Intrepid Capital Funds

the constant pursuit of value

INTREPID ALL CAP FUND 4th QUARTER 2010 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2010

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid All Cap Fund	10/31/07	7.62%	16.75%	16.75%	5.46%	3.37%
S & P 500 Index		10.76%	15.06%	15.06%	-2.86%	-4.22%
Russell 3000 Index		11.59%	16.93%	16.93%	-2.01%	-3.51%

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 less than 30 days. Performance data does not reflect the redemption fee. If it had, returns would be reduced.*

Per the Prospectus, the Fund's annual operating expense (gross) for Investor Shares is 2.66%.

Dear Fellow Shareholders,

For the quarter ended December 31, 2010, the Intrepid All Cap Fund gained 7.62% compared to a gain of 10.76% for the S&P 500 Index. The equity market has continued its gains which began in September. This surge has been most evident in more cyclical businesses, such as durables, semiconductors, and industrials. Because these industries are highly cyclical, we typically have a hard time finding value in owning them, which helps to explain the underperformance over the past three months. As we have stated in the past, our goal is to provide absolute performance and relative outperformance against the benchmark index over a full market cycle by seeking to protect our client's capital on the downside while participating in periods of market appreciation. Although it has never been our stated goal to outperform the S&P 500 Index in a calendar year, we feel a measure of satisfaction that the Intrepid All Cap Fund was able to deliver benchmark outperformance over what has been a reasonably strong period, 2010, for the S&P 500 Index.

We were net liquidators in the quarter as the market continued its rise and more of our holdings reached our calculated intrinsic values. Companies such as Comcast (ticker: CMCSA), Paychex (ticker: PAYX), and Rent-A-Center (ticker: RCII) were all sold as stock prices traded above what we believe the businesses are worth. Incidentally, all of these businesses were strong contributors to quarterly performance. In the case of Comcast, much of the stock price increase in the month of October can be attributed to decent quarterly earnings and the pending joint venture with content giant NBC Universal. We have followed Comcast for a number of years and will continue to do so in the event that its stock price trades at a discount to our intrinsic value estimate in the future.

Other Intrepid All Cap Fund holdings which had positive contributions to performance in the quarter included Western Digital (ticker: WDC), sold after reaching intrinsic value; Tidewater (ticker: TDW), a top ten holding; and Pan American Silver (ticker: PAAS), whose weight has been reduced throughout the quarter. Significant detractors for quarterly performance were Gilead Sciences (ticker: GILD), Tekelec (ticker: TKLC), and Tellabs (ticker: TLAB). The telecommunications industry, in particular, has been lagging the overall market.

Our purchasing of new businesses was light in the quarter, which is a natural by-product of a market that has become more expensive. In a first for Intrepid Capital, we bought shares of Microsoft (ticker: MSFT). For us at Intrepid, the most common areas in which we find value are in small- or mid-cap securities. They tend to be less followed by Street analysts, and in our opinion this leads to more opportunities for dislocations between price and value. The dislocation is caused because the market is less efficient. This is not the case with large-caps, particularly mega-caps like Microsoft, which has a market capitalization of more than $230 billion.

In cases of large-cap investing, we tend to take a more opportunistic, contrarian view. The business must still have the characteristics which we seek: 1) a good balance sheet, 2) a history of strong free cash flows, and 3) a market leading position or comparative advantage to its peers. Microsoft has these characteristics. It carries about $5 per share in cash and generates a free cash flow yield of roughly 10%. It also has a 90% market share in operating systems. This is the very definition of a quality business, and yet the P/E for Microsoft is below the average of the S&P 500. What is going on? In our opinion, there are two interrelated issues. First, as alluded to above, the difference between investing in smaller stocks and large-caps has to do with the fact that large companies are heavily followed. They are mentioned in the media frequently, and analysts produce a large volume of research on them. Second, we believe that many investors' opinions of one business are directly influenced by their opinion of competitors. So, if an investor thinks highly of Google (ticker: GOOG) or Apple (ticker: AAPL), we believe that he or she is very likely to disfavor investing in Microsoft. This leads to what we think of as a herd mentality, which in turn can lead to that very same dislocation between price and value that we look for in small- and mid-cap securities. Here, the dislocation is not caused by a lack of efficiency, but instead by a herd mentality. We want to find value, and a quick survey of these three businesses' price-to-earnings ratios shows that Microsoft is much cheaper than the other two. We are willing to go against the grain and hold Microsoft because we believe it is

Intrepid Capital Funds

the constant pursuit of value

INTREPID ALL CAP FUND 4th QUARTER 2010 COMMENTARY (continued)

a great business selling at an attractive discount.

The Intrepid All Cap Fund turned three years old during the fourth quarter—Halloween to be exact. A three-year track record is required before Morningstar will rate a fund. The Intrepid All Cap Fund received an Overall 5-star Morningstar Rating, the highest rating for risk adjusted returns, out of 373 funds in the Mid-Cap Blend category for the period ending December 31, 2010. The Overall Morningstar Rating for a fund is derived from a weighted average of the fund's three-, five- and ten-year (if applicable) Morningstar Ratings™ metrics, which are based on risk-adjusted return performance.

We will close with the average discount within the portfolio. Each investment will have a discount to intrinsic value which is based upon its market price and our calculated intrinsic value. The average discount within the All Cap Fund is roughly 5%. The gap continues to shrink as market prices rise. Caused by new fund inflows combined with shrinking discounts, the Intrepid All Cap Fund's cash levels were higher than normal. We do not want to add to positions that are near their respective intrinsic values. However, we remain diligent in searching for new investment opportunities, and should market prices fall, we are ready to deploy cash.

Top Ten Equity Holdings (% of net assets)

Tidewater, Inc.	3.2%
Dell, Inc.	2.9%
Microsoft Corp.	2.8%
Global Payments, Inc.	2.7%
John Wiley & Sons, Inc.	2.7%
Aarons, Inc.	2.5%
The Travelers Companies, Inc.	2.4%
Cephalon, Inc.	2.3%
Brown & Brown, Inc.	2.2%
EPIQ Systems, Inc.	2.1%

Top ten holdings are as of December 31, 2010. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

Sincerely,

Gregg M. Estes

Greg Estes
Inrepid All Cap Fund Portfolio Manager

Mutual fund investing involves risk. Principal loss is possible. The Fund is subject to special risks including volatility due to investments in smaller and medium sized companies, which involve additional risks such as limited liquidity and greater volatility. The Fund is considered non-diversified as a result of limiting its holdings to a relatively small number of positions and may be more exposed to individual stock volatility than a diversified fund.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ (based on Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance, including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Intrepid All Cap Fund was rated 5-Stars against the following numbers of U.S. domiciled Mid-Cap Blends funds over the following time period: 373 funds in the last three years.

The Russell 3000 Index is an index representing the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. 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. You cannot invest directly in an index.

Free cash flow is revenue less operating expenses including interest expense and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchase. Price to earnings ratio is a common tool for comparing the prices of different common stocks and is calculated by dividing the current market price of a stock by the earnings per share.

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