

# Quarterly Commentary

*To everything (turn, turn, turn)  
There is a season (turn, turn, turn)  
And a time to every purpose under heaven*

– Written by Pete Seeger, performed by The Byrds

Every year at Integrity, we discuss ways to improve. This year, we are focusing on information management, flow, and processing. As a result, we have made incremental changes to some of our team members' roles. Additionally, we are implementing a new research management system.

Konner Reed has taken over coverage of commercial services from Mike Wayton. This change reduces Mike's workload and allows him to concentrate more on his role as lead risk analyst and his sector work in the technology and consumer sectors. Furthermore, it acknowledges Konner's continued growth and advancement within the team.

Similarly, Frankie Carson has assumed responsibility for financial services and consumer finance within the financials sector. This reflects Frankie's ongoing development and our confidence in his abilities.

Within our value universe, industrials represent a broad and diverse space. Currently, four team members work in this sector. We identified an opportunity for better coordination of research and idea generation. To address this, Joe Gilbert will no longer focus solely on autos and transports—a legacy industry from our days at the bank using BARRA classifications. Instead, Joe will now cover the entire industrials sector. Additionally, he has been appointed as the coordinator for the industrials sector. In this role, Joe will organize industrials sector meetings, coordinate research efforts to avoid duplication, monitor our idea pipeline, and analyze portfolio exposures relative to benchmarks. These changes aim to enhance efficiency throughout the investment process in this sector.

Given Joe's expanded responsibilities, his coverage of insurance will transition to the financial team. This adjustment not only balances Joe's workload but also creates synergy by consolidating responsibility for the entire financials sector within one team.

We believe these changes will optimize the use of our team's time and talents while providing a more comprehensive view of risks and opportunities.

We are particularly excited about implementing a new research management system. While still in its early stages, we aim to complete implementation by year-end. This system will centralize all internal research—management notes, stock write-ups, valuations, etc.—and make it accessible from a single dashboard on everyone's desktop. Although significant effort goes into producing this research, we believe we can derive greater value from it. With streamlined access to this information at the touch of a button, we expect to maximize its impact on our research efforts. This is an exciting project led by Dan DeMonica, who deserves significant recognition for his efforts and progress thus far. We also appreciate the support provided by Victory Capital corporate. Stay tuned for further updates.

Utilities was the top performing sector in the benchmark. Technology, health care, and energy were the worst performing sectors within the benchmark. Small cap value outperformed small cap growth.

The Integrity Small Cap Value Fund (A shares without sales charge) underperformed its benchmark, the Russell 2000® Value Index for the quarter. Security selection in consumer discretionary, technology, industrials, and energy resulted in underperformance. Stock selection in health care, utilities, financials, and real estate helped performance. Sector weights were positive due to our underweight in health care and an overweight to utilities. From a style attribution perspective, lower volatility and a higher market capitalization were tailwinds.

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Stock selection in consumer discretionary was the largest source of underperformance. Retail shares such as Victoria's Secret & Company (VSCO), Steven Madden, Ltd. (SHOO), American Eagle Outfitters, Inc. (AEO), and PVH Corp. (PVH) lagged on concerns about the strength of the consumer, tariff impact, and conservative/cautious company guidance. Softer-than-expected first quarter sales guidance resulting from fluctuations in foreign exchange rates (FX) and category exits sent Newell Brands Inc. (NWL) shares lower. Marriott Vacations Worldwide Corp. (VAC) guided EBITDA to decline this year whereas their timeshare peers guided for growth, sparking a sell-off. Jack in the Box Inc. (JACK) delivered better-than-expected earnings; however, a soft start to the quarter and an unexpected CEO departure resulted in underperformance.

MaxLinear, Inc. (MXL), down 45%, was the largest detractor within technology. Despite earnings and guidance upside, shares of the company lagged on lower-than-expected sales from optical interconnect products. Kulicke & Soffa Industries, Inc. (KLIC) also sold off. Although results were excellent, the company's end markets (autos, PCs and cell phones) remain sluggish, causing management to give underwhelming 2025 guidance.

In industrials, Columbus McKinnon Corp. (CMCO) was a notable detractor. They announced a large acquisition that takes leverage to five times and dilutes shareholders' ownership, while greatly increasing risk to the company. Wabash National Corp. (WNC) was another drag on performance. The company lowered guidance as it expects 2025 to be a low replacement year for trailer orders. We sold the position. Titan International, Inc. (TWI) was a bright spot, as the company reported a solid fourth quarter result and the improvement in corn prices led to a bottoming in sentiment for the agriculture equipment names.

Within energy, Uranium Energy Corp. (UEC) was the largest detractor. Shares of Uranium Energy Corp. (UEC) fell as U308 (triuranium octoxide) prices remain weak, further affected by the potential for peace in Ukraine.

Security selection in health care aided performance. Not owning biotechnology companies was a 46-basis-point tailwind. Brookdale Senior Living Inc. (BKD), up 24%, was another positive. The company reported strong quarterly results and 2025 guidance ahead of consensus combined with favorable occupancy trends. Haemonetics Corp. (HAE) limited performance after the company missed quarterly revenue estimates and lowered organic revenue growth guidance.

Solid performance in utilities was headlined by National Fuel Gas Co. (NFG), which was up 31%. A bullish macro environment for natural gas demand, tailwinds from a New York rate case, and proximity to a potential data center buildout in their service territory drove shares higher. Spire Inc. (SR), NorthWestern Energy Group, Inc. (NWE), and ONE Gas, Inc. (OGS) all benefitted from recent macro uncertainty around tariffs resulting in a flight to safety.

Flagstar Financial, Inc. (FLG), Brighthouse Financial, Inc. (BHF), Dynex Capital, Inc. (DX) and AGNC Investment Corp. (AGNC) were top performers in financials. Flagstar Financial, Inc. (FLG) rebounded as its turnaround continues to progress. It completed a thorough loan review, has de-risked its loan portfolio, and is on track for profitability by year-end. Brighthouse Financial, Inc. (BHF) is exploring a potential sale of the company. Increased macro uncertainty and lower interest rates helped mortgage REITs like Dynex Capital, Inc. (DX) and AGNC Investment Corp. (AGNC) outperform.

Stock selection in real estate helped performance. Increased macro uncertainty and lower interest rates helped REITs such as Broadstone Net Lease, Inc. (BNL) and Sila Realty Trust, Inc. (SILA) outperform. Cushman & Wakefield Plc (CWK) limited performance due to increased investment spending which will hinder margin improvement.

Overall performance in materials generated a small negative. Our average chemical holding underperformed the benchmark (-14.9% vs. -13.0%) and our overweight to the group also hurt. Of the chemical companies we owned, Tronox Holdings Plc (TROX) was our largest detractor, falling 29%. Ryerson Holding Corp. (RYT) was a positive highlight. Rising steel prices and the potential for improving earnings drove outperformance.

Stock selection in consumer staples was a minor negative. Grocery Outlet Holding Corp. (GO) hurt performance as the new CEO reduced guidance and was noncommittal regarding whether its long-term target of mid-single-digit (MSD) EBITDA margins was still in play. Chefs' Warehouse, Inc. (CHEF) was a positive. The company reported a strong fourth quarter and guided to stronger top-line growth than expected by the market.

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**The Russell 2000® Value Index** is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with lower price-to-book ratios and lower forecasted growth values.

Fund holdings mentioned in the Quarterly Commentary are as of 3/31/2025 and the percentages shown are based on net assets as of that date. Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 3/31/2025 were: SouthState Corp (1.5%), Glacier Bancorp, Inc (1.4%), Bank of Hawaii Corp (1.3%), Valley National Bancorp (1.3%), Spire Inc (1.3%), NorthWestern Energy Group, Inc (1.1%), Flagstar Financial, Inc (1.3%), Taylor Morrison Home Corporation (1.2%), First Merchants Corp (1.2%), and Essent Group Ltd (1.2%). Top holdings do not reflect cash, money market instruments, or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, [www.vcm.com](http://www.vcm.com).

**Contributors and Detractors** Source: FactSet. The contributors and detractors mentioned are presented to illustrate examples of the Fund's investments and may not be representative of the Fund's current or future investments.

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