Intrepid Capital Funds

the constant pursuit of value

INTREPID CAPITAL FUND

1ST QUARTER 2016 COMMENTARY

1Q 2016

MARCH 31, 2016

PERFORMANCE

	Inception Date	Total Return: Qtr.	Total Return: YTD	Total Return: 1 Year	Average Annualized Total Returns as of March 31, 2016: 3 Year	5 Year	10 Year	Since Inception
Intrepid Capital Fund - Inv.	1/03/05	2.27%	2.27%	-5.44%	2.94%	4.79%	6.80%	6.21%
Intrepid Capital Fund - Inst.	4/30/10	2.33%	2.33%	-5.18%	3.18%	5.04%	-	5.87%
BAML HY Master II Index		3.25%	3.25%	-3.99%	1.75%	4.71%	6.85%	6.58%^
Russell 2000 Index		-1.52%	-1.52%	-9.76%	6.84%	7.20%	5.26%	6.47%^
S&P 500 Index		1.35%	1.35%	1.78%	11.82%	11.58%	7.01%	7.14%^

^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 12.13%, Russell 2000 Index is 9.22%, and BAML High Yield Master II Index is 5.92%.

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 1.42% and for the Institutional Share Class is 1.17%. 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% and 1.15% through 1/31/17, respectively. Otherwise, performance shown would have been lower.

April 1, 2016

"Indeed it has been said that democracy is the worst form of government except for all those other forms tried from time to time"

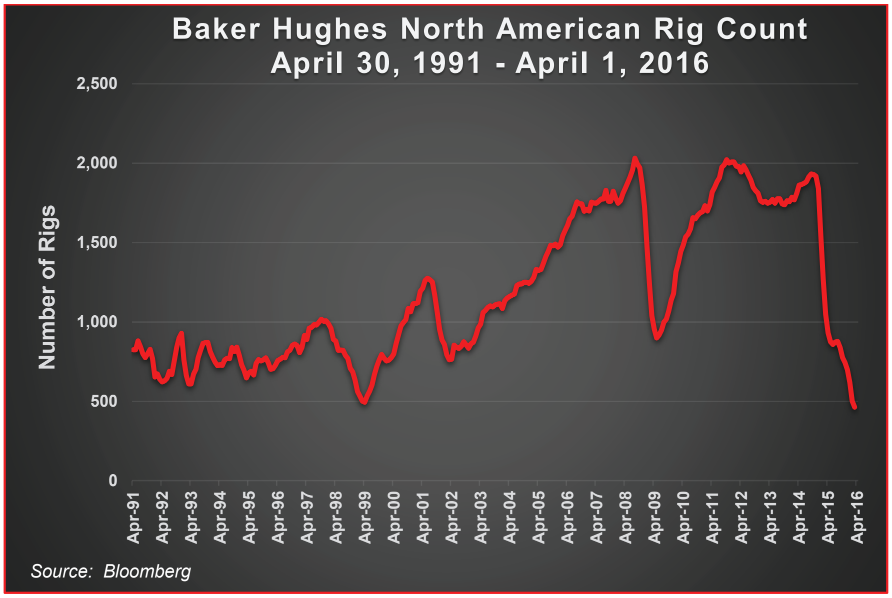
-Winston Churchill

Dear Friends and Clients,

After reading the reference to democracy in the quote above, I am also reminded of watching sausage being made – not a pretty process! As we enter the 'silly season' of presidential politics, the electorate is angry and frustrated that Washington doesn't work the way voters wish it did. This frustration, along with inflation adjusted incomes lower than they were eight years ago, is manifested on both sides of the aisle by the presidential candidates. This could get interesting.

On a happier note, for the first quarter ending March 31, 2016, the Intrepid Capital Fund – ICMBX (the "Fund") increased 2.27% compared to the returns of 1.35% for the S&P 500 Index and 3.25% for the BAML High Yield Master II Index. 2016 began with the markets selling off, led by companies with exposure to oil, which fell below $30/barrel by mid-January. The billions in debt borrowed in the last six to seven years to expand the U.S. oil and gas production business is now an albatross around the industry's neck. What modeled out beautifully at $100/barrel doesn't work at $30/barrel. Much of the issuance in the high yield (less than investment grade) bond market has been borrowed by the oil and gas industry.

As the chart below shows, the U.S. rig count compiled weekly by Baker Hughes has now dropped to 25 year lows. Although we believe this reduction in new wells will eventually restrict production and push oil prices higher, we just don't know when.



Top Ten Holdings	(% OF NET ASSETS)
Berkshire Hathaway, Inc. - Class B	4.1%
Tetra Tech, Inc.	4.0%
EZCORP, Inc., 06/15/2019, 2.125%	3.7%
Royal Mail PLC	3.6%
Pitney Bowes Intl Pfd Stock, 6.125%	3.2%
Oaktree Capital Group LLC	2.8%
The Western Union Co.	2.7%
Verizon Communications, Inc.	2.7%
Coach, Inc.	2.6%
Leucadia National Corp.	2.3%

Top ten holdings are as of March 31, 2016. Fund holdings are subject to change and are not recommendations to buy or sell any security.

The interest rate decisions made by the Federal Reserve affect the bond market. It has been said that when the bond market sneezes, the stock market catches a cold. As the bond market has demanded higher and higher interest rates on loans (bonds) to the oil and gas industry, this has had a chilling effect on the equity market. We like to remind shareholders that the "bankers eat first" in a business with a lot of debt, while the equity holders get what is left. For many companies in the oil and gas industry, the bankers' portion – interest and principal payments – consumes any profits, leaving the equity virtually worthless.

As defensive portfolio managers with what many of our peers would consider intolerably large cash balances, we welcome the lower equity prices as an opportunity to put money to work at attractive prices. Please keep in mind, this desire of ours is often juxtaposed with those of our shareholders, many of whom, as I sarcastically say, "buy high, sell low," and treat a market down 10% or more as an opportunity to flee! We would contend that the better time to withdraw would be after a large upswing in Net Asset Value (NAV), like after 2009, when the Fund increased 31.28% for the calendar year. Our underperformance is generally driven by our conservatism and willingness to sell when prices reach our estimates of value. The corresponding cash balances become a sea anchor, particularly if prices continue to rise.

We believe the first quarter increase in the Fund was driven by our global search for value and the stubborn ability to hang on until that value is reached. The Fund's five largest contributors during the quarter were Tetra Tech (ticker: TTEK), Coach (ticker: COH), Fabrinet (ticker: FN), Dundee Corp. (ticker: DC/A CN), and Verizon (ticker: VZ). The Fund's five largest detractors for the quarter were American Science & Engineering (ticker: ASEI), Express Scripts (ticker: ESRX), Telephone & Data Services (ticker: TDS), EZCORP 2.125% convertible bonds due 6/15/19, and Unit Corp. (ticker: UNT). The irony in looking at the first quarter top performers is that many are the same companies that caused our performance to drag in calendar year 2015.

We are pleased with our results over the last decade, less so with the shorter periods. Unfortunately, to obtain the long-term results that most people express is their desire (we can debate this one in future letters!), we often have to suffer in the short run. This bull market is old (greater than 7 years), faces an interest rate headwind (Mrs. Yellen – Federal Reserve Chairwoman), and is expensive, with a price earnings (P/E) ratio of 22 compared to a long-term average of 16. These indicate to me that we will face challenges ahead. The good news is we at Intrepid Capital will be ready!

Thank you for your continued support as we attempt to compound your capital, and ours, at an attractive risk-adjusted rate.

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. 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. 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 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 Bank of America/ Merrill Lynch High Yield Master II Index is Merrill Lynch's broadest high yield index, and as such is comparable with the broad indices published by other investment banks. You cannot invest directly in an index.

Investment Grade is a bond with credit rating of BBB or higher by Standard & Poor's or Baa3 or higher by Moody's. Price to Earnings (P/E) Ratio is calculated by dividing the current price of the stock by the company's trailing 12 months' earnings per share. The Baker Hughes U.S. Oil and Gas Rotary Rig Count is a weekly estimate of all active rotary rigs drilling oil o r natural gas wells within the U.S., compiled by oil and gas services company Baker Hughes Inc. To be counted as active, a rig must be on location and drilling a new well; rigs that are in transit, rigging up, or being used in non-drilling activities are not included.

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.