Investment Management of Virginia

Select Equity Income Portfolio
1st Quarter, 2021

The Select Equity Income Portfolio Composite was up 7.36%, net of fees, for the quarter. This result was ahead of S&P 500 Index's advance of 6.17% but behind the Russell 3000 Value Index's advance of 11.89%.[1]

After a volatile 2020, the first quarter of 2021 seemed pretty tame in comparison. In general, value stocks were strong on expectations of a robust economic recovery, while technology stocks underperformed the broader market. The Portfolio's overall valuation remains below that of the major indexes, the dividend yield is above the yield of the indexes, and the quality of our holdings, as measured by lower debt ratios and higher cash flows, remains favorable versus those companies in the Russell 3000 Value and S&P 500 indexes, as a whole.[2]

The Portfolio[3]

Transactions during the quarter included:

Hackett Group (HCKT): We added to our position in the Hackett Group, Inc. Hackett is a technology consulting company primarily focused on implementing Oracle software and providing benchmarking metrics. Despite reporting a good fourth quarter, the stock languished, and we took the opportunity to add to our initial purchase. The balance sheet is solid, and HCKT has a stellar record of dividend increases. In addition, Hackett has high inside ownership, consistent free cash flow, and is a reasonable takeout candidate.

Tyson Foods (TSN): We added to TSN, which should benefit from economic reopening. Tyson is a leading protein company with significant market share in both the branded retail and restaurant channels. The company experienced weakening demand during COVID as restaurants were closed. We believe that economic reopening will restore restaurant demand (~40% of sales) in 2021. TSN has an attractive dividend yield (and an impressive record of dividend increases), produces steady cash flows, and has a manageable balance sheet.

Merck (MRK): We added to our long-term holding of MRK. With the healthcare industry focused on fighting Covid, many leading drug stocks without Covid solutions, like Merck, have fallen out-of-favor. Merck develops leading drugs such as Keytruda, Januvia, ProQuad and Gardasil. In addition, Merck is spinning off its women's health business, Organon, into a separate publicly traded company later this year. Trading at 11.7x projected 2021 earnings and with a 3.36%[4] dividend yield, the stock looks attractively priced, in our opinion.

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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 GIPS report, contact Investment Management of Virginia at (804) 643-1100.

2 Investment Management of Virginia, LLC data and analysis

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 3/31/2021

Comcast (CMCSA): We reduced our position in CMCSA when the stock reached our initial price target. The COVID pandemic increased at-home media consumption as work-from-home and online-learning grew Comcast's internet business. Also, the company's streaming service, Peacock, has gained significant traction quickly. The stock reflected this news, and we used the opportunity to reduce our holdings. We are maintaining a position because we believe the economic re-opening will benefit the company's Universal Studios division while offsetting declines in other parts of the business.

Broadcom (AVGO): We reduced AVGO in the midst of an historic run for semiconductor companies. Broadcom is a premier global supplier of semiconductors. The company has outpaced the industry as acceleration in 5G deployments, strong sales of electronic devices and upgrades in mobile phones have driven demand. We have maintained a position in the stock because semiconductor demand trends remain favorable, the valuation is attractive, and the stock has a 3.1%[5] dividend.

The Market

In the movie *Rocky IV*, Sylvester Stallone (Rocky) prepares for a boxing match by pulling a wooden sled full of rocks; meanwhile his arch nemesis, Russian superman Ivan Drago, trains with hyper efficiency on the latest high-tech workout equipment. Over the past few years, diversifying beyond a small group of seemingly unstoppable, large capitalization technology stocks has felt like pulling a sled laden with rocks. But, the old fashioned training discipline worked in the first quarter as the rotation of capital into small capitalization, cyclical, and value stocks continued apace from the fourth quarter of last year (conventional wisdom says value stocks can outperform when economic growth is strong while growth stocks are popular when economic growth is weak because these companies can grow in spite of a weak economy). Technophiles are still doing fine, and value type equities have a long way to go to claw back a decade of underperformance, but this quarter was an interesting reminder that the technology sector cannot lead the market forever (no asset can outperform forever).

The key question is, how long can this rotation continue? As usual, there are highly successful market observers and investors on both sides of the argument, with big bets to back up their prognostications. The key considerations in this debate include: 1) the potential for another blockbuster economic stimulus bill, dressed up this time as infrastructure spending, 2) the Federal Reserve's determination to see inflation solidly above 2%, and 3) the next chapter in the Covid pandemic. Keeping in mind the unpredictability of 2020, we try to separate a reasonable guess from the unknowable.

- We believe the odds are good that there will be additional economic stimulus and that economic/GDP growth in 2021 will be the strongest in decades, maybe 6% plus. This backdrop is good for earnings.

- We suspect Jay Powell, Chair of the Federal Reserve Board, is very serious about getting inflation above 2%, but the bond market may force him to tighten interest rates sooner than he wants. We are reminded of what Clinton political adviser James Carville said regarding reincarnation: "… I would like to come back as the bond market. You can intimidate everybody".

[5] 3/31/2021

- We suspect the equity market will be more balanced between growth and value (another way of saying that maybe the "easy money" in the value stock rebound has been made).
- We have no better insight into the course of the pandemic than you do.

The stock market floats on a sea of liquidity, and we are currently getting massive monetary and fiscal stimulus. The degree to which this extraordinary funding will help those most drastically affected by the pandemic is unclear, but these liquidity conditions are supportive of the equity market. In July 2007, Chuck Prince, then the CEO of Citigroup, described our current situation pretty well in his notorious advice. He said, "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance".

As usual, we believe you should only "dance" to the extent you can stomach volatility in the equity market and within the context of a prudent long-term investment plan. Bottom line, the stock market is highly correlated with the direction of earnings, and forward earnings estimates are currently headed up thanks to growth in the money supply and the historic economic stimulus. These are normally positive conditions for the equity market.

INVESTMENT MANAGEMENT OF VIRGINIA, LLC
SELECT EQUITY INCOME PORTFOLIO COMPOSITE
ACCOMPANYING NOTES

Year[A]	Total Return Gross (Percent)	Total Return Net[B] (Percent)	Benchmark S&P 500 (Percent)	Benchmark Russell 3000 Value (Percent)	Composite 3 Yr. St. Dev. Gross[C] (Percent)	Benchmark S&P 500 3 Yr. St. Dev.[C] (Percent)	Benchmark Russell 3000 Value 3 Yr. St. Dev.[C] (Percent)	Number of Accounts	Composite Dispersion Gross[C] (Percent)	Composite Assets End of Period (Millions)	Non-Fee Paying Composite Assets End of Period (MM)	Percentage of Non-Fee Paying Composite Assets	Total Firm Assets End of Period (Millions)
2011	3.54	2.95	2.11	-0.10	18.12	18.70	21.04	14	0.47	13.83	2.84	20.53%	409.51
2012	9.80	9.18	16.00	17.55	14.49	15.09	15.81	15	0.48	22.87	3.05	13.35%	526.95
2013	32.98	32.18	32.39	32.69	11.44	11.94	12.90	16	0.53	29.04	3.96	13.64%	697.44
2014	10.28	9.55	13.69	12.70	9.60	8.98	9.36	16	0.36	30.57	4.30	14.06%	549.17
2015	-4.18	-4.75	1.38	-4.13	10.60	10.48	10.74	25	0.33	38.79	3.85	9.92%	437.32
2016	25.78	24.98	11.96	18.40	10.93	10.59	10.97	27	0.79	45.35	3.07	6.78%	484.18
2017	7.78	7.11	21.83	13.19	10.55	9.92	10.33	27	1.05	46.07	3.30	7.16%	491.22
2018	-6.37	-6.93	-4.38	-8.58	12.11	10.80	11.06	28	0.55	39.90	2.81	7.04%	448.68
2019	21.41	20.70	31.49	26.26	12.74	11.93	12.01	27	0.87	44.89	3.04	6.78%	509.85
2020	10.85	10.17	18.40	2.87	19.15	18.53	19.96	24	0.70	44.50	3.19	7.16%	528.62
*2021	7.53	7.36	6.17	11.89	N/A	N/A	N/A	24	N/A	48.87	1.24	2.54%	576.59

* 2021 performance returns are for the period ending 3/31/21.
A. Inception of the composite was 7/1/01. Creation of the composite was 7/1/01.
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.

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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Investment Management of Virginia, LLC has been independently verified for the periods January 1, 1993 through December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Select Equity Income Portfolio composite has had a performance examination for the periods July 1, 2001 through December 31, 2020. The verification and performance examination reports are available upon request.

1. Basis of GIPS Report

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 the Company from BB&T. Total firm assets exclude model programs. Additionally, as supplemental information, as of March 31, 2021, the firm provides models to programs managing a total of approximately $0.25 million in assets based on those models (this figure includes all 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, medium, and large 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. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

4. Comparison with Market Index

Results of the Composite are shown compared to the Standard & Poor's 500 Index and to the Russell 3000 Value Index. The Standard & Poor's 500 Index is a capitalization-weighted index, and is calculated based on a total return basis with dividends reinvested. The Standard and Poor's 500 Index is a capitalization-weighted index of 500 blue-chip U.S. companies representing the industrial, transportation, utility, and financial sectors with heavy emphasis on the industrial sector. The Russell 3000 Value Index is based on 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 3000 Value Index is a market capitalization weighted equity index and is calculated based on a total return basis with dividends reinvested. It measures how U.S. stocks in the equity value segment perform and includes stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates. The Russell 3000 Value Index was added as a benchmark in September 2018. Performance has been linked in the same manner as the Select Equity Income Portfolio Composite. The returns for these unmanaged indexes 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 GIPS report.

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. Gross of fees performance returns are presented before investment management fees.

6. Additional Information

A GIPS report 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.