Investment Management of Virginia

Select Equity Income Portfolio
2nd Quarter, 2022

The Select Equity Income Portfolio Composite was down 11.84%, net of fees, for the quarter. This result was ahead of the S&P 500 Index's loss of 16.10% and ahead of the Russell 3000 Value Index's loss of 12.41%.[1] The Portfolio Composite was ahead of both of these indices for the year-to-date and one year periods and between the two indices for the 3, 5 year, and since inception periods.[2]

Equity markets experienced broad-based selling during the quarter, but the Select Portfolio's holdings were relatively solid during the worst of the downturn. The Portfolio's largest relative outperformance (lower level of losses) during the quarter occurred during the most pronounced market weakness in May. The Portfolio's stalwarts included companies benefiting from the rising oil prices such as ConocoPhillips and Schlumberger. Underperformers included the semiconductor stocks such as Broadcom and Microchip. We are maintaining our Energy Sector exposure and have begun to add to Information Technology; the valuations for dividend paying stocks in that sector look more attractive to us.

The Portfolio[3]
3M Company (MMM): 3M is a well-known, high-quality conglomerate which has underperformed the market over the past five years; we believe the stock now has an appealing valuation and an attractive dividend. Management's focus on driving organic growth through new products, coupled with more aggressive cost control, should bring the stock back to an average market multiple. MMM is currently trading at 12.6x 2022 earnings estimates versus the S&P 500 Index at 16.5x multiple. 3M has paid a dividend for more than 100 consecutive years and has raised its payout in each of the last 62 years; the stock currently has a 4.4% dividend yield.

Blackstone (BX): We sold T. Rowe Price during the quarter and replaced it with Blackstone. Blackstone provides private equity, real estate and other alternative investment solutions to institutional investors. BX is known as the leading private equity investor, but over the past decade, BX has focused increasingly on real estate, creating several long-term funds to buy, improve, manage, and sell property. The company's assets under management have grown an average of 12% per year, resulting in a healthy trend of earnings growth. Blackstone pays out a variable dividend depending on what it earns for the quarter. The dividends paid over the past twelve months produce a 4.9% yield on the current stock price.[4]

Vanguard Information Technology ETF (VGT): VGT is a low cost, concentrated technology ETF. The top holdings include high quality technology stocks such as Apple, Microsoft, NVDIA, Visa, and Mastercard. We believe these technology stocks can resume their market leadership after about six months of underperformance.

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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 that adheres to the Global Investment Performance Standards (GIPS), contact Investment Management of Virginia at (804) 643-1100.
[2]Portfolio inception is 7/1/01.
[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] As of 6/29/2022

Atlantic Union Bankshares (AUB): We added to our position in AUB when the stock sold off with the rest of the banking sector. The Fed's commitment to raising rates has caused the yield curve to flatten (short-term interest rates are higher than long-term interest rates), making it less profitable for banks to lend. However, we believe the company's franchise in the Mid-Atlantic remains strong and that the economy in this region will be relatively robust. At 10.5x the next twelve months' earnings, the stock is trading at the low end of its valuation range and has a 3.3% dividend yield.

Argan (AGX): We sold AGX. Despite meeting and exceeding earnings expectations over the past three years, the stock has been a disappointment. The market has been reluctant to pay a higher multiple for companies that manage large infrastructure projects. Despite the attractive dividend, we believe the stock will languish at current levels.

Dow (DOW): Late in the quarter we liquidated our position in Dow Inc. DOW has been a steady performer for most of the year but sold off recently on both expense and demand (revenue) concerns. We overstayed our welcome in DOW and now suspect the stock will be out of favor for a while.

T. Rowe Price (TROW): As mentioned above, we sold TROW because investors have increasingly allocated money to ETFs and private equity and away from traditional mutual funds. Despite the company's solid fund performance, its assets under management have remained flat over the past year.

AbbVie (ABBV): We sold a partial position in AbbVie. The company has fared well versus the broad market and the healthcare sector over the past several years and hit our initial valuation targets. We have maintained a core position as the company still pays a healthy 3.7% dividend yield and generates substantial free cash flow.

The Equity Market

The first six months of 2022 are in the history books, and, from the perspective of equity investors, it has been a rough ride. But, we need to remember that 20% market declines come around, on average, every three years.[5] Looking ahead, in years where the first half of the year experienced large losses, the second half, historically, is often pretty good.[6] Nonetheless, the experience of reasonably diversified investors in the second quarter was definitely unpleasant, and those who loaded up on the hottest technology stocks and other "long duration" assets (like cryptocurrency) experienced a very ugly reversal.

The current list of investor concerns is longer than usual:

- The Federal Reserve seems determined to control inflation, even at the risk of a recession. In other words, the Fed is focused on price stability over full employment. Federal Reserve Chair Jerome Powell hopes to cool the economy enough to bring inflation back to 2% without putting our economy into a recession (two consecutive quarters of negative GDP growth). This outcome is the elusive "soft landing" (possible, but probably unlikely). Chair Powell seems to want us to remember "don't fight the Fed" more than he wants a soft landing.

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[5] Podcast: Chris Davis Picks Stocks, Praises Buffett, Rips Politicians. Barron's Advisor, 6/14/22.

[6] Research from LPL Financial shows that, since 1932, when the S&P 500 Index (or its predecessor, the S&P 90 Index) was down more than 17% in the first half of the year, the second half returns were positive 100% of the time; the average return was 23.7% and the median was 15.3%. Source: LPL Research, FactSet Data as of 6/21/22.

- The war in Ukraine continues with no end in sight (but we need to be careful about predictions). The human tragedy in Ukraine is stunning, and the war's effect on commodity prices may multiply the tragedy to include famine in some countries and the possibility of severe economic hardship in Europe this coming winter, if energy prices stay where they are.
- The culture war in the U.S. is getting hotter (is that possible?) as we head into mid-term elections. It is hard to translate these issues into potential economic outcomes and investment strategies, but the partisan divide in the U.S. is growing, and the possibility of wise and objective governance, through cooperation and compromise, seems like a pipe-dream at this point. This kind of dysfunction is not good for productivity improvement, the key ingredient for long-term GDP growth.
- Global warming, our massive government debt (with rising interest expense), a threatened election system, and ominous threats of nuclear war fill out the list.

We are long-term investors and try to prepare for this kind of volatility with a thoughtfully positioned portfolio (depending on each client's risk tolerance) and the understanding that we should not try to predict the market's direction in the short or even medium-term. But, the equity market may be less risky for long-term investors than it was six months ago. Investor (and consumer) sentiment is very negative[7], valuations are lower and more interesting (especially for small capitalization stocks), commodity prices seem to have peaked (this will help cool inflation), speculators in risky assets have taken a historic beating, and the "wall of worry" seems too high to see over. We cannot say if the equity market rally off of the bottom in June will hold (few market commentators think it will)[8], but we believe that the prospects for reasonable long-term returns for equity investors have improved from the end of last year. This is not a hugely bold prediction given the losses in the market so far this year, and the U.S. market is unlikely to replicate the equity returns of the past decade, but we suspect the forward outlook, long-term, is considerably better than it was on 12/31/21.

[7] American Association of Individual Investors (AAII) bullish sentiment fell to 18.2% in week-ended 22-Jun from 19.4% in prior week. Bearish sentiment ticked up to 59.3% from 58.3%. AAII tweeted that the 18.2% marked the 25th lowest bullish sentiment reading in the survey's history, while the 59.3% marked the 6th highest bearish sentiment reading

[8] "Morgan Stanley's Big Bear (Mike Wilson) Sees Temporary Respite From Selloff", Bloomberg News, 6/27/22

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)
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	23.64	22.94	28.71	25.37	17.70	17.17	19.34	22	1.94	54.62	0.92	1.68%	691.07
*2022	-11.84	-12.09	-19.96	-13.15	N/A	N/A	N/A	19	N/A	43.22	0.00	0.00%	541.61

* 2022 performance returns are for the period ending 6/30/22.
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 March 31, 2022. 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 March 31, 2022. 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 June 30, 2022, the firm provides models to programs managing a total of approximately $0.14 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.