Intrepid Capital Funds
the constant pursuit of value

INTREPID INTERNATIONAL FUND

4TH QUARTER 2015 COMMENTARY

4Q 2015

DECEMBER 31, 2015

PERFORMANCE

		Total Return			Average Annualized Total Returns as of December 31, 2015		
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid International Fund - Inv.	12/30/14	-3.41%	-3.99%	-3.99%	-	-	-3.89%
MSCI EAFE Index		4.71%	-0.81%	-0.81%	-	-	-0.99%

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 26.05%. 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 1/31/16, respectively. Otherwise, performance shown would have been lower.

January 6, 2016

Dear Fellow Shareholders,

After a tough third quarter, the MSCI EAFE benchmark reversed course and climbed 4.71% in the fourth quarter. The Intrepid International Fund (the "Fund") zigged as the index zagged, registering a decline of 3.41%. For the year, the benchmark declined 0.81% while the Fund fell 3.99%. As mentioned in our first quarter letter, the Fund was impacted by being left unhedged at the beginning of the year due to waiting on paperwork to be finalized that allowed us to hedge. During that time period foreign currencies were falling rapidly, and we estimate the impact to the Fund was a loss of over 2%.

In Western Europe, speculators are betting that loose monetary policy will provide the same large, positive returns we have seen in the United States with our central bank experiment. These returns will likely be transient in our opinion, which will certainly be the case for those buying and holding to maturity the current two-year German Bund, which yields a negative 0.4%. That's right folks, you can invest one euro today for the promise of less than one euro in two years… get in line! It is easy to see why putrid returns in government bonds could cause speculators to search for yield in riskier securities, namely stocks. We believe this shift is causing security prices to become overheated. We have attempted to avoid many of these areas where we believe prices are too high. In the short run, these highly priced securities continue to inch higher, while the areas we have invested have not performed as well. In particular, resource-rich Canada underperformed in the most recent quarter due to the weakness in commodities, as well as blind selling for tax loss purposes.

Canada's national economy is heavily tied to resources, causing local stocks to move in tandem whether or not the underlying businesses are related to resources. Stocks tied to commodities deserve to move tangentially with the underlying resource, and in some cases, more so. However, the broad-based selling pressure in Canada at the end of the year appears to be due to more than the country's exposure. We took this time to add to some of our positions.

The negative return for the quarter was primarily driven by a few stocks that disproportionately impacted performance, coupled with winners that did not perform well enough to offset the weakness. Our two largest detractors during the

quarter were Dundee (ticker: DC/A CN), and Corus Entertainment (ticker: CJR/B CN). Our two largest contributors during the quarter were Pacific Brands (ticker: PBG AU) and G.U.D. Holdings (ticker: GUD AU). The same detractors for the quarter impacted the calendar year, with the two combined contributing to a decline of about 7% in their local currency, and a decline of 6% when considering our currency hedges.

Top Ten Holdings	(% OF NET ASSETS)
Balda AG	9.5%
GUD Holdings Ltd.	5.4%
Pacific Brands Ltd.	3.9%
Corus Entertainment, Inc. - Class B	3.9%
Royal Mail PLC	3.8%
Programmed Maintenance Services Ltd.	3.4%
Hornbach Baumarkt AG	3.4%
Vetoquinol SA	3.4%
Dundee Corp. - Class A	3.0%
Metka SA	2.9%

Top ten holdings are as of December 31, 2015. Fund holdings are subject to change and are not recommendations to buy or sell any security.

For several reasons, we are not troubled by our negative performance in the quarter. Firstly, one quarter is a very short time period; investing takes patience, and some stocks can take years to work out. Secondly, we took the weak performance in several of our stocks as a great opportunity to buy. We do not believe a fall in the price of a stock alone is enough to buy more. However, if the price of one of our holdings falls substantially while we believe the fundamentals have remained strong, we will likely take this as an opportunity to buy. Another example of a buying opportunity is when a stock's fundamentals deteriorate but the stock price falls by more than our assessment of this decline in fundamentals. This latter example is what happened with our investment in Dundee.

We have discussed Dundee in past commentaries, and to summarize, it is a Canadian holding company with diversified investments, many of which are in the resource sector. Dundee's investments are in private and public companies, and the degree of ownership of each company varies from owning a small percentage of a firm, to joint ventures, to full ownership. The various interests cause the accounting for the holdings to differ between cost or market, equity method, and full consolidation. We'll spare the reader the accounting lesson but will note that the numerous holdings and accounting methods for each cause messy financial statements. We have thoroughly dissected the company's financials to understand the vast underlying holdings. When we first started looking at the company, it was trading at 0.6x book value. That book value has fallen; however, the stock price has fallen even further and now trades at less than 0.3x book value. One reason we believe this was occurring was related to year-end tax loss selling, which was exacerbated in a complicated company like Dundee where it would take other potential buyers considerable time to understand the underlying value due to the complicated structure described above. We have done our homework on this company over a long period of time, and took this opportunity to add to the position.

As the price of the Dundee common fell, we looked across their capital structure for other opportunities. The common equity is the lowest tranche in the company, and we were interested in potential opportunities in higher tranches we felt had less risk. The company also has a 5% preferred security that is puttable to the company in June of 2016. Due to the puttable nature of the security, it can be thought of as fixed income. The company is attempting to refinance the preferred with a new, similar security with a later put date in 2019 and an increased coupon of 6%. The new deal was dismissed by the market, and the holders of the 2016 preferreds began selling heavily. We were able to purchase the preferred at less than 75% of the par value. On January 6, 2016 the company announced improved terms for the new preferreds, including a dividend increase to 7.5% and warrants on the common, which sent the security up to over 90% of par.

There is uncertainty as to where the price of Dundee will go in the short run, and we know that human nature has us programmed to not accept this uncertainty. The safety of a rising stock price gives people comfort they are doing the right thing, and a falling one can have the opposite effect. These psychological factors can be powerful for even the most strong-willed of investors. While the stock was falling and we were buying, we were uncertain of where the

price would go in the short run. We will likely never perfectly time the bottom; however, more important than these vicissitudes is whether our research is correct. In this area, we feel confident.

The distribution for the Fund this year was large, especially considering that the Fund ended the year in negative territory. A reasonable investor may ask how this is possible. It can be explained by several factors, and a large portion of it has to do with the timing of the tax bill. We sold some winners and recognized capital gains, whereas we have not sold any stocks that have declined. Additionally, dividends received this year were somewhat inflated by a couple of stocks with high dividends, and one with a very high dividend. Another contributing factor was gains on our currency hedging positions. These were primarily futures contracts, which are marked to market at the end of the year. For tax purposes, these changes in market value are treated as income rather than capital gains. Lastly, we own a couple of companies that are considered Passive Foreign Investment Companies (PFICs). These holdings are marked to market for gains, but not for losses (unless there are previous gains to offset). This caused a timing difference with regard to taxes, as we paid them on the unrealized gain for one of our PFICs but did not get the benefit from the other one we own which fell in value. Taken alone, none of these items is individually outsized, but put them together and the end result is a large distribution. We are always cognizant of the tax implications of our investments; however, we do not want the tax-tail wagging the investment-dog. Furthermore, we believe we can benefit from buying the discarded stocks others are selling for their own tax strategies.

Since the end of the calendar year securities have been selling off. We are taking this time to continue to search for more undervalued investments. Most medium and large companies still require considerable weakness in their stock prices before we will find them attractive. Until that happens, we will be screening, searching, and drilling down into potential investments in the international small cap universe. Volatility is our friend. We welcome it, and we will do our best to use it to our advantage.

Thank you for your investment,

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.

Stocks are generally perceived to have more financial risk than bonds in that bond holders have a claim on firm operations or assets that is senior to that of equity holders. In addition, stock prices are generally more volatile than bond prices. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. A stock may trade with more or less liquidity than a bond depending on the number of shares and bonds outstanding, the size of the company, and the demand for the securities. Similarly, the transaction costs involved in trading a stock may be more or less than a particular bond depending on the factors mentioned above and whether the stock or bond trades upon an exchange. Depending on the entity issuing the bond, it may or may not afford additional protections to the investor, such as a guarantee of return of principal by a government or bond insurance company. There is typically no guarantee of any kind associated with the purchase of an individual stock. Bonds are often owned by individuals interested in current income while stocks are generally owned by individuals seeking price appreciation with income a secondary concern. The tax treatment of return of bonds and stocks also differs given differential tax treatment of income versus capital gain.

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.

Book Value equals total assets minus intangible asset and liabilities. It refers to the total amount a company would be worth if it liquidated its assets and paid back all its liabilities. Bunds are the German equivalent of U.S. Treasury bonds. Euro is the official currency of the European Union's member states.

Any tax or legal information provided is our interpretation of some of the current income tax regulations. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

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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