EQUITY INVESTMENT CORPORATION

2014 Second Quarter Commentary
All-Cap Value & Large-Cap Value (Tax-Aware & Tax-Neutral)

July 15, 2014

Stocks continued to rise last quarter, with the Russell 3000 Value (R3000V) and S&P 500 indices gaining 4.9% and 5.2%, respectively, or 8.0% and 7.1% year-to-date. In comparison, our All-Cap Value (ACV) and Large-Cap Value (LCV) account composites rose 4.2% and 4.3% (gross of fees)[1] respectively last quarter and 8.9% and 9.0% year-to-date. The increase in stock prices since the 2009 February lows has been dramatic: 206.3% and 198.8% respectively for the R3000V and S&P 500; 192.2% and 188.7% (gross of fees)[1], respectively, for our ACV and LCV account composites.

The rise in asset prices (stocks, bonds, and real estate) since the financial crisis may be applauded as a success by Federal Reserve authorities and their policies. The wealth and liquidity effect of these actions no doubt improved consumer and banking balance sheets to enable a more stable economic backdrop. However, since the Fed's policy tool kit cannot address more fundamental issues (such as the decline in real incomes), monetary policy has in many respects simply taken us back to where we started, and in the end may be deemed a failure. *Ultimately, a policy that relies on increased borrowing to support increased spending, while real median incomes are declining, cannot provide a sustainable path to economic health and corporate profitability.*

Investors now must navigate an environment where equity prices broadly reflect a benign long-term economic environment (low inflation, low interest rates, moderate growth, and high profits), even as the Federal Reserve reduces support and fundamental economic issues remain unaddressed. Moreover, stocks showing the greatest price momentum and over-valuation today are often associated with companies taking advantage of low-interest rates to finance stock buybacks, higher dividends, and accretive acquisitions. Thus, just as today's bond investors are getting less quality than traditionally expected due to weakened bond covenants, equity investors are often getting less quality than traditionally expected as corporate actions take advantage of low rates to boost earnings. *In summary, today's market is complacent about the possibility of a less-hospitable environment, is rewarding firms increasing earnings through leverage, and is ignoring an erosion in earnings quality.*

We have no forecast of how the monetary, fundamental, or equity environment will unfold. Our general view is that the error rate in predictions is so high as to obviate that approach for investment operations. Instead, market predictions and fears provide opportunities for making attractive investments. This was seen during 2013's fourth quarter, when fears of rising interest rates from the Federal Reserve's announced 'taper' depressed utility and REIT prices and created a buying opportunity. (We initiated new positions in Southern, Annaly Capital, and Mack Cali.) Rates did not rise and REITs and utilities have performed well this year. This demonstrates our reliance on a price-based approach to invest in areas where market fears about the future are being realized through low prices.

There are few such areas in today's market, and it is difficult to find investments selling at attractive prices versus economic value. Our cash has risen to approximately 9% in established accounts (27% in new accounts where several stocks near our expected sell price are not being purchased.) Cash does create a drag on performance in rising markets. However, we do not believe our investment task is to stay invested to track volatile indices, but rather to use price, earnings quality, and a full-cycle time horizon to reduce portfolio risk. *Our experience has been that by being concerned about risk during up-cycles, we have lost less in down-cycles, and made more money long-term for clients.*

While steadily rising stock prices create a sense of reduced risk (as reflected by the recent lows in the VIX volatility index), the reality is the opposite. Risk today is the highest since the onset of the crisis in 2007 due to higher prices, greater dependency on debt, higher corporate risk-taking, lower earnings quality, and the need to reduce support from the Federal Reserve. We are seeking to mitigate these risks by focusing on sustainable businesses with higher earnings quality at justifiable prices.

Risk Management vs. Cap-Size: All-Cap Value 'Soft' Closed

We determined that $4 billion was the right level to begin restricting assets in the ACV strategy due to potential future liquidity constraints if we return to a period like the 1990s where a large portion of investment opportunities were in small-caps. We reached $4 billion during Q1, and the strategy has now closed to new separate accounts. (The mutual fund will remain open.) However, as stated earlier, our risk management has more to do with price versus value, earnings quality, and time horizon than simple capitalization size. Thus, we believe we can provide a very similar risk-management solution and similar pattern of returns while limiting investments to large-caps and mid-caps (reserving any future small-cap investments to ACV). The table below shows the similarity of the risk/return parameters of our ACV, LCV, and MCV composites since 2001.

	Risk Management[1]		
	ACV	LCV	MCV
Up/Down Capture Ratio	87%/65%	87%/67%	82%/64%
Std Deviation (% of Benchmark)	80%	82%	76%
Beta	0.75	0.77	0.69
Active Share (Average since 2001)	88.0%	86.8%	95.4%

Metrics are versus relevant benchmarks, i.e., ACV = R3000V, LCV = R1000V, MCV = RMidV. Std Deviation value is the ratio of EIC's standard deviation versus that of its relevant benchmark.

Portfolio Review & Tax Management

During the second quarter, we re-established a position in eBay, which we had sold in early 2013. Revenues and earnings grew in the mid-teens since our sale, but the stock had declined, partially due to eBay's decision to incur a tax payment by repatriating cash held overseas. Also, due to price we slightly altered our energy exposures by moving some funds from Devon Energy and Exelon (which had experienced strong price increases) into Chevron (which had risen less). Finally, we added to existing positions in Express Scripts, Travelers, and Wal-Mart.

We were able to complete a sale of Southern Company from most accounts before the price fell back below our assessment of full value. We also trimmed our position in Molson Coors, which has been one of our strongest performing stocks.

Since it is after-tax returns that matter for taxable investors, we are pro-active in harvesting losses, particularly short-term losses. For example, where possible last quarter we sold a short-term tax lot in Barrick Gold while increasing our position in Newmont, and then reversed the trade 31 days later. This trade helped offset some of the short-term gain realized from the sale of Southern Company. We estimate that in established taxable accounts, over 95% of year-to-date realized gains have been long-term, and thus subject to lower capital gains rather than ordinary income rates.

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See disclosures on next page

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[1]Disclosures

For Financial Professionals Only ***- Not approved for presentation to SMA (wrap) program clients. Such presentations should reflect EIC's SMA composite information.*** *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. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. Results are historical and do not imply future rates of returns or volatility for EIC or the indices, which may be materially different from the past and from one another. Individual account results may differ from those of the composite.*

EIC's ACV results are those of our All-Cap Value Composite. Gross returns are before EIC fees and after commissions; net returns are after EIC fees. ACV net returns were 4.1% for Qtr. 2, 8.6% year-to-date and 182.8% cumulative since 2/28/09.

EIC's LCV results are those of our Large-Cap Value Composite, which contains both wrap and non-wrap accounts. Gross returns for non-wrap accounts are reduced by trading costs, while gross returns for wrap accounts are gross of both fees and transaction costs. Net returns are simulated by reducing gross returns of the composite by an annual SMA fee of 3% (.25% per month). LCV net returns were 4.0% for Qtr. 2, 8.3% year-to-date, and 146.6% cumulative since 2/28/09. EIC's MCV results are those of our Mid-Cap Value Composite, which contains both wrap and non-wrap accounts.

Risk Management parameters using net returns are as follows:

	ACV	LCV	MCV
Up/Down Capture Ratio	85%/67%	79%/74%	80%/66%
Std Deviation (% Benchmark)	80%	82%	76%
Beta	0.75	0.77	0.69

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Large-Cap Value Composite
Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia since 1986. Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary large-cap value 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. 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 April 1, 2004. 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 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 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 includes approximately 1000 of the largest US companies and represents 90% of the US equity market.

Year Ended Dec - 31	Gross Rate of Return[2]	Hypothetical[2] (3% annual) Net Rate of Return	Benchmark Return of Russell 1000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion[1] of Annual Returns (Standard Deviation)	Number of Portfolios	Composite Assets ($ mm)	Composite Assets as % of Total Product Assets	Wrap $ Assets in composite (%)	Total Firm Assets ($ Millions)
2014 (through 6/30)	9.0%	7.4%	8.3%	9.5%	12.8%	0.2%	960	$468.7	97%	81%	$3,803.2
2013	24.8%	21.2%	32.5%	9.4%	12.7%	0.5%	873	$410.0	95%	80%	$3,286.3
2012	10.0%	6.7%	17.5%	11.5%	15.5%	0.3%	669	$224.0	86%	88%	$2,301.1
2011	8.2%	5.0%	0.4%	15.9%	20.7%	0.3%	467	$131.4	94%	99%	$1,127.9
2010	16.8%	13.4%	15.5%	18.5%	23.2%	0.4%	409	$98.2	93%	100%	$837.0
2009	25.0%	21.4%	19.7%	17.2%	21.1%	1.0%	386	$80.0	99%	100%	$541.2
2008	-22.8%	-25.2%	-36.9%	12.2%	15.4%	N/A	3	$0.9	100%	100%	$362.6
2007	2.1%	-0.9%	-0.2%	7.0%	8.1%	N/A	3	$1.1	100%	100%	$448.1
2006	18.2%	14.7%	22.3%	6.0%	6.7%	N/A	4	$9.5	100%	11%	$487.2
2005	5.7%	2.6%	7.1%	8.7%	9.5%	0.3%	19	$17.9	100%	52%	$463.6
2004	12.6%	9.3%	16.5%	12.7%	14.8%	0.4%	19	$17.2	100%	51%	$388.1
2003	23.3%	19.7%	30.0%	14.2%	16.0%	1.1%	21	$8.5	100%	100%	$231.0
2002	-9.0%	-11.7%	-15.5%	N/A	N/A	0.5%	42	$11.0	100%	100%	$110.7
2001	14.6%	11.3%	-5.6%	N/A	N/A	1.2%	45	$12.4	79%	100%	$82.2

[1] Dispersion is an asset-weighted standard deviation for the accounts in the composite the entire year (or year-to-date).
[2] Results include wrap (SMA) accounts and gross returns are shown as supplemental information. Gross returns for SMA accounts are stated gross of all fees and transactions costs; Gross returns for non-SMA accounts are reduced by trading costs. Net returns are simulated by reducing gross returns (which may reflect trading commissions during some periods) of the composite by an annual SMA fee of 3.0% (0.25%/month during 2002-2014, and 0.75%/quarter during 2001).
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.

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. 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. SMA schedules are provided by independent SMA sponsors and are available upon request from the individual sponsor. 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, 2014. 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. The Large-Cap Value composite has been examined for the periods January 1, 2001 through March 31, 2014. The verification and composite examination 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.

The investment management fee schedule is as follows: Clients are charged a fixed percentage of the assets managed, according to the size and type of account, as well as other considerations, such as account servicing needs, administrative requirements, and overall relationship size. Fees may range from .35% to 1% of assets managed, and may be paid in advance or arrears, depending on the agreement with EIC. Further information about fees and compensation is discussed in EIC's form ADV Part 2 (www.adviserinfo.sec.gov).

All-Cap Value Composite
Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia since 1986. Performance numbers are the value-weighted, time-weighted, total return composite results of fully discretionary, internally administered non-wrap All-Cap Value Equity 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. 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, 1986. 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 to the Russell 3000 Value Index because it is more representative of the composite. 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 companies with lower price-to-book ratios and lower forecasted growth rates. The Russell 3000 consists of the largest 3000 US companies and represents 98% of the investable US equity market. Performance results earned on behalf of EIC's clients are calculated gross of investment advisory fees, and net returns reflect EIC's advisory fees.

Year Ended Dec - 31	Gross Rate of Return	Net Rate of Return	Benchmark Return of Russell 3000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion[1] of Annual Returns	Number of Portfolios	Composite Assets ($ mm)	Non-Fee Paying Portfolios (%)	Total Firm Assets ($ Millions)
2014 (through 6/30)	8.9%	8.6%	8.0%	9.4%	13.0%	0.3%	317	$498.3	<1%	$3,803.2
2013	24.5%	23.8%	32.7%	9.2%	12.9%	0.6%	273	$491.4	<1%	$3,286.3
2012	9.9%	9.2%	17.6%	11.6%	15.8%	0.4%	211	$480.3	<1%	$2,301.1
2011	7.5%	6.8%	-0.1%	16.4%	21.0%	0.5%	187	$182.7	1%	$1,127.9
2010	18.0%	17.2%	16.2%	18.8%	23.5%	0.5%	158	$142.6	1%	$837.0
2009	25.9%	25.0%	19.8%	17.3%	21.3%	1.2%	143	$112.5	<1%	$541.2
2008	-23.4%	-23.9%	-36.3%	11.8%	15.5%	0.8%	148	$87.3	<1%	$362.6
2007	3.3%	2.6%	-1.0%	7.1%	8.3%	0.8%	138	$110.8	<1%	$448.1
2006	16.6%	15.7%	22.3%	6.2%	7.0%	0.5%	116	$101.0	0%	$487.2
2005	2.8%	1.9%	6.9%	8.8%	9.7%	0.7%	92	$72.3	0%	$463.6
2004	13.9%	12.9%	16.9%	11.5%	14.8%	0.4%	61	$51.3	0%	$388.1
2003	25.2%	24.3%	31.1%	13.5%	16.0%	0.6%	39	$97.9	0%	$231.0
2002	-3.6%	-4.4%	-15.2%	15.9%	16.6%	1.5%	37	$58.7	0%	$110.7
2001	16.9%	15.8%	-4.3%	15.6%	14.1%	1.7%	23	$51.7	0%	$82.2
2000	18.0%	17.3%	8.0%	17.9%	16.8%	1.1%	28	$43.8	1%	$62.3
1999	0.7%	0.0%	6.6%	15.6%	15.9%	0.9%	36	$38.2	1%	$64.1
1998	15.8%	14.9%	13.5%	14.2%	14.9%	0.7%	27	$24.4	0%	$35.2
1997	30.5%	29.5%	34.8%	8.8%	9.5%	0.7%	24	$21.0	0%	$38.8
1996	9.0%	8.1%	21.6%	7.7%	9.2%	0.9%	29	$28.3	0%	$69.7
1995	19.0%[2]	18.1%	37.0%	6.3%	8.3%	0.6%	33	$30.1	0%	$93.4
1994	0.2%[2]	-0.6%	-1.9%	5.7%	8.2%	0.8%	65	$32.7	0%	$92.6
1993	11.3%[2]	10.4%	18.7%	8.0%	9.5%	0.7%	72	$44.0	0%	$84.5
1992	10.6%[2]	9.8%	14.9%	12.5%	13.7%	0.9%	69	$53.3	0%	$84.1
1991	37.0%[2]	36.0%	25.4%	13.3%	14.5%	1.3%	58	$35.6	0%	$48.9
1990	-8.0%[2]	-8.7%	-8.8%	13.2%	13.5%	0.7%	59	$25.8	0%	$30.4
1989	20.8%[2]	20.0%	24.2%	18.0%	17.6%	1.6%	51	$21.4	0%	$27.8
1988	27.4%	26.2%	23.6%	19.9%	18.9%	1.7%	14	$6.0	2%	$8.0
1987	10.6%	9.5%	-0.1%	N/A	N/A	N/A	5	$0.5	36%	$0.6
1986	25.0%	23.8%	18.8%	N/A	N/A	N/A	2	$0.2	100%	$0.2

See next page for Table Notes

Table Notes:

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

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

[2]Results for the period January 1, 1989 through July 1, 1995 include wrap accounts and are shown as supplemental information. For this period, wrap accounts represent on average 24% of the composite assets. Gross returns for wrap accounts are stated gross of all fees and brokerage firm wrap fees; net returns have been reduced by all fees and brokerage firm wrap fees, which include trading costs, portfolio management, custody, and other administrative fees.

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.

EIC's after-fee performance through 1988 is based on typical management fees of 1% per year. Beginning in 1989, performance is based on actual fees. Prior to 2003, EIC charged clients a fixed percentage of the assets managed, which ranged from .50% to 1.5%. Some clients chose an incentive fee arrangement and were charged a base fee (ranging from .50% to 1.00%) plus an incentive fee which was triggered by the gross of fees performance of the account versus a Benchmark index. 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 are presented gross and net of management fees and include the reinvestment of all income. 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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