INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

4Q 2020

4TH QUARTER 2020 COMMENTARY

DECEMBER 31, 2020

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of December 31, 2020: 3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst.^	8/16/10	7.43%	8.77%	8.77%	4.60%	5.18%	3.77%	4.04%
Bloom Barc USGov/Cred 1-5Y		0.33%	4.71%	4.71%	3.69%	2.77%	2.19%	2.10%
Bloomberg Barclays US Agg Bond Index		0.67%	7.51%	7.51%	5.34%	4.44%	3.84%	3.61%

^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 31, 2020, the annual operating expense (gross) for the Intrepid Income Fund-Institutional Share Class is 1.10%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2021 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 sh own would have been lower.

30-Day Subsidized SEC Yield: 5.35%; 30-Day Unsubsidized SEC Yield: 5.22%

January 5, 2021

"Three things ruin people: drugs, liquor, and leverage."

— Charlie Munger

Dear Fellow Shareholders,

Taking on debt is like gaining weight – easy to put on but hard to take off. The past year has been an all-you-can-eat buffet for corporate debt issuers, happily catered by grinning investment bankers. All in all, high yield borrowers issued $436.5 billion of new debt in 2020, 61% more than in 2019 and over 100% more than in 2018, according to RBC Capital Markets.

Meanwhile, profitability for those issuers has cratered. On an adjusted basis, the median leverage multiple for a high yield issuer after 3Q20 earnings stood at 4.8x, according to CreditSights. Bear in mind that adjusting profitability is like buying pants that are a couple waist sizes too small. Pro forma for that diet, maybe they will fit… but you should probably not depend on it.

At year end, the ICE BAML US High Yield Index (the "High Yield Index") had a yield-to-worst of just 4.24%. We lamented a year ago about how little yield existed to pay investors for myriad risks. **Now there is less yield and even more risks, in our opinion.**

While we are reminiscing, this time last year we wrote that "we cannot predict when or how this market bonanza fueled by cheap debt and monetary stimulus will end." Indeed, a global pandemic was not what we were expecting to throw capital markets into momentary chaos. But then again, it almost never is what one expects.

Once again, we have no idea what will shake things loose in the high yield market now that spreads are back at all-time lows and leverage is higher than ever. The stumbling block could be inflation, vaccine distribution issues, or even civil unrest.

However, we do believe that the Intrepid Income Fund (the "Fund") has a leg up in this picked-over market because of our bias towards smaller debt issues, willingness to lend to capital constrained industries, and limited duration skew.

The Fund is comprised of mainly smaller, sometimes unrated debt securities. We believe these securities are often overlooked by larger fixed income investors, resulting in meaningful spread pickup. We have even found situations where two nearly identical bonds from the same issuer have significantly different yield profiles, with the smaller bond yielding significantly more. We have also found attractive opportunities in the busted convertible bond market. To source these credits, we have developed deep relationships with several broker-dealers that specialize in smaller-issue debt.

Top Ten Holdings	(% OF NET ASSETS)
Curaleaf, Inc., 1/14/24, 13.0000%	5.2%
Trulieve Cannabis Corporation, 6/18/24, 9.750%	4.5%
Turning Point Brands, 7/15/24, 2.500%	4.4%
Teekay Corporation, 1/15/23, 5.000%	4.3%
Vista Outdoor Inc., 10/01/23, 5.875%	3.9%
Oppenheimer Holdings, 10/01/25, 5.500%	3.9%
CTO Realty Growth, Inc., 4/15/25, 3.875%	3.6%
Meredith Corp, 2/01/26, 6.875%	3.5%
Caleres Inc., 8/15/23, 6.250%	3.3%
Teekay Corporation, 11/15/22, 9.250%	3.3%

Top ten holdings are as of December 31 , 2020. Fund holdings are subject to change and are not recommendations to buy or sell any security.

We also look for creditworthy companies in industries that are capital constrained, as we believe this can give us the ability to demand higher interest and/or attractive terms. In some cases, we are instrumental in constructing the credit documents. We usually look for situations where these companies have a meaningful path to a lower cost of capital.

A great example of a capital constrained industry with a path to a lower cost of capital is cannabis. Over a year ago, we lent money to the largest cannabis company in the United States by market capitalization, Curaleaf Holdings. The loan paid a 13% coupon, which we believed more than compensated us for the risks. Over the past year, the company has exceeded expectations and now carries only two turns of net leverage.

That loan, which was issued at 97 cents on the dollar, now trades hands at 109 cents on the dollar, and we have enjoyed a year's worth of 13% interest on our initial capital. What is more, Curaleaf just raised additional capital at a 10.25% interest rate, significantly lowering their cost of debt. We believe the original loan will be refinanced next year at the first call date as more investors flock to the sector.

Opportunities like Curaleaf require a prodigious amount of work. We spent hundreds of hours learning about the cannabis industry, met with the management team several times, flew to Massachusetts to tour one of the company's many cultivation facilities, and spoke to countless industry experts. However, once we were comfortable, we were able to take a significant weight in the loan which helped bolster the Fund's performance. We believe the ability to do this type of specialized work in underfollowed or out-of-favor industries is a huge differentiator for our Fund and makes us unique.

In addition to cannabis, we continue to find additional opportunities in sectors like energy, specialized financing, and gaming. In our view, these situations can offer a much better risk-adjusted return than the vanilla high yield market, which is yielding significantly less on average.

We like to lend money for short amounts of time, as we believe our ability to forecast greatly diminishes beyond 2-3 years into the future. Limiting duration is also a way of hedging for potentially rising rates and/or inflation. The lower the duration, the quicker we get our cash back and the sooner we can redeploy it. Furthermore, our lower duration allows us to be nimble when there is a dislocation in the market, like last spring when we redeployed nearly a third of the entire Fund into better market opportunities. The Fund's effective duration at the end of the fourth quarter was 1.79 years compared to 3.67 years for the High Yield Index.

By cautiously deploying capital where others will not, and by limiting the amount of time our capital is lent, we believe we have built a robust portfolio that is well positioned regardless of whether we have more market complacency or volatility.

We are pleased with our recent performance. The Fund returned 7.43% in the fourth quarter, one of its best quarters ever. The High Yield Index increased 6.48% over the same period. The Bloomberg Barclays U.S. Gov/Credit 1-5Y TR Index returned 0.33% and the Bloomberg Barclays US Aggregate Bond Index returned 0.67% during the quarter.

The Fund's top contributors for the quarter were Turning Point Brands 2.5% due 7/15/2024, WisdomTree Investments, Inc. 4.25% due 6/15/2023, and Meredith Corporation 6.875% due 2/01/2026. The Fund had no material detractors in the quarter.

We had five bonds that were either called or matured during the quarter. Most of our purchases and sales were limited to positions we already owned.

Despite the risks that lie ahead for our country and the world, we remain optimistic that driven people will continue to find creative solutions to difficult problems. We will try our best to do the same while protecting your hard-earned capital.

Thank you for your investment.

Sincerely,

Hunter Hayes
Intrepid Income Fund Co-Portfolio Manager

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

Mutual fund investing involves risk. Principal loss is possible.

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 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. 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. 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. You cannot invest directly in an index.

Yield-to-Worst is the lowest yield an investor can expect when investing in a callable bond. 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. Free cash flow represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

30-Day SEC Yield (subsidized/unsubsidized) represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect.

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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