

# EQUITY INVESTMENT CORPORATION

## 2018 First Quarter Commentary

### Mid-Cap Value

April 2018

For the quarter ended March 31, our Mid-Cap Value (MCV) SMA composite declined 0.1% (gross\*), versus a decrease of 2.5% for the Russell Midcap Value Index and a drop of 0.8% for the S&P 500®. Net of a 3% hypothetical maximum annual SMA fee, results for MCV would be -0.8% for the quarter.<sup>1</sup>

While the overall declines for the quarter were relatively modest, the table below demonstrates that stock price movements within the quarter exhibited a degree of volatility that hasn't been seen since the first quarter of 2016, when the indices dropped about 10% intra-quarter before finishing at higher levels than they had started.

	Intra-Quarter Periods				Q1 2018
	12/31/17 - 1/26/18	1/27/18 - 2/8/18	2/9/18 - 3/9/18	3/10/18 - 3/31/18	12/31/17 - 3/31/18
<b>MCV SMA Gross*/Net</b>	4.0%/3.8%	-6.2%/-6.3%	4.9%/4.6%	-2.4%/-2.6%	-0.1%/-0.8%
<b>Russell Midcap Value</b>	4.2%	-9.6%	6.7%	-3.0%	-2.5%
<b>S&amp;P 500®</b>	7.6%	-10.1%	8.2%	-5.2%	-0.8%

Source: EIC, Morningstar Direct<sup>SM</sup>

\*Intra-quarter returns are estimated "pure" gross returns calculated from subsets of EIC's SMA composites, do not reflect the deduction of any expenses, including trading costs, and are presented as supplemental information to the full disclosure presentations, which are considered an integral part of this report. See footnote 2 for additional explanation.

The results shown in the table above are over very short time periods, and we caution against drawing sweeping conclusions. Nevertheless, our return pattern was generally consistent with our history of declining less in down markets while not keeping up with the indices during periods of strong upward movements. This combination led to overall performance that was slightly ahead of the Russell indices for the full quarter.

As seen in the following table, the longer the duration of the down market, the more likely our performance mirrors our historical risk-return pattern. For example, our ACV composite<sup>3</sup> outperformed the Russell 3000 Value Index in all of the index's rolling 36-month, 60-month, and 120-month periods of down performance since inception of the strategy. Conversely, the shorter the timeframe, the more likely we are to produce a counter-intuitive result: our ACV composite trailed the Russell 3000 Value Index in 29% of the down months and 26% of the rolling three-month down periods.

<sup>3</sup> We looked at our ACV SMA performance in down markets, rather than our MCV SMA, because it has a much longer track record and thus a greater number of down period returns. Specifically, the inception date for our ACV SMA strategy is January 1, 1986, while our MCV SMA's inception date is January 1, 2004.

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*EIC All-Cap Value (soft closed), Large-Cap Value and Mid-Cap Value are available on select platforms*

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Rolling Returns* for Russell 3000® Value				
	Total number of Periods	Number of Down Periods	EIC** Underperforms in	
			# of Periods	% of Periods
<b>1 month</b>	387	133	38 of 133	29%
<b>3 month</b>	385	106	28 of 106	26%
<b>12 month</b>	376	82	9 of 82	11%
<b>36 month</b>	352	45	0 of 45	0%
<b>60 month</b>	328	36	0 of 36	0%
<b>120 month</b>	268	3	0 of 3	0%

Source: EIC, Morningstar Direct<sup>SM</sup>

\*Rolling returns since inception of the EIC ACV SMA strategy on January 1, 1986, through March 31, 2018.

\*\*Returns for EIC's ACV SMA composite are "pure" gross returns, do not reflect the deduction of any expenses, including trading costs, and are presented as supplemental information to the full disclosure presentations, which are considered an integral part of this report.

### **Investment Environment**

Stocks began the first quarter continuing their strong fourth quarter 2017 performance, with the Russell Midcap Value index gaining 4.2%, through January 26 and the S&P 500 up an even stronger 7.6%. From that point, the market dropped substantially for the next nine days, before climbing and then falling again to finish modestly negative for the full quarter.

We believe there are likely several causes for the increased volatility. Higher interest rates led to significant price declines in utilities, REITs, longer duration fixed-income investments, and perhaps, equity prices overall. Fear of trade wars, while bidding up some perceived winners, was seemingly a net negative for equity prices. And finally, negative headlines at a number of technology bellwethers may have caused a rethink of pricing and risk in that sector.

It remains to be seen whether the market has entered an extended period of increased volatility or the bull market quickly and quietly resumes. The economist Paul Samuelson famously said, "We have but one sample of history," meaning that far more things could have happened than did. Just as importantly, we will get only one sample of the future. As always, it will be unpredictable, and the return pattern that we experience will be just one of infinite possibilities. ***Our role in such an uncertain world is to construct portfolios for clients that increase the odds of investment success, no matter what the market delivers.***

Taking a step back, while increased volatility has presented us with more to look at in terms of potential investment opportunities, we still face a market that is expensive by historical standards and where significant risks remain. We added to a couple of names during the quarter but also trimmed or closed out our position in several others. As a result, our model cash position (cash and short term investments described in more detail below) rose over the quarter.

We are pleased that the increase in leverage at investment-grade, publicly traded companies is finally gaining investors' attention. Born of years of low interest rates and favorable borrowing conditions, the non-financial index constituents now have a notably lower credit profile than ten years ago. As rates rise, companies with aggressive capital structures will be less able to manage through an eventual recession or a turn in the credit cycle.

For some time now, we have been growing more cautious regarding exposure to companies with rising leverage, and it is one example of how we manage risk for clients before it becomes problematic. As seen below, our portfolios, on a ratings or leverage basis, compare favorably to the market overall. While positioning portfolios this way has not been particularly rewarding the last five years, we suspect that may change going forward.

	Russell Midcap® Value			EIC Mid-Cap Value		
	Percentage of Index by			Percentage of Portfolio by		
	Companies	Names	Mkt Cap	Companies	Names	Weight
<b>Junk Rated*</b>	142	25.0%	18.5%	3	14.3%	9.9%
<b>BBB- Rated</b>	79	13.9%	14.0%	2	9.5%	7.0%
<b>Other**</b>	12	2.1%	1.0%	1	4.8%	2.0%
<b>Total</b>	233	41.0%	33.5%	6	28.6%	18.9%

Source: S&P Capital IQ as of 4/19/18

\*Junk Rated refers to companies that have received a credit rating below BBB- from Standard and Poor's

\*\*Other refers to unrated companies that have leverage profiles comparable with BBB- or junk rated credits.

### Portfolio Review<sup>4</sup>

We added to Mack-Cali Realty, bringing it back to model weight, and increased our position in Kroger based on valuation. In addition, we sold our position in Baxter International and trimmed our holding in Target based on price strength. We also exited our position in Dr Pepper Snapple after the stock surged on an announced merger with Keurig Green Mountain. Likewise, we sold XL Group when our shares appreciated upon the announcement of a takeover bid from French multinational insurer AXA.

We also initiated a position in the iShares Short Treasury Bond ETF (SHV), a liquid, short-term bond ETF that delivers a higher yield to clients than traditional money market sweep accounts. SHV invests only in U.S. Treasury securities that mature in less than one year; thus, there's no credit risk and very little exposure to rising interest rates. It also provides ample trading volume, and, of course, the underlying investments are quite liquid. All in all, we view it as a safe and effective way to pick up some additional yield in client portfolios.

### Firm Updates

As mentioned last summer, we launched a search for a research analyst to join our team and were so impressed with the quality of candidates, we extended offers to two. The first, Bo Ladyman, joined late last year, and the second, Tom Knapp, joined us this month. Tom comes to us from Eagle Asset Management, where he spent the last ten years as a trader and credit analyst. He received his MBA from Columbia University and has also earned the CFA designation. We think that Tom has the right combination of experience, temperament, and passion for investing to fit in at EIC and to contribute immediately. We are happy to have him join our team.

Finally, we are pleased to mention that Morgan Purvis, who joined EIC in 2015, has transitioned from an internal sales role to a portfolio specialist. In addition to earning the CFA designation, Morgan's responsibilities at EIC have evolved over the past few years. He has increasingly divided his time between supporting our marketing and client-service efforts, and conducting research for the investment team. Morgan covers both roles well, and we are fortunate to have him.

As always, we thank you for your continued partnership with EIC. We are grateful for your support.

### Investment Team

**W. Andrew Bruner, CFA, CPA**

**R. Terrence Irrgang, CFA**

**Ian Zabor, CFA**

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**Disclosures**

<sup>1</sup>EIC's MCV results are those of our Mid-Cap Value SMA composite gross\* (before) and net (after) assumed maximum annual SMA fees of 3% (0.25% per month). SMA fees include transaction costs, portfolio management, custody, and other administrative fees.

\*Gross returns for EIC SMA composites are "pure" gross returns, do not reflect the deduction of any expenses, including trading costs, and are presented as supplemental information to the full disclosure presentations which are 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. Past performance is not indicative of future results. **Individual account results may differ from those of a composite. Client net returns are reduced by EIC's management fees and may possibly be reduced by brokerage firm wrap fees, which include transaction costs, portfolio management, custody, and other administrative fees.**

<sup>2</sup>Intra-quarter returns are estimated "pure" gross returns calculated from subsets of EIC's Mid-Cap Value SMA composite, before EIC and brokerage firm wrap fees, and differ from the calculation of composite returns by (1) inclusion of accounts that terminate or otherwise leave the composite by quarter-end; (2) inclusion of unreconciled accounts; and (3) using a beginning-of-period cash-flow adjusted weighting scheme. Intra-quarter 3% net returns are estimated by applying proportionately an assumed annual SMA fee of 3% to each daily return.

<sup>4</sup>The securities identified and described above do not represent all of the securities purchased, sold or recommended for client accounts. Actual portfolio holdings may vary for each client, and there is no guarantee that a particular client's account, "wrap," or advisory program will hold any, or all, of the securities identified. The reader should not assume that an investment in the securities identified was or will be profitable.

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## Mid-Cap Value SMA Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia. EIC was founded in 1986. Effective September 30, 2016, substantially all of the assets and liabilities of the firm were acquired by 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, and the firm continues to operate as EIC. 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 date is January 1, 2004, and SMA accounts comprise 100% of the composite. Performance includes reinvestment of dividends, and EIC's returns also include interest earned on cash. 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 mid-cap companies with lower price-to-book ratios and lower forecasted growth rates. It is a subset of the Russell Midcap® Index which consists of approximately 800 stocks and represents the mid-cap segment of the US equity universe.

Year Ended Dec - 31	Gross* Rate of Return <sup>1</sup> (Supplemental)	Hypothetical 3% annual Net Rate of Return <sup>1</sup>	Benchmark Return of Russell Midcap® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion <sup>2</sup> of Annual Returns (St Dev)	Number of Portfolios	Composite Assets (\$ Millions)	Advisory-Only (UMA) and Managed Assets		
									UMA Assets <sup>3</sup> (\$ Millions) (Supplemental)	GIPS® Firm Assets (\$ Millions)	Total Assets <sup>3</sup> (\$ Millions) (Supplemental)
2018 (through 3/31)	-0.1%	-0.8%	-2.5%	7.6%	10.6%	0.3%	20	\$5.6	\$1,928.1	\$2,535.5	\$4,463.6
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

<sup>1</sup> \*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 annual SMA fee of 3.0% (0.25%/month).

<sup>2</sup> Dispersion is an asset-weighted standard deviation for the accounts in the composite the entire year (or year-to-date). “N/A” represents when dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

<sup>3</sup> “Total Assets” include our regulatory assets under management (“GIPS® Firm Assets”) and our advisory-only “UMA Assets”. EIC has no trading discretion for UMA accounts and provides a model portfolio to the program sponsor or overlay manager. The “UMA Assets” and “Total Assets ” amounts are shown as supplemental information.

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

## Mid-Cap Value SMA Composite Performance Description *(cont.)*

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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 portfolios, calculating performance and preparing compliant presentations are available upon request.

EIC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. EIC has been independently verified for the periods January 1, 1986, through December 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, 1776 Peachtree Street NW, Suite 600S, Atlanta, GA 30309. 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. 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](http://www.adviserinfo.sec.gov)).

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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. EIC was founded in 1986. Effective September 30, 2016, substantially all of the assets and liabilities of the firm were acquired by 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, and the firm continues to operate as EIC. 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	Gross* Rate of Return <sup>1</sup> (Supplemental)	Hypothetical 3% Annual Net Rate of Return <sup>1</sup>	Benchmark Return of Russell 3000® Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion <sup>2</sup> of Annual Returns (St Dev)	Number of Portfolios <sup>3</sup>	Composite Assets (\$ Millions)	Advisory-Only (UMA) and Managed Assets		
									UMA Assets <sup>4</sup> (\$ Millions) (Supplemental)	GIPS® Firm Assets (\$ Millions)	Total Assets <sup>4</sup> (\$ Millions) (Supplemental)
2018 (through 3/31)	-2.4%	-3.1%	-2.8%	8.5%	10.4%	0.2%	2455	\$1,194.8	\$1,928.1	\$2,535.5	\$4,463.6
2017	15.6%	12.2%	13.2%	8.0%	10.3%	0.4%	2486	\$1,264.8	\$2,044.9	\$2,790.7	\$4,835.6
2016	12.2%	8.9%	18.4%	8.6%	11.0%	0.5%	2893	\$1,406.1	\$2,044.5	\$2,994.4	\$5,038.9
2015	-4.4%	-7.2%	-4.1%	8.9%	10.7%	0.5%	4727	\$1,964.8	\$1,590.0	\$3,658.9	\$5,248.9
2014	14.9%	11.5%	12.7%	8.1%	9.4%	0.5%	5272	\$2,259.6	\$1,657.7	\$3,862.6	\$5,520.3
2013	24.7%	21.1%	32.7%	9.2%	12.9%	0.6%	4290	\$1,703.6	\$1,009.2	\$3,286.3	\$4,295.5
2012	10.0%	6.7%	17.6%	11.5%	15.8%	0.4%	2742	\$1,016.1	\$665.6	\$2,301.1	\$2,966.7
2011	7.4%	4.2%	-0.1%	16.3%	21.0%	0.6%	1398	\$556.0	\$314.5	\$1,127.9	\$1,442.5
2010	18.2%	14.7%	16.2%	18.7%	23.5%	0.5%	937	\$432.6	\$77.9	\$836.9	\$914.8
2009	26.9%	23.2%	19.8%	17.3%	21.3%	1.3%	743	\$282.7	\$10.5	\$541.2	\$551.8
2008	-22.9%	-25.2%	-36.3%	11.7%	15.5%	1.0%	946	\$220.2	\$0.0	\$362.6	\$362.6
2007	3.3%	0.3%	-1.0%	7.0%	8.3%	0.8%	935	\$283.5	\$0.0	\$448.1	\$448.1
2006	16.6%	13.1%	22.3%	6.2%	7.0%	0.8%	758	\$252.7	\$0.0	\$487.2	\$487.2
2005	2.8%	-0.3%	6.9%	8.8%	9.7%	0.7%	675	\$195.5	\$0.0	\$463.6	\$463.6
2004	13.9%	10.6%	16.9%	11.4%	14.8%	0.8%	531	\$137.4	\$0.0	\$388.1	\$388.1
2003	25.2%	21.6%	31.1%	13.6%	16.0%	0.8%	289	\$70.0	\$0.0	\$231.0	\$231.0
2002	-4.1%	-6.9%	-15.2%	15.9%	16.6%	1.5%	59	\$14.6	\$0.0	\$110.7	\$110.7
2001	16.9%	13.5%	-4.3%	15.7%	14.1%	0.8%	13	\$5.4	\$0.0	\$82.2	\$82.2
2000	18.6%	15.2%	8.0%	18.0%	16.8%	0.8%	16	\$6.5	\$0.0	\$62.3	\$62.3
1999	2.1%	-0.9%	6.6%	15.7%	15.9%	1.0%	27	\$13.0	\$0.0	\$64.1	\$64.1
1998	16.2%	12.8%	13.5%	14.5%	14.9%	0.9%	11	\$2.8	\$0.0	\$35.2	\$35.2
1997	30.1%	26.4%	34.8%	8.8%	9.5%	0.8%	12	\$4.9	\$0.0	\$38.8	\$38.8
1996	8.0%	4.8%	21.6%	7.7%	9.2%	0.6%	19	\$16.6	\$0.0	\$69.7	\$69.7
1995	19.7%	16.2%	37.0%	6.2%	8.3%	0.6%	42	\$23.0	\$0.0	\$93.4	\$93.4
1994	0.2%	-2.8%	-1.9%	5.7%	8.2%	0.8%	65	\$32.7	\$0.0	\$92.6	\$92.6
1993	11.3%	8.0%	18.7%	8.0%	9.5%	0.7%	72	\$44.0	\$0.0	\$84.5	\$84.5
1992	10.6%	7.4%	14.9%	12.5%	13.7%	0.9%	69	\$53.3	\$0.0	\$84.1	\$84.1
1991	37.0%	33.0%	25.4%	13.3%	14.5%	1.3%	58	\$35.6	\$0.0	\$48.9	\$48.9
1990	-8.0%	-10.7%	-8.8%	13.2%	13.5%	0.7%	59	\$25.8	\$0.0	\$30.4	\$30.4
1989	20.8%	17.3%	24.2%	18.0%	17.6%	1.6%	51	\$21.4	\$0.0	\$27.8	\$27.8
1988	27.4%	23.7%	23.6%	19.9%	18.9%	1.7%	14	\$6.0	\$0.0	\$8.0	\$8.0
1987	10.6%	7.4%	-0.1%	N/A	N/A	N/A	5	\$0.5	\$0.0	\$0.6	\$0.6
1986	25.0%	21.3%	18.8%	N/A	N/A	N/A	2	\$0.2	\$0.0	\$0.2	\$0.2

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

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### Table Notes:

<sup>1</sup> \*Gross returns, presented as supplemental information, are “pure” gross and do not reflect the deduction of any expenses, including trading costs, for SMA accounts. “Pure” gross returns from 10/1/02 through 12/31/06, reflect the deduction of trading costs but not any additional expenses. For the period 1/1/89 through 7/1/95, SMA accounts represent on average 24% of the composite assets. Prior to 7/1/95 and for the periods 10/1/02 through 12/31/06, the returns are that of EIC’s All-Cap Value composite. For all other periods, SMA accounts represent 100% of the composite assets. Net returns are calculated by reducing gross returns with an annual SMA fee of 3.0%, applied monthly.

<sup>2</sup> Dispersion is an asset-weighted standard deviation for the accounts in the composite for the entire year (or year-to-date). “N/A” represents when dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. For 1986 through 1995 dispersion represents EIC’s All-Cap Value composite, which contains both SMA and non-SMA accounts. For 1996 through 2005, dispersion represents EIC’s internally administered SMA accounts.

<sup>3</sup> 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.

<sup>4</sup> “Total Assets” include our regulatory assets under management (“GIPS® Firm Assets”) and our advisory-only “UMA Assets”. EIC has no trading discretion for UMA accounts and provides a model portfolio to the program sponsor or overlay manager. The “UMA Assets” and “Total Assets ” amounts are shown as supplemental information.

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

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 2018: <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.

EIC claims compliance with the Global Investment Performance Standards (GIPS®) since inception 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, 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, 1776 Peachtree Street NW, Suite 600S, Atlanta, GA 30309. 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. 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](http://www.adviserinfo.sec.gov)).

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