INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

2Q 2021

2ND QUARTER 2021 COMMENTARY

JUNE 30, 2021

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of June 30, 2021 3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst. ^	8/16/10	2.79%	7.00%	18.97%	6.90%	5.44%	4.19%	4.37%
Bloom Barc USGov/Cred 1-5Y		0.27%	-0.30%	0.40%	3.70%	2.18%	1.98%	1.97%
Bloomberg Barclays US Agg Bond Index		1.83%	-1.60%	-0.33%	5.34%	3.03%	3.39%	3.29%

^ 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 1.17%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2022 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.

30-Day Subsidized SEC Yield: 3.87%; 30-Day Unsubsidized SEC Yield: 3.99%

July 1, 2021

Dear Fellow Shareholders,

After a brief pause in May, high yield spreads tightened in June, shrinking to the lowest levels since the Great Financial Crisis. When we hear that junk bonds are yielding a number that starts in three, we joke that given the credit fundamentals, 30% would make more sense than 3%. Nonetheless, we struggle to pinpoint the catalyst that might spur the reversal in spreads. The re-opening trade continues to drive animal spirits and it seems like every momentary sell-off is greeted with endless liquidity. We continue to zig-zag through these frothy times by sourcing small issue, off-the-run securities that we believe are creditworthy and offer compelling yield.

We are pleased to report that The Intrepid Income Fund (the "Fund") gained 2.79% for the quarter ended June 30, 2021. General fixed income performance for the second quarter of the new decade was much improved relative to last year's second quarter. Rates drifted lower, with the 10-Year Treasury ending the quarter yielding 1.45%, 29 basis points below the end of last quarter. This translated into good performance for the duration-heavy Bloomberg Barclays US Aggregate Index (the "Barclays Aggregate Index"), which rose 1.83% for the quarter ended June 30, 2021. Similarly, the ICE BofAML US Corporate Index (the "Corporate Index") returned 3.60% over the same period. Riskier debt continued its recovery on the back of improved earnings, with the ICE BofAML High Yield Index (the "HY Index") gaining 2.77% in the quarter. The shorter-duration Bloomberg Barclays US Govt/Credit 1-5 Year Total Return USD Index (the "1-5 Year TR Index") returned 0.27% over the same period.

Top Ten Holdings	(% OF NET ASSETS)
Curaleaf, Inc., 1/14/24, 13.0000%	4.9%
Great Western Petroleum, 9/01/25, 12.000%	4.0%
Teekay, 1/15/23, 5.000%	3.9%
Turning Point Brands, 2/15/26, 5.625%	3.8%
Verano Holdings, 5/20/23, 9.750%	3.6%
Targa Resources Preferred, perpetual, 9.5%	3.6%
Oppenheimer, 10/01/25, 5.500%	3.4%
Kaleyra, 6/01/26, 6.125%	3.0%
Caleres, 8/15/23, 6.250%	2.8%
Choice Consolidation Corp.	2.7%

Top ten holdings are as of June 30, 2021. Fund holdings are subject to change and are not recommendations to buy or sell any security.

The Fund's success during the second calendar quarter was primarily attributable to idiosyncratic security performance, but also benefited from a positive overall environment for risk assets. Our top contributors for the three months ended 6/30/2021 included:

- **GRTWST 12.0% due 9/01/2025** – It is only fitting that our largest detractor last quarter is our largest contributor this quarter. As readers may recall, Great Western refinanced its 2021 notes in February and issued these new 2025 notes. After initially struggling in the secondary market, these notes are now trading at par (they were issued at 97 cents on the dollar). Improving oil prices have bolstered the prospects for this DJ Basin producer and we believe that the company is a compelling acquisition target. The notes have a special M&A call price of 110 through early next year. We believe the company's relatively low leverage and robust hedge book make it a solid credit regardless of whether it is acquired or not.

- **MTDR 5.875% due 9/15/2026** – Matador recently reported another strong quarter, generating strong free cash flow which allowed it to pay down most of its revolver and bring leverage down to 1.8x. We decided to trim some of our position above par, as our cost basis for these notes is ~83 and we feel that there is better relative value in other parts of the energy sector.

- **EZPW 2.875% due 7/01/2024** – EZCORP has been a perennial Intrepid holding across its entire capital structure. These convertible notes were purchased in the low 80s last year when they were "busted." We feel that the appreciation in the notes this quarter was the market finally recognizing EZPW's resilient cash flow profile and rock-solid balance sheet, which now carries net cash. We continue to hold these notes, which have nearly run up to par, as well as the 2025 convertible notes, which carry a higher yield.

Our top (and only) material detractors for the three-month period ended 6/30/2021 were as follows:

- **WETF 3.25% due 6/15/2026 –** Towards the end of the quarter, WisdomTree issued a convertible note to fund share repurchases and to opportunistically buy back some of its existing convertible notes, which we also own. We continue to love WisdomTree's AUM mix, which is heavily weighted towards commodities, and cash generative, asset-light business model. Although these notes traded off on the back of some market weakness following issuance, we believe they offer attractive risk/return. Hence, we recently purchased more of these notes in the mid-90s at over a 4% yield-to-worst.

- **TPB 2.5% due 7/15/2024 –** After a red-hot run, Turning Point Brand's convertible notes gave back some of the gains we have enjoyed since purchasing these in the low 80s over a year ago. Although the converts are now "in the money" we continue to hold a small position because of our high conviction in the underlying business and management.

- **UPH 6.25% due 6/15/2026 –** UpHealth is a global digital healthcare company that recently went public via SPAC and issued these convertible notes as part of its qualifying transaction. We view these notes as being well covered by the underlying assets and look forward to the company getting a few earnings prints under its belt after a rocky start to trading that drove the price of the convertible notes down. We discuss this new position in more detail below.

The Income Fund had six corporate bond positions that were called or matured in the first calendar quarter. We also reduced several positions after they hit our internal yield bogey, selling out of our New Gold 6.375% Notes due 5/15/2025 and United Airlines 6.636% Notes due 1/02/2024, entirely. In a world of shrinking yields, these bonds will be missed.

The proceeds from the bonds that were called, sold, or matured were redeployed into a mixture of existing positions and new positions from borrowers we have lent to before, including:

- **PBFX 6.875% due 5/15/2023** – PBF Logistics was spun off from PBF Energy in 2014 and owns most of PBF's refined petroleum products terminals, pipelines, storage facilities, and related logistics assets. The PBF Energy credit complex has faced pressure on the back of stricter pollutions controls in Northern California. However, we believe PBFX's operations are not impacted from this new requirement and that the baby is being thrown out with the bathwater. The company has manageable leverage and adequate liquidity to get through this near dated maturity, in our estimation, so we purchased a starter weight at ~7% yield.

- **AYRWF 12.5% due 12/10/2024** – Ayr Wellness is a multi-state, vertically integrated cannabis operator that owns cultivation, manufacturing, and retail assets across the country. We have written extensively before about our broader cannabis thesis, which Ayr fits into nicely. We believe the company possesses investment grade credit characteristics, with less than a turn of net leverage and top-line revenue that should double in the next few years. We were able to pick these notes up at nearly a double-digit yield.

- **Verano 9.75% Term Loan due 5/20/2023** – Similar to Ayr, Verano is a multi-state, vertically integrated cannabis operator with arguably even better credit characteristics. These notes carry less than a turn of gross leverage and are collateralized by licenses worth multiples of the debt. We purchased this loan at a discount to par, which translated to a double-digit yield.

- **Cansortium 13% Term Loan due 4/29/2025** – Rounding out our additions to the cannabis sleeve of our portfolio is a small position in a term loan issued by Cansortium. Unlike Verano or Ayr, Cansortium's operations are primarily in Florida, where the company operates 26 dispensaries as well as a couple cultivation and manufacturing facilities. We believe the loan is well covered by the underlying licenses and that the company is on track to bring gross leverage down to under 2x by the end of the year. This loan was issued at 97 cents on the dollar and came with warrants. It trades hands in the secondary market today at 105.

- **IIPR 5.5% due 5/25/2026** – Innovative Industrial Properties, Inc. is an industrial REIT that services the cannabis industry. Because of the lack of access to capital across the industry, IIPR can lease to companies at double-digit rates with nearly 20-year average terms. Pro forma for this debt deal, the company's debt / total capitalization is still less than 30% and its debt service coverage ratio is nearly 10x. IIPR's notes are rated BBB by Egan-Jones Ratings and, because the company is not plant touching, can be owned by most institutions. After the notes traded up several points, we trimmed most of our position as we believe there are better opportunities elsewhere in other parts of the cannabis sector.

- **COLGTE 7.75% due 2/15/2026 & COLGTE 5.875% due 7/01/2029** – Colgate Energy is a private exploration & production (E&P) company with an attractive, scalable asset base in the Delaware Basin. We started to acquire the company's 7.75% 2026 notes until it announced a $400 million new deal that we decided to round out our position with instead. The company is very prudently managed with a history of free cash flow generation through entire cycles and no material exposure to federal lands. The company has a stated leverage target of 1.0x by the end of 2022, which we believe is conservative. We also believe the company is a strong M&A target.

- **KLR 6.125% due 6/01/2026** – Kaleyra is an Italian-based software company with sticky revenues and a large growth ramp on the horizon. We purchased a small weight in these convertible notes as part of the company's financing for its acquisition of mGage, an American-based company that also operates in the Communications Platforms as a Service (CPaaS) space. We view these high coupon converts as particularly attractive for a company with very little other debt, plenty of cash, and a combination of high revenue growth and margin accretion expected over the next few years. We expect gross leverage to fall to under a turn by the end of 2022 and for the company to generate ~15% of its current enterprise value in free cash flow by then. We plan to add to this position as we gain more conviction in our long-term thesis and as management proves they can successfully integrate its recent acquisitions.

- **UPH 6.25% due 6/15/2026** – UpHealth is a digital healthcare company that recently went public via SPAC. We acquired a small weight in these convertible notes as part of the qualifying transaction. Just like with Kaleyra, these high coupon notes are well covered by the underlying pieces, which include a telehealth business (CloudBreak) and an integrated care management business (Thrasys). We would consider adding to this position as the company executes on its revenue backlog and continues to build out its service offering. We expect UPH to carry ~2.5x of gross leverage by the end of 2022 making this one of our more speculative positions which we mitigate by keeping this at a small weight until we gain more conviction.

- **WETF 3.25% due 6/15/2026** – We have written about our WETF thesis previously. When the company did a drive-by offering of new convertible notes, we decided to add back to our overall WETF position, which we had trimmed earlier in the quarter at a compelling price point. When these notes sold off a few points after issuance, we added to our position.

- **CNSL 5% due 10/01/2028** – Consolidated Communications is a wireline company with stable fundamentals and some compelling growth initiatives in underpenetrated markets. The company is in the middle of a lean fiber build with a fully-funded plan that should support future EBITDA growth and deleveraging. We expect leverage to stay in the ~3x area over the next several years and feel the ~5% yield on the 2028 notes we own compensates us well for the commensurate risk for such a stable cash flow generator.

We maintain a cautiously optimistic view regarding the prospects for economic recovery, and, in turn, for credit markets. We recognize that yields across the entire debt spectrum continue to breach all-time lows, but also believe that most high yield issuers will continue to improve earnings, albeit from a dismal trough. Bank of America Corp. recently reported that second quarter EBITDA for high yield issuers that have reported so far has improved 32% year over year.

Strong liquidity will likely continue to drive demand for anything with a coupon. We anticipate that high yield money managers will point to improving fundamentals, balance sheet deleveraging, and decent relative value as reasons to justify 3% junk bond yields. Nonetheless, the Intrepid team will continue to hunt for short-dated, high-yielding securities issued by credit-worthy companies.

Although we are very proud of how we have protected and grown our investor's capital given the volatility of the past 18 months, we are even more excited about the way we are positioned for the future. At the end of the quarter, the portfolio had a yield-to-worst of 6.06% and an effective duration of 1.99 years. The investment team continues to turn over every rock in the pursuit of unique, exceptional credits.

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 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. In limited situations when the rating agency has not issued a formal rating, the rating agency will classify the security as nonrated.

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. Investment Grade (IG) is a bond with credit rating of BBB or higher by Standard & Poor's or Baa3 or higher by Moody's.

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. 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. Basis Point (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

SPAC is an acronym for Special Purpose Acquisition Company, which is a company established to purchase an interest in a private company in order to take it on to public markets (i.e. alternative to a traditional Initial Public Offering, or IPO, process).

"In the money" is a phrase used when the stock price of a security reaches a level at which a convertible bond's equity conversion value exceeds the bond value. EBITDA is a measure of a company's operating performance and refers to Earnings before Interest, Taxes, Depreciation and Amortization.

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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