INTREPID CAPITAL FUNDS

# INTREPID CAPITAL FUND

## 3RD QUARTER 2023 COMMENTARY

3Q 2023

SEPTEMBER 30, 2023

## PERFORMANCE

| | Inception Date | Qtr. | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|---|---|
| | | Total Return | | | Average Annualized Total Returns September 30, 2023 | | | |
| Intrepid Capital Fund - Inv. | 1/03/05 | 0.93% | 7.35% | 12.67% | 6.65% | 1.77% | 3.15% | 5.12% |
| Intrepid Capital Fund - Inst. | 4/30/10 | 0.96% | 7.43% | 12.85% | 6.89% | 2.00% | 3.40% | 4.69% |
| BBC Combined 1-5Yr | | -1.86% | 8.39% | 13.94% | 5.63% | 6.76% | 7.75% | 6.67% ^ |
| S&P 500 Index | | -3.27% | 13.07% | 21.62% | 10.15% | 9.92% | 11.91% | 9.17% ^ |

^ Since Inception returns are as of the Fund's Investor Class inception date. Since the inception date of the Institutional Class, the annualized return of the BBC Combined 1-5Yr Index is 8.05% and S&P 500 Index is 12.23%.

**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, 2023, the annual operating expense (gross) for the Intrepid Capital Fund-Investor Share Class is 1.92% and for the Intrepid Capital Fund-Institutional Share Class is 1.67%. The Fund's Advisor has contractually agreed to reduce its fees and/or reimburse expenses until January 31, 2024, such that the total operating expense (net) for the Capital Fund-Investor Share Class is 1.40% and for the Capital Fund-Institutional Share Class is 1.15%. The Capital Fund may have Net Expense higher than these expense caps 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 Capital Fund-Investor Share Class is 1.40%. The Net Expense for the Capital Fund-Institutional Share Class is 1.15%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

October 1, 2023

*"The first rule of compounding is to never interrupt it unnecessarily."*

— Charlie Munger

Dear Fellow Shareholders,

The quote above is one rule of wisdom from the Buffet/Munger Duo at Berkshire Hathaway that I have tried to implement – both personally and as your Portfolio Manager – knowing that both human emotion as well as Wall Street's penchant "for a trade" are working against me in that pursuit.

I am currently reading "How to Invest" By David Rubenstein, co-founder of the Carlyle Group.

The book is a compendium of interviews from investors of all stripes. In one interview he is speaking to Mary Erdes, head of private banking at JP Morgan. She notes some market performance (keep in mind the interview was in 2021) that says the balanced mix of stocks and bonds had an average return on 6.5% over the last 30 years, but unfortunately the average investor had only earned less than half of that (~3%). We have seen similar outcomes from Dalbar and Associates which publishes an annual study of investor behavior in the mutual fund business. This is the proverbial "buy high, sell low," unfortunately!

| Top Ten Holdings | (% OF NET ASSETS) |
|---|---|
| Trulieve Cannabis Corp., 10/06/2026 8.000% | 3.9% |
| Berkshire Hathaway - Class B | 3.8% |
| FRP Holdings Inc. | 3.7% |
| The TJX Companies, Inc. | 3.6% |
| Jefferies Financial Group, Inc. | 3.5% |
| Copart, Inc. | 3.5% |
| Becle SAB de CV | 3.5% |
| QVC, Inc., 04/01/2024, 4.850% | 3.4% |
| Alphabet Inc - Class A | 3.4% |
| Take-Two Interactive Software, Inc. | 3.3% |

Top ten holdings are as of September 30, 2023. Fund holdings are subject to change and are not recommendations to buy or sell any security.

I feel certain you have seen the ubiquitous Progressive Insurance ads where the instructor is showing classroom attendees how to not be their parents. My personal favorite is when his group is heading into a pro football game. They are in a parking lot, and the collective concern is "how will we remember where we parked" and "when can we leave the game?" I am sure my kids can relate when we attend a Jaguars game together! The collective message is "Don't Be That Guy/Gal" or in the case of the ad "Don't be your Parents." In my case, it's too late! The analogy here is don't let your emotions get the best of you and sell when the current outlook is bleak or fear overcomes you. Easier said than done, I know!

This all comes to mind as we are suffering through some difficult months in the last quarter as the Fed tries to engineer a soft landing and Treasury rates continue to rise in the face of persistent strength in the Consumer Price Index (CPI). The benchmark 10 year Treasury now yields more than 4.50%, which presents a drag on values of stocks and bonds as cash flows to be delivered far into the future are worth less with a higher discount rate. Please keep in mind, to use the Federal Reserve refrain, that "rate increases have a lagging and variable effect on the economy." Wow, that was insightful!

The good news now for investors is compounding hasn't been this easy (if it ever really was!) as the Fed engineered increases of a greater-than-5% short term rate, which has brought the bond market with it in terms of currently available yields – many of which we haven't seen since before the Great Financial Crisis(GFC) of 2008. That being said, there has been tremendous pain for bond investors getting to this point. I sarcastically commented this time 3 years ago that "bond investors are getting return-free risk" as the Fed Reserve Quantitative Easing (QE) brought short term rates to 0.25% and dragged down long term rates as well. To wit: the 1.25% Treasury bonds due May 15, 2050 are quoted at $48.18, less than half of their offer price just over three years ago. That is the risk I was referring to!

Please keep in mind the Intrepid Capital Fund has been devoted to short term corporate bonds since inception of the Fund, with generally a third of the Fund devoted to this asset class. The good news is we are now rewarded as a lender in this part of our portfolio. I refer to this as "an equity surrogate return" as short duration bonds we seek now offer yields similar to long term equity returns (9-11%).

I am pleased to say the Fund closed out the fiscal year ended September 30th, with a solid 12.67% return. This return puts the Fund in the upper quintile of its peers for one year and upper decile over the last three years. This message to stay invested is easier to say than do, I realize, particularly after a difficult August and September this year. Although October is more famous as a difficult month, I think statistically September may have it beat.

I do recognize there is plenty for one to worry about, such as a possible government shutdown, mortgages at 7.75%, oil at $94/barrel, gas approaching $4/gallon, student loan repayment restarts, a looming Presidential election, war in Ukraine, etc. etc. To close I leave you with one more Charlie Munger quote: "The Big Money is not in the buying or selling, but in the waiting."

I will be here waiting! Waiting for shares in businesses where our interests are aligned with management who often own a large stake in the company they founded (or are family members of founders), along with the types of bonds I described above.

Thank you for your continued support, if there is anything we can do to serve you better, please don't hesitate to call.

| Top Contributors in Q3 2023 | Top Detractors in Q3 2023 |
|---|---|
| Civitas Resources (CIVI) | Atento, 02/10/2026, 8% |
| Trulieve Cannabis, 10/06/2026, 8% | Dollar General (DG) |
| Alphabet - Class A (GOOGL) | Live Nation (LYV) |

| Top Contributors in Fiscal Year 2023 | Top Detractors in Fiscal Year 2023 |
|---|---|
| Civitas Resources (CIVI) | Atento, 02/10/2026, 8% |
| Copart (CPRT) | Dollar General (DG) |
| Alphabet - Class A (GOOGL) | CVS Health (CVS) |

All the best,

Mark F. Travis, President
Intrepid Capital Fund Portfolio Manager

**Past performance is not a guarantee of future results.**

**Mutual fund investing involves risk. Principal loss is possible. The Fund is subject to special risks including volatility due to investments in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually 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 risks of owning ETFs generally reflect the risks of owning the underlying securities they are designed to track. ETFs also have management fees that increase their costs versus the costs of owning the underlying securities directly.**

***The Funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company. Please read it carefully before investing. A hard copy of the prospectus can be requested by calling 866-996-FUND (3863).***

The S&P 500 Index is a broad-based, unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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. The Bloomberg (BBC) Combined Index consists of an unmanaged portfolio of 60% common stocks represented by the S&P 500 Index and 40% bonds represented by the Bloomberg US Government/Credit 1-5 Yr Index. You cannot invest directly in an index.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

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.

Basis point is a standard financial measure for interest rates.  One basis point equals 1/100th of 1%.

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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