Investment Management of Virginia

Select Equity Income Portfolio
4th Quarter, 2022

The Select Equity Income Portfolio Composite was up 14.19%, net of fees, for the quarter. This result was ahead of the S&P 500 Index gain of 7.56% and ahead of the Russell 3000 Value Index gain of 12.18%.[1] The Portfolio Composite is ahead of both of these indices for the one-year, and three-year periods and between the two indices for the 5 year, and since-inception periods.[2]

Equity markets remained volatile during the fourth quarter. Many of our technology positions bounced back from the early October market weakness very nicely but have given up some of that move late in the quarter. The energy sector positions generally remained strong, but financials were relatively weak due to increased fears of recession (and the pressure on net interest margins from an inverted yield curve). Blackstone (BX) in particular came under pressure because higher interest rates are weighing on the real estate and private equity markets. Blackstone's notable success in these low liquidity markets (transactions are not easily achieved) began to work in reverse when investors looked to take profits in those funds. We believe Blackstone is one of the highest quality investors, and operators, in these markets (real estate and private equity) and intend to stay with our position for now.

The Portfolio[3]
During the quarter, we initiated a position in Standard Motor Products (SMP) and added to our position in Comcast (CMCSA).

Standard Motor Products (SMP): SMP is an auto parts supplier, serving both original equipment manufacturers (automobile manufacturers) as well as the aftermarket (professional mechanics and auto supply stores). The company is growing organically and via acquisitions, focusing new business initiatives on electric vehicles. The average age of cars on the road today is at the highest level ever which bodes well for SMP's core parts replacement businesses. The company has a strong track record of dividend payments (and annual dividend raises), produces consistent free cash flow, has a strong balance sheet, and has high inside ownership.

Comcast (CMCSA): We reduced our Vanguard Communication Services ETF (VOX) position to add to CMCSA. Investors are concerned because video subscribers are declining. However, we believe the company can offset the cable declines with growth in other services. Namely, the company has introduced wireless services as part of its bundled offering, which has begun to gain traction. In addition, NBC Universal has begun recovering from the COVID pandemic and should begin showing a profit next year. Comcast stock has a 3.1% dividend yield (as of 12/30/22) and trades at the lowest price-to-earnings ratio since 2010.

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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.

The Equity Market

What a difference a year makes! Last year at this time, the equity market was hitting all-time highs, large capitalization growth stocks still dominated the market, only a few (very smart) strategists were warning about high inflation, and the prospect of a brutal and protracted land war in Europe seemed absurd. Now, the Energy Sector is the market's darling, inflation and/or recession (a worrisome pair) are the topics du jour on financial news, and NATO is expanding its spending and membership in reaction to Russia's unimaginable aggression.

The current bearish case for the equity market requires, basically, a real recession with potential for substantial equity market losses in 2023. We must admit that some data this view. A highly inverted yield curve (short-term interest rates are higher than long-term interest rates) is the most alarming harbinger of a recession. Tony Dwyer of Canaccord, whom we pay close attention to, points out that the current depth of inversion in the yield curve has preceded a recession 100% of the time. He cites several other quantitative indicators and sums up his argument by saying "it would be historically unique for the above indicators to hit their current levels and not go into a recession".[4] Mike Wilson of Morgan Stanley has been even more bearish; he believes that 2023 earnings may be much worse than currently anticipated because cost/expense inflation will outpace topline/revenue growth, causing profit margins to contract and 2023 earnings to disappoint. The relative performance of copper versus gold also supports the recession case; gold (a traditional safe-haven) is currently outperforming copper (an industrial metal that frequently reflects economic trends). Finally, some of the largest companies in the stock market (Apple, Alphabet, Amazon) are not producing the earnings growth we all have come to expect. If these market leaders continue to languish, it will be hard for the stock market to accelerate.

The equity market bulls generally say that inflation has peaked and investors are too pessimistic about 2023. Jim Paulsen of the Leuthold Group, another strategist we like to listen to, is quite bullish. He believes the stock market will anticipate an economic recovery in late 2023 (higher price-to-earnings multiples can make up for lower earnings in the first half of 2023).[5] Tom Lee of Fundstrat also believes, like Paulsen, that equities can impress once inflation has peaked (which likely occurred this past Fall).[6] Jeremy Siegel, Professor at Wharton and author of *Stocks for the Long Run,* stated in a recent interview: "I have never seen so much bearishness in the market, which is a good sign for stock investors. I've never seen a recession so imminently called for. That is also good for investors".[7]

We try to balance these risks and avoid making heavy bets based on the march of folly (economic predictions). We are worried about the ramifications of an inverted yield curve but are comforted by the pervasive bearishness and widespread discussion of recession (which is, by definition, somewhat priced into the equity market). The decimation of cryptocurrency and SPAC speculators and the stark slowdown in initial public offerings support our suspicion that a meaningful amount of risk has been wrung out of the market. In general, stock valuations do not look expensive to us. If there is a deep recession, it will likely be caused by something few people are talking about right now. We acknowledge this risk but believe the current odds for long-term investors look promising.

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[4] Tony Dwyer's morning note. Canaccord Genuity Capital Markets, Global Morning Summary, 12/15/2022.

[5] "Leuthold's Paulsen Sees S&P 500 at 5,000 in New Bull Cycle", Dec. 8, 2022, Bloomberg News.

[6] Tom Lee on CNBC Interview, Sept. 30, 2022.

[7] "The Excessive Bearishness is Great for Equity Investors", Transcription of an interview at the Investment Insights Summit with Robert Huebscher, Dec. 13, 2022.

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	-5.83	-6.36	-18.11	-7.98	20.53	20.87	21.54	20	0.63	46.45	0.00	0.00%	571.45

* 2022 performance returns are for the period ending 12/31/22.

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 September 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 Select Equity Income Portfolio composite has had a performance examination for the periods July 1, 2001 through September 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 December 31, 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, 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.