Intrepid Capital Funds
the constant pursuit of value

INTREPID DISCIPLINED VALUE FUND

2nd QUARTER 2015 COMMENTARY

2Q2015

JUNE 30, 2015

PERFORMANCE

	Inception Date	Total Return Qtr.	YTD	1 Year	Average Annualized Total Returns as of June 30, 2015 3 Year	5 Year	Since Inception
Intrepid Disciplined Value Fund - Inv.	10/31/07	-0.19%	1.33%	4.30%	10.62%	10.32%	6.14%
S&P 500 Index		0.28%	1.23%	7.42%	17.31%	17.34%	6.10%
Russell 3000 Index		0.14%	1.94%	7.29%	17.73%	17.54%	6.40%

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.

July 1, 2015

Dear Fellow Shareholders,

Another "disaster" averted? At the end of June, Greek Prime Minister Alexis Tsipras rejected a bailout plan that would prevent his country from defaulting to the International Monetary Fund. The European markets roiled as the word "contagion" was softly murmured among investors. Money began to shift from European and U.S. stocks into U.S. Treasuries. The level of risk in financial assets was being reevaluated. Would this possibly lead to a greater sell-off? Nah!

For the quarter ended June 30, 2015, The Intrepid Disciplined Value Fund ("the Fund") fell -0.19% compared to the S&P 500 Index's return of 0.28% and the Russell 3000 Index's return of 0.14%. The gap might have been bigger had the consternation caused by the Greek default not occurred at the end of June. For the first six months of the year, the Fund has returned 1.33% versus the S&P 500 Index return of 1.23% and the Russell 300 Index's return of 1.94%. Volatility, as characterized by the Chicago Board Options Exchange Volatility Index (the VIX), had been decreasing over the past six months until the concern over Greece, which caused a spike in the index. However, now it appears that Greece will do a 180° turn and agree to the bailout proposals it initially rejected. The market appears to be rejoicing once again. From our perspective, this pattern has been going on for more than six years. Simply put, the pattern is one where the market faces some existential threat every few months for a day or two, only to have the threat removed, sending shares to all-time highs. We've seen it several times when the markets grew concerned over when the Federal Reserve might raise rates, only to have the Fed reassure everyone that rate increases would not happen for a long time, or that they would be mild when they did occur. In Europe, it happens when worries start with Greece, then resolution usually comes from either the European Central Bank or Germany offering additional financial lifelines. The commonality in each case appears to be that the market more than recovers from the threat. The resolution is more beneficial to the market than the initial cause for worry.

Every bull and bear market is unique, and today's bull market is no exception. It has been characterized by near-zero rates, which have had the effect of forcing investors to seek out riskier assets to achieve desired returns. If one was once a fixed income investor in Treasuries, one might now be a high yield bond investor or even possibly a stock investor, because there is little to no yield in Treasuries. Other things being equal, investors have been forced out of their comfort zones to make up for this low yield environment. Similarly, if one is a value stock investor, one is faced with a choice: A) go along with the market and play the relative game, keeping oneself invested, even though it might mean owning stocks which are overvalued, or B) avoid investing in stocks which are overvalued and risk underperformance relative to indexes and peers. It's no surprise that many value investors choose A, because choice B also has career risk. We have chosen B, and it has been no picnic. The Fund's cash level is currently 55%. Since March 31, 2009, when this bull market started, the S&P 500 Index has returned 18.87% annually, while the Russell 3000 Index has advanced 19.39% per year. In contrast, the Fund has returned 14.18% annually over the same time period, and while an annual return above 14% sounds great over a period of decades, most investors would not be thrilled to achieve that return in what has become the third longest bull market in history. We are not happy to be underperforming during this bull market. However, there is another aspect to choice B: at some point the bull market will end. Not being fully invested, the investor who has cash available is free to purchase stocks as they might become more attractively priced. The investor who is fully committed is faced with a choice of remaining in the stocks currently owned or selling at a loss to buy other stocks. Either way, that investor participates more fully in a declining market. Our decision has certainly not been easy, but we made it because we believe that in the long-run, it will be best for our shareholders.

Top Ten Holdings	(% of net assets)
Oaktree Capital Group LLC	3.1%
Teradata Corp.	2.8%
Northern Trust Corp.	2.8%
Corus Entertainment, Inc. - Class B	2.7%
SanDisk Corp.	2.7%
Verizon Communications, Inc.	2.7%
Leucadia National Corp.	2.6%
Mattel, Inc.	2.2%
Newmont Mining Corp.	2.0%
Microsoft Corp.	2.0%

Top ten holdings are as of June 30, 2015. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

During the quarter, our top contributors were Mattel (ticker: MAT), Telephone & Data Systems (ticker: TDS), and Northern Trust (ticker: NTRS). For both Mattel and TDS, the quarter and stock performance were a bit of a reversal, as both have been bottom contributors in the past. Mattel saw some improvement in inventory levels and sales trends across its brands. In TDS' last earnings release, its U.S. Cellular (ticker: USM) business showed postpaid (monthly billable) subscriber gains and improved profitability, which were met with enthusiasm by the market. Northern Trust continued to benefit from a rising market, which allows its assets under management (AUM) to grow and increases the fee it earns on managing those assets. The primary thesis for investing in Northern Trust has more to do with the net interest margin that the company can generate from its assets. With rates so low today, it earns very little, but an increase in that net interest margin could be a significant boost to the company's cash flow. The increase in assets under management is a nice hedge while we wait for higher rates.

On the flipside, the bottom contributors to the Fund's performance were Contango Oil & Gas (ticker: MCF), Teradata Corp (ticker: TDC), and Coach (ticker: COH). Contango is an energy exploration and production (E&P) company that posted lower production amid significantly lower commodity prices, which resulted in a steep drop in EBITDAX (earnings before interest, taxes, depreciation, depletion, amortization and exploration expenses). We have written about Coach in the past; the company has a long road ahead of them. They have taken some important initial steps, including refreshing the designs of their handbags and discontinuing promotional selling. In effect, they are protecting the brand by not discounting merchandise, but that does have a short-term effect of reducing sales.

Teradata is a data warehousing company that has seen soft demand, particularly among its financial customers. In addition, there is a new trend within data collection, called Big Data, which is about the collection, storage, and examination of mass amounts of data. We can think about Big Data as being distinct from data warehousing. Data warehousing combines more standardized data elements, such as logistics, accounting, and/or sales data into an easily accessible unified whole to aid management in decision-making. Big Data can collect much more information, but it is not standardized, and frankly some of it is not even useful. Think of all the data a social media company might collect on its users. Some of the information is valuable, but some is just white noise. There could be vast amounts of data, but it is not necessarily easily arrayed into storage, nor is it all useful. Big Data tends to use cheaper hardware operated by a vendor's software. Data warehousing requires more expensive hardware. Many investors feel that Teradata, as a data warehousing company, is being left behind by the advent of Big Data, but our belief is that data warehousing and Big Data are complementary. Companies can make use of both types of applications, and Teradata offers both. What we see in the interim is demand weakness. We have added to the position.

The Fund's cash level increased during the quarter due to some position reductions and an exit of two of our positions entirely. Intuitive Surgical (ticker: ISRG) traded above intrinsic valuation even though the company's most recent earnings release was mixed, with softness in margins while robotic surgical procedure growth was solid. Quest Diagnostics (ticker: DGX) was sold as the share price traded above our valuation due to news that lab volume growth had shown improvement. Although the news was welcome that lab order volume had increased, it was already factored into our valuation of the business.

The average discount within the Fund's invested portfolio is 14%, which is our internal measure that examines our intrinsic valuation for each individual stock in comparison to its stock price. This figure widened a little from last quarter, primarily due to a couple of factors. First, our energy-related holdings fell in price, which increased their respective discounts. Second, we sold two stocks that had no discounts left. Although we had no new acquisitions in the quarter, we continue searching for discounts. We are learning about new businesses, and although we may not be a purchaser today, we always have an eye towards potentially buying them in the future when, in our opinion, pricing is more favorable. We appreciate you investing alongside us and hope you enjoy the summer.

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. The Chicago Board Options Exchange Volatility Index (the VIX) is a widely used measure of market risk used to gauge the market's anxiety level. You cannot invest directly in an index.