Intrepid Capital Funds
the constant pursuit of value

INTREPID ENDURANCE FUND

2ND QUARTER 2016 COMMENTARY

2Q 2016

JUNE 30, 2016

PERFORMANCE

		Total Return			Average Annualized Total Returns as of June 30, 2016			
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Intrepid Endurance Fund - Inv.	10/03/05	4.45%	6.70%	1.77%	3.21%	4.16%	9.40%	8.93%
Intrepid Endurance Fund - Inst.	11/03/09	4.43%	6.79%	1.95%	3.46%	4.41%	-	7.45%
Russell 2000 Index		3.79%	2.22%	-6.73%	7.09%	8.35%	6.20%	6.61%^

^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 Russell 2000 Index is 12.67%.

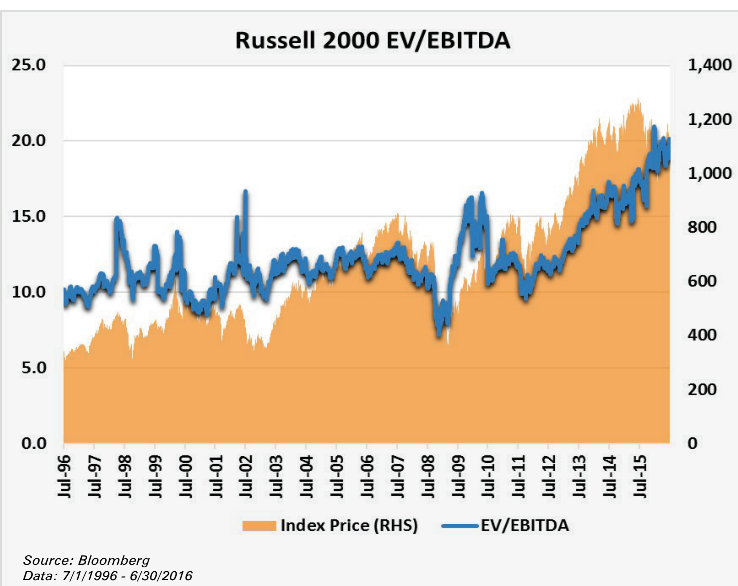
Performance data quoted represents past performance and does not guarantee future results. *Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance 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.

July 1, 2016

Dear Fellow Shareholders,

We wish we had something new and exciting to report about the state of the capital markets. Small cap stocks are still as expensive as we've ever seen. The EV/EBITDA multiple on the Russell 2000 Index is 20x, while it was closer to 12x at the prior two market peaks (March 2000 and July 2007). We believe that fully committed portfolios have considerable downside risk. We sound like a broken record. We know.



For the quarter ending June 30, 2016, the Intrepid Endurance Fund (the "Fund") increased 4.45% compared to a 3.79% gain for the Russell 2000 Index. Year-to-date, the Fund is up 6.70% versus 2.22% for the Index. Our investment discipline indicates that cheap securities are few and far between, which has resulted in cash growing to 72% of assets in the Intrepid Endurance Fund. The securities we own have performed extremely well compared to our benchmark this year. In some cases, this represents a recovery from last year's weaker performance, when the market punished our precious metals, commodity, and Canadian investments.

We still have a lot of catching up to do before the Fund's relative returns approach those of its benchmark over the past five years, although our performance over the full cycle remains good. Our view is that a significant portion of stock gains experienced over the last several years are undeserved, since they were not supported by economic fundamentals but instead are the byproduct of central bank intervention and a complicit investment industry that has been all too eager to ride the wave of false prosperity.

Top Ten Holdings	(% OF NET ASSETS)
EZCORP, Inc., 06/15/2019, 2.125%	5.7%
Pitney Bowes Intl Pfd Stock, 6.125%	3.7%
Corus Entertainment, Inc. - Class B	3.6%
Silver Wheaton Corp.	2.3%
Dundee Corp. - Class A	2.1%
Tetra Tech, Inc.	2.0%
Amdocs Ltd.	1.9%
American Science & Engineering, Inc.	1.6%
Baldwin & Lyons, Inc. - Class B	1.6%
Cubic Corp.	1.5%

Top ten holdings are as of June 30, 2016. Fund holdings are subject to change and are not recommendations to buy or sell any security.

The Fund had no securities that detracted from performance by more than 10 basis points in the second quarter, which is our threshold for discussion. The three largest positive contributors to the Fund's Q2 performance were EZCORP (CUSIP 302301AB2), Silver Wheaton (ticker: SLW), and Corus Entertainment (ticker: CJR/B CN). The yield on EZCORP's convertible notes tightened to 9% after widening to 18% last quarter. The company's pawn business showed accelerating improvement, as increases in pawn lending more than offset reduced jewelry scrapping. EZCORP is actively marketing for sale its troubled Mexican payroll withholding business and will soon place that subsidiary into discontinued operations. We believe this will streamline financial results and help investors gain comfort with the firm's core pawn operations.

Silver Wheaton, along with our other holding Sandstorm Gold (ticker: SAND), participated in the powerful rally in precious metals stocks this year. Gold and silver are up 25% and 35%, respectively, year-to-date, as investors seem to be embracing precious metals as protection against ongoing currency debasement. When streaming companies like Silver Wheaton and miners next report financial results, it will be the first time in several years that earnings are assisted by higher metals prices. Although Silver Wheaton and Sandstorm have become more fully valued in relation to gold and silver prices, we feel that some continued metals exposure is warranted in light of historic desperation from central banks.

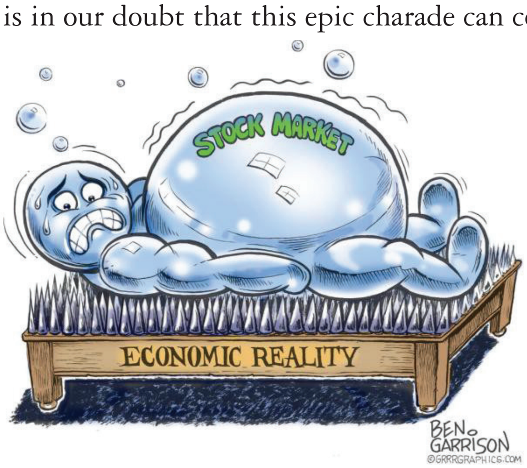
Corus Entertainment staged a partial rebound from multiyear lows. While reported results appeared good, they were propped up by a couple of one-time items. We haven't yet seen improvement in television advertising revenue, but soft advertising was mostly offset by strength in affiliate fees and merchandising and distribution revenue. We expect advertising to begin to recover in the coming quarters as Corus benefits from its integration with Shaw Media. Half of all women watching a cable channel in Canada are now watching a Corus-owned network, which places the company in a strong competitive position with advertisers. We have trimmed the Fund's position in Corus as the valuation discount has closed, but it remains a top holding for us, trading at approximately 8.5x estimated free cash flow.

We did not purchase any new positions in the past three months. During the second quarter, the Fund sold two holdings: Unit Corp. (ticker: UNT) and Starz (ticker: STRZA). Unit did not work out for us. We originally purchased the stock early on in the oil rout. We believed Unit's superior balance sheet would enable it to survive long enough for commodity prices to recover, leading to an attractive return. However, two things happened that reduced the likelihood of a favorable outcome for Unit. First, the commodity recovery has taken longer than we anticipated, which has led to ongoing erosion in the balance sheets of E&P operators. Secondly, while many other E&Ps took advantage of favorable capital markets to raise equity during the first half of 2015—a time when we sold some of our better performing energy names—Unit did not issue stock. This move made sense if oil and natural gas prices recovered swiftly, but because they did not, Unit's reluctance to fortify its balance sheet diminished its superiority on this front. We lack conviction that oil and gas prices will rise quickly enough to levels that put Unit back into a position where it is not depleting value. As a result, we exited our position during a rebound in E&Ps this quarter.

We sold Starz in the past week after several media outlets reported that the company was in discussions to be acquired by Lionsgate, which proved to be true. Interestingly, we bought Starz in February below 8x EBIT after the stock plummeted on investor concerns that a deal with Lionsgate was less likely. We sold it on the rumor that a deal was in the works, as the stock reached our valuation. Starz is a good example of how Intrepid can take advantage of vacillating investor sentiment. Another Fund holding that benefited from M&A this quarter was American Science & Engineering (ticker: ASEI). In last quarter's letter, we opined that *"shareholder value would be maximized if ASEI were part of a larger defense technology firm."* On June 20, 2016, ASEI announced that it would be acquired by OSI Systems. We were disappointed by the modest premium paid and believe OSI is getting the better end of this transaction. Nevertheless, ASEI has been a profitable, albeit small, investment for the Fund, as we added to the position after last quarter's post-earnings collapse.

The Intrepid Endurance Fund has delivered strong full-cycle investment returns over its history by being different than most other investors. With us, you are getting an active manager who is unafraid to separate from the pack when conditions warrant. Today, most reasonable investors would agree that valuation multiples for small caps are near the highest levels in at least a generation. Many investors would also acknowledge that economic growth has not been strong and that there are numerous reasons to be cautious about the future, starting with the gargantuan global pile of debt. Central bankers have worked swiftly to counter any periodic bouts of fear in the capital markets with promises of ongoing support and stimulus.

Over the past three trading days, stocks have erased their post-Brexit losses on promises and winks from central bankers that interest rates will only be falling further. Rapacious Brexit fearmongering has magically transformed into a scenario of higher stock prices, and right in time for the end of the quarter! It's a tragicomedy that has played on continuously since the credit crisis, as anything perceived as bad is deemed to be ultimately good for the stock market. Where we break away from the herd is in our doubt that this epic charade can continue.



Thank you for your investment.

Sincerely,

Jayme Wiggins, CFA, CIO
Intrepid Endurance 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.

Prior to June 26, 2015, the Fund was named the Intrepid Small Cap Fund.

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 measures the cash generating capability of a company by adding non-cash charges and interest to pretax income. Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. Enterprise Value equals market capitalization plus debt minus cash. EV/EBITDA equals the company's Enterprise Value (EV) divided by Earnings Befoe Interest, Taxes, Depreciation, and Amortization (EBITDA). Basis Point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument. 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. E&P (Exploration and Production) is a type of company in the oil and gas industry focused on discovering and extracting crude oil and natural gas from underground reserves. EBIT is calculated as Earnings Before Interest and Taxes and is a measure of a firm's profit. M&A refers to Mergers and Acquisitions.

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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