INTREPID CAPITAL FUNDS

INTREPID INCOME FUND

4TH QUARTER 2024 COMMENTARY

4Q 2024

DECEMBER 31, 2024

PERFORMANCE

		Total Return			Average Annualized Total Returns as of December 31, 2024			
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Intrepid Income Fund - Inst. ^	8/16/10	1.65%	10.42%	10.42%	5.84%	7.25%	5.18%	4.68%
Bloomberg USGov/Cred 1-5Y		-0.71%	3.76%	3.76%	0.94%	1.29%	1.66%	2.43%
Bloomberg US Agg Bond Index		-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	2.99%
ICE BoA US Corporate Index		-2.84%	2.77%	2.77%	-1.97%	0.48%	2.52%	4.16%
ICE BoA US High Yield Index		0.16%	8.22%	8.22%	2.91%	4.04%	5.08%	6.25%

^ 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: 7.56%; 30-Day Unsubsidized SEC Yield: 7.47%

January 1, 2025

Dear Fellow Shareholders,

Driven by political uncertainty and stubborn inflation trends, the fourth calendar quarter of 2024 was lackluster for fixed income markets, with negative returns in the short duration, investment grade, and aggregate bond indices. Specifically, the Bloomberg US Gov/Credit 1-5 Year Index returned -0.71%, the ICE BoA US Corporate Index returned -2.84%, and the Bloomberg US Aggregate Index returned -3.06% during the quarter. The high yield market eked out a flat result, with the ICE BoA US High Yield Index ("the High Yield Index") returning +0.16%.

For the year, results diverged meaningfully. The Bloomberg US Aggregate Index was slightly positive, returning +1.25%. Both the short duration and investment grade indices were up low single digits, with the Bloomberg US Gov/Credit 1-5 Year Index returning +3.76% and the ICE BoA US Corporate Index returning +2.77%. The high yield market was the favorable outlier, returning +8.22% during the calendar year.

In contrast, the Intrepid Income Fund ("the Fund") generated meaningful outperformance for both the quarter and annual periods. Specifically, in calendar Q4 the Fund returned +1.65% versus the negative or flat returns from the indices mentioned above.

Top Ten Holdings	(% OF NET ASSETS)
The Realreal, Inc.	4.6%
Turning Point Brands, Inc.	3.5%
Diversified Healthcare Trust	3.4%
QVC, Inc.	3.0%
Chicago Atl Real Estate Finance, Inc.	3.0%
Herbalife Ltd	3.0%
Twilio Inc.	2.8%
Icahn Enterprises L.P.	2.7%
Rithm Capital Corp.	2.6%
PRA Group Inc.	2.6%

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

For the full calendar year of 2024, we are particularly pleased with the Fund's return of +10.42%. We have said in the past that the credit environment offered investors the opportunity to earn equity-like returns without the volatility of the stock market, while remaining senior in claim priority and avoiding meaningful interest rate risk. We are happy to have delivered on that opportunity this year.

We attribute the Fund's outperformance this quarter and year to staying focused on what we do best. In past commentary notes, we reiterated our desire to focus on our core competency of short duration credits that adequately compensate the Fund for the credit risk it takes on. It is fair to say that this year's returns were attributable to our dedication to circumspect credit underwriting and, thankfully, strong credit performance of the Fund's holdings. Admittedly, it also helped the Fund's relative performance that investor expectations of further, aggressive interest rate cuts diminished throughout 2024 and inflation fears were re-stoked towards the end of the year.

Relatedly, over the course of this year, a lot of ink has been spilled in the financial press about macroeconomic gyrations, the impact of the presidential election, geopolitical risks, inflation trends, potential tariffs, the Fed's start to the rate-cutting cycle, and where interest rates are headed. We continue to follow these topics closely, but do not make any predictions about these issues that would impact our positioning or portfolio management decisions.

We will keep our nose to the grindstone and continue to try to source idiosyncratic short duration credits that offer attractive risk/reward prospects. We continue to view this corner of the credit market as a structurally inefficient niche.

Portfolio Positioning

As for potential opportunities in 2025, the Fund's short duration positioning continues to provide a steady supply of called and matured holdings that allows us to quickly take advantage and redeploy capital into any opportunities created by future credit market volatility.

In addition, while we do not shift our positioning based on macroeconomic or interest rate expectations, it is hard not to notice how different the market's expectations for interest rates are as we exit 2024 versus how we exited 2023. At the end of 2023, the market was pricing in 6 to 7 interest rate cuts by the Federal Reserve during 2024 and a very aggressive easing cycle that assumed lower rates throughout the yield curve. Today, the market is only pricing in 1 to 2 rate reductions during 2025…and even more interesting is that the longer end of the yield curve has started to move higher despite the expectation for further (albeit less than before) cuts.

As the yield curve steepens and investors begin to price in higher inflation for longer, we believe that could potentially create opportunities in the longer duration securities of companies we know well and are of strong credit quality. Our primary focus remains on short-duration credits, but should the opportunity emerge to invest at attractive yields in strong, familiar credits for longer periods of time…that is something we would consider now that the market (unlike a year ago) may begin to shun this segment.

In addition, we suspect there could be an attractive opportunity in early redemptions during 2025. The high yield market experienced significant issuance in late 2020 through early 2022 as the financial markets emerged from Covid, and many of these bonds are in the process of going current based on a standard 5-year maturity schedule. As we discussed last quarter, the refinancing window for issuers is open, it is just a more expensive endeavor to refinance debt than it was in the past due to a higher interest rate environment today.

As these bonds get closer to maturity at the same time as the yield curve steepens, we think many companies will "pay up" through early redemption premiums to refinance their debt well into the future and not risk "getting into a jam" by waiting too long to do so and be at the risk of further financial market gyrations. We think this could be a meaningful tailwind to the performance of short duration credits next year that is perhaps underappreciated by the market. And while we are optimistic about the contribution that "refi candidates" may offer, note that the Fund will only make investments that can stand on their own merits according to our typical credit underwriting process, rather than speculate on a successful refinancing process.

One potential risk we are wary of in the upcoming year is credit risk. We believe that high yield outperformed all other segments of fixed income during 2024 due to i) a naturally shorter duration positioning, but also ii) strong performance of the riskiest credits in the market. Specifically, the ICE BoA CCC and Lower Index returned +18.21% during 2024 – a strong contributor to the high yield index's overall +8.22% return.

Critically, we do not believe the Fund's strong performance this year was due to taking excess credit risk during a year when that was unduly rewarded. The Fund's exposure to CCC credits averaged approximately 7% in 2024, compared to 13% for the high yield index. Moreover, we think the Fund's outperformance in 2024 was due to our positioning in what we perceive as a structurally mispriced pocket of the credit markets.

We remain intensely focused on credit risk today, particularly given the historically low credit spreads in the high yield market. The Fund's exposure to CCC rated securities ended the year at 7% compared to 14% for the high yield Index. While this provides some comfort that we are not positioned in a riskier manner than planned, we remain extremely vigilant about the potential for the re-emergence of credit-driven volatility in the market should the economy show any signs of faltering in 2025. We continue to dedicate the overwhelming bulk of our efforts to understanding and managing credit risk in our underwriting of new positions and ongoing analysis of our existing holdings.

Closing

With that said, the Fund ended the year with a yield-to-worst of 8.8% and an effective duration of 2.2 years. This positioning is very similar to how we ended the third quarter of calendar 2024, as we continue to lean into our process and focus on what we do best. We continue to believe the niche of idiosyncratic, short duration credits offers the opportunity to earn equity-like returns without the commensurate volatility of the stock market.

In addition, this positioning allows the Fund to remain highly flexible and capitalize on any credit market volatility that might occur in the upcoming year. We will continue to avoid the distraction of the financial press when making portfolio management decisions, but hope to continue to take advantage of any opportunities that those narratives might create.

Thank you for our 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 BoA 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 BoA US 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 ICE BoA CCC & Lower 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 rating of CCC or lower (based on an average of Moody's, S&P and Fitch).

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 fixed income securities 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. Intrepid utilizes Standard & Poor's credit ratings when tabulating the ratings for individual fixed income securities.

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 (YTM) 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.

Yield-to-call (YTC) is the return a bondholder will be paid if the bond is held until the call date, which will occur sometime before the bond reaches maturity.

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.