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MUTUAL FUND PROFILE

Portfolio Excels With Steady Stocks That Aim For Dividends That Go Up

Pioneer's Yield Is Near 11%

Integrity fund caters to shareholders who want income now, smooth ride

BY PAUL KATZEFF
INVESTOR'S BUSINESS DAILY

Unlike the old Post Office pledge of delivering the mail regardless of rain, snow and sleet, $225.1 million Integrity Dividend Harvest Fund **(IDHIX)** can't promise it'll pony up attractive dividends even during stormy markets. But that's the spirit of what the fund's managers aim for.

"We're looking for stocks that maximize current income, growth of that income, while minimizing volatility," said Michael Morey, who runs the fund along with senior manager Shannon Radke, Joshua Larson and Trey Welstad.

When the fund can also dish up growth of its own share price through appreciation of his holdings, so much the better.

This is a fund for shareholders who prioritize current income with minimal volatility. So the fund managers seek stocks best positioned to provide that sort of ride. Those are mature, financially stable companies.

"Firms we focus on have the ability to raise their dividend," Morey said. "Having their income increase over time is a goal of the investment, which can help offset inflation. We think shareholders are really going to take a hard look at this opportunity in the current market environment" of inflation being higher than it's been in years.

Look at the numbers. The fund's trailing 12-month (TTM) yield was 3.09% going into Wednesday. In comparison, TTM yield by SPDR S&P 500 ETF **(SPY)** was 1.41%.

In addition, dividends offer a tax benefit. Dividends are taxed as high as 15% and 20%, which tend to be lower than the tax rate on interest from bonds. That's taxed at ordinary income rates, which this year peak at 37%.

Those benefits likely help explain the fund's appeal so far this year. The fund's gross inflow has been $46 million so far this year vs. $11 million in the same period last year, Welstad says.

And in a year when most funds have lagged the broad market, Integrity Dividend Harvest Fund is in the elite minority that has outperformed. Further, it's in positive territory.

The fund's total return year-to-date is 3.67% going into Wednesday vs. a 13.74% loss by the S&P 500 and a 4.10% setback on average by large-cap value funds tracked by Morningstar Direct.

Stocks that raise their dividend and whose dividend yield is attractive are the foundation of the fund's aim to offer fat dividend distributions.

Among current holdings, health care products producer Johnson & Johnson **(JNJ)** has raised annual dividends 61 years straight. Drink maker Coca-Cola **(KO)** has raised annual dividends for 60 straight years. Pharmaceuticals maker AbbVie **(ABBV)** and cigarette maker Altria Group **(MO)** have raised dividends more than 50 years in a row. Telecom Verizon Communications **(VZ)** has upped its dividend 15 consecutive years.

Broadcom **(AVGO)** is a perhaps surprising member of Integrity Dividend Harvest Fund's portfolio. It's a growth stock. "You might not think of it as low volatility," Welstad said. But the stock makes up for any extra share-price bounciness with a higher-than-average dividend yield, Welstad says. "Over the past five years, they've grown their dividend by about 38%," he said.

The dividend yield is now 2.7%. Its total return averaging about 22% annually the past five years is well ahead of the S&P 500's return of about 13%.

Those Broadcom characteristics add balance, Welstad says, to the fund's mix of stocks with four metrics the fund managers crave: low volatility, higher yield, consecutive years of dividend hikes and large market capitalization.

Integrity Dividend Harvest I

Shannon Radke

Michael Morey

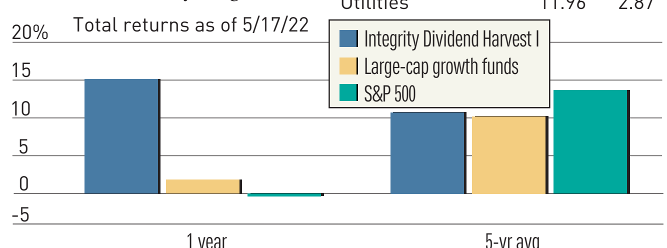
Load:	None
Expenses:	0.70%
Symbol:	IDHIX

Total returns as of 5/17/22

2021:	24.63%	3-yr. avg.:	12.45%
YTD:	3.67%	5-yr. avg.:	10.70%
		10-yr. avg.:	N.A.

Sector weightings
Fund as of 3/31/22, S&P 500 as of 4/30/22

	% of stock assets	% of S&P 500
Cyclical	**20.45%**	
Basic materials	2.84	2.44%
Consumer cyclical	2.35	11.21
Financial services	15.26	13.16
Real estate	0.00	2.92
Economically sensitive	**35.57**	
Communication svcs	6.63	8.64
Energy	11.97	4.17
Industrials	2.83	8.27
Technology	14.14	24.69
Defensive	**43.97**	
Consumer defensive	15.10	7.33
Health care	16.91	14.29
Utilities	11.96	2.87



Source: Morningstar Direct

Energy Stock With High Yield

Oil and gas explorer and producer Pioneer Natural Resource **(PXD)** is one of the poster-boy holdings for this fund. Its dividend yield is a sky-high 10.7%.

Like many commodity-oriented stocks, Pioneer pays a variable dividend. Its payout adjusts, based on earnings. And Pioneer has had ample earnings.

Earnings per share grew at a triple-digit pace the past four quarters in a row. They're forecast to soar another 133% this year, according to analysis by MarketSmith.

The Integrity Dividend Harvest Fund managers think Pioneer's earnings growth, like its sector's overall, will continue to have a tailwind. Global energy production is well short of demand, Morey says.

Also, E&P firms have recently acted in a more shareholder-friendly fashion than they did in the shale-boom of 2009 through 2014. Then, E&P firms spent heavily on production. They did not return nearly as much free cash flow to shareholders as investors wanted, Morey says.

Amid the current boom in earnings, they've been more disciplined, Morey says. That has meant more dividends and share buybacks for shareholders. And it has meant less costly expansion of energy supplies, Morey says.

In addition, Pioneer in particular resisted the temptation to hedge production, Morey says. That means it presold less of its output at relatively low prices in the form of futures. It has been able to sell more output at higher spot prices.

Likewise, Pioneer blunted the impact of inflation this year by locking up many advance contracts for drilling services and sand for fracking, Morey says.

Genuine Parts **(GPC)** distributes automotive and industrial replacement parts.

Earnings per share growth has accelerated, growing 15%, 18% and 24% the past three quarters. It is forecast to climb 13% this year.

In addition, its dividend yield is 2.6%. "It has raised its dividend for 65 consecutive years," Radke said. "Its most recent dividend increase was in March. And that was nearly a 10% increase."

Radke has a bullish outlook. The company beat first-quarter earnings estimates and raised its 2022 full-year guidance. Largely as a result of the coronavirus pandemic, people are using their vehicles more so they can avoid crowds on public transportation, Radke says. Also, new car prices are increasing. Both of those trends encourage people to buy parts to maintain their vehicles. "That makes this a very appealing stock," Radke said.

In its industrial line, the company "is the number one seller in the country of things like bearings, pneumatics and hydraulics," Radke said. The business stands to benefit from inflation and an easing of supply chain constraints, Radke says.

Integrity Dividend Harvest Fund is sold by prospectus only. For more complete information an investor should consider the investment objectives, risks, and charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. You may obtain a prospectus at no cost from your financial advisor or at www.integrityvikingfunds.com. Please read the prospectus carefully before investing.

The performance data represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain performance data current to the most recent month-end, an investor may call toll free 800-276-1262 or visit www.integrityvikingfunds.com.

Returns for Integrity Dividend Harvest Fund for the period ended 3/31/22 are: Class I Shares YTD 4.36%, 1-year 21.51%, 3-year 12.47%, 5-year 10.31%, SI 10.44%. Due to Class I Shares inception date of 8/1/2016, 10-year returns are unavailable. Total Annual Fund Operating Expenses After Fee Waivers and Expense Reimbursements are 0.70% for Class I Shares. Total Annual Fund Operating Expenses Gross of Fee Waivers and Expense Reimbursements are 1.23% for Class I Shares. 30-Day SEC Yield for Class I Shares is 2.140% Subsidized; 1.655% Unsubsidized. Yield quoted is distribution rate, which reflects the Fund's dividends paid to shareholders in the most recent quarter.

The Class I shares of the Fund (IDHIX) had a distribution rate of 3.11% for the quarter ended 3/31/2022. This article must be accompanied by a prospectus.

Because the Fund can only distribute what it earns, the distributions to shareholders could decline when dividend income from stocks in the portfolio decline. The Fund's emphasis on dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Also, a company may reduce or eliminate its dividend, which could affect the Fund's ability to generate income.

Preferred stocks are subject to the risks associated with other types of equity securities, such as potential volatility, as well as additional risks, such as risks related to deferral and omission of distributions; credit and subordination risk; interest rate risk; call, reinvestment and income risk; liquidity risk; risks related to limited voting rights; and risks related to special redemption rights.

The Fund may invest in securities of non-U.S. issuers, which have special risks. These risks include international economic and political developments, foreign government actions including restrictions on payments to non-domestic persons such as the Fund, less regulation, less information, currency fluctuations, and interruptions in currency flow. Investments in foreign securities also entail higher costs.

The holdings highlighted represent 31.44% of the Fund's portfolio as of 3/31/2022: Johnson & Johnson 2.78%, Coca-Cola 3.26%, AbbVie 7.93%, Altria Group 3.47%, Verizon Communications 3.99%, Broadcom Inc 7.26%, Pioneer Natural Resources 1.79%, Genuine Parts Co 0.96%. The Fund's top ten holdings represent 40.73% of the Fund's portfolio as of 3/31/2022: AbbVie Inc 7.96%, Broadcom Inc 7.26%, Verizon Communications 3.99%, Altria Group 3.47%, Pfizer Inc 3.30%, Coca-Cola 3.26%, JPMorgan Case & Co 3.24%, American Electric Power Co 2.78%, Johnson & Johnson 2.78%, Merck & Co 2.72%. The portfolio may or may not hold and is not restricted to the holdings listed.

All expressions of opinion are subject to change without notice in reaction to shifting market conditions. Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed.