Investment Management of Virginia

Small Capitalization Portfolio
3rd Quarter, 2021

The Small Capitalization Portfolio Composite was down 0.57%, net of fees, for the quarter, ahead of the 4.36% loss for the Russell 2000 Index.[1] Year-to-date, the Portfolio Composite was up 15.36%, net of fees, nicely ahead of the Russell 2000 Index, which was up 12.41%. The Portfolio Composite remained ahead of the Russell 2000 Index since inception.[2]

The third quarter was characterized by growing concerns over the surge in delta variant Covid cases, supply chain disruptions around the world, and in the U.S., intensifying debate over an infrastructure bill and the debt ceiling. Small capitalization companies and the Russell 2000 Index suffered a bit in this environment, but our slightly defensive bias helped the portfolio, relative to the Index. Among sectors, Real Estate and Healthcare positions led, and Industrials and Information Technology positions lagged. The latter tend to be more cyclical/economically driven.

The Portfolio[3]
After a busy first half of 2021, we had less activity during the quarter. Purchases included the following:

Green Dot (GDOT): In July, we added to our position in Green Dot. The company reported encouraging Q1 results in May, and in June, GDOT announced that its bank would serve as the financial institution to support Walmart's new MoneyCard offering. That program is effectively a checking account for people who otherwise do not use the traditional banking system. We used weakness in the stock in July to add to our position. Beyond the recent Walmart win, we believe GDOT will continue to grow both its legacy bank/card business as well as new FinTech offerings, and we remain optimistic on the long-term prospects.

BWX Technologies (BWXT): In August, we added to our position in BWX Technologies, which has been a core holding of the portfolio for over a decade. The company reported weaker-than-expected Q2 results, and we used the pullback in the stock to add to our position. BWXT's business can be lumpy month-to-month, but it is very consistent on an annual basis. We believe that Wall Street expectations over the coming quarters and years are achievable. Furthermore, the company is ending a multi-year capital expenditure cycle and is poised to produce significant free cash flow over the coming years – something we think Wall Street has yet to fully realize and appreciate. In addition to generating solid long-term earnings growth, BWXT should be able to return more money to shareholders in the form of increased dividends and share buybacks.

Standard Motor Products (SMP): In September, we purchased a new position in SMP. Standard Motor is an auto-parts supplier, serving both original equipment manufacturers (OEMs) and aftermarkets (professional mechanics and auto supply stores). The company is growing organically and via acquisitions and has acquired companies that sell parts to both gasoline-powered and electric vehicles. With new-vehicle sales dipping this year as a result of Covid, the average age of vehicles on the road has risen again, to 11.9 years. People are driving their cars more and owning them longer, which bodes well for SMP's replacement-parts businesses. The company has a strong track record of annual dividend increases, produces consistent free cash flow, and features a strong balance sheet and high inside ownership.

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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] 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.

Sales during the quarter included:

iShares Russell 2000 ETF (IWM): In July, we trimmed our position in the iShares Russell 2000 ETF to fund additions to GDOT.

Katapult (KPLT): In August, we liquidated our position in Katapult. KPLT was a new name and quick disappointment; we moved on. As buyers, we were optimistic on the growth prospects of the company, given the rise of "buy now, pay later" offerings from retailers. But, KPLT was hurt by exposure to durable goods (e.g. mattresses and furniture) and also saw increased competition from other companies moving down the credit ladder (providing credit to Katapult's core customers). This is the aspect of the story that surprised us and changed our long-term outlook for the stock.

ProShares Russell 2000 Dividend Growers ETF (SMDV): In September, we trimmed our position in SMDV to fund our purchase of Standard Motor Parts (SMP).

The Equity Market

The quarter just-ended felt normal for a change and included the first down month (September) for the U.S. equity market since January of this year. The established trends of the last decade reemerged: growth generally outperformed value, and large capitalization stocks outperformed smaller companies. In general, the bond market has forecast the equity market pretty well over the last 18 months (during the Covid pandemic). When the yield on the 10-Year U.S. Treasury bond starts climbing, better relative performance by economically sensitive companies and sectors has usually followed like an obedient hound. When the 10-Year U.S. Treasury yield sinks (because investors are fearful and are buying the safety of U.S. Government bonds), equity market leadership has reverted to secular growth companies, large capitalization technology in particular.

The meandering market in the third quarter reflected uncertainty among investors. Long-term equity investors have decades of broad market results indicating that optimism on equites is the odds-on play, but the list of concerns right now is enough to make even the most cavalier equity investor think twice. The U.S. Department of Defense now identifies Global Warming as our main strategic threat. In addition to that frightening phenomenon, we have a raw cultural (and economic) divide in the U.S. which gums up our political processes and may threaten the Constitution. We are grappling with worrisome inflation trends while our Federal Reserve is in tumult: two Fed bank presidents just stepped down after making questionable personal trades, and Sen. Elizabeth Warren just called Fed. Reserve Chairman Jay Powell "a dangerous man". President Xi of China seems to be the truly dangerous man, but we, the U.S., have spent (wasted) much of our power projection capacity in Afghanistan and are pulling in our nets right when our economic and military might are requested around the world. And then there is the pandemic, which remains tragic, polarizing, and damaging to the economy.

Given the recent strength in U.S. Government bond yields, we are hopeful that the worrisome issues mentioned above are mostly discounted by the equity market and that relatively higher bond yields presage a broadening, positive equity market, including better relative performance from small capitalization stocks.[4] That outlook puts us squarely in the perennially crowded "cautiously optimistic" camp of investment advisors. But, the sheer length of this generally strong equity market, along with very low absolute levels of bond yields, put us on the cautious side of cautiously optimistic. Market timing is a loser's game, and we reject the urge to raise cash in an attempt to jump in at a better time. Nevertheless, as we have said before, sometimes prematurely, this is probably a good time to complement a long-term equity investment strategy with a solid balance sheet.

[4] Tom Bowley, StockCharts.com, 9/30/2021

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	15.79	15.36	12.41	N/A	N/A	17	N/A	35.64	81.54	0.00	2.35	6.59%	589.05

* 2021 performance returns are for the period ending 9/30/21.
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 June 30, 2021. 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 June 30, 2021. 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 September 30, 2021, the firm provides models to programs managing a total of approximately $0.15 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.