Intrepid Capital Funds *the constant pursuit of value*

INTREPID INCOME FUND

1Q 2019

1ST QUARTER 2019 COMMENTARY

MARCH 31, 2019

PERFORMANCE

	Inception Date	Total Return Qtr.	YTD	1 Year	Average Annualized Total Returns as of March 31, 2019 3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst.^	8/16/10	2.36%	2.36%	3.22%	4.50%	2.20%	5.11%	3.71%
Bloomberg Barclays US Agg Bond Index		2.94%	2.94%	4.48%	2.03%	2.74%	3.77%	4.15%
Bloomberg Barclays US Gov/Credit 1-5Y TR Indx		1.62%	1.62%	3.54%	1.41%	1.56%	2.20%	2.78%
ICE BofAML US High Yield Index		7.40%	7.40%	5.94%	8.69%	4.70%	11.24%	6.95%
ICE BofAML US Corporate Index		5.01%	5.01%	4.95%	3.68%	3.74%	6.77%	4.77%

^Institutional Class shares of the Intrepid Income Fund commenced operations on August 16, 2010. Performance shown prior to August 16, 2010 (Since Inception) reflects the performance of Investor Class shares, which commenced operations on July 2, 2007, and includes expenses that are not applicable to and are higher than those of Institutional Class shares.

Effective January 31, 2014, the Investor Class shares of the Fund were closed, and any outstanding Investor Class shares were converted into Institutional Class shares.

Performance data quoted represents past performance and does not guarantee future results. *Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 866-996-FUND. The Fund imposes a 2% redemption fee on shares held for 30 days or less. Performance data does not reflect the redemption fee. If it had, returns would be reduced.*

Per the Prospectus dated January 28, 2019, the annual operating expense (gross) for the Intrepid Income Fund-Institutional Share Class is 1.04%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2020 such that total operating expense for the Income Fund-Institutional Share Class is 0.90%. The Net Expense for the Income Fund-Institutional Class is 0.91%.The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

April 9, 2019

Dear Fellow Shareholders,

After a tumultuous fourth quarter last year, markets shrugged off the short-lived period of volatility and rallied for the first three months of 2019. Rising rates, decreasing profitability, and overleveraged balance sheets were worries of the past as corporate bond investors reached for yield and pushed risk-on assets back to peak price levels. High yield bonds outperformed Treasuries by one of the widest margins for a first quarter in the last two decades, bolstered by the lowest rung of the credit quality ladder. *(See chart on the next page)*

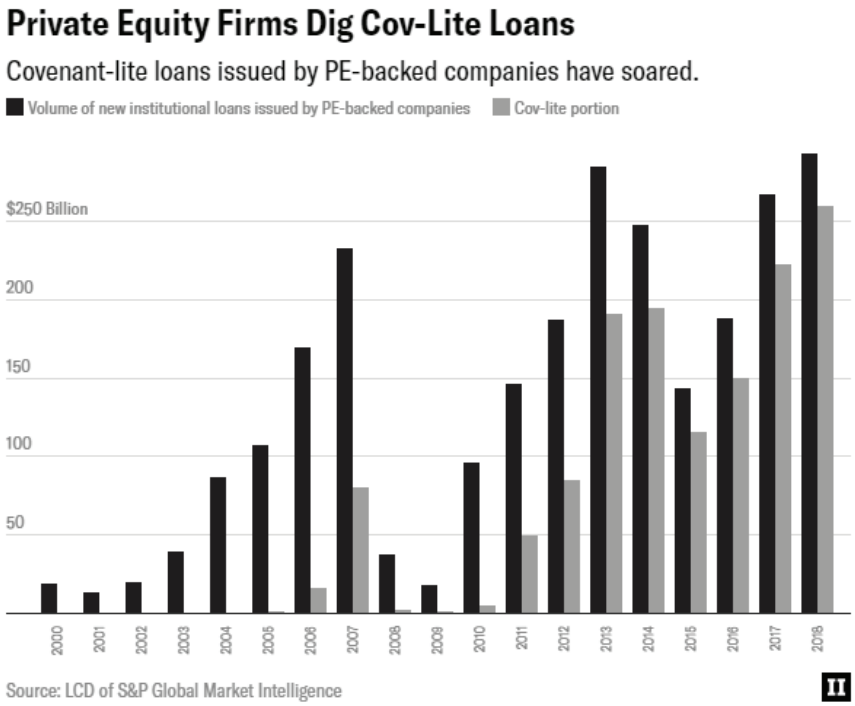
United States High Yield 1st Quarter vs. Fiscal Year Excess Returns (%)								
Year	High Yield (1)		BB Rated Bonds (2)		B Rated Bonds (3)		CCC & Lower Rated Bonds (4)	
	1st Quarter	Fiscal Year	1st Quarter	Fiscal Year	1st Quarter	Fiscal Year	1st Quarter	Fiscal Year
2013	6.2	25.6	3.3	16.9	6.1	23.5	14.5	58.5
2019	5.8	0.0	5.7	0.0	5.7	0.0	6.4	0.0
2012	5.8	13.6	4.9	12.2	5.3	13.2	9.6	18.7
2009	5.2	58.7	8.6	46.8	4.2	48.7	0.1	97.4
2011	3.9	-3.3	3.5	-2.5	3.8	-2.6	5.3	-7.6
2006	3.7	8.3	3.1	6.5	3.9	7.8	5.4	15.2
2010	3.7	9.8	3.8	8.9	2.5	9.0	5.4	13.2
1999	3.5	6.1	2.5	4.4	3.5	6.7	7.1	8.4
2013	2.8	9.5	1.9	7.8	2.8	9.2	5.3	14.4
2001	2.8	-3.3	3.4	3.2	2.0	-6.9	4.5	-8.6
2002	2.2	-13.4	2.2	-15.0	2.2	-10.6	2.3	-16.2
2017	2.2	6.1	1.4	5.6	2.1	5.4	4.7	9.6
2014	2.0	-1.3	1.9	0.7	1.9	-2.0	2.3	-5.2
1997	1.9	5.8	1.8	3.9	1.6	6.3	5.3	13.6
1998	1.7	-5.0	0.5	-3.1	2.5	-5.6	4.4	-9.5
2007	1.2	-7.3	0.3	-7.3	1.2	-6.4	2.9	-9.2
2015	1.1	-5.9	1.0	-2.4	1.3	-6.3	0.6	-16.2
2016	0.6	16.2	0.8	11.9	-0.1	15.7	1.7	35.2
2018	-0.1	-3.7	-0.7	-3.8	0.2	-3.0	0.9	-5.8
2004	-0.5	7.9	0.4	6.0	-0.9	7.5	-1.3	13.2
2005	-0.7	0.6	-0.7	0.8	-0.6	1.7	-1.5	-2.4
2000	-3.8	-15.3	-3.8	-10.6	-4.6	-17.2	0.7	-21.7

Source: CreditSights
As measured by: 1) ICE BofAML US High Yield Index 2) ICE BofAML BB US High Yield Index 3)ICE BofAML Single-B US High Yield Index 4) ICE BofAML CCC & Lower US High Yield Index

At the beginning of the year, Federal Funds futures implied there was a 13% chance of a rate hike, a 3% chance of a rate cut, and an 84% chance of no rate change at the September FOMC meeting. By the end of the first quarter, the same methodology implied a 0% chance of a rate hike, a 45% chance that rates are cut, and a 55% chance that rates stay the same. We believe that interest rate expectations, more than any other variable, were what drove this quarter's returns. As long as rates remain low, investors will hunt for an adequate yield in parts of the market they otherwise wouldn't. Additionally, with rates low, companies with onerous debt loads can raise or refinance debt at a lower cost of interest, often kicking debt repayment further down the road and adding more leverage to heavily encumbered balance sheets.

Last quarter saw one of the longest issuance droughts on record in the high-yield debt market. Not a single deal priced in December 2018, the first time that has happened since November 2008. That drought came to an end in the first quarter of this year, with 80 deals pricing for nearly $61 billion dollars. Although the reopening of the debt window is a natural consequence of the Fed's dovish commentary, we were surprised by some of the types of deals that have been getting done.

Debt investors are universally weary of private equity sponsors. PE firms take over companies in deals funded with debt and influence the companies' decisions with the goal of reaping a gain from their equity in a subsequent buyout. We have talked in previous letters about the trend towards covenant-lite credit agreements, which lack safeguards protecting lenders. Around 89% of institutional loans issued last year by private equity-backed borrowers fall under this category. We believe this is another consequence of low interest rates and yield-starved investors. *(See graph on the next page)*



Top Ten Holdings	(% OF NET ASSETS)
INVISTA Finance, 10/15/2019, 4.250%	4.6%
Dollar Tree, 04/17/2020, 3.473%	4.4%
CDP Financial, 11/25/2019, 4.400%	4.1%
Gilead Sciences, 09/20/2019, 1.850%	4.1%
Omnicom Group/Capital, 07/15/2019, 6.250%	3.9%
FirstCash, 06/01/2024, 5.375%	3.9%
Sherwin-Williams Co., 06/15/2019, 7.250%	3.9%
Central Garden & Pet, 11/15/2023, 6.125%	3.9%
Actuant, 06/15/2022, 5.625%	3.8%
IBM, 05/17/2019, 1.800%	3.8%

Top ten holdings are as of March 31, 2019. Fund holdings are subject to change and are not recommendations to buy or sell any security.

If credit markets continue to rip, these loans will likely continue to squeeze through. The lack of covenants won't begin to hurt investors until we go into a default cycle and investors start to worry about potential recoveries. By then, it will be too late.

In a sign of the times, Sycamore, a private equity firm, is about to pull off a $5.4 billion refinancing of Staples, the once-popular office supply company and a former Intrepid equity holding. As part of the refinancing, Sycamore will pay itself a $1 billion dividend. Combined with another payment it took in January, Sycamore has recovered 80% of the equity it originally put up as part of the deal. PE investors normally run companies for many years before taking profits or exiting. Sycamore has managed to pull this off in just two.

We were interested to hear that investors were clamoring to get their hands on this deal and that the book for the new notes was oversubscribed. Sycamore was involved in several retail bankruptcies over the past several years, including Aeropostale and Nine West. Credit default swaps, essentially "insurance" on a company's debt in the event they default, rose significantly for Staples following the deal.

The Sycamore dividend recapitalization at Staples is just one of many eyebrow-raising deals we've seen come to market over the past few months. As investors continue to hunt for yield at the expense of covenant protections and cash flow support, our emphasis remains on finding reliable, creditworthy businesses to lend to at an acceptable rate of interest. Our thoroughly researched holdings and low portfolio duration give us confidence we are well positioned for another shock to the credit markets. In the meantime, we continue to find unique positions that have the potential to perform well in any market.

As we mentioned, corporate bonds saw gains across the board to start off the year. The ICE BofAML High Yield Index (the "HY Index") returned 7.40%, composed of a 5.70% increase in price and a 1.70% gain from interest income, in the quarter ended March 31, 2018. The shorter-duration Bloomberg Barclays US Govt/Credit 1-5 Year Total Return USD Index (the "1-5 year TR Index") gained 1.62%. Longer-duration investment grade securities also outperformed, but to a lesser extent. The Bloomberg Barclays US Aggregate Index (the "Barclays Aggregate Index") returned 2.94% for the

quarter and the ICE BofAML US Corporate Index (the "Corporate Index") recorded a 5.01% gain over the same period. The Intrepid Income Fund (the "Fund") gained 2.36% in the quarter ended March 31, 2018.

Our performance in the first six months of the Fund's fiscal year was also favorable. The Income Fund returned 1.84% in the six-month period ended March 31, 2018, compared to a 2.39% gain for the HY Index and a 3.10% gain for the 1-5 year TR Index. Investment grade bonds recorded better results for the period with the Barclays Aggregate Index gaining 4.63%, and the Corporate Index gaining 4.95%. We are happy with our results over the past three and six months. The Fund's effective duration remains below one and the majority of our holdings are rated investment grade as of quarter-end[1]. Our objective has always been on downside risk mitigation while still meaningfully participating in the upside. We believe we are positioned well to continue doing that.

The Fund's top contributors for both the three and six-month periods ending March 31, 2019, were FirstCash Inc. 5.375% notes due 6/01/2024, Central Garden 6.125% notes due 11/15/2023, and Caleres 6.25% notes due 8/15/2023. Although all three of these companies had solid year-end earnings and continue to be core holdings for us, their strong returns reflect the broader surge in high yield markets. The Fund had no material detractors in the 1st quarter of 2019 or the first six months of the Fund's fiscal year.

The Income Fund had four corporate bond positions that were called or matured in the first quarter. We also rebalanced several positions. The proceeds from the bonds that matured or were called were redeployed into short-term paper of investment grade issuers that we believe offer attractive yields in excess of government securities. Additionally, we purchased bonds in four new companies – General Motors, Invista Finance, Nexteer Automotive Group, and LSC Communications.

General Motors Co. ("GM") is one of the more conservatively positioned US automakers. Compared to Ford, its closest comp, GM is less leveraged and its operations have been faring better. The GM 8/07/2020 floating rate notes we purchased seem very defensible given the fact that the notes sit at the far less risky GM auto level (not GM financial). Additionally, GM is generating decent levels of cash, has $33.9 billion of untapped credit including a $4 billion 2021 revolver, and the company could pay for its debt obligations through 2020 with cash currently on hand. We believe the debt was mispriced when we purchased it because of the negative sentiment around autos.

Invista Finance is a manufacturer of nylon, spandex, and polyester. The company is owned by Koch Industries and is one of the key suppliers to Lululemon. Invista has a pristine balance sheet with net cash and is growing on both the top and bottom line. Additionally, Koch Industries is a smart operator with deep pockets and tends to run their portfolio companies conservatively and not lever them up. We purchased the 4.25% secured notes due 10/15/2019, which come with an investment grade rating, at around par.

Nexteer Automotive Group is another automotive company whose debt we find attractive. Nexteer produces automotive components, mainly steering and driveline systems. The 5.875% unsecured notes due 11/15/2021 were yielding over 5% when we purchased them. Nexteer has a balance sheet that boasts net cash and the company is producing copious amounts of free cash flow (over a 10% free cash flow yield over the trailing 12 months). Its clients are some of the largest auto manufacturers in the world, and we believe the company can weather a downturn in the auto markets. The company also has an investment grade rating.

Lastly, LSC Communications specializes in print and print-related services, as well as office products. It's 3.3x levered and has produced a lot of free cash flow. The company is being purchased by Quad/Graphics, Inc., which announced it will be taking out the existing LSC Communications debt. The deal hasn't been fully approved yet, but we believe it will get the necessary

1 According to S&P's rating of grade level BBB- or better.

approvals by the end of the summer and that LSC's 8.75% unsecured notes due 10/15/2023 will get a favorable call price or even a make-whole premium. Were that scenario to occur, the notes should generate a high-single-digit return or better.

Portfolio activity was otherwise subdued, but we are excited about the way we are currently positioned. We continue to diligently search for attractive opportunities to take credit risk while limiting the Fund's duration, which as of March 31st was 0.89.

Thank you for your investment.

Sincerely,

Mark F. Travis, President
Intrepid Income Fund Co-Portfolio Manager

Hunter Hayes
Intrepid Income Fund Co-Portfolio Manager

All investments involve risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. The risk is generally greater for longer term debt securities. Investments by the Fund in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

The ICE BofAML US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. Bloomberg Barclays Capital U.S. Aggregate Bond Index is an index representing about 8,200 fixed income securities. To be included in the index, bonds must be rated investment grade by Moody's and S&P. ICE BofAML U.S. Corporate Index is an unmanaged index of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one-year remaining term to final maturity. The Bloomberg Barclays US Gov/Credit 1-5Y TR Index measures the performance of U.S. dollar-denominated U.S. Treasury bonds, government-related bonds, and investment-grade U.S. corporate bonds that have a remaining maturity of greater than or equal to one year and less than five years. ICE BofAML B U.S. High Yield Index is a subset of the ICE BofAML US High Yield Index including all securities with a given investment grade rating B. ICE BofAML CCC & Lower US High Yield Index is a subset of the ICE BofAML US High Yield Index including all securities rated CCC and below, inclusive. You cannot invest directly in an index.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade.

Investing involves risk. Principal loss is possible.

A high-yield bond is a high paying bond with lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds. Bonds in high yield indices tend to be less liquid and more volatile than U.S. Treasuries. Corporate bonds come with significant credit risks and, although sometimes secured by collateral, do not have any guarantee of principal repayment. U.S. Treasury Bonds are long-term government debt securities with a maturity of more than 10 years. They are guaranteed as to the timely payment of principal and interest and are backed by the full faith and credit of the U.S. Government.

Yield is the income return on an investment. It refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Investment Grade (IG) is a bond with credit rating of BBB or higher by Standard & Poor's or Baa3 or higher by Moody's. Cash Flow measures the cash generating capability of a company by adding non-cash charges and interest to pretax income. Duration is an approximate measure of the price sensitivity of a fixed-income investment to a change in interest rates, expressed as a number of years. A Credit Default Swap is a financial swap agreement that the seller of the CDS will compensate the buyer in the event of a debt default or other credit event. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity. Revolver is a borrower who carries a balance from month to month through a revolving credit line. Call is an option contract that gives the holder the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price up to a specified date.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice or recommendations to buy or sell any security.

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