Investment Management of Virginia

Opportunity Portfolio
3rd Quarter, 2022

The Opportunity Portfolio Composite was down 4.14%, net of fees, for the quarter; this result was slightly ahead of the S&P 500 Index decline of 4.88% and the S&P 1500 Index decline of 4.76%.[1] The Portfolio Composite is ahead of both of these indices for the year-to-date and one, and 3-year periods.

This quarter devolved into substantial losses during a late September sell-off amid increasingly bearish sentiment. Energy remained a bright spot in the portfolio as global natural gas prices continued to rise on European supply fears heading into the winter months. Our small capitalization Industrial Sector stocks and large capitalization Consumer Discretionary stocks also contributed. Detractors included Materials, Financials, and Health Care sectors. During the quarter we reduced our Energy Sector exposure somewhat as it had become an outsized position, and we modestly increased our Technology exposure. The market pullback may unearth some compelling investment opportunities, and we are on the lookout for prices that seem dislocated from a company's prospects.

The Portfolio[2]

Purchases during the quarter included Thryv Holdings (THRY) and Qualcomm (QCOM).

In August, we initiated a new position in Thryv Holdings (THRY). THRY is an interesting, under-the-radar small capitalization company with two complementary operating divisions. THRY's legacy business is the online yellow pages (yellowpages.com); this is, to be sure, a declining business. However, it still boasts hundreds of thousands of customers, requires very little capital, and produces significant free cash flow. THRY's second business sells an internet-based operating system for small businesses. THRY offers a suite of products designed for the small business to aggregate multiple business functions (back office, accounting, marketing, social media, sales) onto one platform. The majority of small businesses today have not migrated their operating software to the internet and are likely using multiple vendors (or none at all) to support their various business functions. We like THRY because it is well positioned for the next wave of internet-based software migration. Large and medium-sized businesses generally have already made this move, but many small businesses have not. The company's biggest advantage, in our opinion, is its customer list from its legacy yellowpages.com business; THRY generates about 40% of its software growth simply from cross-selling to existing customers, and we believe THRY has the potential to grow its software business at double-digit rates for the foreseeable future. As a point of reference, THRY estimates there are nearly 11 million small businesses in the United States that it can target. THRY could see exponential growth and still have low-single-digit market share for years to come.

[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]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.

In September, we added to our position in Qualcomm (QCOM). We continue to see semiconductor demand growth going forward (think electric cars, the Internet of Things) even with an expected 20% increase in production capacity by 2024. Despite trading at 30-year valuation lows, QCOM's earnings estimates have actually increased modestly this year. Furthermore, the company has raised its dividend every year since 2003, and we expect that trend to continue going forward. QCOM is a high quality company trading at historically low valuation levels, and we used the downturn in the Technology sector as a buying opportunity.

Sales during the quarter included Chesapeake Energy (CHK) and Medtronic (MDT).

In August, we trimmed our position in Chesapeake Energy (CHK). CHK had become one of our largest holdings due to the rise in global natural gas prices related to the war in Ukraine. Given the volatile nature of natural gas prices, we decided to reduce our exposure. CHK remains a meaningful, if smaller, position.

In September, we liquidated our position in Medtronic (MDT). This highly respected company has been beset with commercial and operational problems over the past few quarters. MDT was supposed to help us as a stable large capitalization Health Care stock, but it has lagged the group and the market, so we decided to move on. We used the proceeds in MDT to add to our position in QCOM.

The Equity Market

As we write this letter, it seems like many historic correlations are breaking down. For the year-to-date:

- Both U.S. equities and bonds (government and corporate) are down substantially. These two asset classes normally diversify one another.
- Year-over-year inflation is alarmingly high, but the U.S. dollar is hitting all-time highs and gold is coming off of a two-year low. Inflation is normally accompanied by a weak dollar and strong gold prices.
- U.S. unemployment remains low, but many investors suspect we are already in a recession.
- Oil prices (WTI spot prices) are 35% off of the highs this year in spite of a war in Ukraine and a looming threat by Russia to cut oil supplies to Europe.

Behind these contradictions is a credible threat of the use of tactical nuclear weapons by Russia, a threat most of the world had written off as a Cold War relic.

As we parse the list of investor concerns, it is important to remember that the United States is coming out of a long period of abnormally low interest rates. Interest rates represent the price of money, and, since the Great Recession in 2008, the price of money has been very low. That kind of liquidity (availability of money) can be very helpful, and certainly we needed a shot in the arm, no pun intended, during the height of the Covid pandemic. But, too much money can also be hard to put to work efficiently, and now, as the Federal Reserve reiterates its determination to fight inflation, we are adjusting to a more normal price of money, and the adjustment is difficult.

There are many contributors to the current weakness in the markets, but the tightening of the money supply over the past six months, one of the most severe contractions on a relative basis since World War II, has been an obvious negative catalyst.[3] U.S. Federal Reserve Board members know they must contain inflation, and they seem determined not to "pivot" to a less hawkish stance anytime soon. The current tightening cycle may push the U.S. economy into recession, if we are not already there.

We do not know if we are near the "bottom", but the equity market is down substantially, investor sentiment is terrible, institutional investors appear to be positioned very defensively, and inflation may be peaking. These are all reasons to be skeptical of extreme bearishness. A lengthy list of concerns is normal in a weak market, and waiting for good news to hit the tape is usually a good way to miss the rebound. The current arguments from bearish investors are popular, and the few remaining strategists who advocate buying into this weakness are feeling a little bit lonely. Their bullish outlook is, generally speaking, that the economic slowdown will be mild and that current equity prices properly reflect both the likely decline in earnings and an appropriate price-to-earnings multiple. We do not really participate in this (or any) market timing debate, but, on the whole, we believe this is a good time for long-term investors to stick with a disciplined investment approach and not the time to cut equity exposure substantially. It is also a little bit comforting to realize that equity returns after a mid-term election are, on average, better than in other years:

"The silver lining for investors is that markets have tended to rebound strongly in subsequent months (after mid-term elections), and the rally that has often started shortly before Election Day hasn't been just a short term blip. Above-average returns have been typical for the full year following the election cycle. Since 1950, the average one-year return following a midterm election was 15%. That's more than twice the return of all other years during a similar period". [4]

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[3] Professor Jeremy Siegel in CNBC "Squawk Box" interview. 9/26/2022.
[4] "Can Mid Term Elections Move Markets" Capital Ideas by Capital Group. Page 4; 9/27/22.

INVESTMENT MANAGEMENT OF VIRGINIA, LLC
OPPORTUNITY PORTFOLIO COMPOSITE
ACCOMPANYING NOTES

Year[A]	Total Return Gross (Percent)	Total Return Net[B] (Percent)	Benchmark S&P 1500 (Percent)	Benchmark S&P 500 (Percent)	Composite 3 Yr. St. Dev. Gross[C] (Percent)	Benchmark S&P 1500 3 Yr. St. Dev.[C] (Percent)	Benchmark S&P 500 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)
2012	46.98	46.27	16.17	16.00	22.60	15.39	15.09	15	3.09	26.82	173.34	N/A	0.00	0.00%	526.95
2013	44.66	43.89	32.80	32.39	20.10	12.24	11.94	22	1.99	40.79	264.32	1360.00%	0.29	0.71%	697.44
2014	-33.00	-33.42	13.08	13.69	18.11	9.12	8.98	28	1.64	41.63	142.45	13.16	0.19	0.47%	549.17
2015	-12.26	-12.75	1.01	1.38	17.38	10.49	10.48	71	1.47	59.56	110.71	3.76	1.16	1.95%	437.32
2016	22.26	21.60	13.03	11.96	17.12	10.66	10.59	70	1.09	82.87	129.75	3.30	1.21	1.46%	484.18
2017	7.01	6.42	21.13	21.83	15.23	9.92	9.92	66	0.89	74.32	123.23	1.89	2.83	3.80%	491.22
2018	-5.87	-6.36	-4.96	-4.38	17.86	10.99	10.80	72	0.74	75.67	105.74	1.10	5.30	7.01%	448.68
2019	20.04	19.45	30.90	31.49	19.06	12.11	11.93	69	1.40	87.91	119.48	0.87	6.12	6.96%	509.85
2020	14.95	14.38	17.92	18.40	22.61	18.89	18.53	63	0.88	93.71	127.19	0.29	6.73	7.18%	528.62
2021	21.87	21.28	28.45	28.71	19.05	17.47	17.17	57	1.84	106.62	159.30	0.16	7.39	6.93%	691.07
*2022	-14.48	-14.81	-23.72	-23.87	N/A	N/A	N/A	53	N/A	87.84	135.61	0.13	5.40	6.15%	519.95

* 2022 performance returns are for the period ending 9/30/22.

A. Inception of the composite was 3/31/99. Creation of the composite was 3/31/99.

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. Opportunity 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, 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 Opportunity Portfolio composite has had a performance examination for the periods March 31, 1999 through June 30, 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 IMVA from BB&T. Total firm assets exclude model programs. Additionally, as supplemental information, as of September 30, 2022, the firm provides models to programs managing a total of approximately $0.13 million in assets based on those models (this figure includes the Oppporunity 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, 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 1500 Index and to the Standard & Poor's 500 Index. The Standard & Poor's 1500 Index is a combination of the S&P 500, S&P MidCap 400, and S&P Small Cap 600 indices. This creates a broad market portfolio representing 90% of the U.S. equities. The S&P 1500 Index was added as a benchmark in January 2006. Performance has been linked in the same manner as the Opportunity Portfolio Composite. The Standard & Poor's 500 Index is a capitalization-weighted index, and is calculated based on a total return basis with divendends reinvested. The Standard & 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 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, 7231 Forest Avenue, Suite 204, Richmond, Virginia 23226, 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.