Intrepid Capital Funds

the constant pursuit of value

INTREPID CAPITAL FUND

4Q 2017

4TH QUARTER 2017 COMMENTARY

DECEMBER 31, 2017

PERFORMANCE

	Inception Date	Total Return Qtr.	YTD	1 Year	Average Annualized Total Returns as of December 31, 2017 3 Year	5 Year	10 Year	Since Inception
Intrepid Capital Fund - Inv.	1/03/05	3.52%	8.09%	8.09%	5.07%	6.95%	7.24%	6.93%
Intrepid Capital Fund - Inst.	4/30/10	3.61%	8.30%	8.30%	5.35%	7.22%	-	7.24%
S&P 500 Index		6.64%	21.83%	21.83%	11.41%	15.79%	8.50%	8.60%^
ICE BofAML US High Yield Index		0.41%	7.48%	7.48%	6.39%	5.80%	7.89%	7.32%^
Russell 2000 Index		3.34%	14.65%	14.65%	9.96%	14.12%	8.71%	8.42%^

^Since Inception returns are as of the fund's Investor Class inception date. Since the inception date of the Institutional Class, the annualized return of the S&P 500 Index is 13.55%, ICE BofAML US High Yield Index is 7.32% and Russell 2000 Index is 11.97%.

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 Capital Fund-Investor Share Class is 1.45% and for the Intrepid Capital Fund-Institutional Share Class is 1.20%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2018 such that the total operating expense for the Capital Fund-Investor Share Class is 1.15% and for the Capital Fund-Institutional Share Class is 1.15%. The Capital Fund-Investor Share Class may have Net Expense higher than these expense caps as a result of any sales, distribution and other fees incurred under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), acquired fund fees and expenses or other expenses (such as taxes, interest, brokerage commissions and extraordinary items) that are excluded from the calculation. As a result of the calculations, the Net Expense for the Capital Fund-Investor Share Class is 1.40%. The Net Expense for the Capital Fund-Institutional Share Class is 1.15%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

January 6, 2018

"A handful of patience is worth more than a bushel of brains."
— Dutch Proverb

Dear Friends and Clients,

The new year is always an excellent opportunity to reflect on the past year. In this particular business, we tally up the credits and debits to see what was added to (or subtracted from) our clients' investment portfolios.

I like the quote at the top of the page because I think it applies to me. I don't claim to have an abnormally high level of intelligence compared to the average investor, but I have done my best to learn what Howard Marks calls "patient opportunism." In reflecting on my investing life up to this point, I find that patience may be the most important ingredient for success, if not an absolute requirement. When I have been in too big of a hurry, I have generally paid the price for my haste.

In my own portfolio, I look back and marvel at the $3,000 cost basis Mrs. Travis and I have in shares of Berkshire Hathaway, which we purchased in 1989, the year of our marriage. Today the class A shares of Mr. Buffett's corporate empire fetch north of $310,000 apiece. I bring this up not to brag, but simply to note that this result took a very long time to achieve – 28 years, to be exact. That is roughly half of the existence of Berkshire Hathaway, which I date to 1965, when Warren Buffett acquired an ailing New England textile mill and set in motion the successful holding company it is today.

I am afraid that in today's world of iPhone X's, Amazon Echos (guilty on both counts), and atrophied attention spans, most investors simply don't have the patience required to achieve the kind of long-term successful outcome I have had the good fortune of reaping in Berkshire Hathaway. While it certainly has significant benefits, the trend toward virtually "free" investing, either via miniscule commissions or barely visible fees, also encourages hyperactivity, which is the bane of successful long-term investing.

Top Ten Holdings	(% OF NET ASSETS)
Berkshire Hathaway, Inc. - Class B	4.3%
Syntel, Inc.	3.9%
Teradata Corp.	3.8%
Leucadia National Corp.	3.4%
Corus Entertainment, Inc. - Class B	2.9%
Amdocs Ltd.	2.8%
The Cheesecake Factory, Inc.	2.7%
Patterson-UTI Energy, Inc.	2.5%
Baldwin & Lyons, Inc. - Class B	2.5%
Biglari Holdings, Inc.	2.4%

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

We use third-party performance measurement software at Intrepid that captures the results of both hyperactivity and sloth. I can tell you from scanning this software across our client base over a number of years, sloth usually wins. The aforementioned low-cost barrier to entry and exit gives those prone to hyperactivity a chance to zig, when they should have zagged.

A large part of being a patient opportunist is recognizing the current state of the market and adjusting our decisions accordingly. Today, market conditions remain stubbornly – and excessively – expensive, so our decisions have become more defensive as the market has marched ever higher. To quote Mr. Marks in his timeless book *"The Most Important Thing"*:

> You simply cannot create investment opportunities when they're not there. The dumbest thing you can do is to insist on perpetuating high returns – and give back your profits in the process. If it's not there, hoping won't make it so. When prices are high, it's inescapable that prospective returns are low (and risks are high). That single sentence provides a great deal of guidance as to appropriate portfolio actions.

So, where does that leave us today? About the same place we were this time last year and the year before that. For the businesses we own, we are waiting as they allocate resources and cash flows in a manner that will hopefully drive the current share price upward toward our best estimate of the "intrinsic value" of the business.

For the remainder of the portfolio that is sitting in cash, T-bills and short-term investment grade bonds, the members of the analytical team at Intrepid Capital continue in their quest to uncover additional investments where they believe there to be a disconnect between "price" and "value." My one request is that you please be patient with our process as we try to exercise patience ourselves. The process we have built at Intrepid isn't designed to produce S&P-beating performance every month or every year (any manager who claims to be able to deliver that should be treated with strong suspicion), but we are confident that over a full market cycle, we should be able to deliver attractive risk-adjusted results.

For the period ending December 31, 2017, the Intrepid Capital Fund (the "Fund") increased 3.52% for the quarter and 8.09% for the year, compared with the S&P 500 Index and ICE BofAML US High Yield Index, which returned 6.64% and 0.41% for the fourth quarter and 21.83% and 7.48% for the year, respectively. The Fund ended the quarter with 15.3% in cash, down meaningfully from last quarter thanks to several new positions purchased in Q4. For the quarter ending December 31, 2017, our most successful investments were businesses where management owned a significant stake in the enterprise. Please note that Berkshire Hathaway is included in this list.

The top five contributors to the Fund for the fourth quarter were HNZ Group (ticker: HNZ CN), Syntel (ticker: SYNT), Teradata (ticker: TDC), Biglari Holdings (ticker: BH), and Berkshire Hathaway Class B (ticker: BRK/B). To be "fair and balanced," as they say on Fox News, the five biggest detractors were Corus Entertainment (ticker: CJR/B CN), Oaktree Capital (ticker: OAK), Western Digital (ticker: WDC), Dundee Corp. (ticker: DC/A CN), and Stallergenes Greer (ticker: STAGR).

The Intrepid Capital Fund (ICMBX) achieved an overall 4-star Morningstar Rating out of 718 Moderate Allocation 50%-70% Equity funds for the period ending December 31, 2017 (derived from a weighted average of the fund's three-, five-, and ten-year risk-adjusted return measures). We are pleased to report that over the 10-year period, the Intrepid Capital Fund (ICMBX) has outperformed 89% of the 477 funds in the aforementioned peer group, based on total returns. Morningstar ranked the Fund in the 96th, 80th, and 11th percentile out of 810, 670, and 477 Moderate Allocation 50%-70% Equity funds for the one-, five-, and ten-year periods ending December 31, 2017, respectively.

Thank you for entrusting us with your hard-earned capital; it is not a position we take lightly. If there is anything we can do to serve you better, please don't hesitate to call.

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. 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 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 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 ICE BofAML US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. 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.

Cash Flow is a measure of an organization's liquidity that usually consists of net income after taxes plus noncash charges against income.

The Morningstar RatingTM for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, excluding the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar RatingTM for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar RatingTM metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Intrepid Capital Fund-Investor received 2-Stars among 718 for the three-year, 2-Stars among 670 for the five-year, and 5-Stars among 477 Moderate Allocation – 50% to 70% Equity Funds for the ten-year period ending 12/31/17. The rating is specific to the Investor Share Class and does not apply to other share classes, which have different ratings.

Morningstar Rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees. The ranking is specific to the Investor Share Class and does not apply to the other share class, which as different rankings.

 Past performance is no guarantee of future results.

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

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