EQUITY INVESTMENT CORPORATION

Mid-Cap Value

2025 Second Quarter Commentary

July 2025

Stocks delivered strong results in the second quarter. Our Mid-Cap Value (MCV) SMA composite posted solid gains but trailed the benchmark Russell Midcap® Value (RMCV) Index. Our shortfall was primarily attributable to our underweight in the industrials and information technology sectors, as well as our stock selection in the consumer discretionary sector. Year-to-date, our MCV SMA composite has significantly outperformed the RMCV. Our outperformance in the first half of the year was primarily attributable to our stock selection in the industrials, utilities, and consumer staples sectors.[1]

For the periods ended June 30, 2025	Q2	YTD	1 Year	5 Year	10 Year	SI*
EIC MCV SMA Gross	2.8%	8.5%	20.3%	17.2%	10.4%	10.8%
EIC MCV SMA Net	2.0%	6.9%	16.8%	13.8%	7.1%	7.6%
Russell Midcap® Value Index	5.3%	3.1%	11.5%	13.7%	8.4%	9.4%

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

Investment Environment

Following concerns about inflation and tariffs that drove the market lower in the first quarter and April, stocks surged in the remainder of the second quarter, with volatility collapsing, and broad indexes now at all-time highs.[3] The recent rally has differed from that of 2024 as only three of the "Magnificent Seven" stocks have outpaced the broad market year to date. Instead, riskier stocks have led, with particularly strong performance from unprofitable companies.[4] Special Purpose Acquisition Companies, or SPACs — blank-check IPO shortcut vehicles that rose to prominence during the COVID pandemic and were categorically abysmal investment failures — have returned.[5] From a promising start to the year for prudent investing, the pendulum has now swung back, for now, to a "risk-on" environment.

The improbable backdrop for this strong market environment is one of acute uncertainty. The 90-day reciprocal tariff "pause", a major catalyst for the second-quarter stock market rally, is due to expire soon, with little progress made to date in negotiating new, hopefully less punitive deals.[6] On the economic front, housing remains depressed, there are signs of a weakening job market, and, following some tariff-related front-loaded buying, consumer spending has now turned negative.[7] Questions remain as to whether tariffs will ultimately exacerbate inflationary pressures.[8] Moreover, earnings growth estimates for 2025 continue to trend downward, having declined by nearly half since the beginning of the year, with growth estimates falling in every sector.[9]

Notably, the Artificial Intelligence (AI) theme, a significant driver of recent growth-stock returns, continues to rest on questionable fundamentals, with significant expenses set against currently insufficient customer revenues. Nonetheless, many AI-related companies have exorbitant market valuations.[10] Beyond massive capital expenditures, AI players are now engaging in an arms race for talent, paying as much as nine-figure contracts to hire individual employees and investing billions of dollars in pre-product companies.[11] Amid this euphoria, tech leader Apple published a recent study that shed a sobering light on AI optimism, and anecdotes continue to roll in about disappointing customer experiences and elusive cost savings.[12]

As shown below, growth stock valuations are once again trading near all-time highs, with attendant dismal prospects for longer-term returns.

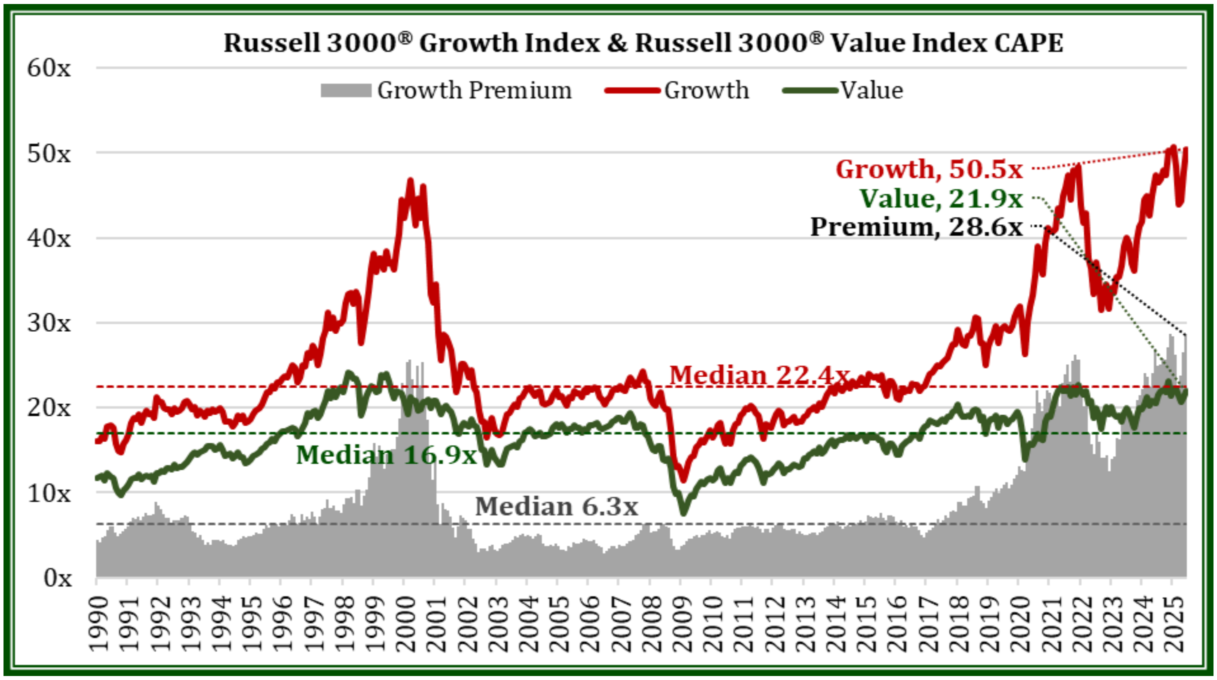

Chart 1 Data Source: S&P Capital IQ[PRO]. See footnote 13. Charts are provided for illustrative purposes only.

At these valuation levels, growth stocks demand fundamental perfection, while value stocks remain much more reasonably priced. Accordingly, we continue to avoid growth stocks, and our portfolios remain heavily tilted towards value-oriented names.

Given the fundamental disconnect, with near all-time high valuations for growth stocks set against weakening fundamentals and an unusually wide range of potential adverse outcomes, any attempt to make sense of this environment reminds us of a quote attributed to Mark Twain: "The more you explain it, the more I don't understand it." Perhaps, in the current short-term focused investing world, the time lag between cause and potential effect has led to a false sense of security that risks are overblown since they have yet to materialize. Fears of diminishing AI tailwinds have largely been dismissed because first-quarter results from AI-related companies did not collapse. Similarly, concerns about a tariff-driven slowdown waned as trade policy has yet to measurably impact economic activity. For now, all is well, and it is back to "risk-on", at least until a new data point leads investors in a different direction.

Portfolio Review[14]

During the quarter, we added to and trimmed from several existing positions based on valuation. In addition, we exited our position in Patterson Companies, which was acquired by a private health care investment firm. We also received shares of Capital One Financial Corporation (COF) in exchange for our shares of Discover Financial Services upon the closing of COF's acquisition of the company.

Finally, we purchased three new stocks, Target Corporation (TGT), ICON plc (ICLR) and Brown-Forman Corporation (BF-B). All three are high-quality businesses with a long-term record of strong earnings growth. However, current adversity and the attendant pessimism presented us with the opportunity to own them at prices that give us, we believe, reasonable odds of success from here.

We purchased a 2.5% position in Target, which operates approximately 2,000 stores across the U.S. We previously owned shares from 2017 to 2020, when we sold based on valuation. The company's product offerings are more discretionary than Walmart's, with approximately 60% of sales from apparel, accessories, home goods, hardlines, and beauty products, and the remainder from groceries and essentials. Target performed exceptionally well during the pandemic, benefiting from government stimulus and the operational challenges of its small and independent competitors. Fundamental performance subsequently deteriorated, with revenue growth stagnating and operating margins dropping to an all-time low in 2022, primarily due to inventory mismanagement, shrinkage, inflationary pressures on the supply chain, and labor costs. The stock has fallen meaningfully since our sale, as the company has underperformed aggressive sales growth and margin targets that management rolled out in early 2022.

Despite recent headwinds, we believe Target remains a relevant competitor in retail. While same-store sales growth has recently lagged that of Walmart, cumulative growth rates have been similar over the past five years. The stock is now historically cheap, both in absolute and relative terms. We believe this valuation provides adequate compensation for the risks posed by potential tariffs or material weakening in the health of the consumer. At purchase, the company had a $44 billion market capitalization and was A rated by S&P at quarter-end.[15] Shares trade at 12x our estimate of normalized earnings, with a current dividend yield of 4.5%.

We acquired a 3.0% position in ICON, a provider of outsourced clinical-stage development services to pharmaceutical and biotechnology companies. The company is one of the two largest contract research organizations in the world, accounting for an estimated 8% of industry-wide research and development (R&D) spending and approximately 15% of outsourced spending. Its client roster includes nearly all the 20 largest pharmaceutical and biotechnology companies, as well as many smaller firms. ICON generates 36% of revenue from the U.S., 53% from Europe, and 11% from the rest of the world.

ICON's share price declined by more than 50% over the past year as the company reduced earnings guidance due to R&D rationalizations at its two largest customers, weakness in biotechnology spending, and delays in two large COVID vaccine trials. Shares were also impacted by concerns that drug pricing caps and slower drug approvals from the Department of Health and Human Services might cause pharmaceutical companies to reduce R&D spending to preserve profit margins, limiting ICON's revenue growth. As a result, ICON currently trades at a historically depressed multiple of forward earnings and approximately 13x our conservative view of normalized earnings. ICON has a $12 billion market capitalization, is rated BBB- by S&P, and, although it does not pay a dividend, generates considerable free cash flow, which is currently being used to repurchase stock.

We also initiated a 2% position in Brown-Forman, the largest American-owned producer and distributor of alcoholic spirits. The company's portfolio includes American bourbon whiskey (Jack Daniel's, Woodford Reserve, Old Forester), tequila (El Jimador and Herradura), Irish and Scotch whiskey, rum, and gin, as well as ready-to-drink canned cocktails. A slight majority of revenue is generated from international markets. Over the last two decades, spirits have steadily taken market share from beer and wine. Brown-Forman has benefited from this secular tailwind as its brands generally hold leading positions in the standard and premium segments of the industry.

Brown-Forman's record of low single-digit volume growth, mid single-digit revenue growth, and accelerated operating profit growth has been persistent over longer periods. More recently, however, sales of Jack Daniel's have come under pressure as retailers carry abnormally low inventories and consumer demand slows from elevated post-pandemic levels. This pressure is likely to continue in the near term, and results could deteriorate further. However, we believe the company's brands remain healthy and have reasonable odds of returning to their historical growth profile. Brown-Forman has a market capitalization of $13 billion — down over 65% from recent highs — and trades at a mid-teen multiple of forward earnings estimates with a well-covered 3.4% dividend yield. It is rated A- by S&P.

At quarter end, our representative portfolios traded at a weighted average valuation of 17.4x trailing and 12.5x forward earnings, with a dividend yield of 3.0% and an estimated average credit rating of BBB+.[16] We believe our portfolios are positioned to deliver reasonable returns across a range of economic outcomes. Our largest sector overweights are in financials and consumer staples, followed by a smaller overweight in health care. Our largest underweights are in industrials and information technology, as well as consumer discretionary and utilities.[17] At quarter end, cash levels were approximately 12% in our representative portfolio.

As the saying goes, "There are thousands of ships at the bottom of the ocean, and each one had a room full of charts."[18] We, however, expect that unanticipated adverse developments will emerge from time to time. To that end, our approach to stock selection has always been two-fold. First, we avoid the worst excesses in the market, even if they are currently market leaders. Second, we select stocks on a bottom-up basis, focusing on quality characteristics, repeatable earnings, and reasonable valuations. The consistent adherence to this process over our 40 years in business has resulted in the pattern of returns shown in the following chart for our original strategy, All-Cap Value.

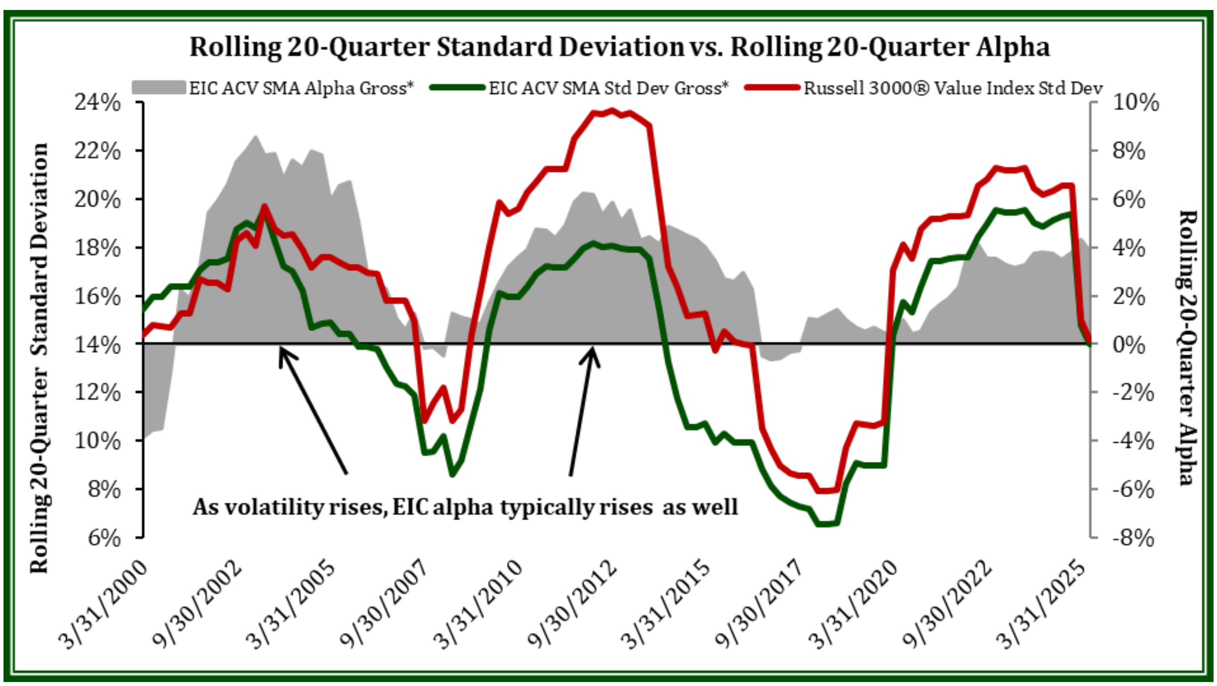

Chart 2 Data Source: Morningstar Direct℠. See footnote 19. Charts are provided for illustrative purposes only.

When risks are ignored and stock market volatility is low, our alpha tends to be lower as well. However, when volatility increases as risks are understood and incorporated into market prices, our alpha has typically risen. Today, we believe there are heightened risks in the investment environment, but we do not have a map that indicates the timing, impact, or even certainty of their occurrence. Nevertheless, we continually consider them and adjust client portfolios accordingly.

Staff Update

Finally, we would like to acknowledge Lauren Eastburn, who will be retiring from EIC later this summer after more than 12 years with the firm. Lauren manages product marketing and due diligence reporting on our institutional services team. In addition, she has dutifully shepherded our quarterly commentaries through revision, editing, and publication, which requires both tact and talent. We offer our thanks to Lauren for her exemplary work and wish her well in retirement.

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

Investment Team

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

Robert Ladyman, CFA   Thomas Knapp, CFA

Disclosures

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[1] Data Source: Morningstar Direct[SM]. Performance attribution for EIC MCV portfolio versus Russell Midcap Value Index for the three months and six months ended June 30, 2025.

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] "Chicago Board Options Exchange (CBOE) Volatility Index: VIX [VIXCLS]." Federal Reserve Bank of St. Louis. July 8, 2025. https://fred.stlouisfed.org/series/VIXCLS.

[4] Dey, Esha and Griffin, Matthew. "Wall Street Goes All-In on Risky Stocks." Bloomberg. June 26, 2025. https://www.bloomberg.com/news/articles/2025-06-26/wall-street-goes-all-in-on-risky-stocks-as-bears-race-for-cover.

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[9] Data Source: S&P Capital IQ[PRO]. Monthly S&P 500 Index Aggregate Bottom Up consensus estimates for YOY EPS growth in CY2025, December 5, 2024 to July 3, 2025.

[10] "AI valuations are verging on the unhinged." The Economist. June 25, 2025. https://www.economist.com/business/2025/06/25/ai-valuations-are-verging-on-the-unhinged.

[11] Bobrowsky, Meghan, and Jin, Berber and Cohen, Ben. "Zuckerberg Leads AI Recruitment Blitz Armed With $100 Million Pay Packages." The Wall Street Journal. June 22, 2025. https://www.wsj.com/tech/ai/meta-ai-recruiting-mark-zuckerberg-5c231f75.

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[13] 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 June 30, 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.

[14] 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.

[15] Data Source: S&P Capital IQ[PRO]. S&P credit-quality ratings on June 30, 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.

[16] Data Source: Morningstar Direct℠ as of June 30, 2025. Weighted average trailing twelve-month P/E ratio, forward P/E ratio for EIC MCV representative portfolio, as calculated by Morningstar.

Data Source: APL Systems as of June 30, 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 June 30, 2025, and not the portfolios themselves.

[17] Data Source: Morningstar Direct℠. GICS sector weights for EIC MCV representative portfolio versus Russell Midcap Value Index for the quarter ended June 30, 2025. Individual portfolio sector weights may vary from that of the representative portfolio.

[18] Hamtil, Lawrence. "Everytime I see a macro touristy chart telling me where X should be priced based on Y, or whatever, I always think of the line that 'there are thousands of ships at the bottom of the ocean, and each one had a room full of charts.' " *Twitter*, 16 Sep 2019, 11:22 am.

[19] Standard deviation of rolling 20-quarter returns ending March 31, 2000, through June 30, 2025, for EIC's All-Cap Value SMA (ACV SMA) Composite relative to its alpha for the rolling 20-quarter periods. Alpha is a measure of the difference between a strategy's actual returns and its expected performance, given its beta relative to its benchmark (Russell 3000 Value Index). Standard Deviation (Std Dev) is a statistical measure describing the degree of variability (+/-) around the return over the time period calculated. EIC ACV SMA, Std Dev, and Alpha are calculated using gross performance. Averages for the rolling 20-quarter standard deviation over periods displayed are: EIC ACV SMA Gross: ±14.5% and Russell 3000 Value Index: ±16.7%. Average alpha for ACV SMA over rolling 20-quarter periods displayed is 3.1%.

This document reflects the views of Equity Investment Corporation as of the date of the document. These views may change and do not guarantee the future performance of any strategy, index, or the markets. Investing involves risk, including possible loss of principal, and there are specific risks that apply to any investment strategy. There can be no guarantee that any investment strategy will be successful.

Equity Investment Corporation
Mid-Cap Value SMA Composite Report

As of 6/30/2025	1 Year	5 Year (annualized)	10 Year (annualized)	Since Inception** (annualized)
Gross Rate of Return[1] (Supplemental)	20.3%	17.2%	10.4%	10.8%
Assumed 3% Annual Fee Net Rate of Return[1]	16.8%	13.8%	7.1%	7.6%
Benchmark Return of Russell Midcap® Value Index	11.5%	13.7%	8.4%	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)
2025 (through 6/30)	8.5%	6.9%	3.1%	16.3%	18.4%	0.3%	12	$5.1	$3,909.2	$3,297.5	$7,206.8
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.)*:

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