INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

4TH QUARTER 2021 COMMENTARY

4Q 2021

DECEMBER 31, 2021

PERFORMANCE

		Total Return			Average Annualized Total Returns as of December 31, 2021			
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst. ^	8/16/10	1.35%	10.01%	10.01%	7.79%	5.49%	4.27%	4.43%
Bloom Barc USGov/Cred 1-5Y		-0.72%	-0.97%	-0.97%	2.88%	2.25%	1.77%	1.82%
Bloomberg Barclays US Agg Bond Index		0.01%	-1.54%	-1.54%	4.79%	3.57%	2.90%	3.15%

^ 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, 2022, the annual operating expense (gross) for the Intrepid Income Fund-Institutional Share Class is 1.05%. The Fund's Advisor has contractually agreed to reduce its fees and/or reimburse expenses until January 31, 2023 such that total operating expense for the Income Fund-Institutional Share Class is 0.90%. The Income Fund may have Net Expense higher than the expense cap as a result of any sales, distribution and other fees incurred under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), acquired fund fees and expenses or other expenses (such as taxes, interest, brokerage commissions and extraordinary items) that are excluded from the calculation. As a result of the calculations, the Net Expense for the Income Fund-Institutional Class is 0.92%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

30-Day Subsidized SEC Yield: 5.58%; 30-Day Unsubsidized SEC Yield: 5.53%

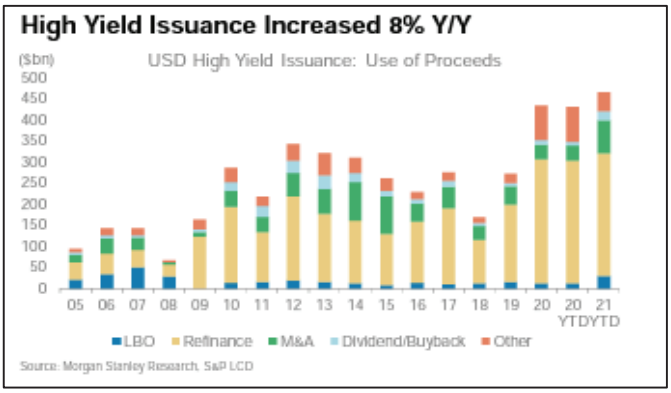
January 1, 2022

"Hard times create strong men, strong men create good times,
good times create weak men, and weak men create hard times."

— from 'Those Who Remain" by G. Michael Hopf

Dear Fellow Shareholders,

This time last year, we wrote that "taking on debt is like gaining weight – easy to put on but hard to take off." As it turned out, corporate debt issuers ate well in 2021 and we believe that they are headed for some indigestion.



High yield issuance increased 8% year over year to the highest level on record, as shown in the chart from Morgan Stanley Research. The borrowing window was wide open for institutional loans as well, which also set a record for annual issuance. Meanwhile, there was a massive increase in the percentage of issuers with lower ratings. Nearly 20% of high yield issuance over the past year carried a CCC rating, double the number from the year before.

Indeed, demand for risk drove performance in the high yield asset class, with CCC-rated bonds massively outperforming other ratings buckets. We believe that part of the reason for this is the demand for yield in a laughably low-yield environment. Some of the surge may also be attributable to the view that we are now early in a new credit cycle which, historically, is a great time to scoop up the riskiest debt.

Over thousands of years of recorded history, credit has always been cyclical. When leverage is cheap and easy, companies inevitably borrow too much. What usually follows these periods of gluttony are what Austrian economist Joseph Schumpeter described as "creative destruction." During this destruction, some companies do not survive while others come back less fragile and more resilient.

Top Ten Holdings	(% OF NET ASSETS)
Oracle Corp., 02/14/2023	5.4%
Apollo Co. Real Estate, 08/23/2022, 4.750%	4.6%
Gilead Sciences, Inc., 04/01/2024, 3.700%	4.5%
Turning Point Brands, 02/15/2025, 5.625%	4.3%
Battle Motors, Inc., 11/24/2024, 6.500%	4.0%
Trulieve Cann., 10/06/2026, 8.000%	4.0%
Gage Growth Corp., 11/30/2022, 10.250%	3.9%
EZCORP, 05/01/2025, 2.375%	3.8%
Teekay, 01/15/2023, 5.000%	3.6%
Targa Resources Preferred, 9.500%	3.5%

Top ten holdings are as of Decemeber 31, 2021. Fund holdings are subject to change and are not recommendations to buy or sell any security.

There are investors out there who try and time these credit cycles. Theoretically, following a period like early 2020 when high yield spreads blew out, creative destruction should have taken care of the bad apples and left only the strongest borrowers behind. Applying that logic, one might think that right now is a great time to load up on the junkiest of the junk.

The problem is that this time is different. As we have written about in previous commentaries, instead of letting defaults happen like during the Great Financial Crisis, in 2020 the Federal Reserve stepped in and socialized credit risk, all but assuring investors that the government would backstop most junk bonds. What resulted was an artificially low number of defaults and the survival of what we would characterize as zombie companies. These are companies with insanely high amounts of leverage, little or no profitability, and no clear path to fixing those issues.

We believe many investors are drawn to these zombies for one reason – they carry meaningful yield. After all, at the end of the 4th quarter the only place to even find yield after adjusting for inflation was amongst CCC-rated credits! Still, we believe that the idiosyncratic risks for most of these issuers are much too high to justify owning them because of a view on the credit cycle.

We have always managed the Intrepid Income Fund (the "Fund") with a bottom-up approach. We look at individual credits and lend to companies based on their creditworthiness, not on where we may or may not be in the credit cycle.

When we look across the menu of options available to credit investors today, it does not look very appetizing. However, we expect that to change soon as the Federal Reserve begins to tighten and unwind its balance sheet. Until then, we continue to prefer low duration credits with great fundamentals.

We are pleased with our recent performance. The Fund returned 1.35% in the 4th quarter, handily beating its benchmarks. The ICE BofAML US High Yield Index increased 0.66% over the same period. The Bloomberg U.S. Gov/Credit 1-5Y TR Index lost -0.72% and the Bloomberg US Aggregate Bond Index gained 0.01% during the quarter.

The Fund's top contributors for the quarter were Trulieve Corp 8.0% due 10/06/2026, Curaleaf, Inc. Revolving Credit Facility 10.25% due 1/10/2024, and Great Western Petroleum 12.0% due 9/01/2025. The Fund's only material detractor during the quarter was Turning Point Brands Inc. 5.625% due 2/15/2026.

We had fifteen positions that were either called, matured, or were sold during the quarter. Most of our purchase activity was limited to positions we already owned. We plan to discuss several of our new positions in more depth in next quarter's commentary.

Despite the pain we believe lies ahead for risk markets, we remain excited about the prospect of uncovering attractive credits and putting your capital to work through our disciplined investment approach.

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 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. The Bloomberg 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 Bloomberg 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. You cannot invest directly in an index.

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. Ratings are expressed as letters ranging from "AAA", which is the highest grade, to "D", which is the lowest grade.

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. 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. Spread is the gap between the bid and the ask prices of a security or asset, like a stock, bond or commodity.

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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