Intrepid Capital Funds
the constant pursuit of value

INTREPID SELECT FUND

2ND QUARTER 2016 COMMENTARY

2Q 2016

JUNE 30, 2016

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Returns as of June 30, 2016 1 Year	3 Year	5 Year	Since Inception
Intrepid Select Fund - Inv.	7/31/15	9.76%	17.39%	-	-	-	8.21%
Russell 2000 Index		3.79%	2.22%	-	-	-	-5.63%
S&P MidCap 400 Index		3.99%	7.93%	-	-	-	1.19%

Short term performance, in particular, is not a good indication of the fund's future performance and an investment should not be made solely on returns. 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 5.75%. 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% through 1/31/17. Otherwise, performance shows would have been lower.

July 1, 2016

Dear Fellow Shareholders,

For the three months ending June 30, 2016, the Intrepid Select Fund (the "Fund") returned 9.76% compared to a 3.79% gain for the Russell 2000 Index and a 3.99% for the S&P 400 Midcap Index. Through the first six months of the calendar year, the Select Fund is up 17.39%, while the Russell 2000 and S&P 400 have gained 2.22% and 7.93%, respectively. The Select Fund represents a more consistently fully invested version of Intrepid's small and mid-cap strategies. As a result, it can be more volatile than Intrepid's other funds. We launched the Select Fund to serve clients who only want exposure to Intrepid's security selection and do not want cash to ever comprise a significant portion of their portfolios, even when markets may be expensive.

The top three contributors to the Fund's performance in the second quarter 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. Corus remains a top holding for us, trading at approximately 8.5x estimated free cash flow.

Top Ten Holdings	(% OF NET ASSETS)
Corus Entertainment, Inc. - Class B	8.6%
EZCORP, Inc., 06/15/2019, 2.125%	7.6%
Teradata Corp.	5.7%
Silver Wheaton Corp.	5.3%
Tetra Tech, Inc.	5.2%
Amdocs Ltd.	5.1%
Dundee Corp. - Class A	4.6%
Western Digital Corp.	4.6%
Oaktree Capital Group LLC	4.4%
Baldwin & Lyons, Inc. - Class B	4.3%

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's three largest detractors in the second quarter were Oaktree (ticker: OAK), Teradata (ticker: TDC), and Mattel (ticker: MAT). Oaktree's stock decline was exacerbated by the Brexit vote, which tended to impact financial firms in particular. However, we believe that increased volatility brought about by the UK's decision to leave the EU could actually provide a distressed investor like Oaktree with additional opportunities for investment. Teradata had a largely benign quarter. Interestingly, after the announcement of first quarter earnings, the longtime CEO Mike Koehler stepped down and was replaced by board member Victor Lund. In the ensuing quarterly call, the new CEO made it clear he wants to accelerate the pace of changes at Teradata to launch more software-only offerings to enable smaller customers to apply data analytics accessible via the public cloud, such as Amazon Web Services. We liked what we heard and look forward to seeing those changes take shape in the next couple of quarters. Lastly, Mattel, which has been undergoing its own turnaround, posted quarterly results that were not as good as many analysts had hoped for after the improvement shown in 2015. However, the company has been engaged in a significant cost-reduction program for several quarters, which will begin to bear fruit in the 3rd and 4th quarters. We expect to see improved gross margins on products sold due to these cost reductions.

We did not purchase any new positions in the past three months, although the Fund has a new security resulting from SanDisk's acquisition by Western Digital. The deal closed at the $67.50 cash and 0.2387 shares per share of SNDK on May 13, 2016. We added to our relatively small share position in WDC due to what we believe is an oversold share price. Western Digital is in both the Hard Disk Drive (HDD) business and the Solid State Drive (SSD) business with SanDisk. HDDs tend to be found in desktops and servers. They have spinning disks and can hold of lot of information. SSDs tend to be smaller, have no moving parts, and can access data more quickly than HDDs. While the Hard Disk Drive is a very mature market, the Solid State Disk is considered the future of data storage. Now, Western Digital has both. In addition, SanDisk has a joint venture in which it manufactures its own flash chips, which are the components needed to construct SSDs. This makes SanDisk a vertically integrated SSD manufacturer. What we like about owning WDC is that it has a lot of room to reduce costs, not only by integrating SanDisk, but also because it has received permission from China's Ministry of Commerce to integrate another subsidiary, Hitachi Global Storage Technologies (HGST). Previously, the Chinese government had mandated that WDC run HGST as an entirely independent subsidiary. Now, it can integrate it more fully, from management to manufacturing. Only the sales group must be separate. With the integration of HGST and SanDisk, Western Digital has an opportunity to drive out redundant costs. In addition, Western Digital has very strong relationships with Original Equipment Manufacturers (OEMs), which buy its Hard Disk Drives. We believe that it can leverage those relationships to sell more of SanDisk's Solid State Drives into the OEM channel. We believe that we have acquired shares of Western Digital at an attractive discount to intrinsic valuation.

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 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, 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 investment for the Fund, as we added to the position after last quarter's post-earnings collapse.

Thank you for your interest in our Fund.

Sincerely,

Jayme Wiggins, CFA, CIO
Intrepid Select Fund Co-Portfolio Manager

Greg Estes, CFA
Intrepid Select Fund Co-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 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. There can be no assurance that a newly organized Fund will grow to or maintain an economically viable size.

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. The S&P MidCap 400 Index seeks to track the performance of mid-cap U.S. equities, representing more than 7% of available U.S. market cap. 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. 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.