Investment Management of Virginia

Opportunity Portfolio
4th Quarter, 2022

The Opportunity Portfolio Composite was up 8.08%, net of fees, for the quarter. This result was ahead of the S&P 500 gain of 7.56% and the S&P 1500 gain of 7.79%[1]. For the full-year 2022, the Opportunity Portfolio Composite had a loss of 8.28%, net of fees, versus the S&P 500 Index loss of 18.11% and the S&P 1500 Index loss of 17.78%. The Portfolio Composite performance is ahead of these indices over three years, behind for five years and since inception.[2]

Equity markets remained volatile but positive during the fourth quarter. In general, large capitalization companies outperformed smaller companies, and dividend payers were among the strongest performers. In the Opportunity Portfolio, our small capitalization exposure helped during this quarter, particularly in the Industrial and Consumer Discretionary Sectors, while our Information Technology and Communications exposure underperformed. For the entire year, the Energy and Healthcare sectors were relatively strong while the Consumer Discretionary and Financial sectors were underperformers.

The Portfolio[3]
Purchases during the quarter included FedEx Corp., PayPal Holdings, and Thryv Holdings.

FedEx Corp. (FDX): We initiated a new position in FDX in October. In mid-September, the company reported weaker-than-expected quarterly results and lowered its outlook for the year. The culprit was a pandemic-sized expense structure that was out-of-line with current demand (lower coming out of the pandemic). We think the higher cost structure is being addressed and saw evidence of this in the third quarter earnings conference call; this right-sizing exercise should have the added benefit of producing higher free cash flow since capital expenditure requirements should be lower. In general, FDX continues to operate in what is essentially a duopoly with UPS, and we want exposure to this special situation. With the dividend yield near an all-time high, and most valuation metrics at or near 30-year lows, we like the current risk/reward in this high-quality, large capitalization transport company.

PayPal (PYPL): We initiated a new position (again) in PYPL in October. We had bought and sold PYPL, unsuccessfully, early in 2022. We obviously like the stock price at these levels, but we are also encouraged to see PYPL reducing operating expenses to protect margins. In fact, Wall Street earnings estimates have increased, albeit modestly, in each of the past two quarters. We are optimistic that PYPL will see earnings and free cash flow growth this year and believe the risk-to-reward is good at these price levels.

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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 3/31/99.
[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.

Thryv Holdings (THRY): We added to our position in November. THRY continues to produce outsized profitability in its legacy yellowpages.com business and is producing double-digit growth in its small business software offering. The software business has reached breakeven in the United States faster than we expected. We believe the stock has been under pressure from a large shareholder liquidating his position and think this specific selling pressure should abate soon. Management has been buying stock in the open market, which is nice to see, and we continue to believe these shares are very attractive.

Sales during the quarter included Ligand Pharmaceuticals, Amazon, and American Woodmark Corp.

Ligand Pharmaceuticals (LGND): We liquidated LGND in October. Ligand is a small cap healthcare company with interesting prospects, but the stock was an underperformer. A major catalyst came and went without much, if any, stock appreciation, so we decided to move on from this name. We purchased our initial position in FedEx with the proceeds.

Amazon (AMZN): We liquidated our position in AMZN in October. We were trying to build and "high-grade" our technology exposure all through 2022 but were mostly frustrated. We bought AMZN too early and currently see better risk-to-reward in PYPL.

American Woodmark Corp. (AMWD): We liquidated our position in AMWD in October. The company, a furniture maker, had a tough run in 2022 with materials inflation hitting gross margins early in the year and then a housing slowdown. We used the proceeds from this sale to fund the addition to THRY.

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 support 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

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

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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[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
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)	Total Firm Assets End of Period (Millions)
2012	46.98	45.56	16.17	16.00	22.60	15.39	15.09	15	3.09	26.82	173.34	N/A	526.95
2013	44.66	43.26	32.80	32.39	20.10	12.24	11.94	22	1.99	40.79	264.32	13.60	697.44
2014	-33.00	-33.69	13.08	13.69	18.11	9.12	8.98	28	1.64	41.63	142.45	13.16	549.17
2015	-12.26	-13.14	1.01	1.38	17.38	10.49	10.48	71	1.47	59.56	110.71	3.76	437.32
2016	22.26	21.06	13.03	11.96	17.12	10.66	10.59	70	1.09	82.87	129.75	3.30	484.18
2017	7.01	5.95	21.13	21.83	15.23	9.92	9.92	66	0.89	74.32	123.23	1.89	491.22
2018	-5.87	-6.81	-4.96	-4.38	17.86	10.99	10.80	72	0.74	75.67	105.74	1.10	448.68
2019	20.04	18.86	30.90	31.49	19.06	12.11	11.93	69	1.40	87.91	119.48	0.87	509.85
2020	14.95	13.82	17.92	18.40	22.61	18.89	18.53	63	0.88	93.71	127.19	0.29	528.62
2021	21.87	20.68	28.45	28.71	19.05	17.47	17.17	57	1.84	106.62	159.30	0.16	691.07
*2022	-7.35	-8.28	-17.78	-18.11	19.67	21.07	20.87	53	1.53	94.76	146.30	0.14	571.45

*2022 performance returns are for the period ending 12/31/22.
A. Inception of the composite was 3/31/99. Creation of the composite was 3/31/99.
B. Net returns reflect the deduction of a 1.00% fee.
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 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 Opportunity Portfolio composite has had a performance examination for the periods March 31, 1999 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. A 1.00% annual management fee is deducted monthly from the gross return to calculate the net performance. 1.00% is the highest applicable fee paid by any of the accounts in the composite. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. 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. While the basic annual fee is negotiable, it generally falls within the following range: 1.00% on the $1 million and 0.75% on the remaining balance. 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, 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 is calculated by deducting a 1.00% annual management fee from the gross return. 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.