Investment Management of Virginia

International Portfolio
4th Quarter, 2015

The International Portfolio Composite advanced 5.30% on a total return basis, net of fees, in the fourth quarter, finishing slightly ahead of the MSCI ACWI ex. US total return of 3.24%, net of foreign withholdings.[1] For the year, the Portfolio finished slightly down but ahead of its benchmark, with a total return of -3.12% (net of fees) versus -5.66% for the benchmark. Since inception, the International Portfolio remained ahead of the MSCI ACWI ex. US (net) Index, with a compound annualized return of 6.47%, net of fees, versus 3.17% for the benchmark.[2]

The Portfolio

In the first half of the year, we raised the portfolio weightings to Japan and Europe at the expense of emerging markets. While these adjustments may have helped on a relative basis, positive returns were difficult to find abroad in 2015. Japan was the only major, developed international market with a positive index return over the full year. During the second half of the year, we generally kept the proceeds from positions that we eliminated in cash, due to the weakness in the markets and the lack of conviction in new ideas. In the fourth quarter, we sold MTN Group Limited (MTNOY), a South African telecommunications company, whose stock had weakened amid concerns relating to fines imposed by the Nigerian Communications Commission.[3]

Positive contributors during full-year 2015 included: NetEase, Inc. (NTES), an operator of an interactive online community in the People's Republic of China, offering online game services, advertising services, and E-mail and E-commerce services; Novo Nordisk (NVO), a Danish healthcare and pharmaceutical company; Accenture PLC (ACN), an Ireland-based technology consulting and outsourcing company; Sky PLC (SKYAY), of the UK, a television, broadband, and telephony services company; and Anheuser-Busch InBev NV (BUD), a Belgian-based brewing company and international conglomerate.[4]

The portfolio's bottom-five detractors were: Lenovo Group Limited (LNVGY), a Chinese manufacturer of commercial and consumer personal computers, servers, tablets, smart phones, and

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[1] Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. To receive a complete list and description of Investment Management of Virginia, LLC's composites and/or a presentation that adheres to the Global Investment Performance Standards (GIPS®), contact Investment Management of Virginia at (804) 643-1100. Investment Management of Virginia, LLC ("IMVA") is a registered investment advisor under the Investment Advisors Act of 1940. IMVA was originally established as Scott & Stringfellow Capital Management, Inc., a division of Scott & Stringfellow, in 1982. In March 1999, Scott & Stringfellow became a wholly owned subsidiary of Branch Banking & Trust Company (BB&T). IMVA became an independent investment advisor in July of 2000 when the principals of Scott & Stringfellow Capital Management, Inc. purchased the Company from BB&T. IMVA is closely affiliated with Dynamis Advisors, LLC, also a registered investment advisor. IMVA claims compliance with the Global Investment Performance Standards (GIPS®).

[2] Portfolio inception was 9/30/12.

[3] The transactions/securities discussed in this section are generally portfolio-wide transactions for the accounts in this Portfolio and have not been selected by any performance criteria. It should not be assumed that all accounts in the Portfolio had the same transactions or that transactions in the future will be as profitable or will equal the performance of the securities mentioned.

[4] The securities discussed are based on their contribution to or detraction from the entire performance of the model portfolio. A complete description of the performance calculation methodology, including a complete list of each security that contributed to the performance of the Portfolio highlighted above, is available upon request. Please contact Mr. George J. McVey, Jr. for additional information at (434) 220 0040, gmcvey@imva.net.

notebooks; ASML Holding NV (ASML), a producer of advanced semiconductor equipment systems with a focus on lithography related systems worldwide, from the Netherlands; Canadian National Railway Company (CNI), a North American rail transportation company; Itaú Unibanco Holding S.A. (ITUB), a Brazilian banking and financial services company; and Royal Dutch Shell PLC (RDS-A), a Netherlands-based oil and gas exploration and production company operating worldwide.[4]

The Market

Although the International Portfolio and its benchmark partially recovered into year-end from the effects of the third quarter's international equity market selloff, full-year returns remained negative for the Portfolio and most developed foreign markets. Japan's S&P TOPIX 100 was a bright spot, returning 10.52% in 2015. The S&P Europe 350 Index came in second, finishing down 2.52%. The S&P Asia 50 Index declined by 6.07%, followed by the S&P ASX All Australian 50, which shed 10.07%. Broad Market Indexes (BMI) fared worse, with the S&P Emerging and Frontier BMI's finishing down 13.52% and 12.04%, respectively. In the Americas (ex-U.S.), weakness in commodities hammered Canada's S&P/TSX 60 (down 23.09%) and the S&P Latin America 40 (down 30.94%).

For the decade leading up to 2015, China's breakneck economic expansion, which featured high demand for commodities and other imports, had powered regional and global growth. Presently, China's economy is slowing, and it is transitioning away from manufacturing and toward consumption-led economic growth. The effects of these trends have consequences for the Asia-Pacific and other regions, especially those who depend heavily on exports of commodities and raw materials, e.g. Australia and Singapore. Trade flows with Japan, Europe, and the U.S. were affected as well. According to World Bank forecasts, China will finish 2015 with economic growth of 6.9%, well below the double-digit pace of several years ago; growth of 6.7% is forecast for 2016. In spite of these headwinds, some economic progress was made in Japan and Europe, whose central banks remain committed to quantitative easing in an era of low growth.