INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

1ST QUARTER 2024 COMMENTARY

1Q 2024

MARCH 31, 2024

PERFORMANCE

	Inception Date	Total Return Qtr.	YTD	1 Year	Average Annualized Total Returns as of March 31, 2024 3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst. ^	8/16/10	2.63%	2.63%	11.90%	5.21%	6.16%	4.16%	4.43%
Bloomberg USGov/Cred 1-5Y		0.14%	0.14%	3.16%	-0.38%	1.24%	1.40%	2.32%
Bloomberg US Agg Bond Index		-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.54%	3.00%
ICE BofAML US Corporate Index		-0.09%	-0.09%	4.68%	-1.71%	1.61%	2.67%	4.18%
ICE BofAML High Yield Index		1.49%	1.49%	11.00%	2.20%	4.02%	4.36%	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: 7.87%; 30-Day Unsubsidized SEC Yield: 7.87%

April 1, 2024

Dear Fellow Shareholders,

Despite only being three months into 2024, reviewing the market's expectations at the end of 2023 provides a good example of how quickly a narrative can change.

Last quarter, following a surprise pivot in the Federal Reserve's rhetoric, markets began to price in the start of an imminent (and aggressive) rate cut cycle. Credit and Treasury markets rose sharply during the period as investors positioned for an implied six interest rate reductions by the Fed during the upcoming year.

While the Federal Reserve remains supportive and continues to signal its desire to cut rates as soon as it's justifiable, the macroeconomic data around GDP, labor, and inflation remains strong enough to keep pushing out the market's expectations of when these rate cuts may start. This strength shifted market expectations from six cuts beginning in March/April to just three cuts beginning in June/July.

This change in expectations drove a much more lackluster quarter for fixed income markets than in Q4 2023. Treasury yields rose and, correspondingly, their prices fell. In addition, the Bloomberg US Aggregate Index – consisting of an extremely broad mix of government securities and investment grade corporate bonds – had a negative return during the quarter.

INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

1ST QUARTER 2024 COMMENTARY

1Q 2024

MARCH 31, 2024

While we do have internal views on what could happen to interest rates versus expectations from here, they remain more of a professional curiosity than particularly important to our investment process and portfolio positioning. We are happy to share our views when relevant – in last quarter's commentary, we did express that six rate cuts in 2024 seemed very unrealistic given recent economic strength. For now, it looks like we got that one right! However, we also realize that things can change again and in three months that view could end up being very wrong.

Our point is this: while interest rate movements can be key to returns in the fixed income market, we believe trying to predict them accurately is a fool's errand. We know we will be wrong just as often (or more!) than we will be right.

Top Ten Holdings	(% OF NET ASSETS)
Valvoline, Inc., 02/15/2030, 4.250%	3.9%
Cimpress PLC., 06/15/2026, 7.000%	3.4%
Equitrans Midstream Corp. 9.75% Preferred Stock	3.2%
Turning Point Brands, Inc., 02/15/2026, 5.625%	3.1%
Abercrombie & Fitch., 07/15/2025, 8.750%	2.9%
WildBrain Ltd., 09/30/2024, 5.875%	2.8%
Conduent Services LLC, 11/01/2029, 6.000%	2.6%
Opnet S.P.A FRM., 02/09/2026, 10.925%	2.6%
ANGI Group LLC, 08/15/2028, 3.875%	2.5%
Kehe Distributors LLC, 02/15/2029, 9.000%	2.4%

Top ten holdings are as of March 31, 2024. Fund holdings are subject to change and are not recommendations to buy or sell any security.

That is one of the reasons the Fund has historically focused on opportunities in the short duration segment of the credit market. We believe doing so gives us two inherent advantages:

1) Our returns are much less sensitive to interest rate fluctuations, and thus we don't have to spend time or heartburn making interest rate predictions.
2) A short duration focus means the Fund constantly has holdings being called or maturing, giving us a steady stream of cash to redeploy which we believe makes us structurally well-positioned to take advantage of any dislocations in the credit markets.

There is one more important implication of this short duration focus and "agnostic" approach to interest rates – it means we care deeply about and spend almost all of our energy thinking about credit risk.

On the topic of credit risk – a common way to assess the degree of credit risk in the market is to study the level of credit spreads. We focus specifically on high yield credit spreads. High yield credit spreads are simply the difference in the yield between the high yield market and the risk-free return on US Government Treasury notes. We typically use the yield on the 10-Year US Treasury note when calculating credit spreads.

The chart to the right shows where high yield credit spreads stand today versus the past 20 years. Over that time period, the average high yield credit spread, or excess yield over a 10-year Treasury note for these riskier bonds, has been 467 basis points (or 4.67%).

At the end of this most recent quarter, high yield credit spreads were noticeably lower than this twenty-year average at 355 basis points (3.55%) and near the bottom of their historical range. As such, a common refrain we hear from market participants today is that investors are getting paid a much smaller premium they have in the past to take on credit risk.

We mostly agree – we'd certainly prefer spreads to be higher and compensate the Fund better for its credit risk. However, we think the more important questions to discuss are:

- How do spreads impact portfolio positioning?
- In a world of tighter credit spreads, how are we looking for opportunities that do adequately compensate us for credit risk?

Portfolio Positioning & Current Pockets of Value

The yield-to-worst (YTW) of the Fund declined from 9.4% at the end of calendar 2023 to 9.1% this quarter, despite the YTW of the high yield index rising slightly to 7.8% from 7.7%. While we continue to keep duration short and interest rate risk low, it can also be implied by the relative decline in the Fund's YTW this quarter that we have actively reduced credit risk in the Portfolio in response to the lower credit spreads the market is offering. This continues our effort from the prior quarter, when we sold some of our riskier holdings to take advantage of a sharply rising market.

As a guiding principle, we think it is prudent to consider taking on more credit risk during periods when the market is compensating us better for it in the form of higher credit spreads. Likewise, we have a bias toward reducing credit risk during periods when spreads are tighter like they are today. In other words, buying high and selling low.

However, that doesn't mean the market isn't offering up any attractive opportunities. Here is how we are approaching the problem of finding those opportunities despite the tight credit spread environment.

First, we believe the Fund's historic focus on i) smaller sized bond and loan issues and ii) unrated credits naturally create a more fertile hunting ground for opportunities to get paid more than adequately for the associated credit risk. We believe this is the case because these qualities restrict the ability and willingness of many investors to research and allocate to these credits, creating structural inefficiencies for those willing to manage their less liquid nature and do deep credit work without relying on a rating agency's stamp of approval. We view this category of credits as evergreen opportunities.

There are also pockets of opportunity that present themselves periodically. Fortunately, our short duration focus generates a steady stream of called/matured holdings to be redeployed, allowing us to quickly allocate to these timely opportunities. As an example, we were quick to take advantage of dislocations in the busted convertible debt market after equity prices fell precipitously once news of the COVID-19 pandemic started to roil markets. At the end of the second quarter of 2020, convertible debt represented roughly 25% of the Income Fund's holdings. By contrast, convertible debt represents around 5% of the Fund today as we are finding fewer compelling opportunities in this corner of the market.

Similar to the opportunity to tilt the Portfolio to busted convertibles previously, today we are finding value in the new issue market.

New issues are simply bonds that are being issued for the first time. Historically, the Fund has had minimal participation in new issues as we did not think it offered much value. During the low interest rate environment of the last 15 years, investors were comfortable funding new bond issues with low coupons, extended maturities, and weak or almost nonexistent covenants. As a result, we were comfortable staying on the sidelines and turned our attention to more fruitful niches.

However, over the past 12-18 months, rising interest rates and a decrease in recoveries on corporate defaults have forced investors to demand higher coupons and tighter covenants from companies – making these new issues structurally more attractive than they have been in many years. While we are far from saying every new high yield bond issue is worth looking at, we are finding it an interesting opportunity set to dig through for the first time in a long time.

Where we have found the most interesting opportunities is the small subset of new issues that fit the criteria of 1) we know the company or industry very well already; 2) they are either new to the high yield market or extremely under-followed by high yield investors; 3) they are offering attractive terms with regard to yield, maturity, and covenants.

As a result, despite being essentially a non-entity in the new issue market historically, the Fund ended Q1 with approximately 7% of its holdings in bonds that were issued during the quarter. In addition, almost 20% of the Fund's holdings are in securities that were issued since the start of 2023. While we don't have the historical statistics to confirm, we strongly suspect this is a record high and is representative of the relative attractiveness with which we view securities issued recently versus those that have been outstanding for longer and were issued during a period of more lax underwriting standards.

Finally, in addition to looking for attractive pockets of opportunity in the market, we try to take a balanced view on credit spreads. While tighter credit spreads do justify a more cautious approach to portfolio positioning, we acknowledge that if aggressive rate cuts do come later this year that it could solve the "tight" spread issue organically should Treasuries rally to a greater degree than high yield bonds. While high yield bonds may underperform Treasuries in that scenario on a relative basis, it would still be a positive outcome for the high yield asset class in absolute terms.

Of course, the opposite could happen and credit spreads could widen due to bond yields rising, causing a rout of the high yield market. Or spreads could tighten from here! This discussion is circular and ties back to the above – interest rates are very difficult to predict. Thus, we remain highly focused on finding unique opportunities that adequately compensate for the assessed level of credit risk on an absolute basis, while being mindful of how credit risk is being priced holistically in the market relative to risk-free assets and doing our best not to get distracted by the constantly changing narratives in interest rates.

Performance

The Fund had a strong quarter, returning +2.63% during calendar Q1 2023. This compared very favorably to:

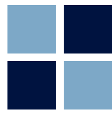
- **Shorter duration indices.** The Bloomberg US Gov/Credit 1-5 Year Index returned +0.14%.
- **The bond market as a whole.** The Bloomberg US Aggregate Bond Index returned -0.78%.
- **Investment grade bonds.** The ICE BoA US Corporate Index returned -0.09%.
- **High yield bonds.** The ICE BoA US High Yield Index returned +1.49%.

We attribute the Fund's broad outperformance this quarter to a combination of its short duration positioning as yields rose, combined with circumspect credit underwriting that avoided any outsized losses on individual positions. While the Fund did have some bonds that appreciated on strong results or improving expectations, it can be said this quarter's success was more due to avoidance of mistakes and letting its high current yield accrue versus large contributions from a few select "winners." This is consistent with our actions taken to reduce our riskier positions last quarter and incrementally reduce credit risk further during Q1.

Closing

To summarize the discussion above, the Fund can be characterized as defensively positioned with regard to both interest rate and credit risk. However, with a yield-to-worst of 9.1%, we believe this lower-risk positioning still offers an attractive risk/reward profile to investors.

INTREPID CAPITAL FUNDS



INTREPID INCOME FUND

1ST QUARTER 2024 COMMENTARY

1Q 2024

MARCH 31, 2024

Despite tighter credit spreads, 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. While credit spreads – a measure of relative valuation – are low, absolute yields are attractive. Again, we don't make interest rate predictions, but with a current yield of 8.2% and a short duration profile (modified duration of 2.2 years), the Fund is positioned to generate an attractive income stream while remaining well-positioned to take advantage of any adverse fluctuations in bond prices.

Whatever happens in the future, we remain focused not on trying to predict it – but 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.

Until then, we will remain steadfast in our focus on the small issue size and unrated bond niches, while working to find other corners of the credit market that are temporarily offering up attractive opportunities. 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.

Towards the end of March, the Fund surpassed $500 million in assets under management. This is a major milestone, and we are grateful for our shareholders who supported us to make it happen. We believe that our increased scale will allow us to enjoy better trading execution, improved resources, and more ability to access the primary markets that we discussed above.

On a personnel note, we are happy to announce the Fund has added two new co-portfolio managers: Matt Parker and Joe Van Cavage. Matt and Joe are long-time employees and Investment Team members of Intrepid and have been key contributors to the Fund's success to date. While we are excited to announce these new titles, you should expect no change to the day-to-day management or overall strategy of the Fund.

We are also pleased to announce that Hunter Hayes has been named Chief Investment Officer of Intrepid Capital Management, Inc. He will continue to serve with Mark Travis, Intrepid's co-founder and president, as co-portfolio manager of the Income Fund, alongside Joe and Matt.

At Intrepid, we have always believed in the value of a small, nimble, and tight-knit team with a bottom-up, generalist approach towards allocating capital. We believe that these title changes reflect the collective approach we take towards portfolio management and highlight what is a key differentiator between us and many other investment managers that espouse a more hierarchal structure.

Thank you again for your trust and investment. If there is anything you would like to discuss, please do not hesitate to reach out.

Sincerely,

Hunter Hayes
Intrepid Income Fund Co-Portfolio Manager

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

Matt Parker, CFA, CPA
Intrepid Endurance Fund Co-Portfolio Manager

Joe Van Cavage, CFA
Intrepid Endurance 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.

This material must be preceded or accompanied by a prospectus. 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.

The 30-day SEC yield calculation is an annualized measure of the respective fund's dividend and interest payments for the last 30 days, less the respective fund expenses. The 30-day subsidized SEC yield reflects fee waivers and/or expense reimbursements during the period. The 30-Day unsubsidized SEC yield reflects what a fund's 30-Day SEC yield would have been had no fee waivers or expense reimbursement been in place over the period.

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.

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

Current yield is the annual income (interest or dividends) divided by the current price of the security.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice or recommendations to buy or sell any security.

The Intrepid Capital Funds are distributed by Quasar Distributors, LLC.