Intrepid Capital Funds
the constant pursuit of value

INTREPID INTERNATIONAL FUND

1ST QUARTER 2017 COMMENTARY

1Q 2017

MARCH 31, 2017

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of March 31, 2017 3 Year	5 Year	Since Inception
Intrepid International Fund - Inv.	12/30/14	0.31%	0.31%	12.92%	-	-	5.38%
MSCI EAFE Hedged Index		5.02%	5.02%	18.91%	-	-	7.33%
MSCI EAFE Net Index		7.25%	7.25%	11.67%	-	-	3.16%

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 dated January 31, 2017, the annual operating expense (gross) for the Intrepid International Fund-Investor Share Class is 2.50%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2018 such that Net Expense Ratio for the International Fund-Investor Share Class is 1.40%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

April 1, 2017

Dear Fellow Shareholders,

The Intrepid International Fund (the "Fund") increased 0.31% in the first quarter of 2017 compared to a gain of 7.25% for the MSCI EAFE Index (the "Index"). As we commonly do, we'd like to remind the reader that we typically do not look like the index and don't behave like one – the large difference in performance is to be expected. That being said, there were some negative developments this quarter in some of the companies in the portfolio. However, we do not believe the securities are permanently impaired.

There appear to be cracks in the European Union, with "-exit" being used to describe a growing number of countries (e.g. Brexit, Grexit, etc.). The upcoming French and German elections will be good indicators of the amount of populism and nationalism within the group. Despite these risks, European stocks appear to be on Viagra as investors continue to take more risk in an already expensive market. Fund flows poured into European stock funds during the quarter, causing markets to rise.

Here in the United States, a potential border-adjustment tax has been proposed. The 20% tax on imports would theoretically cause the dollar to strengthen by 25%. Pundits from all over claim this to be true, but we think they should adhere to the proverb, "In theory, there is no difference between practice and theory. In practice, there is." There are likely secondary and tertiary impacts, some of which are impossible to predict. If the dollar were to strengthen by 25%, many of our holdings would "theoretically" decline in value on a dollar basis. However, we wish to remind our investors that we hedge our currency exposure. At quarter end, nearly 90% of foreign denominated securities were hedged.

In practice, the top three contributors during the period were Dominion Diamond (ticker: DDC CN), RM PLC (ticker: RM/ LN), and G.U.D. Holdings (ticker: GUD AU). Our three largest detractors were Dundee (ticker: DC/A CN), Noranda Income Fund (ticker: NIF-U CN), and Coventry Group (ticker: CYG AU).

Top Ten Holdings	(% OF NET ASSETS)
Clere AG	8.8%
Dundee Corp., 4.640%	4.8%
Tox Free Solutions Ltd.	4.3%
GUD Holdings Ltd.	3.9%
Hornbach Baumarkt AG	3.9%
Corus Entertainment, Inc. - Class B	3.7%
KSB AG	3.7%
Coventry Group Ltd.	3.7%
Royal Mail PLC	3.7%
Dundee Corp. - Class A	3.4%

Top ten holdings are as of March 31, 2017. Fund holdings are subject to change and are not recommendations to buy or sell any security.

In March, Dominion Diamond announced guidance far above market expectations, causing the stock to jump. Soon thereafter, the company received a buyout offer that was more than 50% above where the stock was trading prior to the increased guidance. This is a short-term gain for us, as our original purchases occurred in September of last year.

RM provides school supplies, IT and other professional services to the UK education market. It's a high-quality, recession-resistant business that delivers industry-leading margins, strong free cash flow, and has a debt-free balance sheet. The stock fell in early 2016 as investors were concerned that the election of the Conservative Party would result in cuts to education spending that would weigh on the earnings of RM. While we acknowledged the risk was important, we thought the market was overreacting based on the spending pledges of the incoming party. We established a position midway through 2016. In February 2017, the company reported solid earnings due to margins which held up better than investors expected. They also announced that they would be acquiring an important competitor called Consortium – the education division of Connect Group (ticker: CNCT LN). RM did not overpay for the acquisition, and the combination should strengthen their position in the industry. The market rewarded the stock and we exited the position as the price reached our estimate of intrinsic value.

G.U.D. Holdings is an Australian company that owns several businesses, with their automotive segment being their largest. The company reported satisfactory earnings in early February, and we believe the market is starting to realize the potential this company has with their recently acquired Brown and Watson International acquisition.

Dundee Corporation is habitually either a top contributor or detractor, but has been a detractor far more often. While net tangible assets are significantly higher than the stock's current price, the company has been burning cash. Additionally, while the holding company has many different investments, it seems as if nothing can go right with any of them. We don't believe this will be true in perpetuity, but in the short-term the problems mount.

Noranda Income Fund is a Canadian zinc smelter. The company has historically benefited from an agreement with Glencore, which owns 25% of the company, whereby they received stable fees for converting zinc concentrate into zinc metal. However, the agreement ends May 2nd and the company will be forced to switch to operating on market terms. Unfortunately, the timing could not be worse. The fees smelters earn for converting the concentrate into the metal are at, or near, historic lows. Additionally, this change required the company, which has had a stable dividend for years, to discontinue paying dividends. The security is widely held by both income funds and retail investors. We believe the weakness in the stock was exacerbated by these types of investors selling. We also believe the net asset value of the company, which owns 866 acres on the St. Lawrence River just outside of Montreal, is higher than the current trading price. Additionally, if and when the cycle rebounds from the current down cycle, this low-cost smelter should be operating at significantly higher earnings. One additional risk, however, is that the company is 25% owned by behemoth commodity company Glencore (ticker: GLEN LN), and their interests may not be aligned with other shareholders.

Coventry Group is an Australian nuts and bolts company. Their largest business literally sells these commodities. The company has net tangible assets per share of AUD $1.86, compared to a current share price of only AUD $0.70. However, the company recently reported earnings and they are burning cash. We are not happy with the operations and have sent a letter to the company's Board of Directors urging them to liquidate this failing operation. This activism is a rare occurrence for the Fund, but we feel in this case that it is justified. Coventry's assets are worth significantly more than the trading price, but the cash burn is swiftly deteriorating value. If management's interests were truly aligned with shareholders, we believe they should be willing to sell the operations rather than continue to destroy value. At the end of the quarter, the company announced its CEO has stepped down, with reports that there were "differences of opinion" between directors and the CEO.

While there were negative developments with some of the companies in the portfolio, that is expected to occur from time to time. We are invested in the Fund alongside our investors and manage it for our own future as well as our investors'. We view money as work, and we don't want to lose what we've worked for. However, we feel comfortable having our money invested in a security that has gone down in price if we have good reason to believe the value remains higher than the price. In fact, we'd rather have excess cash invested in this type of security than in an overvalued stock or cash. While we spent much of this quarter reviewing our existing positions, we also continue to search for new undervalued investments.

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 risks of owning ETFs generally reflect the risks of owning the underlying securities they are designed to track. ETFs also have management fees that increase their costs versus the costs of owning the underlying securities directly.

The MSCI EAFE Net Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. The MSCI EAFE Hedged Index represents a close estimation of the performance that can be achieved by hedging the currency exposures of its parent index, the MSCI EAFE Index, to the USD, the "home" currency for the hedged index. The index is 100% hedged to the USD by selling each foreign currency forward at the one-month Forward weight. 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. Dividend Yield is calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock. Net tangible assets, or net asset value, is calculated as a company's total assets, minus intangible assets (goodwill, patents, trademarks, etc.) and all liabilities.