Investment Management of Virginia

Small Capitalization Portfolio
3rd Quarter, 2020

The Small Capitalization Portfolio Composite was up 0.58%, net of fees, for the quarter, behind the 4.93% gain for the Russell 2000 Index.[1] Year-to-date, the Small Capitalization Portfolio Composite is up 2.11%, net of fees, well ahead of the -8.69% return of the Russell 2000 Index. The Small Capitalization Portfolio Composite is also ahead of the index over the 1, 3 year, and since inception periods.[2]

The portfolio did not keep pace with the Russell 2000 this quarter as a few names that have been material outperformers year-to-date gave up some of their outperformance. We were also negatively impacted by our exposure to a few financial stocks that are currently out of favor with the market; in general, we consider them good values and promising positions.

The Portfolio[3]
It was an active quarter in the portfolio. The general market strength in July and August induced us to trim or sell several positions while the weakness in small capitalization and value stocks in September gave us the opportunity to buy a few new companies.

Sales during the quarter included the following:

Quidel (QDEL): We liquidated our position in Quidel in July. QDEL supplies point-of-care Covid-19 testing equipment to medical facilities (if you've been rapid-tested it was likely on a Quidel machine). The stock reached a $10 billion market capitalization during the quarter, and we decided to move on. The Quidel management team has done a wonderful job since our first purchase in February, 2009.

OneSpan (OSPN): We reduced OneSpan in July when the stock reacted favorably to a potential uptick in security requirements from banks for their online banking businesses. The stock reached our intermediate-term target price, and we decided to trim our position. We still hold a small position in the company; recently, an activist investor has gotten involved which should be positive for the stock.

3D Systems (DDD): In August we liquidated DDD after another weak quarter and change in management. It is clear the multi-year turnaround is still ongoing, so we decided to sell the remaining small position.

MDC Holdings (MDC): We trimmed our position in MDC Holdings in August. We purchased MDC during the Covid-related market weakness in the Spring. The stock recovered to pre-Covid levels as

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[1]Past performance is no guarantee of future results, and no representation is made that results similar to those shown or discussed 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.
[2] Inception of the portfolio is 1/1/94.
[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.

demand for housing remained resilient (social distancing, historically low interest rates, pent-up demand). We thought the risk/reward profile was more balanced and sold some stock. Housing trends remain strong, and we maintain a small position.

Crocs (CROX): We trimmed our position in Crocs in August. Like MDC, CROX is a recent purchase made during the Covid-induced collapse in the spring. This stock has recovered and had become one of the largest positions in the portfolio. Similar to MDC, we thought the risk/reward profile had become more balanced, and we trimmed the position. Trends at CROX remain strong, and now we hear rumors that Justin Bieber is going to endorse Crocs. That is a good sign for the brand.

Vicor Corp. (VICR): We trimmed our position in Vicor in September. VICR has experienced strong order trends in the data center, automotive, and communications markets. The stock had reached our target price and was trading at peak valuation metrics versus historic trends. Consequently, we reduced our position a bit. We remain bullish on the intermediate and long-term potential of VICR and still have a sizeable position in the stock.

Purchases included the following:

LeMaitre Vascular (LMAT): We initiated a new position in LeMaitre Vascular in July. LMAT is a medical device company that sells a variety of products, primarily to vascular surgeons. The company has shown up on our screens for a few years but has usually been above our preferred entry price. The stock did not recover as quickly as the market during the spring sell-off (many surgeries were still being postponed), and this delay gave us the opportunity to buy this growing, high-quality healthcare company at an attractive price.

Immersion Corp. (IMMR): We initiated a new position in Immersion Corp in August. IMMR sells and licenses haptic software (technology behind touch screens) into the consumer gaming, automotive, and mobile phone markets. The company has a new management team that has done an excellent job, in our opinion, of taking excess costs out of the business to make it consistently profitable. In the near-term, the company should benefit from the launch of the PlayStation 5 this winter, but we think strong demand can continue in 2021 and beyond as IMMR is poised to grow in new, larger markets.

Hackett Group (HCKT): We added to our position in Hackett Group in August. The company had not cut costs during the initial Covid lockdown, resulting in weak Q2 results. Demand has improved, albeit more slowly-than-expected, and the company has begun to right-size its expense structure. We think stronger demand will materialize later this year, the balance sheet remains very strong, and the dividend yield is at all-time highs.

Magnite (MGNI): We added to our position in Magnite in September. Advertising trends remain strong in Magnite’s key end-markets, and recent industry disruption from AT&T, Google, and Facebook should bode well for the company’s near and intermediate-term demand.

Luna Innovations (LUNA): We initiated a new position in Luna Innovations in September. LUNA develops and manufactures fiber optic test and measurement equipment. In plain English, it embeds fiber optic cables and related sensors into materials (think airplane fuselage and wings, bridge supports, helicopter blades, or any material that comes under severe stress and needs to be constantly monitored for structural integrity). We believe embedded fiber optic cables are superior to legacy sensor technology due to better accuracy and real-time data availability and, consequently, will take market share in next-generation aircraft and infrastructure products. The management team has done a good job expanding the product portfolio in recent years; we think LUNA is an undiscovered, multi-year growth story.

Ligand Pharmaceutical (LGND): We initiated a new position in Ligand Pharmaceuticals in September. Ligand is a biotech company that partners with, or invests in, other biotech and pharmaceutical companies involved in the development of new drugs and medical products. LGND has economic interests in over 200 different drugs in various stages of development. It also owns and manufacturers Captisol, which is a chemical structure used to improve the solubility and stability of drugs. The most well known user of Capitsol is Gilead Sciences for its Covid drug, Remdesivir. LGND is growing, profitable and has a solid balance sheet and a high-quality management team, in our opinion. Near-term trends are solid, and LGND has the potential for substantial growth as the drugs in its pipeline are approved and come to market.

The Equity Market

As if we needed any more proof that we are in uncharted territory this year, the recent (first) Presidential debate further revealed how far from the norm we are, at present. In the financial markets, interest rates, and the Federal Reserve's forward guidance on said rates, are the "uncharted" equivalent. In general, asset prices are determined by projected future cash flows and the interest rate used to properly discount those cash flows back to the present. In an effort to support our pandemic-hobbled economy, the Federal Reserve has indicated that it intends to keep interest rates very low for the foreseeable future. In technical terms, this takes asset valuations toward a new frontier, and, specifically, equity price/earnings multiples into the stratosphere. Combine this pricing dynamic with an alarming mix of: a dangerous pandemic, intense political conflict, high economic risk (and potential social unrest caused by the pandemic's uneven economic toll), tense international relations, and frightening weather-induced catastrophes. We are clearly in a period of high uncertainty. Naturally, the market confounds us by remaining near an all-time high as we write this letter, thanks to the aforementioned ultra-low interest rates and the prospect of additional economic stimulus. In fact, it seems like the worse the political mud-slinging gets, the higher the odds of a compromise between the White House and Congress on another stimulus package.

That said, there are a few bullish indicators and trends for long-term investors to consider:

- The SOX Index (an index of semiconductor companies) is showing strong relative strength versus the rest of the equity market. Some (smart) investors think that semiconductors are the new oil, and the strength in this industry is a precursor to general economic improvement.
- Retail investors are bearish, NASDAQ speculators are very negative, and cash on the sidelines ($4.5 trillion?) is very high. All three of these conditions are normally contrarian indicators.[4]
- The VIX, or "market fear index" remains above 20. The VIX measures the expected volatility of options prices, and a VIX over 20 normally indicates relatively high anxiety in the equity market.

[4]Tom Lee, CEO of Fundstrat, on CNBC, 9/28/2020

- The global economy appears to be in recovery.
- The market has corrected since the high in early August; since World War II, bear markets are more likely to end during October than any other month.[5]
- The 4th quarter is normally the best quarter of the year, even in an election year.[6]

The combination of high uncertainty in so many areas (a solid "wall of worry"), supportive monetary and fiscal policy, and improving economic news are normally positive for the equity market. Politics are currently (dis)coloring almost everyone's outlook, but it is far from clear which political outcome would be best for the equity market. On balance, and despite being in the middle of a global pandemic, it seems reasonable to look through the myriad issues on the front page of any newspaper and concentrate on a long-term investment plan and horizon.

[5] Mike Santoli, on CNBC, 9/30/2020
[6] Schaeffer's Investment Research, Rocky White, 9/30/2020

INVESTMENT MANAGEMENT OF VIRGINIA, LLC
SMALL CAPITALIZATION PORTFOLIO COMPOSITE
ACCOMPANYING NOTES

Year[A]	Total Return Gross (Percent)	Total Return Net[B] (Percent)	Benchmark Russell 2000 (Percent)	Composite 3 Yr. St. Dev.[C] (Percent)	Benchmark Russell 2000 3 Yr. St. Dev.[C] (Percent)	Number of Accounts	Composite Dispersion[C] (Percent)	Composite Assets End of Period (Millions)	Strategy Assets End of Period[D] (Millions)	Model Assets End of Period[D] (Millions)	Non-Fee Paying Composite Assets End of Period (MM)	Percentage of Non-Fee Paying Composite Assets	Total Firm Assets End of Period (Millions)
2010	32.00	31.51	26.85	N/A	N/A	15	0.74	13.39	38.39	N/A	2.64	19.74%	427.21
2011	1.89	1.41	-4.18	24.19	24.99	16	0.74	13.41	38.85	45.11	2.47	18.43%	409.51
2012	24.37	23.70	16.35	19.84	20.20	22	0.55	15.46	58.06	73.37	2.77	17.94%	526.95
2013	36.11	35.24	38.82	15.86	16.45	53	0.80	29.85	139.01	184.94	2.26	7.56%	697.44
2014	-6.44	-7.10	4.89	11.98	13.12	50	0.68	27.70	106.25	162.01	2.40	8.65%	549.17
2015	-12.27	-12.88	-4.41	13.59	13.96	41	0.66	22.58	64.53	93.92	2.19	9.71%	437.32
2016	25.83	24.99	21.31	15.12	15.76	33	0.80	25.71	67.55	41.43	1.95	7.57%	484.18
2017	4.90	4.25	14.65	14.74	13.91	26	0.70	30.23	62.09	12.09	2.04	6.74%	491.22
2018	-8.56	-9.05	-11.01	17.31	15.79	25	0.46	24.91	54.44	7.73	1.68	6.75%	448.68
2019	15.33	14.74	25.53	19.16	15.71	19	0.76	24.57	58.41	9.01	1.54	6.25%	509.85
*2020	2.52	2.11	-8.69	N/A	N/A	17	N/A	24.14	55.38	0.64	1.49	6.17%	467.06

* 2020 performance returns are for the period ending 09/30/20.
A. Inception of the composite was 1/1/94. Creation of the composite was 1/1/94.
B. Fee schedule: 1.00% per annum on the first $1 million of assets; 0.75% per annum on assets greater than $1 million. Fees are negotiable.
C. N/A for the current year signifies that the information is not available until year end. N/A for previous years signifies that the information was not required.
D. Supplemental information. In addition to composite assets, strategy assets include separately managed accounts that do not meet the criteria for inclusion in the composite and wrap accounts. Small Capitalization Portfolio model assets are managed by other firms based on model portfolios submitted by IMVA.

Investment Management of Virginia, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Investment Management of Virgini LLC has been independently verified for the periods January 1, 1993 through June 30, 2020. 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 Small Capitalization Portfolio composite has been examined for the periods January 1, 1994 through June 30, 2020. The verification and performance examination reports are available upon request.

1. Basis of Presentation
Investment Management of Virginia, LLC ("IMVA") is a registered investment adviser 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 adviser in July of 2000 when the principals of Scott & Stringfellow Capital Management, Inc. purchased IMVA from BB&T. Total firm assets exclude model programs. Additionally, as supplemental information, as of September 30, 2020, the firm provides models to programs managing a total of approximately $5.31 million in assets based on those models (this figure includes the Small Capitalization Portfolio model assets and all other model portfolio assets at IMVA).

2. Composite Criteria
The Composite consists of institutional, endowment, retirement, and individual accounts. Tax-exempt and taxable accounts are included. The Composite seeks a strong total return through capital appreciation in small capitalization companies, including use of ETFs. The primary investment criteria are strong upside potential at a reasonable price. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Performance results of the Composite are based on U.S. dollar returns.

3. Calculation Methodology
The Composite results are time-weighted rates of return net of commissions, custodial fees, and any other expenses incurred in the management of accounts. Accounts may be shown gross or net of withholding taxes on foreign dividends based on the custodian. These returns have been presented both gross and net of investment advisory fees. Quarterly composite rates of return, which are net of investment advisory fees, are calculated at the account level. Net performance returns have been calculated by reducing gross performance returns by the actual investment management fees charged. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

4. Comparison with Market Index
Results of the Composite are shown compared to the Russell 2000 Index. The Russell 2000 Index is comprised of the 2,000 smallest companies in the Russell 3000 Index, which measures the performance of the 3,000 largest publicly held companies incorporated in America, as defined by total market capitalization. The Russell 2000 represents approximately 1% of the Russell 3000 Index total market capitalization. For comparison purposes, the Russell 2000 is a fully invested index, which includes reinvestment of income, and the performance has been linked in the same manner as the Small Capitalization Portfolio Composite. The returns for this unmanaged index do not include any transaction costs, management fees, or other costs. The information contained in this material is based on data we have obtained from third party sources. While this information has been obtained from sources we believe to be reliable, we do not guarantee, nor are we responsible for, the accuracy, completeness, or timeliness of the information provided in this presentation. The S&P 400 Index was used prior to 12/31/00 as a comparison index. It was replaced with the S&P 600 Index on 12/31/00 because this index was a more accurate representation of the market capitalization of the securities in the client accounts. The S&P 600 Index was dropped as an index as of 3/31/12 due to low usage of that index by institutional investors.

5. SEC Advertising Disclosure Footnotes
All performance composite returns are reported **net** and **gross** of investment advisory fees charged by Investment Management of Virginia, and reflect the reinvestment of dividends and other earnings. The investment returns will be reduced by commissions, custodial fees, and any other expenses incurred in the management of accounts. Accounts may be shown gross or net of withholding taxes on foreign dividends based on the custodian. Net performance reflects the deduction of actual quarterly fees for each account in the composite with the exception of one non-fee paying account in the composite for the periods prior to 9/30/2006. An implied 100 bps fee was applied to calculate net performance for the account. Gross of fees performance returns are presented before investment management fees.

6. Additional Information
A complete presentation of any composite and/or a list of all composite descriptions is available upon request. Such inquiries should be addressed to George McVey, Investment Management of Virginia, LLC, 919 E. Main Street, Suite 1600, Richmond, Virginia 23219, or contact him through email at gmcvey@imva.net.

Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. All portfolios have the potential of profit and/or loss on the investment securities.