Intrepid Capital Fund

the constant pursuit of value

4th QUARTER 2011 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2011

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Capital Fund - Inv.	1/3/05	7.27%	2.22%	2.22%	15.85%	6.32%	6.36%
Intrepid Capital Fund - Inst.	4/30/10	7.44%	2.52%	2.52%	-	-	5.02%
S & P 500 Index		11.82%	2.11%	2.11%	14.11%	-0.25%	2.76%^
B of A Merrill High Yield Master II Index		6.18%	4.38%	4.38%	23.72%	7.34%	7.27%^

^Since Inception returns are as of the fund's Investor Class date. The returns for the S&P 500 Index is 5.73% and B of A Merrill High Yield Master Index is 7.13% as of the inception date of the Institutional Class.

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 1.54% and for Institutional Class is 1.29%. The Fund's Adviser has contractually agreed to waive a portion of its fees and/or reimburse expenses such that total operating expenses (excluding Acquired Fund Fees and Expenses) do not exceed 1.40% and 1.15% through 1/31/13, respectively. Otherwise, performance shown would have been lower.

Dear Fellow Shareholders,

The Intrepid Capital Fund (the "Fund") had a 7.27% gain for the quarter ended December 31, 2011. This trails most equity indices, including the S&P 500's return of 11.82%. This Fund is allocated across selected equities and debt, coupled with a modest amount of cash. For the full year, the Fund's 2.22% total return was a whisker ahead of the S&P 500's 2.11% gain.

There are several crosscurrents running through the financial markets that may create mispricings, either one-off or collectively, which we hope will lead to attractive future returns. Our Washington-based politicians are wrestling with two competing views of the future—a European model (the path we are on now) or a return to one with more free market capitalism (where individual responsibility reigns). This wrestling match is occurring in the U.S. and across Europe, as politicians everywhere try to come to grips with promises made in the past that they are unable to keep today.

Secondarily, individuals and governments have borrowed too much relative to their respective cash flows. In this country, state and local municipalities as well as individual households must have balanced budgets in the long run. Therefore, the debts will either be repaid, refinanced (on easier terms for rate and maturity), or written off as uncollectable. The federal government is staying afloat for now with the power to print its own currency to breach the shortfall in revenue versus expenses, but stay tuned.

Top equity contributors for the Fund were primarily smaller market cap companies where change is afoot, including Oshkosh (ticker: OSK) and CoreLogic (ticker: CLGX). Oshkosh has struggled to bring a major armored vehicle contract to profitability and the decline in defense segment revenue has not been offset by improvements in its commercial segments. Now, Carl Icahn is in the company's shareholder ranks, and he is agitating for improved returns. CoreLogic is suffering as a company selling services to the real estate and mortgage industry, but the shares rebounded in August when management announced they were considering strategic alternatives to enhance shareholder value and the company reported better than expected third quarter earnings. While the firm's operations have experienced both demand-driven and regulatory pressures over the last year, CoreLogic has a unique array of businesses we believe the market undervalues. Lastly, Amerisafe (ticker: AMSF) was another top gainer in the quarter. It rose roughly 30% in the period after a solid earnings report, share buybacks, and improved expectations for the insurance underwriting environment, before giving back some of the gains as the year ended.

The largest loss in the quarter came from American Greetings (ticker: AM). The company announced poor earnings, and management failed to explain whether they believed the underperformance was transitory. One of the Fund's larger holdings, Newmont Mining (ticker: NEM), was also one of the larger detractors in the fourth quarter. Although gold rose over 10% for calendar year 2011, spot prices fell nearly 13% from November through year end and subsequently dragged down Newmont's share price. Gold miners have underperformed the metal for quite some time, and even if gold took another haircut, we believe Newmont's reserves are worth considerably more than is implied by the current stock price.

High yield bonds had an impressive fourth quarter. The Bank of America Merrill Lynch High Yield Master II Index (the "Index") rose 6.2% after falling 1.7% through the first nine months of the year. Our fixed income holdings did not record such volatile results due to our bias towards high-yield bonds with shorter maturities and higher credit qualities than the index. An example of this bias is represented with a recent purchase, Intertape Polymer 8.25% due 8/01/2014. Intertape Polymer is the second largest tape manufacturer in North America. This company has already survived what may have been its most difficult operating environment, which occurred in 2008 when resin prices fell precipitously. Since that time management has reduced debt and made some positive changes to their business. Despite the improved fundamentals, we were able to establish our position at a yield-to-worst of nearly 10%, when it had a duration of 2.2 years. By comparison, the yield-to-worst on the Master II index was 8.2% as of December 31, 2011, and had a duration of 4.7 years.

Corporate bonds and convertible note holdings represented 23% of the Fund's assets as of December 31, 2011. The Fund's allocation between high-yield bonds, equity securities, and cash is driven by the number of attractive opportunities available in each asset class and the relative attractiveness between the asset classes. In addition, fixed income positions depend on flows into the Fund and the liquidity of the high-yield market. Recent asset growth has caused increased difficulty in purchasing illiquid high-yield bonds, but has not become a serious constraint. In addition, the size of outstanding issues we are able to meaningfully invest in becomes larger as our assets grow. Despite this, we have been able to purchase sizable positions in a few small issues. For example, approximately 10% of the entire Smith & Wesson 9.5% due 1/14/2016 issue was held in the Fund as of year-end. While this was a large chunk of the $50 million issue, it made up only 1.5% of the Fund's assets. Holding this much of an issue comes with liquidity risks, thus we require a higher yield and better credit quality for this type of investment. The Smith & Wesson notes have one of the lowest leverage ratios and one of the highest yields of our fixed income investments. We continue to follow this company very closely.

Top Ten Holdings (% of net assets)

Bio-Rad Laboratories, Inc.	3.0%
Regis Corp.	2.9%
Securitas AB	2.8%
Molson Coors Brewing Co.	2.7%
CoreLogic, Inc.	2.7%
Berkshire Hathaway, Inc. - Class B	2.6%
Bank of New York Mellon Corp.	2.6%
Aspen Insurance Holdings Ltd.	2.5%
Dell, Inc.	2.4%
Johnson & Johnson	2.3%

Top ten holdings are as of December 31, 2011. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

Short-term and long-term capital gains were paid to shareholders on December 28, 2011, reducing the NAV (net asset value). In addition, as we do at the end of every calendar quarter, we paid out all interest and dividend income.

In looking at our portfolios prospectively, there is a bigger discount between market prices and our conservative estimates of value relative to this time twelve months ago, which will hopefully translate into higher returns in the future. On the fixed income side of the Fund, spreads have widened from this time last year. Treasury yields remain artificially depressed, which causes spreads to look unduly attractive. The current investment universe in fixed income may have a few hidden gems, but land mines are abundant. For these reasons, we tread lightly and continue to focus on our thorough credit research. The Fund had a 15% cash position on December 31, 2011. We are postured to take advantage of market volatility to add to existing positions as well as new investments under consideration. Thank you for your investment.

Best regards,

Mark F. Travis
President
Intrepid Capital 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 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. 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 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 Bank of America/Merrill Lynch High Yield Master II Index is Merrill Lynch's broadest high yield index, and as such is comparable with the broad indices published by other investment banks. You cannot invest directly in an index.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. deprecation) and interest expense to pretax income. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Yield-to-Worst is the bond yield computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

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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