

EQUITY INVESTMENT CORPORATION

2016 Year-End Commentary All-Cap Value & Large-Cap Value January 2017

Stocks rose sharply in the fourth quarter in a consensus defying post-election rally. The Russell 3000[®] Value Index and Russell 1000[®] Value Index gained 7.2% and 6.7% respectively in Q4, resulting in full year gains of 18.4% and 17.3%. The S&P 500[®] Index gained 3.8% for the quarter and 12% for the full year. Value handily outperformed growth last year, and small caps led all domestic cap ranges with the Russell 2000[®] Value Index returning over 31% in 2016. Our All-Cap Value SMA (ACV) and Large-Cap Value SMA (LCV) composites rose 4.1% and 4.0%, for the quarter, respectively, and 12.2% and 11.9% year-to-date, respectively (all gross of fees). Net of 3% hypothetical maximum annual SMA fees, year-to-date returns for ACV and LCV would be 8.9% and 8.6%, respectively, while fourth quarter returns would be 3.3% and 3.2%.¹

We believe the current market continues to feature stretched valuations and relatively poor fundamentals. Since the lows of 2011, stock prices, as measured by the S&P 500, are up roughly 80%, while earnings per share for the companies in the index are fairly flat, resulting in a market that is quite expensive by historical standards. As we have maintained throughout our firm's history, if trends like these continue, we would expect our results to lag the indices but provide good absolute returns. We accept such periods as a key component of proper risk management. We often say that what we do not own in our portfolio is more important than what we do own. It is our experience that there are always areas of the market to be avoided for offering unfavorable pricing relative to the risks one must bear to own them. In the late 1990s, high quality large caps along with most technology stocks were priced at such expensive valuations that they virtually guaranteed sub-par investment returns. In 2004-2006, financials was the area to be avoided. While valuations looked inexpensive on current earnings, they did not sufficiently factor in the effects of poor lending practices and increased leverage. In both periods, we avoided the worst of those risks and underperformed the indices, but outperformed for several years thereafter, once those risks materialized.

Today, we have a market that is expensively priced on earnings that are not growing. To mask this lack of growth, companies are resorting to increased use of pro-forma earnings and financial engineering. While these strategies are not always harmful, they have become so pervasive that we feel there is abuse, with negative repercussions to follow.

Given this market environment, we have increased our cash to 17-18% in model accounts. Notably, cash is purely a residual of our stock selection process and not a strategic allocation. As valuations rise and cause us to sell stocks from portfolios, we will build cash if we aren't able to find suitable replacements. As has happened in previous periods with relatively high cash levels, we have often worked that cash down without large declines in the market. We only need displacements in areas that represent quality and value to us. Our job as your portfolio manager remains to sort through this and future environments, avoid the worst risks on offer, and in doing so construct a portfolio that gives you the best odds of success, no matter what lies ahead.

A final word on the election. We have no useful insight into what will happen on the tax or regulatory front. Certainly some of the proposals being discussed would be favorable for investors, such as a reduction in corporate tax rates and a decrease in regulation. This, along with higher interest rates, likely explains financials' market leading Q4 performance. Some of the other proposals are less clear as to their benefits for investors. Regardless of the eventual outcomes, recent market performance suggests to us that investors may have already priced in much of the perceived future benefits. Bottom line, we don't spend much time trying to predict the future. Instead, as we are fond of saying, we try to protect against it.

Portfolio Review

We bought several new positions during the fourth quarter. We purchased PPG Industries, a large, global business, which manufactures paints and coatings for a wide variety of applications, including automotive and commercial transport, aircraft, marine, rail, and architecture. PPG has broad geographic diversification, earning 60% of revenues outside the US, and is the largest coatings business in the world.

Within the energy sector, we bought ConocoPhillips while selling Chevron. This trade represents a reversal of our trade in fall 2015 in which we sold Conoco and added to Chevron driven, in part, by our concern that Conoco's dividend was unsustainable. Since then, Conoco has, in fact, cut its dividend and also reduced capital spending to a level commensurate with its operating cash flow—steps we consider prudent. While Chevron has outperformed Conoco by 50% since our prior trade, we believe the policies followed by Conoco's management are the more prudent under current circumstances, and relative risks in each investment are a mirror image of what they were in fall 2015.

In healthcare, we bought small new positions in drug distributor McKesson and drug store operator and pharmacy benefit manager CVS Health, while trimming our existing position in pharmacy benefit manager Express Scripts. The pharmaceutical procurement and distribution segment has been pressured by a number of concerns: 1) negative publicity (and fear of it spreading) related to specialty pharma abuses and certain generic drug pricing, 2) a slow-down in pharma price inflation, which pressures margins within this segment, and 3) uncertainty of how profits will be impacted by changing health care laws and regulations. We believe the resulting stock-price declines have created an attractive entry point and offer good compensation for the risks undertaken today, but that limiting our exposure to company-specific risks via small position sizes is prudent.

We also sold our remaining small position in Baxter as it rose to our assessment of full value.

Finally, we trimmed our financial sector positions in Charles Schwab and PNC Financial, both of which have risen sharply post-election on expectations of higher interest rates, lower taxes, and reduced regulation, a rise we believe merits moderating our exposure.

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

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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. Client net returns are reduced by EIC's management fees and possibly brokerage firm wrap fees, which include trading costs, portfolio management, custody, and other administrative fees.***

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)
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%, 2010-2016: <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 December 31, 2016. 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 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.

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)	Advisory-Only (UMA) and Managed Assets		
									UMA Assets* (\$ Millions)	GIPS® Firm Assets (\$ Millions)	Total* (\$ Millions)
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.

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 December 31, 2016. 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 December 31, 2016. 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).

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