



## Select Equity Income Portfolio

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### **THE PORTFOLIO:**

**Inception:** July 1, 2001

**Investment Style:** Defensive, all-capitalization equity

Investment Management of Virginia's Select Equity Income Portfolio is a conservative equity strategy that attempts to produce consistent, absolute returns while generating an attractive level of dividend income. The portfolio managers look for high-quality, small, medium, and large capitalization companies with steady, profitable businesses and, in general, a solid and increasing dividend payout. Exchange traded funds (ETFs) may also be used.

Attractive investments generally will have an experienced management team, a sound balance sheet, substantial free cash flow, and the ability to pay or increase an attractive dividend. A typical purchase will have high returns on invested capital, undervalued assets on the balance sheet, and a record of consistent earnings and dividend growth. Most positions will have lower price-to-earnings multiples than the market in general and could be expected to exhibit less volatility than the market.

The portfolio managers may, at times, carry a relatively large cash balance if they are unable to find attractive investments for the cash. Some sectors of the economy may, at times, be overweighted due to the nature and goals of the Portfolio, but the portfolio managers will limit excessive concentration in any one area. There are typically 25 - 40 different stocks in the Portfolio.

The Select Equity Income Portfolio strives to produce an overall dividend yield that is higher than that of the broad equity market and competitive with ten-year U.S. Treasury yields. The portfolio managers expect the Portfolio to underperform during a strong market and outperform during a weak market.

The Select Equity Income Portfolio uses the S&P 500 and the Russell 3000 Value indices as its benchmarks.\*

\*The Russell 3000 Value Index was added in September, 2018.

## Select Equity Income Portfolio Composite

### \*Performance Results:

<u>Period</u>	<u>Gross Select</u>	<u>Net Select</u>	<u>S&amp;P 500</u>	<u>Russell 3000 Value</u>
Inception to Date 2001	8.6%	8.1%	-5.6%	-4.0%
Annual 2002	-7.2%	-8.1%	-22.1%	-15.2%
Annual 2003	27.1%	25.9%	28.7%	31.1%
Annual 2004	10.6%	9.5%	10.9%	16.9%
Annual 2005	-1.1%	-2.1%	4.9%	6.9%
Annual 2006	15.2%	14.1%	15.8%	22.3%
Annual 2007	0.8%	-0.2%	5.5%	-1.0%
Annual 2008	-33.0%	-33.7%	-37.0%	-36.3%
Annual 2009	27.8%	26.5%	26.5%	19.8%
Annual 2010	16.8%	15.6%	15.1%	16.2%
Annual 2011	3.5%	2.5%	2.1%	-0.1%
Annual 2012	9.8%	8.7%	16.0%	17.6%
Annual 2013	33.0%	31.7%	32.4%	32.7%
Annual 2014	10.3%	9.2%	13.7%	12.7%
Annual 2015	-4.2%	-5.1%	1.4%	-4.1%
Annual 2016	25.8%	24.6%	12.0%	18.4%
Annual 2017	7.8%	6.7%	21.8%	13.2%
Annual 2018	-6.4%	-7.3%	-4.4%	-8.6%
1 <sup>st</sup> Qtr '19	10.0%	9.7%	13.7%	11.9%
2 <sup>nd</sup> Qtr '19	1.3%	1.1%	4.3%	3.7%
3 <sup>rd</sup> Qtr '19	1.7%	1.4%	1.7%	1.2%
4 <sup>th</sup> Qtr '19	7.2%	6.9%	9.1%	7.5%
<b>Annual 2019</b>	<b>21.4%</b>	<b>20.2%</b>	<b>31.5%</b>	<b>26.3%</b>
1 <sup>st</sup> Qtr '20	-23.5%	-23.7%	-19.6%	-27.3%
2 <sup>nd</sup> Qtr '20	18.1%	17.9%	20.5%	14.6%
3 <sup>rd</sup> Qtr '20	4.8%	4.5%	8.9%	5.4%
4 <sup>th</sup> Qtr '20	17.0%	16.8%	12.2%	17.2%
<b>Annual 2020</b>	<b>10.9%</b>	<b>9.8%</b>	<b>18.4%</b>	<b>2.9%</b>
1 <sup>st</sup> Qtr '21	7.5%	7.3%	6.2%	11.9%
2 <sup>nd</sup> Qtr '21	5.9%	5.6%	8.6%	5.2%
3 <sup>rd</sup> Qtr '21	0.4%	0.1%	0.6%	-0.9%
4 <sup>th</sup> Qtr '21	8.2%	7.9%	11.0%	7.5%
<b>Annual 2021</b>	<b>23.6%</b>	<b>22.4%</b>	<b>28.7%</b>	<b>25.4%</b>
1 <sup>st</sup> Qtr '22	-0.1%	-0.4%	-4.6%	-0.9%
2 <sup>nd</sup> Qtr '22	-11.7%	-11.9%	-16.1%	-12.4%
3 <sup>rd</sup> Qtr '22	-6.6%	-6.8%	-4.9%	-5.6%
4 <sup>th</sup> Qtr '22	14.4%	14.1%	7.6%	12.2%
<b>Annual 2022</b>	<b>-5.8%</b>	<b>-6.8%</b>	<b>-18.1%</b>	<b>-8.0%</b>
<b><u>Cumulative Return</u></b>				
<b>7/1/01-12/31/22</b>	<b>417.8%</b>	<b>318.1%</b>	<b>377.0%</b>	<b>343.1%</b>
<b><u>Annualized Return</u></b>				
<b>7/1/01-12/31/22</b>	<b>8.0%</b>	<b>6.9%</b>	<b>7.5%</b>	<b>7.2%</b>

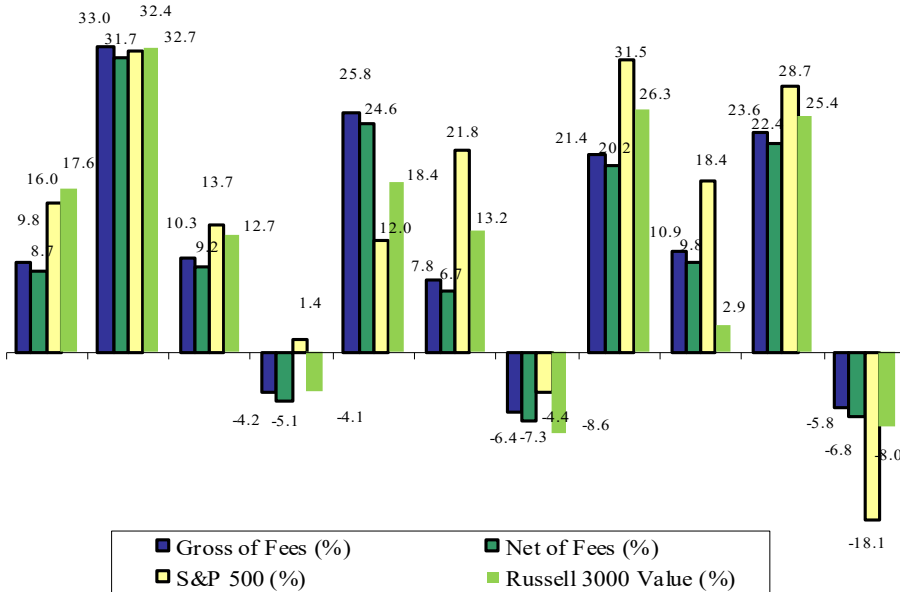
\*Select Equity Income Portfolio Composite Inception Date: July 1, 2001. Please refer to the attached GIPS report for a detailed explanation of performance presented. Performance figures, both net and gross of fees, have been examined through September 30, 2022. Performance returns are for the period 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.

# Select Equity Income Portfolio Composite

## Annual Performance\*\*

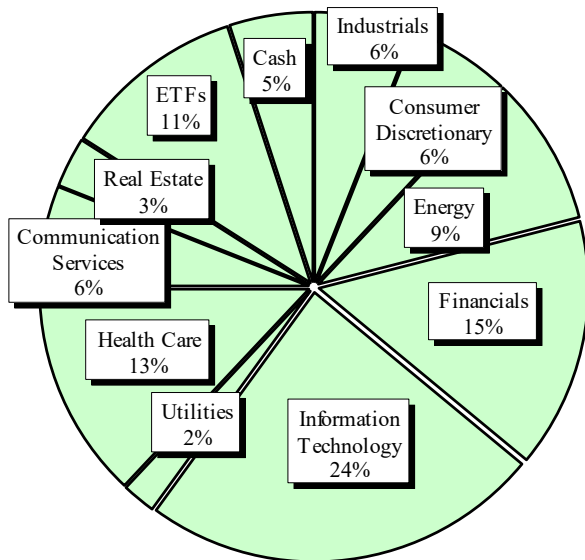
## Commentary

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022



We try to 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. 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.

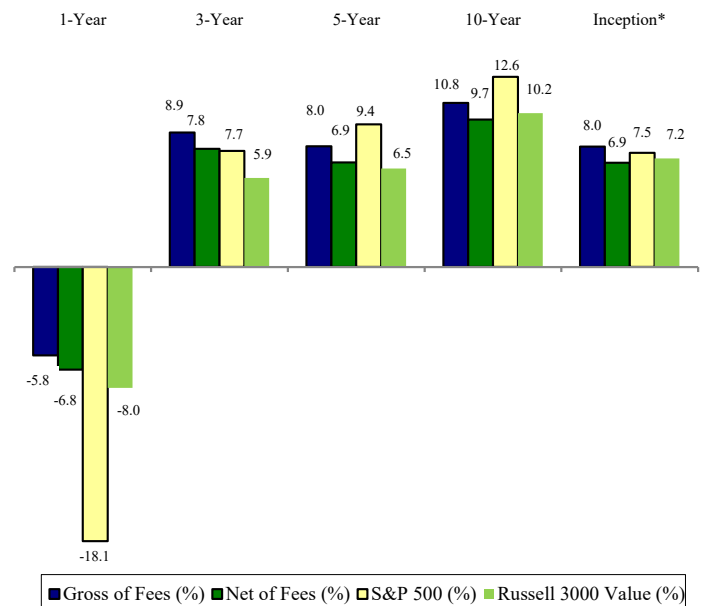
## Sector Breakdown



## Fourth Quarter 2022 Performance\*\*

Select Equity Income Portfolio (Gross)	14.4%
Select Equity Income Portfolio (Net)	14.1%
S&P 500	7.6%
Russell 3000 Value	12.2%

## Annualized Performance\*\*



\* Inception of the composite was 7/1/01. \*\*Please refer to the attached GIPS report for a detailed explanation of performance presented. 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.

INVESTMENT MANAGEMENT OF VIRGINIA, LLC  
SELECT EQUITY INCOME PORTFOLIO COMPOSITE  
ACCOMPANYING NOTES

Year <sup>A</sup>	Total Return	Total Return	Benchmark	Benchmark	Composite 3 Yr.	Benchmark	Benchmark	Number of	Composite	Composite Assets	Total Firm Assets
	Gross	Net <sup>B</sup>	S&P 500	Russell 3000	St. Dev. Gross <sup>C</sup>	S&P 500	Russell 3000				
	(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	Value	Accounts	Dispersion Gross <sup>C</sup>	End of Period	End of Period
							3 Yr. St. Dev. <sup>C</sup>		(Percent)	(Millions)	(Millions)
2012	9.80	8.72	16.00	17.55	14.49	15.09	15.81	15	0.48	22.87	526.95
2013	32.98	31.69	32.39	32.69	11.44	11.94	12.90	16	0.53	29.04	697.44
2014	10.28	9.19	13.69	12.70	9.60	8.98	9.36	16	0.36	30.57	549.17
2015	-4.18	-5.13	1.38	-4.13	10.60	10.48	10.74	25	0.33	38.79	437.32
2016	25.78	24.55	11.96	18.40	10.93	10.59	10.97	27	0.79	45.35	484.18
2017	7.78	6.71	21.83	13.19	10.55	9.92	10.33	27	1.05	46.07	491.22
2018	-6.37	-7.31	-4.38	-8.58	12.11	10.80	11.06	28	0.55	39.90	448.68
2019	21.41	20.22	31.49	26.26	12.74	11.93	12.01	27	0.87	44.89	509.85
2020	10.85	9.76	18.40	2.87	19.15	18.53	19.96	24	0.70	44.50	528.62
2021	23.64	22.43	28.71	25.37	17.70	17.17	19.34	22	1.94	54.62	691.07
*2022	-5.83	-6.77	-18.11	-7.98	20.53	20.87	21.54	20	0.63	46.45	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. 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.

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. 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 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, 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](mailto: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.