Investment Management of Virginia

Small Capitalization Portfolio
1st Quarter, 2021

The Small Capitalization Portfolio Composite was up 12.86%, net of fees, for the quarter versus the 12.70% gain for the Russell 2000 Index.[1] The Portfolio Composite's 12 month return of 85.89%, net of fees, trailed the Russell 2000 Index' astronomical 94.85% return since last April 1st, but the Portfolio remains ahead of the index for the past 3 years and since-inception.[2]

In the first half of the quarter, growth/momentum stocks continued to outperform. We used that strength to trim some of our growth stocks and cycled much of that capital into more defensive positions. Then, value/defensive stocks started to gain traction in the second half of the quarter. As we mentioned in our last quarterly letter, the Portfolio has a nice mix of growth and defensive stocks, albeit with a defensive bias. This profile was effective and enabled us to keep pace with the index despite having more cash than normal late in the quarter. Looking ahead, we remain in a slightly defensive stance but have a short list of new companies to buy if we can get the prices we are looking for.

The Portfolio[3]
Sales during the quarter included:

Crocs (CROX): We trimmed our position in CROX in January and sold the remaining portion in late March when it reached our target price (a substantially higher target price than we set at our original purchase). Long story short, CROX has benefited mightily from the stay-at-home lifestyle, and compliance regulations regarding promotional language make it difficult to accurately describe our experience with CROX over the past twelve months.

Magnite (MGNI): Similar to CROX, Magnite has had an extraordinary six months. We sold Magnite twice in January and once in March. The company announced another large acquisition in February which basically doubled its size, again. Industry fundamentals are strong, but we have some concern over integration issues and the stock's valuation. We are maintaining a small position.

Vicor (VICR): We trimmed our position in Vicor in January. VICR had reached our near-term target price and appeared fully valued, in our opinion. Vicor is a unique company and we still own a small position.

Immersion (IMMR): We trimmed our position in Immersion in February. IMMR is a relatively new position for the Portfolio, but it had become our largest single stock position and reached our near-term target price.

---

[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] Portfolio inception 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.

Purchases included the following:

ProShares Russell 2000 Dividend Growers ETF (SMDV): We added to our position in SMDV in January. This exchange traded fund is heavily weighted in Financial (30%) and Utility (24%) stocks. These two sectors had been out-of-favor in the latter part of 2020, but each began to outperform towards the end of the quarter. SMDV is now the largest position in the Portfolio.

Cross Country Healthcare (CCRN): We increased our position in Cross Country Healthcare in February. CCRN had navigated 2020 relatively well despite very mixed demand for temporary staffing in the health care sector. Small pockets of strong demand (Covid related) were more than offset by generally weak demand from hospitals and schools. Both hospitals and schools began to reopen in late 2020, and demand for CCRN services has been improving. We believe Wall Street estimates for CCRN have been and remain overly conservative. The Company reported a good 4th quarter, 2020 and gave a constructive outlook for 2021 and beyond. The stock reacted favorably, and we think results can continue to improve.

Oaktree Specialty Lending Corp. (OCSL): We increased our position in OCSL in February. The company performed consistently throughout 2020 but was still trading under net asset value (NAV). At the time of our purchase, the stock had a 7% dividend yield. After listening to OCSL's year-end earnings conference call, we increased our position. We like the company's conservative approach and were fortunate to increase our exposure just before the increase in interest rates.

Luminex (LMNX): We added to our Luminex position in March. LMNX and other medical diagnostics test providers benefited from very strong Covid testing demand in 2020, but now many of the larger companies in the sector are looking for the next leg of growth. We think LMNX is in an enviable position because it has a diverse line of products and a very strong balance sheet with excess capital for acquisitions or stock repurchases. But, these characteristics also make LMNX a viable acquisition candidate itself. The company has stated publicly that it is considering its strategic alternatives, and we believe the Board will act to maximize shareholder value.

IShares Russell 2000 ETF (IWM): Lastly, in conjunction with the sale of CROX late in the quarter, we added to our position in IWM.

The Equity 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".
- 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
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. Gross[C] (Percent)	Benchmark Russell 2000 3 Yr. St. Dev.[C] (Percent)	Number of Accounts	Composite Dispersion Gross[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)
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	34.32	33.61	19.96	24.59	25.27	17	0.65	31.64	72.28	0.80	1.97	6.22%	528.62
*2021	12.99	12.86	12.70	N/A	N/A	17	N/A	35.49	79.99	0.00	2.28	6.43%	576.59

* 2021 performance returns are for the period ending 3/31/21.

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. 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 Small Capitalization Portfolio composite has had a performance examination for the periods January 1, 1994 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 IMVA 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 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. 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 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 GIPS report. 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 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.