

# EQUITY INVESTMENT CORPORATION

## 2014 Third Quarter Commentary

### All-Cap Value & Large-Cap Value (Tax-Aware & Tax-Neutral)

October 15, 2014

Market performance was mixed last quarter. The Russell 3000 Value (R3000V) and Russell 1000 Value (R1000V) indices fell 0.9% and 0.2%, while the S&P 500 rose 1.1%. Year-to-date these indices remain positive, rising 6.9%, 7.9%, and 8.3%, respectively. In comparison, our All-Cap Value (ACV) and Large-Cap Value (LCV) composites fell 0.1% for the quarter but are up 8.8% and 8.9% year-to-date, respectively (gross of fees<sup>1</sup>).

The extent to which stock prices and earnings can remain strong, while economic growth continues to be weak, is a key question for investors today. Economic weakness is reflected by declines in interest rates despite “tapering” by the Federal Reserve, new monetary efforts in Europe and Japan to encourage growth, broad commodity price declines, reductions in labor force participation rates, and low household incomes. Nonetheless, corporations have achieved strong earnings by restraining growth investments to increase margins, minimizing taxes, refinancing old debt at lower rates, and borrowing to make stock buy-backs and accretive cash acquisitions. As a result, the difference between Main Street and Wall Street in recent years has been a tale of two very different cities.

Since smaller companies are typically more sensitive to economic ups and downs, while larger companies can be relative safe-harbors, it is possible the Main Street/Wall Street divergence is starting to be reflected in the small-cap/large-cap divergence seen this year (shown in the table below). However, since small-cap stocks have traded at a premium in recent years, the difference could reflect the beginnings of a return to a more traditional pricing relationship.

	<u>Q3</u>	<u>YTD</u>
Russell Top 200 ETF	1.7%	8.3%
Russell Mid-Cap ETF	-1.7%	6.7%
Russell 2000 ETF	-7.3%	-4.4%
Micro-Cap ETF	-8.2%	-7.0%

Source: Morningstar Direct.

Cash rose again last quarter to approximately 12%-13% in established accounts (18%-19% in new accounts where a few stocks near our targeted exit price are not being purchased.) Cash creates a drag on performance in rising markets. However, our objective is not to track volatile indices, but rather, to achieve strong returns over a full market cycle with lower-than-market volatility. Adhering to a valuation discipline means that sometimes attractive investments are hard to find, and today is one of those times.

#### **Risk Management: Philosophy, Process & People versus Cap-Size**

For years, we have questioned the investment industry’s over-reliance on style-box diversification within U.S. equity markets to manage portfolio risk and volatility. The premise is that correlations will be low enough that declines in one market segment will be offset by increases in another. While the theory has worked this year (per the above table), it failed in the financial crisis of 2008-9. Overlooked has been the importance of lower volatility allocations within a portfolio to compensate for periods when down-market equity correlations are high.

For us, risk management has less to do with cap-size than with the “value discipline, quality foundation, growth objective” investment philosophy we espouse. We implement this through a process that consists

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of: a) adherence to a valuation discipline that values long-tailed growth, b) tools that reduce the tendency to get pulled into “cheap” but unhealthy companies that cannot sustain growth (value traps), c) attentiveness to accounting and earnings quality, and d) diversification. We believe it is this consistency of philosophy, process, and people that has resulted in the similarity of risk metrics across our investment offerings regardless of cap size, as shown below:

	EIC Risk Metrics* By Product Cap-Size		
	ACV	LCV	MCV
Up/Down Capture Ratio	87%/65%	87%/67%	82%/64%
Std Deviation (% Benchmark)	80%	82%	76%
Beta	0.75	0.77	0.69
Active Share (Average since 2001)	87.8%	86.6%	95.4%

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

### Portfolio Review & Tax Efficiency

During the third quarter, we sold Northrop Grumman and Charles Schwab & Co. Both performed well and reached price levels that we believe reflect full value given current earnings and likely growth. We also trimmed our position in Dr Pepper Snapple Group, another of our top-performing investments. No new positions were established. However, American Express and Johnson & Johnson were on our “stop-buy” list (companies within 10% of our targeted sell price) and were not being purchased in new accounts. Due primarily to earnings growth, these stocks were removed from “stop-buy” and added to accounts that did not previously own them.

For taxable accounts, we seek to minimize realized and short-term gains through long holding periods and pro-active tax loss harvesting. Year-to-date, realized gains in established accounts are running at approximately 7% of account values, with about 96% of gains being realized as long-term.

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*EIC All-Cap Value and Large-Cap Value are available on your SMA platform*

**<sup>1</sup>Disclosures**

**For Financial Professionals Only** - 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 the composite.

EIC's ACV and LCV results are those of our All-Cap Value SMA and Large-Cap Value SMA Composites gross (before) 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. ACV SMA net returns were -0.9% for Qtr. 3 and 6.4% year-to-date. LCV SMA net returns were -0.8% for Qtr. 3 and 6.6% year-to-date.

EIC's MCV results are those of our Mid-Cap Value Composite, which contains both wrap (SMA) and non-wrap accounts. Gross returns for SMA accounts are stated gross of all fees and transaction costs. Net returns have been reduced by actual EIC and brokerage firm fees.

Risk Management parameters using net returns are as follows:

	ACV	LCV	MCV
Up/Down Capture Ratio	79%/71%	79%/74%	80%/66%
Std Deviation (% Benchmark)	80%	82%	76%
Beta	0.75	0.77	0.69

## Large-Cap Value SMA 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 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. Net returns are after actual EIC and brokerage firm fees, which include trading costs, portfolio management, custody, and other administrative fees. The composite creation date is January 1, 2001, and SMA accounts comprise 100% of the composite. 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 <sup>2</sup>	Hypothetical <sup>2</sup> (3% annual) Net Rate of Return	Benchmark Return of Russell 1000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion <sup>1</sup> of Annual Returns (Standard Deviation)	Number of Portfolios	Composite Assets (\$ mm)	Composite Assets as % of Total Product Assets	Total Firm Assets (\$ Millions)	UMA Assets* (\$ Millions)	Total* (\$ Millions)
2014 (through 9/30)	8.9%	6.5%	8.1%	9.1%	10.8%	0.3%	978	\$373.0	76%	\$3,829.2	\$1,292.1	\$5,121.3
2013	24.8%	21.2%	32.5%	9.4%	12.7%	0.5%	863	\$328.7	77%	\$3,286.3	\$1,009.2	\$4,295.5
2012	10.0%	6.8%	17.5%	11.5%	15.5%	0.3%	658	\$197.2	76%	\$2,301.1	\$665.6	\$2,966.7
2011	8.2%	5.0%	0.4%	15.9%	20.7%	0.3%	465	\$130.1	93%	\$1,127.9	\$314.5	\$1,442.4
2010	16.8%	13.4%	15.5%	18.5%	23.2%	0.4%	409	\$98.2	93%	\$836.9	\$77.9	\$914.8
2009	25.0%	21.4%	19.7%	17.2%	21.1%	1.0%	386	\$80.0	99%	\$541.2	\$10.5	\$551.7
2008	-22.8%	-25.2%	-36.9%	12.1%	15.4%	N/A	3	\$0.9	100%	\$362.6	\$0.0	\$362.6
2007	2.1%	-0.9%	-0.2%	6.9%	8.1%	N/A	3	\$1.1	100%	\$448.1	\$0.0	\$448.1
2006	17.7%	14.3%	22.3%	6.0%	6.7%	N/A	3	\$1.0	19%	\$487.2	\$0.0	\$487.2
2005	5.7%	2.6%	7.1%	8.7%	9.5%	0.4%	18	\$9.3	52%	\$463.6	\$0.0	\$463.6
2004	13.1%	9.8%	16.5%	12.7%	14.8%	0.4%	18	\$8.9	51%	\$388.1	\$0.0	\$388.1
2003	23.3%	19.7%	30.0%	14.2%	16.0%	1.1%	21	\$8.5	100%	\$231.0	\$0.0	\$231.0
2002	-9.0%	-11.7%	-15.5%	N/A	N/A	0.5%	42	\$11.0	100%	\$110.7	\$0.0	\$110.7
2001	14.6%	11.3%	-5.6%	N/A	N/A	1.2%	45	\$12.4	79%	\$82.2	\$0.0	\$82.2

\*For GIPS® purposes, UMA assets are not part of Firm Assets and are not considered “under management” since EIC has no trading discretion. The “UMA Assets” and “Total” asset amounts are shown as supplemental information.

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

<sup>2</sup> Results include SMA accounts and 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% (0.25%/month during 2001-2014, 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.

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

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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.

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 June 30, 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 SMA composite has been examined for the periods January 1, 2001 through June 30, 2014. The verification and composite examination reports, as well as a complete list and description of 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](http://www.adviserinfo.sec.gov)).

# All-Cap Value SMA Composite Performance Description

Equity Investment Corporation (EIC) is an SEC registered independent investment advisor incorporated in the state of Georgia since 1986. 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. 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 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.

Year Ended Dec - 31	Supplemental Gross Rate of Return <sup>2</sup>	Hypothetical <sup>3</sup> (3% annual) Net Rate of Return	Benchmark Return of Russell 3000 Value Index	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion <sup>1</sup> of Annual Returns (Standard Deviation)	Number of Portfolios	Number of Accounts <sup>2</sup>	Composite Assets (\$ mm)	Total Firm Assets (\$ Millions)	UMA Assets* (\$ Millions)	Total* (\$ Millions)
2014 (through 9/30)	8.8%	6.4%	7.0%	8.9%	11.0%	0.3%	5151	476	\$2,087.9	\$3,829.2	\$1,292.1	\$5,121.3
2013	24.7%	21.1%	32.7%	9.2%	12.9%	0.6%	4290	494	\$1,703.6	\$3,286.3	\$1,009.2	\$4,295.5
2012	10.0%	6.7%	17.6%	11.5%	15.8%	0.4%	2742	446	\$1,016.1	\$2,301.1	\$665.6	\$2,966.7
2011	7.4%	4.2%	-0.1%	16.3%	21.0%	0.6%	1398	362	\$556.0	\$1,127.9	\$314.5	\$1,442.4
2010	18.2%	14.7%	16.2%	18.7%	23.5%	0.5%	937	283	\$432.6	\$836.9	\$77.9	\$914.8
2009	26.9%	23.2%	19.8%	17.3%	21.3%	1.3%	743	152	\$282.7	\$541.2	\$10.5	\$551.7
2008	-22.9%	-25.2%	-36.3%	11.7%	15.5%	1.0%	946	235	\$220.2	\$362.6	\$0.0	\$362.6
2007	3.3%	0.3%	-1.0%	7.0%	8.3%	0.8%	935	230	\$283.5	\$448.1	\$0.0	\$448.1
2006	16.6%	13.1%	22.3%	6.2%	7.0%	0.8%	758	229	\$252.7	\$487.2	\$0.0	\$487.2
2005	2.8%	-0.3%	6.9%	8.8%	9.7%	0.7%	675	226	\$195.5	\$463.6	\$0.0	\$463.6
2004	13.9%	10.6%	16.9%	11.4%	14.8%	0.8%	531	176	\$137.4	\$388.1	\$0.0	\$388.1
2003	25.2%	21.6%	31.1%	13.6%	16.0%	0.8%	289	100	\$70.0	\$231.0	\$0.0	\$231.0
2002	-4.1%	-6.9%	-15.2%	15.9%	16.6%	1.5%	59	56	\$14.6	\$110.7	\$0.0	\$110.7
2001	16.9%	13.5%	-4.3%	15.7%	14.1%	0.8%	13	13	\$5.4	\$82.2	\$0.0	\$82.2
2000	18.6%	15.2%	8.0%	18.0%	16.8%	0.8%	16	16	\$6.5	\$62.3	\$0.0	\$62.3
1999	2.1%	-0.9%	6.6%	15.7%	15.9%	1.0%	27	27	\$13.0	\$64.1	\$0.0	\$64.1
1998	16.2%	12.8%	13.5%	14.5%	14.9%	0.9%	11	11	\$2.8	\$35.2	\$0.0	\$35.2
1997	30.1%	26.4%	34.8%	8.8%	9.5%	0.8%	12	12	\$4.9	\$38.8	\$0.0	\$38.8
1996	8.0%	4.8%	21.6%	7.7%	9.2%	0.6%	19	19	\$16.6	\$69.7	\$0.0	\$69.7
1995	19.7%	16.2%	37.0%	6.2%	8.3%	0.6%	42	42	\$23.0	\$93.4	\$0.0	\$93.4
1994	0.2%	-2.8%	-1.9%	5.7%	8.2%	0.8%	65	65	\$32.7	\$92.6	\$0.0	\$92.6
1993	11.3%	8.0%	18.7%	8.0%	9.5%	0.7%	72	72	\$44.0	\$84.5	\$0.0	\$84.5
1992	10.6%	7.4%	14.9%	12.5%	13.7%	0.9%	69	69	\$53.3	\$84.1	\$0.0	\$84.1
1991	37.0%	33.0%	25.4%	13.3%	14.5%	1.3%	58	58	\$35.6	\$48.9	\$0.0	\$48.9
1990	-8.0%	-10.7%	-8.8%	13.2%	13.5%	0.7%	59	59	\$25.8	\$30.4	\$0.0	\$30.4
1989	20.8%	17.3%	24.2%	18.0%	17.6%	1.6%	51	51	\$21.4	\$27.8	\$0.0	\$27.8
1988	27.4%	23.7%	23.6%	19.9%	18.9%	1.7%	14	14	\$6.0	\$8.0	\$0.0	\$8.0
1987	10.6%	7.4%	-0.1%	N/A	N/A	N/A	5	5	\$0.5	\$0.6	\$0.0	\$0.6
1986	25.0%	21.3%	18.8%	N/A	N/A	N/A	2	2	\$0.2	\$0.2	\$0.0	\$0.2

See next page for Table Notes and other disclosures

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

## Table Notes:

\*For GIPS® purposes, UMA assets are not part of Firm Assets and are not considered “under management” since EIC has no trading discretion. The “UMA Assets” and “Total” asset amounts are shown as supplemental information.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Results include SMA accounts and 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).

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%, 2010-2014: <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 June 30, 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. 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](http://www.adviserinfo.sec.gov)).

\*Hypothetical Net Rate of Return assumes a maximum annualized SMA fee of 3%. (0.25% per month)

# Mid-Cap Value SMA 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 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. Net returns are after actual EIC and brokerage firm fees, which include trading costs, portfolio management, custody, and other administrative fees. All accounts included in the composite are managed according to similar investment guidelines. SMA accounts comprise 100% of this composite. The composite creation date is January 1, 2004. 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>2</sup>	Net Rate of Return	Benchmark Return of Russell Midcap Value	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Dispersion <sup>1</sup> of Annual Returns (Standard Deviation)	Number of Portfolios	Composite Assets (\$ mm)	Composite Assets as % of Total Product Assets	Total Firm Assets (\$ Millions)	UMA Assets* (\$ Millions)	Total* (\$ Millions)
2014 (through 9/30)	11.0%	9.5%	8.2%	9.8%	11.6%	N/A	4	\$1.5	51%	\$3,829.2	\$1,292.1	\$5,121.3
2013	33.6%	31.2%	32.5%	10.5%	13.7%	N/A	3	\$1.1	64%	\$3,286.3	\$1,009.2	\$4,295.5
2012	11.3%	9.4%	18.5%	10.7%	16.8%	N/A	3	\$0.9	73%	\$2,301.1	\$665.6	\$2,966.7
2011	5.3%	3.8%	-1.4%	15.3%	22.8%	N/A	1	\$0.2	43%	\$1,127.9	\$314.5	\$1,442.4
2010	22.8%	21.3%	24.8%	17.9%	27.1%	0.4%	7	\$1.7	100%	\$836.9	\$77.9	\$914.8
2009	28.1%	26.6%	34.2%	17.6%	25.0%	0.9%	8	\$1.5	26%	\$541.2	\$10.5	\$551.7
2008	-20.4%	-21.5%	-38.4%	13.0%	18.7%	1.2%	11	\$1.7	33%	\$362.6	\$0.0	\$362.6
2007	4.4%	3.0%	-1.4%	8.3%	9.1%	0.7%	16	\$3.2	42%	\$448.1	\$0.0	\$448.1
2006	12.2%	10.9%	20.2%	7.3%	8.7%	0.5%	20	\$6.6	9%	\$487.2	\$0.0	\$487.2
2005	6.0%	4.7%	12.7%	N/A	N/A	0.8%	29	\$8.6	8%	\$463.6	\$0.0	\$463.6
2004	19.8%	18.1%	23.7%	N/A	N/A	N/A	32	\$10.5	8%	\$388.1	\$0.0	\$388.1

\*For GIPS® purposes, UMA assets are not part of Firm Assets and are not considered “under management” since EIC has no trading discretion. The “UMA Assets” and “Total” asset amounts are shown as supplemental information.

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

<sup>2</sup> Results include SMA accounts and are shown as supplemental information. Gross returns for SMA accounts are stated gross of all fees and transactions costs; net returns have been reduced by actual EIC and brokerage firm fees, which include trading costs, portfolio management, custody, and other administrative fees. Accounts that pay fees from outside of their accounts use a 3% highest fee, applied quarterly, to reduce net returns.

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 and the benchmark returns over the preceding 36 month period.



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.

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 June 30, 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. 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](http://www.adviserinfo.sec.gov)).