



Small Capitalization Portfolio

4th Quarter, 2022

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Independent Investment Advisers

Portfolio Management Team of 7 Investment Professionals

Assets Under Management^{*}

Total Assets Under Management: Approximately \$572 Million

Representative Institutional Clients^{**}

- Virginia State Police Association
- Garden Club of Virginia

**AUM are for the period ending 12/31/22. The figure above includes \$571.45 million in assets directly managed by IMVA and \$0.14 million in assets managed by other firms based on model programs submitted by IMVA.*

***IMVA, LLC selected clients for inclusion in this list to indicate the scope of clients served, using the following criteria: size, geographic location, and name recognition. IMVA, LLC has not used performance criteria to select clients on this list, and it is not known whether the listed clients approve or disapprove of IMVA, LLC or the advisory services provided. The clients listed are not necessarily clients within the specific portfolio mentioned. Only clients who have consented to their names appearing on this list have been included. This information is for the period ending 12/31/22.*

John H. Bocock is a founder and the Chairman of Investment Management of Virginia. He also serves as the firm's Chief Compliance Officer. Prior to the founding of the firm, Mr. Bocock was a Managing Director of Scott & Stringfellow Capital Management, Inc. Mr. Bocock served as a Naval Special Warfare Officer from 1990 to 1993. He holds a B.A. from Dartmouth College and an M.B.A. from the Darden School at the University of Virginia. Mr. Bocock is a board member of the Scott & Stringfellow Educational Foundation.

Thomas Neuhaus is a Managing Director and a Portfolio Manager at Investment Management of Virginia. Mr. Neuhaus is a graduate of the McIntire School at the University of Virginia. Mr. Neuhaus served for three years in the Investment Banking division of Scott & Stringfellow and another three years as an equity analyst covering the information technology sector for BB&T Capital Markets. He is a CFA[®] charter holder and a Chartered Market Technician.

George Pickral joined Investment Management of Virginia as a Managing Director in January, 2014. He was promoted to a Portfolio Manager of the Small Capitalization Portfolio in June of 2018 and to a Portfolio Manager of the Opportunity Portfolio in October of 2019. Mr. Pickral has extensive industry experience on both the buy and sell side of the U.S. equity market. He previously served as Senior Research Analyst at ACK Asset Management, a New York based long/short equity hedge fund, where he covered small capitalization equities. Prior to ACK Asset Management, he was a Senior Research Analyst covering the transportation sector with Stephens Inc. He graduated with a B.A. in Economics from the University of Virginia in 2001.

Small Capitalization Portfolio Philosophy/Goals^{*}

- Concentrated portfolio (including exchange traded funds). Differentiated from small capitalization indices.
- Value-oriented initial investment approach. Buy fear; sell greed.
- Rigorous in-house fundamental research in preparation to invest (or sell) during short term stock or market dislocations.
- Focus on favorable risk/reward situations for potential participation in a full recovery cycle holding period (“value” to “core” to “growth” to “momentum” characterization).
- Changes since 2015: better balance sheets in a low growth economy, tighter sector exposure guidelines, and use of IWM (Russell 2000 Index ETF) in place of excess cash.

**The parameters and goals referenced herein reflect general strategy objectives; not every holding within a given strategy will demonstrate these characteristics; not every client portfolio within a given strategy will have the same characteristics. Variations from one portfolio to the next within a strategy are generally due to client-specific restrictions, objectives, or cash needs; timing differences relating to the pattern of deposits and withdrawals; market conditions at the time of investment; or other circumstances.*

The Value of Concentration

Cambridge Associates analyzed a selection of managers to isolate attributes that lead to success. In their findings, active share and concentration were major contributors. Their analysis found that concentrated portfolios (US Equity less than 30 positions and US Small-Cap & EAFE Equity less than 40 positions) generated between 100bps and 170bps of additional performance over non-concentrated portfolios. ¹

Survey: September 2007 – June 2013

Sample	Active Share Quartile	Mean Estimated Active Share	Average Gross Annual Value Added (bps)	Average Annual Fee (bps)	Implied Net Average Annual Value Added (bps)
US Small-Cap Equity	All		121	92	29
	Highest	98.00%	155	96	59
	Lowest	82.30%	82	85	-3
	H - L		73	11	62

*Sample includes 483 small cap managers


¹Source: Cambridge Associates, Hallmarks of Successful Active Equity Managers, Kevin Ely, 2014


The Importance of Price Sensitivity

“Over the past three decades, companies that exhibit both cheap valuations and high profitability have delivered the highest annualized returns in the market, compounding at 12% per year.”¹

Annualized Returns in Global Developed Markets (1993–2020)

		VALUATION			
		1: Deep Value	2	3	4: Expensive
PROFITS	1: Low	6.3%	6.0%	2.3%	2.2%
	2	9.7%	8.6%	7.0%	3.8%
	3	11.0%	10.4%	8.7%	7.4%
	4: High	11.7%	11.6%	10.6%	9.2%


Cheapest, Most Profitable


Most Expensive, Least Profitable

¹ Source: Brian Chingono, Verdad Advisors; Ken French data library “32 Developed Portfolios Formed on Size, Book-to-Market, and Operating Profitability” (June 2020).

The Value of a Full Cycle Holding Period

We focus on favorable risk/reward situations for potential participation in a full recovery cycle holding period (“value” to “core” to “growth” to “momentum” characterization).

Long-horizon funds (funds that hold stocks an average of 4.5 years) exhibit higher long-term risk-adjusted performance than short-horizon funds (funds that hold stocks for an average of one year), even when controlled for fund characteristics and other dimensions of active management that predict fund performance.

“The market [is] highly informationally efficient in the short run. The result is an opportunity for ‘time arbitrage,’ which means that by lengthening the time horizon for thinking about a company’s results three to five years out rather than one year out, you can increase the probability that you will outperform. Put somewhat differently, in a market that’s informationally efficient in the short term, thinking three years ahead is likely to be more effective than thinking three to six months ahead.”²

– Bill Miller

Annualized Returns For Long-Term Positions in Long-Horizon Funds Outperform All Positions In Short-Horizon Funds (March 1980 to December 2010)¹

	Return
1-quarter	
Short-term positions in short-horizon funds	3.12
Long-term positions in short-horizon funds	3.60
Short-term positions in long-horizon funds	3.08
Long-term positions in long-horizon funds	3.55
1-year	
Short-term positions in short-horizon funds	11.19
Long-term positions in short-horizon funds	14.38
Short-term positions in long-horizon funds	12.89
Long-term positions in long-horizon funds	14.68
3-year	
Short-term positions in short-horizon funds	35.51
Long-term positions in short-horizon funds	43.25
Short-term positions in long-horizon funds	41.36
Long-term positions in long-horizon funds	47.75
5-year	
Short-term positions in short-horizon funds	66.32
Long-term positions in short-horizon funds	77.97
Short-term positions in long-horizon funds	81.90
Long-term positions in long-horizon funds	89.68

¹ Source: Holding Horizon: A New Measure of Active Investment Management, Lan, Moneta, and Wermers, April 7, 2018

² Source: Global Perspectives on Investment Management, Conversation with a Money Master, CFA Institute, July 2006

Investment Universe: \$100 million to \$2 billion, equity market capitalization (for initial purchase)



- Quantitative screens



- Detailed fundamental research



- Risk and reward assessment



- Ongoing research and due diligence



25-35 Stock Portfolio: Goal is to outperform small capitalization indices, and peers, by 200 basis points over a full market cycle. *

** Past performance is no guarantee of future results, and no representation is made that goals or results similar to those shown or implied can be achieved. Please refer to the footnotes on the last page for a detailed explanation of performance.*

Quantitative screens include ^{*}:

- High quality: balance sheet, income statement, dividend, and cash flow metrics
- Negative analyst ratings but improving fundamentals
- Hidden earnings: high operating cash flow, low reported earnings
- Turnaround situations: high write-offs but improving operating earnings
- Buyout potential: cash flows and balance sheet capacity to go private

Typical holdings may have the following characteristics ^{**}:

- Projected earnings growth of 15-25% per year
- Relative P/E (Forward) of 1 or less
- Solid financial position
- Positive cash flow
- Significant insider holdings (5% to 20%)
- Attractive valuation by long-term pricing standards – Dividend Discount Model

**IMVA uses the FactSet database and Starmine analyst rankings to perform screens.*

***The characteristics referenced herein reflect general strategy objectives; not every holding within a given strategy will demonstrate these characteristics; not every client portfolio within a given strategy will have the same characteristics. Variations from one portfolio to the next within a strategy are generally due to client-specific restrictions, objectives, or cash needs; timing differences related to the pattern of deposits and withdrawals; market conditions at the time of investment; or other circumstances.*

Key Qualitative Questions

- What are the long-term goals of the management team?
- Is the management team credible, reliable, and experienced?
- What are the dynamics of the industry?
- How is the company regarded by competitors, suppliers, and customers?
- Why will the company outperform the competition?
- What are the catalysts for good stock performance?

Desired Results

- Exceptional management team with interests parallel to those of shareholders.
- Proprietary approach or asset that distinguishes the company from its peers.
- Excellent risk to reward profile and an ability to handle economic uncertainty.

RISK

- Valuation discipline – buy with a “margin of safety”
- Securities trimmed when an equity position exceeds 6% of the total account/portfolio value
- Monitored sector and intra-sector exposure

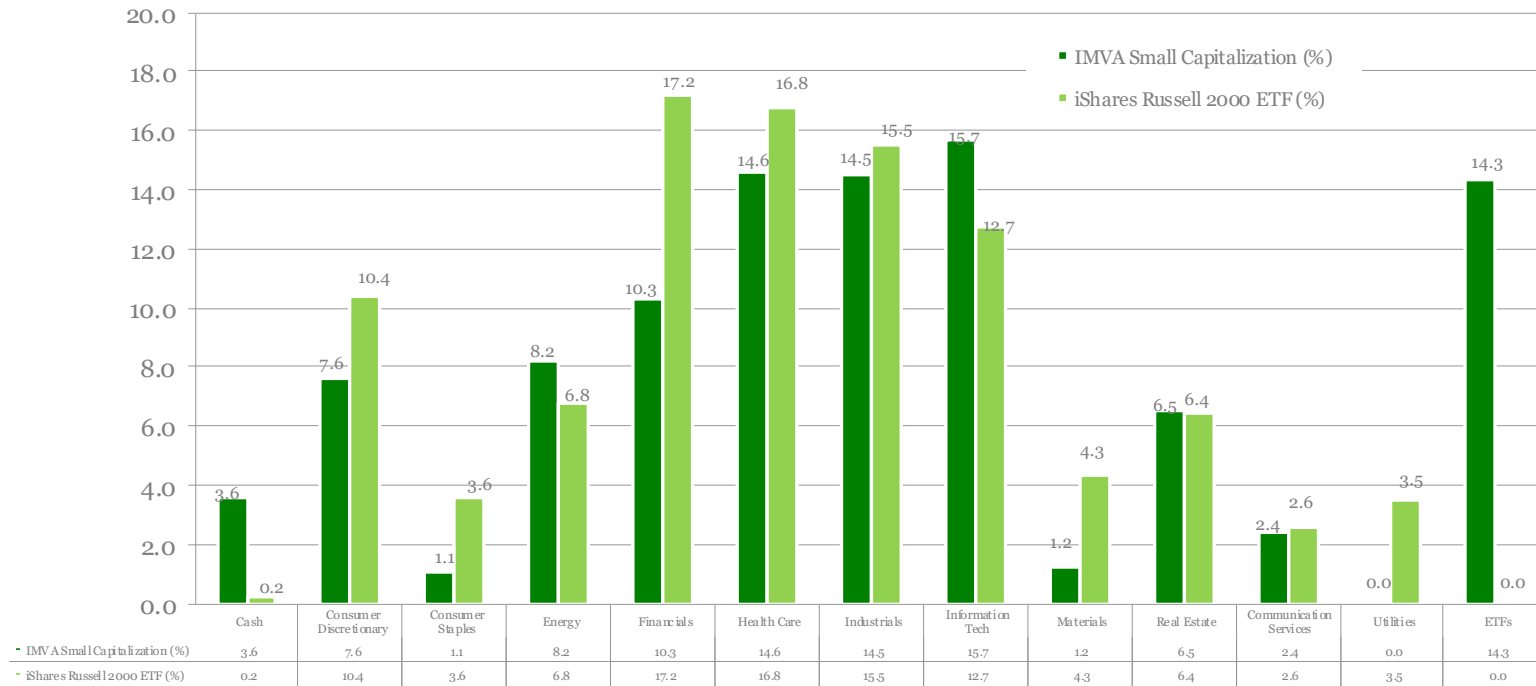
SELL

- Price target achieved
- Change in management enthusiasm, commitment, or integrity
- Unexpected earnings shortfall and/or negative earnings revision
- Fundamental or material change in the business environment

- Ishares TR Russell 2000 ETF
- Tidewater
- ProShares Russell 2000 Div Growers ETF
- Bel Fuse, Inc. Cl B
- Prestige Consumer Healthcare
- Hackett Group
- Oaktree Specialty Lending Corporation
- Allied Motion Technologies
- Alexander & Baldwin
- Atlantic Union Bankshares Corporation

**The securities listed represent the ten largest positions (as of 12/31/22) held by portfolios in the Investment Management of Virginia Small Capitalization Portfolio Composite and have not been selected by any performance criteria. It should not be assumed that recommendations in the future will be as profitable or will equal the performance of the above securities.*

Composite Sector Weightings vs. Index



*The iShares Russell 2000 ETF is used as a proxy for the Russell 2000.

The sector allocation information is for the period ending 12/31/22. The iShares Russell 2000 ETF sector weightings are obtained from BlackRock.

Small Capitalization Portfolio Characteristics*

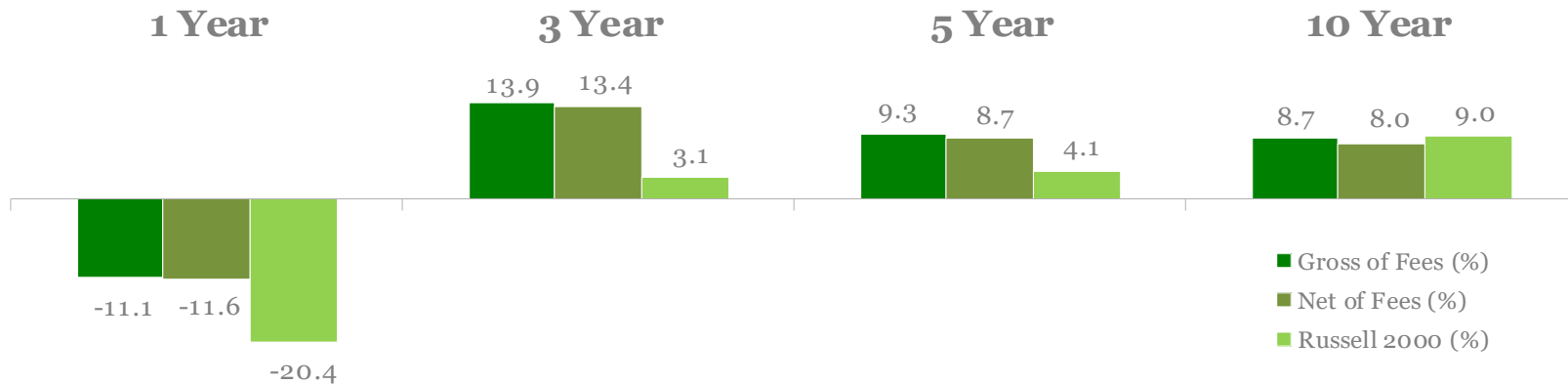
Characteristics**	IMVA***	iShares Russell 2000 ETF
Market Cap (\$B)	\$1.31	\$2.73
EPS Growth (Trailing Yr.)	13.0%	25.0%
EPS Growth (Future 5 Yr. Long-term Est.)	9.0%	14.8%
P/E Ratio (12 Mos. Forward)	15.1X	14.7X
Price to Book	1.8x	2.1x
Price to Cash Flow (12 Mos. Trailing)	11.6x	11.3x
Return on Equity (1 Yr. Trailing)	15.4%	15.9%
Debt/Total Capital	32.2%	32.7%

*Portfolio characteristics are for the period ending 12/31/22.

**Source: FactSet. The iShares Russell 2000 ETF is used as a proxy for the Russell 2000.

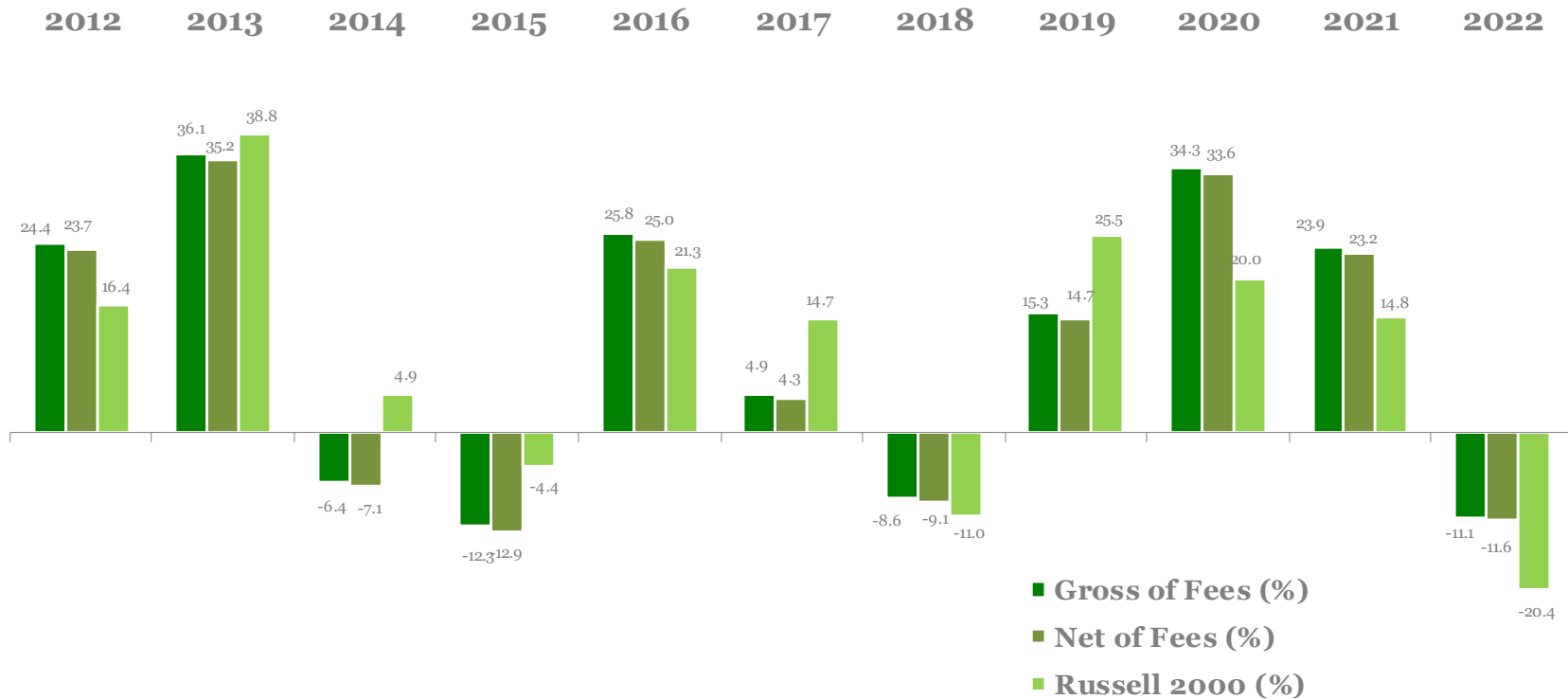
***Characteristics represent weighted average calculations for the period ending 12/31/22 and are based on the representative account in the Small Capitalization Portfolio. Not every account in the above portfolio will have identical characteristics.

Small Capitalization Portfolio Composite



Please refer to the footnotes on the last page for a detailed explanation of performance. Performance returns are for the period ending 12/31/22. Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. A GIPS report of any composite and/or a list of all composites is available upon request. 3 Year, 5 Year, and 10 Year returns are annualized.

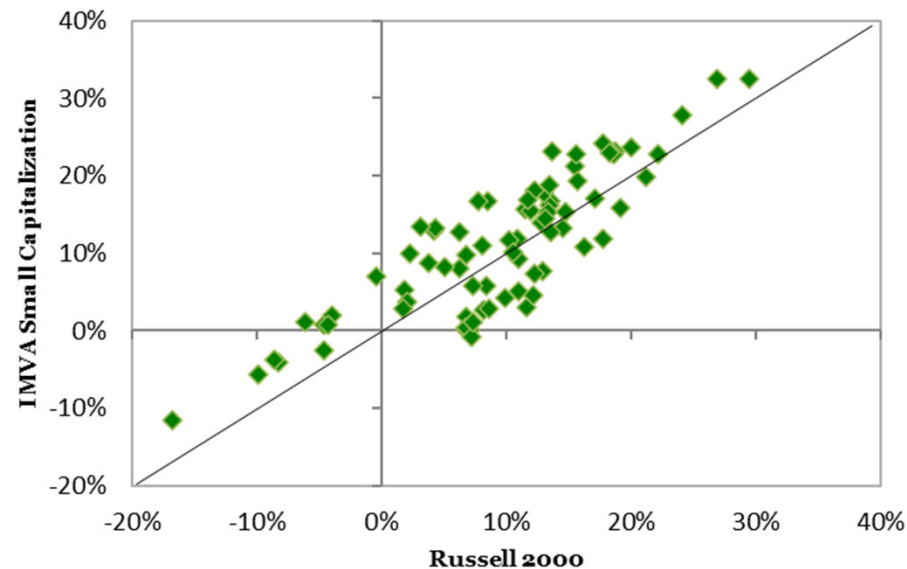
Small Capitalization Portfolio Composite



Please refer to the footnotes on the last page for a detailed explanation of performance. Performance returns are for the period ending 12/31/22. Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. A GIPS report of any composite and/or a list of all composites is available upon request.

Small Capitalization Portfolio Composite

Rolling 3-Year Annualized Returns *
(net of fees)
Period beginning 4Q03



*Rolling three-year compound annualized net returns have been calculated by IMVA, using quarterly Small Capitalization Portfolio composite and Russell 2000 Index performance information, respectively, between October 1, 2000, and December 31, 2022 (inclusive). Each point has two coordinates: one representing the compound annualized net return of the Small Capitalization Portfolio over a given three-year time series and as of a quarter-end (the vertical or Y axis, labeled “IMVA Small Capitalization”); the other representing the compound annualized net return of the Russell Index over a given three-year time series and as of a quarter-end (the horizontal or X axis, labeled “Russell 2000”). The vertical distance between each point and the diagonal line represents the difference between the compound annualized net return of the Small Capitalization Portfolio over a given three-year time series and that of the Russell 2000 Index over the corresponding timeframe.

Please refer to the footnotes on the last page for a detailed explanation of performance. Performance returns are for the period ending 12/31/22. Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. A GIPS report of any composite and/or a list of all composites is available upon request.

Positioned for continuing success

- Experienced analytical and portfolio management team in place.
- Consistently-applied investment process that optimizes the portfolio managers' ability to create value versus the indices and active management competitors. *
- Focus on long-term investment results.
- Substantial capacity for growth in assets under management.
- Extensive support within the firm in trading, administration, and compliance.

**Past performance is no guarantee of future results, and no representation is made that goals or results similar to those shown or implied can be achieved. Please refer to the footnotes on the last page for a detailed explanation of performance.*

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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)	Benchmark		Number of Accounts	Composite Dispersion (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)
				Composite 3 Yr. St. Dev. Gross ^C (Percent)	Russell 2000 3 Yr. St. Dev. ^C (Percent)								
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	23.85	23.24	14.82	21.44	23.35	14	0.58	32.10	85.37	0.00	2.39	7.45%	691.07
*2022	-11.11	-11.55	-20.44	22.12	26.02	11	0.76	27.21	38.31	0.00	1.84	6.74%	571.45

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

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