Intrepid Capital Funds *the constant pursuit of value*

INTREPID INTERNATIONAL FUND

3RD QUARTER 2016 COMMENTARY

3Q 2016

SEPTEMBER 30, 2016

PERFORMANCE

		Total Return			Average Annualized Total Returns as of September 30, 2016		
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid International Fund - Inv.	12/30/14	7.17%	16.65%	12.67%	-	-	6.74%
MSCI EAFE Index		6.43%	1.73%	6.52%	0.48%	7.39%	0.41%

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, the Fund's annual operating expenses (gross) for the Investor Share Class is 2.84%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses such that the total operating expense (net) is 1.40% through 1/31/17. Otherwise, performance shown would have been lower.

October 3, 2016

Dear Fellow Shareholders,

Markets were up during the third quarter as the Brexit threat appeared to scare only central bankers. Meanwhile, the market is growing greedier the more fearful central bankers become. The Intrepid International Fund (the "Fund") kept up with the markets as it outperformed the MSCI EAFE Index (the "Index") during the quarter, 7.17% to 6.43%. We do not usually expect to outperform in short periods of strong market performance, so consider this unusual. One quarter is a condensed time period, and while we're always happy with positive returns, we believe the time period is too short to be accurately evaluated. In fact, most of the time commenting on quarterly performance is not productive in our opinion. We lead off with this because we want to give our clients full disclosure and understanding of our process. Our long-term results will be the result of our philosophy and process, which is where our focus lies. Thus, this commentary will primarily discuss what is going on under the hood to give our clients a better understanding of our thought process.

The strong increase in global markets lifted most securities in the Fund. Our three largest contributors were Clere AG (ticker: CAG GR), Stallergenes Greer (ticker: STAGR FP), and GUD Holdings (ticker: GUD AU). There were several detractors, including Coventry Group (ticker: CYG AU), Corus Entertainment (ticker: CJR/B CN), and Dundee Corp (ticker: DC/A CN).

Clere AG is the new name for the company that used to be called Balda, and we have discussed this security in more detail in previous commentaries. A large part of Clere's significant contribution to performance during the period is the outsized weight of the holding in the portfolio. With a weight of approximately 12%, the security is far above typical. However, the company is expected to pay a large dividend in October that will reduce the weighting by about one-third. This dividend will be treated as a return of capital, meaning there should not be any taxes. Furthermore, we believe the downside is limited considering the makeup of the security is almost entirely cash and short-term securities, which we are buying at a discount. In our opinion, this one is difficult to mess up. We prefer to invest in ideas where we understand the risks and do not have to be perfect with our analysis in order to make money. Once we find securities like this, we typically give them a larger weight in the portfolio, indicating it is one of our best ideas. A 2010 study showed that active managers' best ideas within a portfolio tend to outperform, and furthermore that these ideas "are most effective in illiquid and unpopular stocks.[1]" We tend to agree with this statement. And while this is not our most illiquid security, we do think we can add value by investing in less liquid parts of the market where large competitors may not be able to invest. This means we are more likely to be competing against smaller, less sophisticated investors. Flamboyant poker player (and playboy) Dan Bilzerian was once asked how good he is at poker: "It kind of depends on how you define poker. If you define poker as a sport like baseball for instance, then I'd be like…maybe a minor league or high school ball player. But you know, I play with tee-ballers." We certainly consider ourselves better than minor leaguers, but that's the matchup we're looking for and we think can occasionally exploit with less liquid securities.

Top Ten Holdings	(% OF NET ASSETS)
Clere AG	12.3%
Stallergenes Greer PLC	4.3%
GUD Holdings Ltd.	4.1%
GEA	4.0%
Hornbach Baumarkt AG	3.9%
Dundee Corp., 4.610%	3.8%
Royal Mail PLC	3.6%
Corus Entertainment, Inc. - Class B	3.6%
Noranda Income Fund	3.5%
Vetoquinol SA	3.4%

Top ten holdings are as of September 30, 2016. Fund holdings are subject to change and are not recommendations to buy or sell any security.

Stallergenes Greer's strong performance during the period could probably be attributed to the weakness in the stock price prior to this quarter. The company, a producer of allergen immunotherapy shots, tablets, and liquids, has been struggling due to a recent product recall. These problems caused the stock to be a material detractor in the second quarter. As the stock fell in value, we took a long-term approach. The recall significantly impaired earnings during the most recent allergy season, but we do not see this as a long-term problem as there is a lot of patient churn each allergy season. Stallergenes Greer's primary competitor, ALK-Abello (ALKB DC), confirmed this in a recent conference call: *"The market is a so-called fickle market which means actually that there will be a pause, you could say, during part of the year where patients will not take treatment when we talk about pollen products. And of course, **that is a moment where we had a risk to lose these patients again.** And of course, one-third of the market will be renewed every year. So, you could say that there will be a **complete wash of the entire market three years after this disruption.**"* Taking this multi-year approach when evaluating the security is different than what we believe many other market participants are focused on. John Meynard Keynes was just as right 80 years ago as he is today when he said of investors, "Most of these persons are in fact largely concerned not with most superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the *conventional basis of evaluation* a short time ahead of the general public. They are concerned not with what an investment is really worth to a man who buys it for keeps, but with what the market will evaluate it at under the influence of mass psychology three months or a year hence." We took this advice when we purchased additional shares in the security during the previous period's weakness, which led to outperformance this quarter. We believe the ultimate value of this security will not be recognized in the short-run.

GUD Holdings has been one of our favorite businesses since the inception of the Fund. While we typically are not a fan of acquisitions, the management team at GUD Holdings had a strategy that we were completely on board with. This strategy included purchasing a company in their Automotive segment at what we felt was a fair price. It is not often we feel acquisitions are completed without the acquirer overpaying. Furthermore, we have been long-term fans of their Automotive business, and felt that it was a diamond-in-the-rough. As they have grown this segment, the underlying value became clear to the market which bid up the security.

Our investment in Coventry Group, an Australian supplier of products and services to the industrial market, rests on the strength of its balance sheet. It is currently trading as a "net-net," meaning the market value is below the net current assets minus total liabilities. However, the company recently reported poor results. The company is beginning to burn

1 Randolph B. Cohen, Christopher Polk, and Bernhard Silli. "Best Ideas." May 1, 2010.

cash again as they build out their trade distribution business in order to reach the scale needed to offset overhead. The cash burn was not expected, and we are currently re-evaluating this position.

Corus Entertainment and Dundee Corp have been discussed ad nauseam in prior quarters. The former is suffering from concerns over cord-cutting, while the latter continues to be whipsawed by a number of factors. You can find more detail on each in the commentary for the Endurance Fund.

We would like to thank all of our current and prospective clients of the Fund. In Ayn Rand's Fountainhead, the protagonist architect Howard Roark states, "I don't intend to build in order to have clients; I intend to have clients in order to build." We take a similar approach – we are especially thankful to all of our clients who allow us to do work we enjoy doing each and every day. While this may sound like a backhanded compliment, in reality it is a sincere thank you which results in an optimal relationship. This method might be somewhat different from what you would get from a typical wealth manager that will change strategies in order to make the client happy. In contrast, we will not compromise the integrity of our approach due to outside (or inside) pressures. Our discipline is our pleasure, and we are grateful to each of you for letting us "build."

Thank you for your investment,

Ben O Franklin IV

Ben Franklin, CFA
Intrepid International 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. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. You cannot invest directly in an index.

Yield is the income return on an investment. It refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Return of Capital is a payment received from an investment that is not considered a taxable event and is not taxed as income. Instead, return of capital occurs when an investor receives a portion of his original investment, and these payments are not considered income or capital gains from the investment.

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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