INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

4TH QUARTER 2023 COMMENTARY

4Q 2023

DECEMBER 31, 2023

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of December 31, 2023 3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst. ^	8/16/10	4.35%	10.88%	10.88%	5.71%	6.10%	4.04%	4.34%
Bloomberg USGov/Cred 1-5Y		3.44%	4.89%	4.89%	-0.62%	1.54%	1.43%	2.35%
Bloomberg US Agg Bond Index		6.82%	5.53%	5.53%	-3.31%	1.10%	1.81%	3.10%
ICE BofAML US Corporate Index		7.93%	8.40%	8.40%	-3.17%	2.63%	2.98%	4.24%
ICE BofAML High Yield Index		7.08%	13.46%	13.46%	2.00%	5.21%	4.51%	6.13%

^ 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, 2024, the annual operating expense (gross) for the Intrepid Income Fund-Institutional Share Class is 1.04%. The Fund's Advisor has contractually agreed to reduce its fees and/or reimburse expenses until January 31, 2025 such that total operating expense (net) for the Income Fund-Institutional Share Class is 1.01%. 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 1.01%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

30-Day Subsidized SEC Yield: 8.14%; 30-Day Unsubsidized SEC Yield: 8.08%

January 1, 2024

Dear Fellow Shareholders,

Calendar year 2023 was a year of significant sentiment shifts across fixed income markets. The year started off with high inflation taking a toll on long duration and higher-quality credits, which was exacerbated by an ominous run on bank deposits at several large commercial banks and fears of an imminent recession.

Conversely, the year ended on a much more positive tone, with investors increasingly sanguine about a "soft landing" for inflation and credit risk – driving strong returns throughout all fixed income categories in this most recent quarter.

We reacted to each of these changes in sentiment as follows:

- Early in the year, we aggressively purchased high quality credits as investors pressured by capital runs liquidated these securities to boost liquidity.
- As the year ended, and investors regained more confidence in a "soft landing" economic scenario, we trimmed some of our riskier and less liquid positions.

We do see the likelihood of an economic "soft landing" as higher than before. The rate of inflation in the United States has consistently slowed throughout the second half of the year. And just as important, the economy has held up reasonably well despite the rapid rise in interest rates orchestrated by the Federal Reserve.

In that vein, the Fed has now communicated not only a "pause" in interest rate hikes, but in December surprised the market by projecting the need for multiple rate cuts during 2024. This caused many investors to snap into a pattern recognition mode that anticipates imminent rate reductions and a return to a bond market with low volatility (driven by the tailwind of falling rates) – quite a difference from the highly volatile experience of the last two years as rates steadily rose. This change in Fed communications sparked a massive rally to end the year.

Top Ten Holdings	(% OF NET ASSETS)
QVC, Inc., 04/01/2024, 4.850%	3.8%
Cimpress PLC., 06/15/2026, 7.000%	3.8%
Abercrombie & Fitch., 07/15/2025, 8.750%	3.5%
Equitrans Midstream Corp. 9.75% Preferred Stock	3.5%
Opnet S.P.A FRM., 02/09/2026, 9.848%	3.3%
Conduent Services LLC, 11/01/2029, 6.000%	3.0%
Turning Point Brands, Inc., 02/15/2026, 5.625%	2.9%
WildBrain Ltd., 09/30/2024, 5.875%	2.9%
Valvoline, Inc., 02/15/2030, 4.250%	2.6%
ANGI Group LLC, 08/15/2028, 3.875%	2.5%

Top ten holdings are as of December 31, 2023. Fund holdings are subject to change and are not recommendations to buy or sell any security.

As stated in past quarterly letters, we continue to believe a return to a multi-year bond melt-up driven by an accommodative central bank is unlikely – or, at the very least, that it is premature to assume it will happen. One of the inconsistencies with that outlook is that for significant rate cuts to happen, there likely needs to be a meaningful weakening of the economy, housing, and/or labor market. Were the Fed to cut rates prior to that, they increase the risk of a reacceleration in inflation.

A 1970's-style rebound in the inflation rate after an initial ebb would be contrary to the Fed's mandate and likely necessitate another, more bearish "pivot" in interest rate policy (this time to start hiking rates again).

As such, we view the current market outlook of six rate cuts by the end of 2024 as presumptive of a significant slowdown in economic activity. While possible, and there are sectors of the economy that have weakened in the second half of the year, the economy has likely remained much too resilient, at least so far, to justify that violent of a turn in the rate cycle.

However, we have no special insight on what the future holds for the economy over the next year. We do think that should the market be correct and the economy weakens enough to justify a half dozen interest rate cuts, that is not an ideal setup for riskier credits that depend on a growing economy to maintain acceptable leverage metrics. Thus, we found it an opportune time to lighten up on our holdings with higher leverage or more economic sensitivity.

Despite this action, we continue to think there is a tremendous opportunity for fixed income investors to earn equity-like returns in short duration high yield without taking on equity-like risk. With a current yield of 7.9% and a yield-to-worst of 9.4%, we believe the Intrepid Income Fund offers a very attractive option for investors – especially given the recent actions dedicated to reducing the more risky holdings within the Fund. Our short duration bias remains strong, with a modified duration of 2.0, allowing us to remain nimble and take advantage of future opportunities should markets become less sanguine about a "soft landing" over the coming year.

Shifting to performance, the Intrepid Income Fund (the "Fund") returned 4.35% for the quarter ended December 31, 2023. While a very satisfactory absolute return for one quarter, this did trail the duration-heavy Bloomberg US Aggregate Bond Index's return of 6.82% due to the index benefitting from the aforementioned rapid decline in rates to end the period. In contrast, the Fund outperformed the 3.44% return for the shorter-duration Bloomberg US Govt/Credit 1-5 Year Total Return USD Index, which is our other benchmark.

Both the ICE BofAML US Corporate Index and ICE BofAML High Yield index reported very strong returns in the quarter (7.93% and 7.08%, respectfully), driven by the decline in both interest rates as well as the market's perception of credit risk.

It is typical for the Fund to underperform fixed income indices with higher inherent duration during periods of sharp interest rate declines that spur price-driven rallies in bonds. Given the Fund's high income focus (we are the Intrepid **Income** Fund, after all) and short duration bias, most of its returns are typically driven by the coupon and interest income that its holdings generate over time. Thus, when credit markets are being driven by rapidly declining rates and the associated price appreciation, such as in calendar Q4, our goal is to continue generating attractive returns, but without taking on risk that we are not adept at navigating/forecasting around.

The Fund's strategy is designed to generate attractive returns through all market environments and not just those where bond prices are rising rapidly. With the Fed's recent communication, it appears that the market may have just finished a very challenging rate hiking cycle for fixed income investors. If that is the case, we are pleased with the Fund's overall performance in what proved to be a difficult environment since the first rate increase was announced by the Federal Reserve on March 16, 2022.

The Fund's total return from that date through the end of calendar 2023 was +8.38%, which handily outperformed the negative total return for the Bloomberg US Aggregate Bond Index (-2.70%), the slightly positive total returns for the Bloomberg US Govt/Credit 1-5 Year Total Return USD Index (+1.87%), and the ICE BofAML US Corporate Index (+0.57%). The Fund also outperformed the ICE BofAML High Yield Index's return of +7.51% through this period.

Relevant Benchmarks vs. ICMUX Performance	3 Months Ended 12/31/2023	12 Months Ended 12/31/2023	3/16/2022 - 12/31/2023 (total return)
Bloomberg US Govt/Credit 1-5 Year Total Return USD Index	3.44%	4.89%	1.87%
Bloomberg US Aggregate Bond Index	6.82%	5.53%	-2.70%
ICE BofAML US Corporate Index	7.93%	8.40%	0.57%
ICE BofAML High Yield Index	7.08%	13.46%	7.51%
Intrepid Income Fund	***4.35%***	***10.88%***	***8.38%***

The Fund's success during this period of rapidly rising rates was attributable to both its short duration positioning as well as its steadfast focus on circumspect credit underwriting in what was an uncertain macroeconomic period. As always, we welcome outreach and would love the opportunity to discuss our past and current positioning with you.

To summarize our thoughts looking forward, we still believe it is too early to assume we are returning to a regime where blindly reaching for high quality duration will be a durable, winning strategy. We believe that longer duration fixed income strategies, which were considered "core" strategies before the current interest rate regime, will continue to be volatile, and, because of this volatility, will not offer very "fixed" rates of return.

We remain focused on finding idiosyncratic, short duration credits that offer attractive risk/reward prospects and the ability to reinvest called and matured proceeds into future opportunities as they emerge. While the Fund has de-risked a bit in response to a more positive monetary outlook, we have been able to replace these positions with attractive core holdings that preserve a solid yield profile and possess the characteristics we demand of low leverage, stable operations, creditor-friendly capital allocation, and a margin of safety should a downside case play out.

We also will look to be opportunistic in layering in unique longer-duration opportunities in high quality credits that we know well when offered at attractive yields. If successful, this will allow the Fund to participate more in the price-driven upside should rates continue to fall as the market expects, while still preserving the strong credit quality and yield metrics of the Fund.

While the market is pricing in a new, bullish rate cycle and an "all clear" on a "soft landing," we believe continuing to emphasize our diligent credit underwriting philosophy will provide attractive risk-adjusted returns to Fund shareholders while protecting them should there be a return to credit market volatility in 2024.

As always, thank you for your investment.

Sincerely,

Hunter Hayes
Intrepid Income Fund Co-Portfolio Manager

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

Past performance is not a guarantee of future results.

Mutual Fund investing involves 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 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 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 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 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.

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.

Yield-to-worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

Free cash flow, or cash flow, represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

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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