Intrepid Capital Funds
the constant pursuit of value

INTREPID DISCIPLINED VALUE FUND

1st QUARTER 2015 COMMENTARY

1Q2015

MARCH 31, 2015

PERFORMANCE

	Inception Date	Total Return: Qtr.	YTD	1 Year	Average Annualized Total Returns as of March 31, 2015: 3 Year	5 Year	Since Inception
Intrepid Disciplined Value Fund - Inv.	10/31/07	1.52%	1.52%	6.50%	9.53%	9.12%	6.38%
S&P 500 Index		0.95%	0.95%	12.73%	16.11%	14.47%	6.27%
Russell 3000 Index		1.80%	1.80%	12.37%	16.43%	14.71%	6.61%

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 expense (gross) for the Investor Shares is 1.57%. 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 1.30% through 1/31/16.

April 1, 2015

"Just keep matriculatin' the ball down the field boys."
-- Hall of Fame Football Coach Hank Stram

Dear Fellow Shareholders,

The quote above seems appropriate to us because it matches our goal of participating in up markets by making progress in challenging times. And these are difficult times for the value investor, as shown by the Intrepid Disciplined Value Fund's high cash level of 49.1%. For the quarter, the Intrepid Disciplined Value Fund ("The Fund") returned 1.52% versus the S&P 500 Index's return of 0.95% and the Russell 3000 Index's return of 1.80%. Because this quarter end is also the semi-annual mark for the Fund's fiscal year, we note that the six month return for the Fund was 3.75% versus 5.93% for the S&P 500 and 7.13% for the Russell 3000.

The tough environment that we are witnessing now is evident not only in the Fund's cash level, but also in stock prices. We are not holding this level of cash just for the fun of it. Rather, we cannot find many individual stocks to purchase. We believe that the market has benefitted from an extraordinarily accommodating Federal Reserve policy that has created excess money chasing relatively few investable opportunities. This cash cannot go into Treasury or high grade bonds with their near zero rates, so it goes into riskier assets such as stocks. Now, Fed Chairwoman Janet Yellen has finally changed that language pertaining to rate increases. In our mind, the language has gone from "wait and see" to a "definitely maybe" by year end. Such a change in language has done nothing really to this bull market. As a case in point, the current median enterprise value-to-EBIT (earnings before interest and taxes) multiple for non-financial companies in the Russell 3000 Index is 21.3 times. Typically, we view this multiple as being more helpful than the price-to-earnings ratio because companies have less room to manipulate their EBIT than they might for bottom-line GAAP earnings. On average, we are looking for businesses with EV to EBIT multiples less than ten. When the median EV/EBIT is over twenty, it makes it incredibly hard to find much worthwhile in which to invest.

Out of curiosity, we looked a bit further into the Russell 3000 Index's component stocks. Of the 2,373 non-financial companies in the index, only 212 – less than 10% – have an EV/EBIT multiple below 10. Of those select few companies, 55 are energy companies, which we mention because EV/EBIT multiples are based upon a company's earnings over the last twelve months. Given the significant drop in the price of oil that is just now beginning to impact these companies' financial statements, EBIT over the next twelve months is bound to be much lower than over the trailing twelve months, which implies richer multiples going forward. What we are left with is a remnant of relatively few potentially cheap stocks. In many cases, we believe that these cheaper companies have problems that make purchase too risky. To use a fishing analogy, the pond in which we fish has shrunk drastically due to a record-long drought.

Top Ten Holdings	(% of net assets)
Corus Entertainment, Inc. - Class B	3.2%
Oaktree Capital Group LLC	3.0%
Teradata Corp.	2.7%
Northern Trust Corp.	2.6%
The Bank of New York Mellon Corp.	2.5%
Verizon Communications, Inc.	2.5%
SanDisk Corp.	2.4%
Coach, Inc.	2.4%
Quest Diagnostics, Inc.	2.3%
Mattel, Inc.	1.9%

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

Despite the difficulty in finding many ideas for investment, we have nonetheless been able to acquire a couple of stocks, but each new addition highlights our previous point: the candidates for investment typically have problems that we need to vet. For the quarter, we added Corus Entertainment (Ticker: CJR/B), a Canadian media company, in late March. We believe that there is a lot to like about this business, which owns some of the top-rated cable networks in Canada, such as YTV (a children's network) and W Network, which is the leading women's network in Canada. However, the price has suffered as Canada's regulatory authority, the Canadian Radio-Television and Telecommunications Commission (CRTC), recently announced a roadmap to shift towards unbundling of channels, sometimes called pick-and-pay. This announcement caused a heightened level of uncertainty among Canadian media companies, which impacted the share price of Corus. In our minds, the share price was worth the uncertainty.

In the case of SanDisk (ticker: SNDK), we were early in establishing a position. Earlier in the quarter, the company, a leading manufacturer of flash media storage products, announced that it was having some inventory issues as it had to temporarily halt production at one of its fabrication plants. The selloff at that point made the stock more appealing to us. The company is one of the market-leaders in flash storage and it has a partnership with Toshiba, which means it has a captive supply of flash chips to produce its products. In addition, we believe that there will be less commoditization for newer 3D flash products, which are more difficult to produce than today's standard two-dimensional offerings. After the sell-off earlier in the quarter, we bought shares, but our timing was not perfect. The company later announced that weakening sales to businesses and product qualification delays would hurt its sales for the next quarter and by extension the full year. The subsequent stock price reaction meant that SanDisk was our bottom contributor for the quarter. However, we are taking a longer view of the company's prospects and have shored up our position.

Our other bottom contributors for the quarter were Mattel (ticker: MAT) and Microsoft (ticker: MSFT). In both cases, the market was disappointed with their respective earnings announcements and weaker outlooks in January. In the case of Mattel, toy sales for the company's iconic Barbie brand have been weak. That, along with inventory issues, has left the stock with many doubters. For Microsoft, the company is shifting from a transactional model to a recurring revenue model. In the case of the transactional model, the user would purchase Microsoft's Office product or its Window operating system once. In the recurring revenue model, the user effectively rents these products, which generates more of a stable recurring revenue stream for the company. In addition to this shift, which has increased investor uncertainty, the company is seeing a move towards its cloud-based services as well as the end of a computer refresh cycle for businesses, both of which could potentially increase earnings volatility. With fewer expected commercial PC purchases, the growth of software license sales is likely to slow. Our view of both Mattel and Microsoft remains positive for the long-term.

Our top performers include a retailer, a money transfer business, and two lab service providers. American Eagle Outfitters (ticker: AEO) has benefitted from a strengthening dollar, which has reduced its material costs, while its own store sales have improved (most of which are domestic). Readers may recall that this stock had been among our bottom performers for a while. In this case, our patience paid off. We exited the position during the quarter when the price reached our intrinsic value estimate. For Western Union (ticker: WU), the market appears to be gaining confidence that pricing is stabilizing and that management's initiatives to reduce costs will improve its bottom line. Finally, in a near tie for third place contributor, LabCorp (ticker: LH) and Quest Diagnostics (ticker: DGX) have both shown improved volume numbers as more patients are getting lab orders filled. LabCorp is also acquiring Covance (ticker:

CVD), which is a contract research organization (CRO) that conducts outsourced clinical trials for pharmaceutical companies that are testing new drugs.

We sold a number of positions from the Fund during the quarter, including Ipsos (ticker: IPS FP), Aspen Insurance (ticker: AHL), Newfield Exploration (ticker: NFX), and SM Energy (ticker: SM). In addition, we exited Staples (ticker: SPLS), which announced its offer to take over Office Depot (ticker: ODP). This marked the end of our second foray into Staples (we owned it first back in 2012-2013). In all of these cases, the positions were sold because the stock price had reached our intrinsic value calculations. Given the increased sale activity, our cash position rose from last quarter end.

We close this letter as we typically do by citing the average security discount within the Fund, which is 12%. This is our own internal statistic in which we compare each stock within the Fund to our own corresponding estimate of its intrinsic value. Stocks that trade below what we believe they are worth are trading at a discount. The average is influenced by the size and frequency of these discounts. As one might expect, the level of the average discount is not very big, which we think is the result of a six year bull market. Our job is to find stocks trading at meaningful discounts, and we will continue to look for them, as difficult as it might be at this time. We thank you for investing alongside us.

Sincerely,

Gregg M. Estes

Greg Estes, CFA
Intrepid Disciplined Value 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 and medium sized 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.

Prior to April 1, 2013, the Fund was named the Intrepid All Cap Fund.

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 Russell 3000 Index is an index representing the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. You cannot invest directly in an index.

EV/EBIT is the ratio of a company's enterprise value (EV) to its earnings before interest and taxes (EBIT). Enterprise Value equals market capitalization plus debt minus cash. Price-to-earnings (P/E) Ratio is a valuation ratio of a company's current share price compared to its per-share earnings. GAAP (Generally Accepted Accounting Principles) are the standard framework of guidelines for financial accounting used in any given jurisdiction.

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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