

EQUITY INVESTMENT CORPORATION

2017 First Quarter Commentary All-Cap Value & Large-Cap Value April 2017

The stock market rose in the first quarter, continuing its post-election strength. While the fourth quarter of 2016 was led by value and smaller stocks, first quarter 2017's leaders were growth and large caps. Taken together, the market advance post-election has been broad and steep. However, during the first quarter of 2017, the market was more discriminating. The S&P 500[®], led by very strong performance in a handful of mega cap technology stocks, gained 6.1%. The Russell 3000[®] Value, without the benefit of those large growth stocks, was up 3.0%, while our All-Cap Value SMA (ACV) and Large-Cap Value SMA (LCV) accounts were up 2.6% and 2.7%, respectively (gross of fees¹), with our cash balance accounting for the deficit. Net of a 3% hypothetical maximum annual wrap fee, results would be 1.9% for the quarter for both ACV and LCV.

The market's advance has been powered by optimism about the future rather than fundamental progress in the present. This was true even before the November election – over the past five years the S&P 500 has nearly doubled while corporate earnings have made very little real progress, even with a significant boost from financial engineering. Since the election, optimism has gone into overdrive with hopes for regulatory relief, tax reform, and ultimately higher earnings growth. Whether or not such post-election optimism is warranted, prices today seem to already reflect much of this potential for improvement.

Investment Opportunities

With that as backdrop, we view today's market as expensive – one in which it is difficult for us to find attractively priced investment opportunities. Elevated prices may result in painful pullbacks, but perhaps a greater, more certain risk of high prices is the imbedding of possible subpar future returns for equities. Therefore, in times of high valuations, it is especially important for us to diligently apply the non-valuation steps in our investment process – seek to avoid companies with value-trap characteristics, critically scrutinize reported earnings and financial condition so as not to capitalize unrepeatably on earnings, and diversify our exposures among companies, industries and sectors so that unexpected developments have limited effect.

Of particular concern when evaluating earnings today are the dual impacts of financial engineering and pro-forma accounting. As we've highlighted previously, financial engineering in this market has been widespread – in particular, companies are taking advantage of low interest rates to increase leverage for “accretive” opportunities, primarily share buy-backs and acquisitions. Normally, earnings accretion suggests an attractive purchase price, but in today's environment, it suggests a low financing cost, which may or may not persist. We are avoiding the worst offenders – companies who are taking on more leverage than prudent in order to show near-term earnings progress. Similarly, we continue to be skeptical of many of the pro-forma accounting adjustments managements use to present results without considering the impact of all their costs. Some adjustments are reasonable, but we believe many of these costs should be factored in rather than excluded, and we often incorporate lower earnings estimates than management (and accommodating analysts) in our own valuation work.

Overall, we view this as a difficult time to invest in the stock market. Precisely because it is difficult, however, we believe our work and continued diligence is likely to prove worthwhile for investors. Especially in a time like this, we will continue to exercise caution, prioritizing risk management over trying to outpace a strongly advancing market.

Portfolio Review

During the quarter, we purchased one new position, sold two, and added to and trimmed from several existing holdings.

Our new position, United Parcel Service (UPS), is a package delivery firm that has considerable leverage from the continuing growth of online retail sales. UPS has high quality characteristics, including a mid-teens operating margin, return on capital in excess of 20%, and strong cash flow. The company reported somewhat softer than expected fourth quarter earnings and full year 2017 guidance, and the stock fell on that announcement to what we view as an attractive entry point.

We added to existing positions in Verizon Communications, ConocoPhillips, McKesson, CVS Health, and GlaxoSmithKline. We sold our position in Express Scripts at the same time we added to McKesson and CVS Health, the net of which we believe gives us more attractive exposure within the pharmaceutical distribution space.

We also sold our position in Charles Schwab, which has risen strongly with other financials, especially after the election, when it reached our assessment of full value. We held Charles Schwab only a little over a year, having purchased it last February, and it was a strong performer, rising more than 50% during that period. In addition, we trimmed several other financial holdings, including American Express, SunTrust, US Bank and Wells Fargo, all of which have posted solid gains, especially post-election.

In the consumer staples sector, we trimmed PepsiCo and Proctor & Gamble, which have performed well, in order to reduce our exposure to price risk. And, finally, we trimmed our position in Wal-Mart, which has also performed relatively well but continues to face a difficult retail environment.

Personnel

After almost 30 years of service to EIC, Joyce Michels will retire at the end of this month. Joyce was our second employee, and her contributions have been immense. Over the years, she's helped with compliance and trading but devoted most of her time to operations, performing much of the back-office work that goes largely unnoticed to the outside world but is critical to our success. We hope you will join us in thanking Joyce for her loyal service and wishing her well in retirement.

Joyce's shoes will be hard to fill, but she's been working with an exceptional team for several years. Under her direction, Phillip Lorren and Josh Golub, who joined EIC in 2014 and 2015, respectively, have taken on increased responsibilities, and we have complete confidence in the two of them. Thus, we will be promoting Phillip to Operations Manager and Josh to Operations Analyst upon Joyce's retirement.

We thank you for your continued partnership with EIC and are here to support you in any way we can.

Investment Team

W. Andrew Bruner, CFA, CPA

R. Terrence Irrgang, CFA

Ian Zabor, CFA

See disclosures on the next page.

¹Disclosures

*Returns are presented in conjunction with our full disclosure presentation, which is considered an integral part of this report. All returns include reinvestment of dividends and interest. Indices are unmanaged, do not incur management fees, costs or expenses, and cannot be invested in directly. Results are historical and do not imply future rates of returns or volatility for EIC or for the indices, which may be materially different from the past and from one another. **Individual account results may differ from those of a composite***

EIC's ACV and LCV results are those of our All-Cap Value SMA and Large-Cap Value SMA Composites gross (before all fees) and net of (after) assumed maximum annual SMA fees of 3% (0.25% per month). SMA fees include trading costs, portfolio management, custody, and other administrative fees.

The securities identified and described above do not represent all of the securities purchased, sold or recommended for client accounts.

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All-Cap Value SMA Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia. Effective September 30, 2016, assets of the firm transferred from Jim Barksdale, who founded the firm in 1986, to three members of the investment team who collectively have more than 40 years of experience at EIC. Accounts continue to be managed using the same investment process. Performance numbers (beginning July 1, 1995) are the value-weighted, time-weighted, total return composite results of fully discretionary All-Cap Value equity wrap fee (SMA) accounts. The strategy employs a flexible framework (not constrained by any cap size limitations) of investing in high quality, well managed companies, while at the same time avoiding those that look inexpensive relative to their historical record but are actually in structural decline. Prior to January 1, 2013, the composite was called the All-Cap Value Wrap Composite. Returns are generally presented net of foreign withholding taxes on dividends, interest income, and capital gains; however, returns for some accounts are presented gross of foreign taxes depending on the treatment by their custodian. Prior to July 1, 1995, the returns are that of the All-Cap Value composite. Results for the period January 1, 1989, through July 1, 1995 include both SMA and non-SMA accounts. During this period, SMA accounts represent on average 24% of the composite. Since July 1, 1995, SMA accounts comprise 100% of the composite. The composite creation date is July 1, 1995. All accounts included in the composite are managed according to similar investment guidelines. On January 1, 2003, the benchmark (which excludes an advisory fee) was changed retroactively from the S&P® 500 Index to the Russell 3000® Value Index because it is more representative of the composite. Performance includes reinvestment of dividends, and EIC's returns also include interest earned on cash. 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 broad value segment of the US equity universe. It is the portion of the Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth rates. The Russell 3000® Index consists of the largest 3000 US companies and represents 98% of the investable US equity market.

Year Ended Dec - 31	Supplemental Gross Rate of Return ³	Hypothetical ³ (3% annual) Net Rate of Return	Benchmark Return of Russell 3000® Value Index ⁵	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ¹ of Annual Returns (St Dev)	Number of Portfolios ⁴	Number of Accounts ²	Composite Assets (\$ Millions)	Advisory-Only (UMA) and Managed Assets		
										UMA Assets* (\$ Millions)	GIPS® Firm Assets (\$ Millions)	Total Assets* (\$ Millions)
2017 (through 3/31)	2.6%	1.9%	3.0%	8.2%	10.6%	0.1%	2769	334	\$1,327.3	\$2,041.8	\$2,901.8	\$4,943.6
2016	12.2%	8.9%	18.4%	8.6%	11.0%	0.5%	2893	369	\$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	456	\$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	479	\$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	494	\$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	446	\$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	362	\$556.0	\$314.5	\$1,127.9	\$1,442.4
2010	18.2%	14.7%	16.2%	18.7%	23.5%	0.5%	937	283	\$432.6	\$77.9	\$836.9	\$914.8
2009	26.9%	23.2%	19.8%	17.3%	21.3%	1.3%	743	152	\$282.7	\$10.5	\$541.2	\$551.7
2008	-22.9%	-25.2%	-36.3%	11.7%	15.5%	1.0%	946	235	\$220.2	\$0.0	\$362.6	\$362.6
2007	3.3%	0.3%	-1.0%	7.0%	8.3%	0.8%	935	230	\$283.5	\$0.0	\$448.1	\$448.1
2006	16.6%	13.1%	22.3%	6.2%	7.0%	0.8%	758	229	\$252.7	\$0.0	\$487.2	\$487.2
2005	2.8%	-0.3%	6.9%	8.8%	9.7%	0.7%	675	226	\$195.5	\$0.0	\$463.6	\$463.6
2004	13.9%	10.6%	16.9%	11.4%	14.8%	0.8%	531	176	\$137.4	\$0.0	\$388.1	\$388.1
2003	25.2%	21.6%	31.1%	13.6%	16.0%	0.8%	289	100	\$70.0	\$0.0	\$231.0	\$231.0
2002	-4.1%	-6.9%	-15.2%	15.9%	16.6%	1.5%	59	56	\$14.6	\$0.0	\$110.7	\$110.7
2001	16.9%	13.5%	-4.3%	15.7%	14.1%	0.8%	13	13	\$5.4	\$0.0	\$82.2	\$82.2
2000	18.6%	15.2%	8.0%	18.0%	16.8%	0.8%	16	16	\$6.5	\$0.0	\$62.3	\$62.3
1999	2.1%	-0.9%	6.6%	15.7%	15.9%	1.0%	27	27	\$13.0	\$0.0	\$64.1	\$64.1
1998	16.2%	12.8%	13.5%	14.5%	14.9%	0.9%	11	11	\$2.8	\$0.0	\$35.2	\$35.2
1997	30.1%	26.4%	34.8%	8.8%	9.5%	0.8%	12	12	\$4.9	\$0.0	\$38.8	\$38.8
1996	8.0%	4.8%	21.6%	7.7%	9.2%	0.6%	19	19	\$16.6	\$0.0	\$69.7	\$69.7
1995	19.7%	16.2%	37.0%	6.2%	8.3%	0.6%	42	42	\$23.0	\$0.0	\$93.4	\$93.4
1994	0.2%	-2.8%	-1.9%	5.7%	8.2%	0.8%	65	65	\$32.7	\$0.0	\$92.6	\$92.6
1993	11.3%	8.0%	18.7%	8.0%	9.5%	0.7%	72	72	\$44.0	\$0.0	\$84.5	\$84.5
1992	10.6%	7.4%	14.9%	12.5%	13.7%	0.9%	69	69	\$53.3	\$0.0	\$84.1	\$84.1
1991	37.0%	33.0%	25.4%	13.3%	14.5%	1.3%	58	58	\$35.6	\$0.0	\$48.9	\$48.9
1990	-8.0%	-10.7%	-8.8%	13.2%	13.5%	0.7%	59	59	\$25.8	\$0.0	\$30.4	\$30.4
1989	20.8%	17.3%	24.2%	18.0%	17.6%	1.6%	51	51	\$21.4	\$0.0	\$27.8	\$27.8
1988	27.4%	23.7%	23.6%	19.9%	18.9%	1.7%	14	14	\$6.0	\$0.0	\$8.0	\$8.0
1987	10.6%	7.4%	-0.1%	N/A	N/A	N/A	5	5	\$0.5	\$0.0	\$0.6	\$0.6
1986	25.0%	21.3%	18.8%	N/A	N/A	N/A	2	2	\$0.2	\$0.0	\$0.2	\$0.2

See next page for Table Notes and other disclosures

Equity Investment Corporation

All-Cap Value SMA Composite Performance Description (*cont'd*)

Table Notes:

*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.

¹ Dispersion is an asset-weighted standard deviation for the accounts in the composite for the entire year (or year-to-date). 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.

² Number of accounts - Each internally administered SMA account is treated as a separate account but each separately managed SMA program is considered only one account.

³ Results include SMA accounts and gross returns are shown as supplemental information. Prior to 7/1/1995, the gross returns are that of EIC’s All-Cap Value composite. For the period 1/1/1989 through 7/1/1995, SMA accounts represent on average 24% of the composite assets. Please note that gross returns for SMA accounts are stated gross of all fees and trading costs. For the period 10/1/02 through 12/31/06, the gross returns are those of EIC’s All-Cap Value composite, and are reduced by trading costs, but not by any additional fees. For all other periods the gross returns are stated gross of all fees and brokerage firm SMA fees. Net returns are simulated by reducing gross returns by an annual SMA fee of 3.0% (0.25% per month).

⁴ 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.

N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Additional Notes: The three year annualized standard deviation measures variability of the composite and the benchmark returns over the preceding 36 month period.

Performance has been measured on a monthly basis from January 1, 1986, to present. Periods are geometrically linked to obtain the quarterly and annual results. Eligible new accounts are added to the composite at the beginning of the first full quarter under EIC management. Trade date accounting with monthly valuations and adjustments for large cash flows are used. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The US Dollar is the currency used to express performance. Returns include the reinvestment of all income. There were non fee-paying accounts during the following years: 1986: 100%, 1987: 36%, 1988: 2%, 1999-2000: 1%, 2010 - Qtr. 1, 2017: <1%. Economic and market conditions have differed over the time period displayed, and likewise will be different in the future. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Equity Investment Corporation (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, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation. 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, 3007 Piedmont Road NE, Suite 200, Atlanta, GA 30305. 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. EIC’s maximum annual fees for SMA accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year. SMA schedules are provided by independent SMA sponsors and are available upon request from the individual sponsor. Further information about fees and compensation is discussed in EIC’s form ADV Part 2 (www.adviserinfo.sec.gov).

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Large-Cap Value SMA Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia. Effective September 30, 2016, assets of the firm transferred from Jim Barksdale, who founded the firm in 1986, to three members of the investment team who collectively have more than 40 years of experience at EIC. Accounts will continue to be managed using the same investment process. Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary large-cap value wrap fee (SMA) accounts managed in the style of the firm's traditional value methodology with a large-cap bias. The strategy employs a flexible framework of investing in high quality, well managed companies, while at the same time avoiding those that look inexpensive relative to their historical record but are actually in structural decline. Prior to January 1, 2013, the composite was called the Large-Cap Value Wrap Composite. Returns are generally presented net of foreign withholding taxes on dividends, interest income, and capital gains; however, returns for some accounts are presented gross of foreign taxes depending on the treatment by their custodian. The composite creation date is January 1, 2001, and SMA accounts comprise 100% of the composite. SMA 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 fees. For comparison purposes the composite is measured against the Russell 1000® Value Index, which excludes an advisory fee. On January 1, 2003 the benchmark was changed retroactively from the S&P 500® Index to the Russell 1000® Value Index which is more representative of the composite. The Russell 1000® Value Index measures the performance of the large-cap value segment of the US equity universe. It is the portion of the Russell 1000® Index companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Index includes approximately 1000 of the largest US companies and represents 90% of the US equity market.

									Advisory-Only (UMA) and Managed Assets		
Year Ended Dec - 31	Gross Rate of Return ²	Hypothetical ² (3% annual) Net Rate of Return	Benchmark Return of Russell 1000® Value Index ⁴	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion ¹ of Annual Returns (St Dev)	Number of Portfolios ³	Composite Assets (\$ Millions)	UMA Assets* (\$ Millions)	GIPS® Firm Assets (\$ Millions)	Total* (\$ Millions)
2017 (through 3/31)	2.7%	1.9%	3.3%	8.1%	10.4%	0.2%	909	\$280.9	\$2,041.8	\$2,901.8	\$4,943.6
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	\$1,442.4
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	\$551.7
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

*"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.

¹ Dispersion is an asset-weighted standard deviation for the accounts in the composite the entire year (or year-to-date).

² Results include SMA accounts and gross returns are shown as supplemental information. Gross returns for SMA accounts are stated gross of all fees and transactions costs; net returns are simulated by reducing gross returns of the composite by an annual SMA fee of 3.0% (0.75%/quarter during 2001 and 0.25%/month thereafter).

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.

N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

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.

Large-Cap Value SMA Composite Performance Description (cont'd)

Performance has been measured on a monthly basis from January 1, 2001, 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. During 2002, 2% of the assets are non-fee paying accounts. 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 portfolios, calculating performance and preparing compliant presentations are available upon request.

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Investment management fees are based on market values of the assets under management. EIC's maximum annual fees for SMA accounts (charged quarterly) are 0.75%. Total fees charged may equal 3% per year. SMA schedules are provided by independent SMA sponsors and are available upon request from the individual sponsor. Further information about fees and compensation is discussed in EIC's form ADV Part 2 (www.adviserinfo.sec.gov).

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