Intrepid Capital Funds

the constant pursuit of value

INTREPID SMALL 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	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/03/05	8.10%	18.97%	18.97%	15.62%	14.35%	14.01%
Intrepid Small Cap Fund - Inst.	11/03/09	8.21%	19.31%	19.31%	-	-	22.31%
Russell 2000 Index		16.25%	26.85%	26.85%	2.22%	4.47%	4.40%

^Since Inception returns are as of the fund's Investor Class inception date, the Inst. Class return for the Russell 2000 Index is 33.21%.

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 the Investor Shares is 1.64% and 1.39% for the Institutional Share class.

Dear Fellow Shareholders,

The Intrepid Small Cap Fund increased 8.10% for the quarter ended December 31, 2010. This was nearly half of the Russell 2000 Index's 16.25% return. Except for a brief pause in mid November, small caps marched upward over the entire period. For the trailing twelve months, the Intrepid Small Cap Fund returned 18.97% versus a 26.9% increase for the Russell 2000 Index. The Intrepid Small Cap Fund has trailed the broader small cap market on a consistent basis since it rocketed higher at the end of the summer. This underperformance stems from our cash holdings and from the type of security we generally own: mundane businesses that are less cyclical, often experiencing temporary issues, and have modest growth expectations. In contrast, today's star stock performers are high beta names with economic sensitivity, are beating earnings estimates, and are the perceived beneficiaries of a heightened mergers and acquisitions environment.

The Russell 2000 Index has closed near 800 and is only a stone's throw away from its all-time high. Some market observers have started to note the growing valuation disparity between large and small companies. However, many professional investors predict robust continued performance for small caps. They cite three reasons most often. First, they argue that Quantitative Easing 2 (QE2) will lift prices, so managers should continue to buy risky assets. Second, these investors contend that small firms grow earnings faster and rally harder when the economy picks up steam. Let's assume that economic improvement is real and not driven by government stimulus and asset inflation. Sell-side analysts expect companies in the Russell 2000 to grow operating income by nearly 20% in 2011, making the forward median EV/EBIT multiple on the index approximately 15x. That price tag, if it proves to be true, does not suggest a bargain to us. Lastly, there is an almost pervasive feeling that smaller firms, especially those in the technology sector, are going to be acquired by cash-rich blue chips at eye-popping multiples. Some tech names will be bought, but is it reasonable to apply a takeout multiple to entire sectors of the market? Our goal at Intrepid is to control risk by purchasing companies at a discount to their intrinsic value, which is calculated based on standalone earnings power or assets. In other words, it is the exact opposite of the drivers of today's small cap market. In our opinion, most small cap stocks appear overpriced.

The largest contributor to the fund's performance during the fourth quarter was De La Rue (ticker: DLAR). De La Rue is the world's largest printer of currency for central banks. In July, the company announced that paper quality had been compromised at its main production facility. De La Rue was slow to quantify the magnitude of the issue, and the market was left to speculate. There were rumors the company could lose its largest customer, the Reserve Bank of India. We watched the stock fall slowly over several months, and we got involved immediately after De La Rue released interim earnings in late November (a day the stock was down over 10%). Our thesis was that if the company lost its largest customer, De La Rue was still trading at a modest discount. If not, it was significantly undervalued. Within two weeks, buyout rumors surfaced from one of De La Rue's largest competitors, leading to a quick mark up in De La Rue's share price. This eliminated our margin of safety, so we sold. This turnaround was unusually quick for us. We were admittedly lucky on the timing, but this investment demonstrates our willingness to step in when things are ugly. Other Intrepid Small Cap Fund holdings with a significant positive impact this quarter were Tidewater (ticker: TDW, the fund's largest position), Pan American Silver (ticker: PAAS, reduced throughout the quarter), and Rent-A-Center (ticker: RCII, sold after reaching fair value). Our insurance and telecom names had the greatest negative impact. While the losses were modest, a few of our holdings declined, including Tellabs (ticker: TLAB), Tekelec (ticker: TKLC), and Amerisafe (ticker: AMSF).

Our largest purchase during the quarter was Teleflex (ticker: TFX), one of the leading producers of catheters in the world. The firm also sells other medical products and surgical equipment, and it manufactures plastics for OEMs. Approximately half of revenue comes from overseas and over 80% of sales relate to single-use, disposable devices. Teleflex has undergone a major transformation over the last three years, changing from an industrial-focused company to a medical device firm. While this process is now largely complete, we believe the stock has not been rewarded for the firm's decreased cyclicality. Teleflex has grown at a low single digit organic rate in recent years. While the company has historically underinvested in research, management is increasing research and development. This should eventually translate into slightly higher growth rates. The stock underperformed the market after Teleflex reported lackluster third quarter earnings. This stable medical device firm has recurring revenue, and we believe management will use the company's ample free cash flow to reduce debt. We bought Teleflex at just over 8x EBITA.

Top Ten Equity Holdings (% of net assets)

Tidewater, Inc.	3.5%
Aarons, Inc.	3.2%
EPIQ Systems, Inc.	2.8%
Core-Mark Holding Co., Inc.	2.8%
FTI Consulting, Inc.	2.7%
Bio-Rad Laboratories, Inc	2.6%
Bill Barrett Corp.	2.6%
Teleflex, Inc.	2.5%
Mantech International Corp.	2.3%
CSG Systems International, Inc.	2.2%

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.

Another purchase in the quarter was CoreLogic (ticker: CLGX). CoreLogic was originally part of First American Corporation (ticker: FAF), the title insurer, but it spun off its parent business in May. CoreLogic provides consumer, financial, and property information, analytics, and services. The company has detailed data resources that it sells to business and government customers. Some examples of CoreLogic's data offerings are: determining whether a property is in a flood zone, providing a tenant's history of rental payments, and maintaining collateral records for users of asset-backed securities. The company also offers real estate appraisals, is the leading provider of tri-merged credit reports, powers MLS real estate databases, and reports and collects property taxes. CoreLogic is a high return on capital business that is tied to the level of mortgage originations, but the firm also has a default services business that partially offsets origination cyclicality. We may be early on this name. In our opinion, 2011 could be challenging for CoreLogic, as refinancings dry up and new purchase mortgages slowly increase. The stock was trading at a modest discount, so we do not currently own a large weight. However, we may increase the size of the position on weakness in the shares. As investors learn more about CoreLogic as a standalone entity, we expect them to gravitate toward this unique business.

You pay us to be uncomfortable. Today's small cap valuations are making us uneasy. Although the Fund's recent underperformance is unwelcome, our absolute return-oriented investment process remains the same. We believe the securities held within the Intrepid Small Cap Fund are priced much more reasonably than the overall market. However, the Fund's average discount to intrinsic value has declined over the last three months. We continue to sell names crossing our intrinsic value thresholds, and cash has reached 28% of Fund assets. We will embrace market declines as an opportunity to invest this cash in undervalued securities. Thank you for your investment.

Sincerely,

Jayme Wiggins

Jayme Wiggins, CFA
Intrepid Small Cap Portfolio Manager

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice or recommendations to buy or sell any security.

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 Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. Companies in the Russell 3000 Index, as ranked by market capitalization. You cannot invest directly in an index.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Free cash flow equals cash flow from operating activities minus capital expenditures. EV/EBIT is the enterprise value to earnings before interest and tax. EBITA equals earnings before interest, taxes, and amortization.

The Intrepid Capital Funds are distributed by Quasar Distributors, LLC.