTRA), National Fuel Gas Company (NFG), and Smith & Nephew plc (SNN).

We always build portfolios on a bottom-up basis, one stock at a time. Every investment must stand on its own merits and be priced to achieve an attractive absolute return. We invest based on value and quality rather than on business size, sector classification, or style exposure. By design, this focus often causes our portfolios to look and perform differently from our benchmarks and peers.

Today, relative to the RMCV, our representative portfolio is overweight in financials and consumer staples and, to a lesser extent, energy and health care. Our largest underweights are in industrials, information technology, where we currently have no exposure, and consumer discretionary, with lesser underweights in utilities, real estate, communication services, and materials.[15] Our representative portfolio had 16% in cash at the end of the quarter. As a reminder, cash is a residual of our stock selection process, not a tactical allocation based on market conditions.

At quarter-end, our representative portfolio traded at approximately 15.4x trailing earnings and 12.3x forward earnings estimates, both substantial discounts to thebenchmark. Our portfolio also has a weighted average return on equity of 9%, a weighted average credit rating of BBB, and a dividend yield of 3.2%.[16]

Founded in 1986, we have entered our fortieth year in business. Over those years, we have constructed portfolios that often look and perform quite differently from market indexes and those of other equity managers. Our relative returns may be inconsistent at times, but our absolute returns tend to be more consistent and stable than those of many of our peers. Such is our stock-in-trade, one that we are proud of and strive to continue delivering to our clients.

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

Investment Team

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Disclosures

[1] Data Source: Morningstar Direct[SM]. Performance attribution for EIC MCV representative portfolio versus Russell Midcap Value Index for the quarter ended March 31, 2025. Individual portfolio sector weights may vary from that of the representative portfolios.

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.

[2] 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. Investing involves risk, including possible loss of principal.

[3] "Transcript of Chair Powell's Press Conference," Federal Reserve Board, FOMC. January 29, 2025. https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250129.pdf.

[4] Equity Investment Corporation. "Mid-Cap Value 2024 Year-End Commentary." January 2025. https://www. www.eicatlanta.com/wp-content/uploads/2025/01/Q424-EIC-MCV-Commentary-Client-Final-25012201.pdf.

[5] Novick, Mari and Smith, Ian and Herbert, Emily. "Investors slash US equity holdings by most ever, BofA survey shows." The Financial Times. March 18, 2025. https://www.ft.com/content/e0b8fcfe-77a9-456d-bb6a-d2b8b489577d.

[6] Olcott, Eleanor, and Wu, Zijing. "How small Chinese AI start-up DeepSeek shocked Silicon Valley." The Financial Times. January 24, 2025. https://www.ft.com/content/747a7b11-dcba-4aa5-8d25-403f56216d7e.

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[7] Data Source: Morningstar Direct℠. Performance attribution for Russell 3000 Index and Russell 3000 Growth Index for the quarter ended March 31, 2025. Magnificent Seven stocks are NVDA, AAPL, MSFT, GOOG, META, AMZN, and TSLA.

[8] Lee, Jinjoo. "Consumer Angst is Striking All Income Levels, Here's Where to Look for Early Signs of a Recession." The Wall Street Journal. March 12, 2025. https://www.wsj.com/economy/consumers/consumer-angst-is-striking-all-income-levels-ab32d5d5.

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[9] Sindreu, Jon. "Don't Blame Trump for All of the Stock Markets Problems." The Wall Street Journal. March 27, 2025. https://www.wsj.com/finance/stocks/dont-blame-trump-for-all-of-the-stock-markets-problems-c3a6dc6b.

[10] Timiraol, Nick and Leary, Alex and Cutter, Chip. "Corporate America's Euphoria Over Trump's 'Golden Age' is Giving Way to Distress." The Wall Street Journal. March 25, 2025. https://www.wsj.com/economy/wall-street-trump-golden-age-distress-28a1dfcc.

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[11] Data Source: S&P Capital IQ[PRO]. Equity Investment Corporation. "The Case for Value versus Growth." March 2025, page 6.

[12] Russell 3000 Growth Index modified CAPE (red line), Russell 3000 Value Index modified CAPE (green line), Russell 3000 Growth Index modified CAPE arithmetic premium over Russell 3000 Value Index modified CAPE (gray area) at each month-end January 31, 1990 to March 31, 2025. Modified CAPE (Cyclically Adjusted Price-to-Earnings) is the ratio of index prices to trailing 10-year 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.

[13] References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. Any specific securities described herein do not represent all securities purchased, sold, or recommended for advisory clients. Actual portfolio holdings 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. It should not be assumed that any of the securities or recommendations made will be profitable or will equal the performance of the listed securities.

[14] Data Source: S&P Capital IQ[PRO]. S&P credit-quality rating of BBB- on March 31, 2025. 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.

[15] Data Source: Morningstar Direct℠. GICS sector weights for EIC MCV representative portfolio versus Russell Midcap Value Index for the quarter ended March 31, 2025. Individual portfolio sector weights may vary from that of the representative portfolios.

[16] Data Source: Morningstar Direct℠ as of March 31, 2025. Weighted average trailing twelve-month P/E Ratio, forward P/E Ratio, and return on equity for EIC MCV representative portfolio, as calculated by Morningstar.

Data Source: APL Systems as of March 31, 2025. Dividend yield for EIC MCV representative portfolio is shown on a gross basis.

Data Source: S&P Capital IQ[PRO]. Weighted average of S&P credit-quality ratings on underlying securities held in the representative EIC MCV portfolio on March 31, 2025, and not the portfolios themselves.

Equity Investment Corporation
Mid-Cap Value SMA Composite Report

As of 12/31/2024	1 Year	5 Year (annualized)	10 Year (annualized)	Since Inception** (annualized)
Gross Rate of Return[1] (Supplemental)	11.6%	11.8%	9.6%	10.6%
Assumed 3% Annual Fee Net Rate of Return[1]	8.3%	8.5%	6.3%	7.4%
Benchmark Return of Russell Midcap® Value Index	13.1%	8.6%	8.1%	9.4%

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

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)	Advisory-Only (UMA) and Managed Assets		
									UMA Assets[3] ($ Millions) (Supplemental)	GIPS® Firm Assets ($ Millions)	Total Assets[3] ($ Millions) (Supplemental)
2024	11.6%	8.3%	13.1%	17.6%	19.8%	0.4%	12	$4.6	$3,441.9	$3,051.2	$6,493.1
2023	12.8%	9.5%	12.7%	17.2%	19.3%	0.5%	12	$4.0	$2,818.0	$2,654.3	$5,472.3
2022	3.0%	0.0%	-12.0%	21.3%	24.4%	0.3%	10	$3.3	$2,392.5	$2,267.8	$4,660.4
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.

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 *(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 December 31, 2024. 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).