IntegrityVikingFunds®
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AMERICAN ENERGY

Integrity

Mid-North American Resources Fund

ICWIX // ICPAX // ICPUX

The Inflation Reduction Act and Renewable Energy

Portfolio Manager Update

Winner's Circle: Coterra Energy

October 2022

Inflation Reduction Act // Renewable Energy

The new law includes billions in incentives and tax credits reserved for renewable energy

Renewable Focus

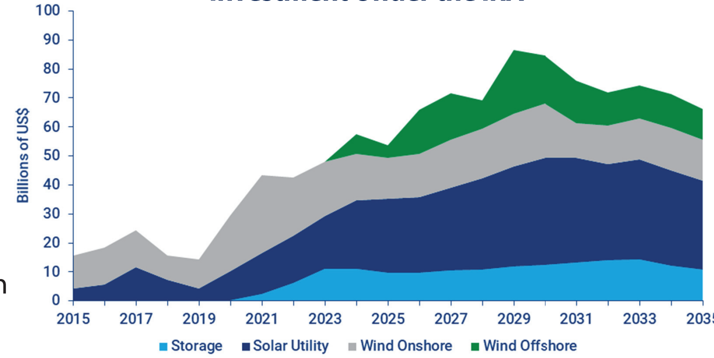
Healthcare, prescription drugs, and stock buy-backs are some of the many issues the Inflation Reduction Act (IRA) addresses, however, its provisions relating to energy innovation have dominated the news.

Multiple facets of renewable energy are incentivized under the IRA including energy storage, nuclear power, alternative energy vehicles, and hydrogen. This reduces the risks associated with preferring one energy solution over others. Furthermore, the law extends on existing tax credits and creates new credits for the generation of renewable energy and gives producers the option to choose whichever one works best for them.

'All of the Above' is Still Needed

The IRA is without a doubt one of the most significant pieces of legislation the U.S. has passed for renewable energy. While renewable energy plays an important role for energy security and independence, conventional energy sources will continue to be an essential bridge towards electrification and providing affordable energy for consumers in the US and abroad.

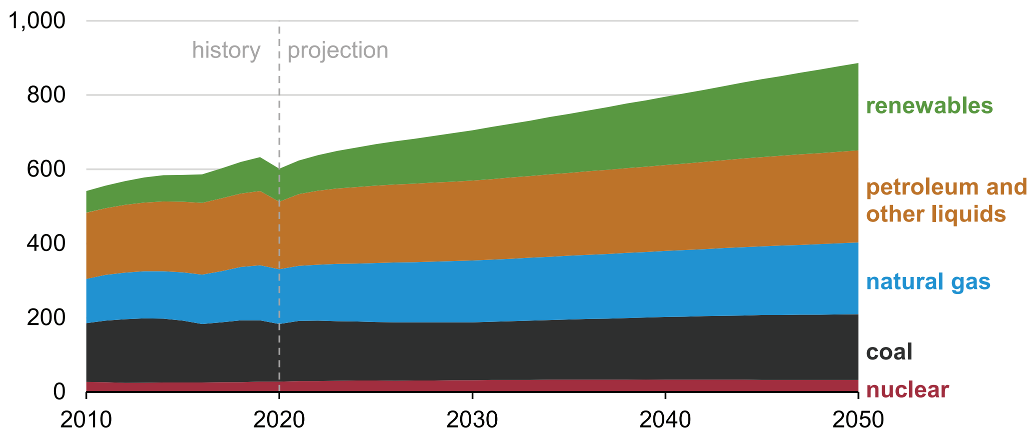
Projected US Renewable Energy Investment Under the IRA



Source: Wood Mackenzie

Global primary energy consumption by energy source (2010-2050)

quadrillion British thermal units

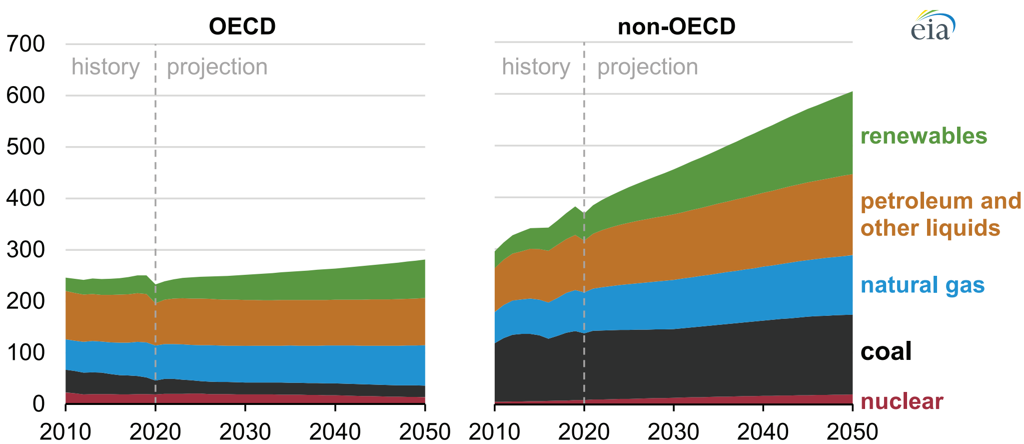


Source: U.S. EIA, *International Energy Outlook 2021*

In their *International Energy Outlook 2021* reference case, the EIA projects that, absent significant changes in policy or technology, global energy consumption will increase nearly 50% over the next 30 years. Although petroleum and other liquid fuels will remain the world's largest energy source in 2050, renewable energy sources, which include solar and wind, will grow to nearly the same level.

Global primary energy consumption by source, OECD and non-OECD countries (2010-2050)

quadrillion British thermal units



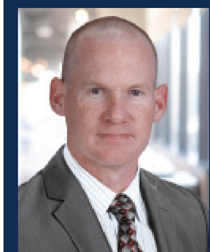
Source: U.S. EIA, *International Energy Outlook 2021*

Falling technology costs and government policies that provide incentives for renewables will lead to the growth of renewable electricity generation to meet growing electricity demand. As a result, renewables will be the fastest-growing energy source for both OECD and non-OECD countries. The EIA projects that coal and nuclear use will decrease in OECD countries, although the decrease will be more than offset by increased coal and nuclear use in non-OECD countries.

Energy Industry Update

From the Portfolio Management Team of the Integrity Mid-North American Resources Fund

Michael Morey



Shannon Radke

Trey Welstad, CFA

Rewarding Volatility

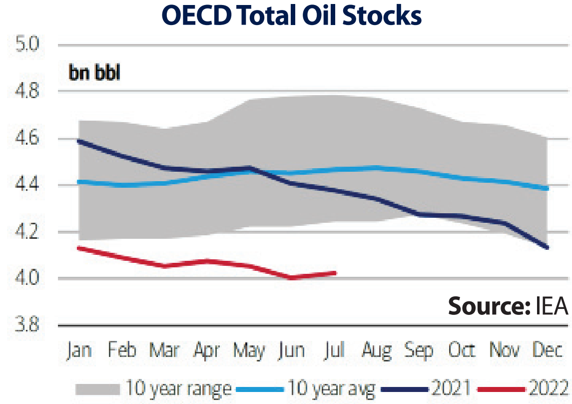
It has been a volatile, yet rewarding year for the energy sector so far. Crude oil prices climbed over 60% the first half breaching $100/bbl only to pull back into the $80s. While the rise was largely driven by the Russian invasion of Ukraine, there was more involved in the pullback. OPEC continued to increase production and there was a global effort to control rising pump prices via a coordinated strategic petroleum reserve (SPR) release. Add high inflation and recessionary concerns and the pullback seems warranted. As we transition into the winter months, there are plenty of catalysts for the energy sector.

OPEC completed their production increases and recent rhetoric indicates they'll reduce production to support higher crude oil prices. Additionally, the coordinated SPR release is coming to an end and White House officials have begun discussing refilling the SPR at current lower prices. While we don't think this will occur before the mid-term elections, it's prudent to add to the reserves given the ongoing European conflict. EU sanctions on Russia are set to be imposed on seaborne crude and on petroleum products in December and February respectively. The resulting transportation and storage expense increases will increase the cost per barrel, causing a major 'reshuffling of barrels' throughout the world. Lastly, we are likely to see a demand pull for crude oil as utilities and consumers look to heating oil versus natural gas and coal. These factors are inverse of what we saw over the latter half of the summer when total crude inventories built.

Opportunities within Energy

Currently, we see two segments of the energy sector that stand above the rest. The first is exploration & production companies (E&Ps). There is much to be excited about regarding the set up for domestic E&Ps over the coming years, especially with current valuations near historical lows. E&Ps boast a forecasted 18% free cash flow yield through 2025. We think the group is capable of returning over 50% of current market capitalization back to shareholders over the next four years through dividend and share repurchases. Additionally, strong free cash flow generation and capital discipline have allowed the group to reduce debt to 0.5x Net Debt/EBITDA. E&Ps are currently pricing in at ~$60/barrel WTI long-term giving the group material upside to current strip pricing.

OECD Total Oil Stocks

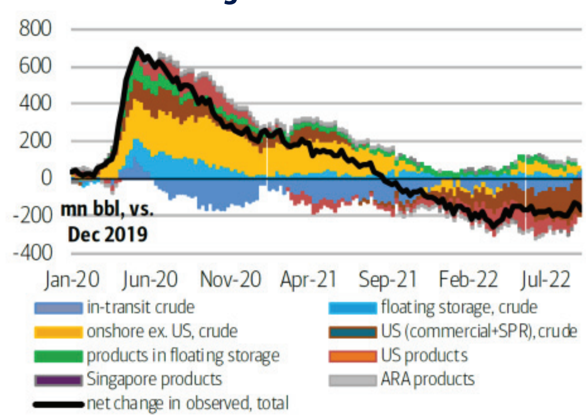


Source: IEA

The second segment is liquefied natural gas (LNG). Globally, natural gas prices versus domestic prices remain wide. The clear beneficiaries of these price differentials is domestic LNG export companies. Cheniere Energy is the leading LNG exporter for the U.S. with profitability soaring over recent years. The concept of liquefying, shipping and regasification has transitioned natural gas from being a regional to a global commodity. As LNG capacity grows, the differentials will tighten, however, construction of large scale facilities takes 4-5+ years due to regulatory approvals. That being said, companies such as New Fortress and Excelerate Energy liquefy natural gas directly on offshore wells which, while being smaller in scale, can bring capacity online in as little as one year. From there, the LNG is kept on floating storage ships until being transferred to tankers for worldwide distribution.

The great potential for renewable energy is also worth mentioning given the recent passage of the Inflation Reduction Act (IRA). Long-term growth prospects are immense, with further upside being provided by support from governments around the world to diversify energy sources. Renewable energy has outperformed the broader market drastically since the passage of the IRA, but its true potential will be realized when inflation and higher rates begin to wane.

Observed Change in Petroleum Inventories



Source: Bloomberg, Kayrros, Clarkson, BofA Global Research

Conclusion

While volatility adds complexity to energy investing, one should focus on the fundamental backdrop for the sector. A mild recession doesn't doom the sector as there are several factors that continue to support sustained higher oil and natural gas prices. Below average inventories of crude oil, crude products and natural gas persist globally. The lack of global capital expenditures will continue to make it difficult for supply to keep up with demand even if a recession slows demand growth. OPEC has fulfilled their production quotas and spare capacity is less than two million barrels of oil/day. And finally, geopolitical risks remain high both with the ongoing conflict in Ukraine and doubts over an Iranian nuclear deal. We don't expect a sustained pullback in oil prices as OPEC seems content to support oil prices above $90/barrel and OECD SPR reserves may start refilling at $80/bbl. These two forces provide not only a potential floor, but also further upside to oil prices which are likely needed to spur global capital expenditures toward exploration & production to increase supply and align with growing global demand.

Winner's Circle // Coterra Energy

Ticker	**CTRA**
Headquarters	**Houston, TX**
CEO	**Thomas E. Jorden**
Employees	**936**
Market Cap	**24.59B (8/31/22)**

A Different Kind of Energy

Coterra is a premier energy company with exposure to natural gas, natural gas liquids, and oil, helping to mitigate volatility through industry cycles while positioning them to meet the unique demands of a new energy marketplace.

They believe in several building blocks for sustainable performance: their organization, assets, continuous innovation, and financial strength. They are best-in-class in all four, giving them a resilient platform with greater financial strength to deliver sustainable performance through the cycles.

Cimarex + Cabot = Coterra

Cimarex was formed in 2002, the result of Helmerich and Payne's production division merging with Key Production Co. Its namesake was linked to the Cimarron territory of Western Oklahoma where both companies enjoyed success. The roots of Cabot Oil & Gas go back to the late 1800s when Godfrey Lowell Cabot became the sole proprietor of the Cabot Corporation. After traversing the country for more than 100 years, the company went to Pennsylvania to produce natural gas and grew to become the 5th largest producer in the U.S.

Cabot Oil & Gas and Cimarex Energy merged in 2021 forming the best of both companies now known as Coterra Energy. "Today marks the beginning of our journey as one Coterra team. We couldn't be more excited to bring together our teams and form a new E&P company that is positioned to succeed in the next phase of the shale revolution and beyond. With tremendous flexibility between premier oil and natural gas assets and a focus on operating efficiently, driving substantial cash flows and generating capital returns through commodity cycles, Coterra is poised to deliver enhanced value to our shareholders," said CEO Thomas E. Jorden following the announcement of the merger.

Mission:
To create value by generating sustainable returns for investors, offering a rewarding experience for our team, and delivering reliable energy solutions to all – safely and responsibly.

Key Messages

COTERRA

Committed to Capital Discipline and Shareholder Returns
Focused on Execution and Maximizing Return on Capital

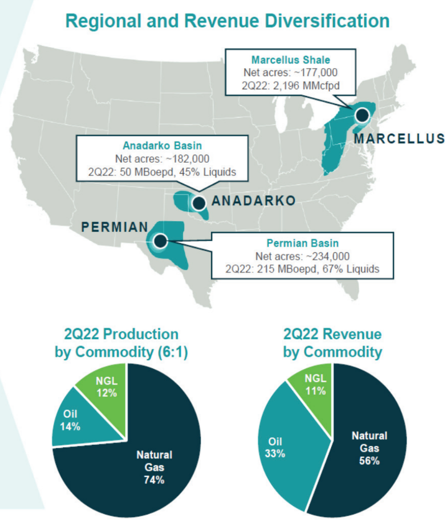
COMMITTED TO **SHAREHOLDER RETURNS**
- **Returning 92% of 2Q22 CFFO or 80% of FCF[1]** via dividend and share buybacks
- Base + variable dividend of $0.65/sh, ~9% annualized yield[2]
- 2Q22 repurchase of 11 mm shares, totaling $303 mm, or 30% of FCF

STRONG **EXECUTION AND PERFORMANCE**
- 2Q22 Production above the high-end of guidance
- Increasing 2022 production guidance, no adjustment to TIL guidance

CAPITAL BUDGET INCREASING
- Capital budget to $1.6 - $1.7 bn, 10% above previous guidance
- 2022 capital remains <30% of CFFO at recent strip

STRONG **FREE CASH FLOW** OUTLOOK
- 2022 projection at recent strip prices of ~$4.5 bn

IMPLEMENTATION OF KEY **ESG INITIATIVES**
- Running E-Frac, E-Rigs, and E-Compression off grid power
- Achieved zero routine high-pressure flaring in 2H21
- 2022 Sustainability Report to be released in 4Q22



Source: Coterra Energy 1Q22 Earnings Presentation

Investments may lose value. The Fund is sold by prospectus only. 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 adviser or at www.integrityvikingfunds.com. Please read the prospectus carefully before investing.

The Fund's top ten holdings represented 46.19% of the Fund as of 9/30/2022: Cheniere Energy 9.71%, Diamondback Energy 6.41%, Ovintiv Inc 4.19%, Exxon Mobil 4.18%, Cactus Inc 4.00%, NexTier Oilfield Solutions 3.77%, Halliburton 3.74%, Enbridge Inc 3.64%, ChampionX 3.29%, Marathon Oil 3.26%. The portfolio may or may not hold and is not restricted to the companies listed.

Because the Fund normally invests in common stocks of companies engaged in natural resources-related activities in a limited geographical area, the Fund's performance largely depends on the overall economic condition of the related sectors and geographical area. Additionally, diplomatic, political or economic developments in foreign countries could adversely impact the Fund's investment in securities of foreign companies.