Intrepid Capital Funds
the constant pursuit of value

INTREPID DISCIPLINED VALUE FUND

3rd QUARTER 2014 COMMENTARY

3Q2014

SEPTEMBER 30, 2014

PERFORMANCE

		Total Return			Average Annualized Total Returns as of September 30, 2014		
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Disciplined Value Fund - Inv.	10/31/07	0.72%	5.45%	9.69%	14.91%	10.98%	6.29%
S&P 500 Index		1.13%	8.34%	19.73%	22.99%	15.70%	5.85%
Russell 3000 Index		0.01%	6.95%	17.76%	23.08%	15.78%	6.04%

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 1.59%. 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 1/31/15.

October 1, 2014

Dear Fellow Shareholders,

Although the bull market is getting long in the tooth, it hasn't yet given up the ghost in some corners on the market, particularly among the largest stocks. Essentially, a handful of mega caps are powering the index return, which we detail below. For the third quarter ended September 30, 2014, the Intrepid Disciplined Value Fund ("The Fund") posted a return of 0.72%, comparing favorably to the Russell 3000 Index return of 0.01% but behind the S&P 500 Index return of 1.13%. For the calendar year to date, the Fund returned 5.45% while the Russell 3000 Index made 6.95% and the S&P 500 Index returned 8.34%. Finally, because this is the end of the Intrepid Funds fiscal year, we report the twelve month return of 9.69% for the Fund versus 19.73% in the S&P 500 Index and 17.76% in the Russell 3000 Index. The Fund's equity-only return for the quarter, calendar year-to date, and trailing twelve months was 1.85%, 13.22%, and 25.79%, respectively.

To get a better understanding of what is going on, we should state the differences between the two comparative indexes. The S&P 500 is comprised of 500 of the largest companies in the U.S. stock market. It is capitalization-weighted, meaning that the largest stocks will have more impact on the Index return than the smallest ones. The Russell 3000 Index is a compilation of the 3000 largest publicly traded companies in the U.S. It is a combination of the Russell 1000 large cap index and the Russell 20000 small cap index. It too is capitalization-weighted, but due to the inclusion of many smaller stocks, it represents a broader investable universe. Whenever there is divergence between the indexes, it is often because of a divergence between small and large cap stocks. In this case, that is indeed true, but it is not the entire story.

If we examine the top 10 contributors within the S&P 500 Index over the past 12 months, we can see that they accounted for 82.77 points of the index's total gain of 277.29 points, or 30% of the gain. These top 10 stocks represent roughly 16% of the total index size. Now let's begin to narrow the scope of the return period. For the past nine months, the top ten stocks contributed 54.37 points of the index's 123.93 point gain, or roughly 44% of the return. For the most recent quarter, the index gained only 12.06 points, but the top ten contributors to the index gained 20.07 points. The takeaway from these figures is that a *handful of stocks are powering the gains of the S&P 500 Index*. Small caps have been going down for the past quarter and the past nine months. Midcaps, as measured by the S&P Midcap Index, were negative in the past quarter. It is clear that the continued positive performance for the S&P 500 Index is being driven by the largest of the large: of the top ten contributors to the S&P 500 Index over the past twelve months, all were among the top 25 in terms of size. Six of the ten were among the top 7 stocks, with the exception of Exxon Mobil (XOM). And the contributions from the top ten performers are becoming more of a factor as we focus on the most recent time period. The top ten contributors account for 29.8% of the twelve month index gain, 44% of the index's nine month gain, and more than 160% of the index's three month gain! How long can the top stocks continue to carry the market?

Top Ten Holdings	(% of net assets)
Intuitive Surgical, Inc.	3.8%
Cisco Systems, Inc.	3.4%
Laboratory Corp. of America Holdings	3.0%
Staples, Inc.	3.0%
The Bank of New York Mellon Corp.	2.9%
Quest Diagnostics, Inc.	2.8%
Apple, Inc.	2.7%
Teradata Corp.	2.7%
Northern Trust Corp.	2.7%
Oaktree Capital Group LLC	2.6%

Top ten holdings are as of September 30, 2014. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

For the quarter, our top performers were three stocks that rebounded somewhat from challenging circumstances. American Eagle's (ticker: AEO) stock price was up over 30% in the quarter as it rebounded from annual lows. While the business environment for retail is still challenging, the market had set expectations even lower. Teen retailers appear to be gaining price discipline, and inventories appear to be in better shape for the important back-to-school and holiday seasons.

Intuitive Surgical (ticker: ISRG) has seen sales of its da Vinci units slow due to constrained hospital budgets, but the most recent quarterly release showed that physicians' adoption of robotic surgery is strong with procedure growth up 9% for the last year- well above expectations. In addition, management picked up the proverbial gauntlet thrown down by short sellers and bought back $1 billion in stock over the second quarter.

Finally, in the case of Staples (ticker: SPLS), the stock fell upon its earnings release when management reiterated that it will take time to reduce the brick and mortar footprint by closing stores (they closed 80 stores in its most recent quarter) and drive sales through its online channel. As the quarter progressed, a sellside report advocated that Staples acquire Office Depot, which had recently merged with Office Max. Without verification of any forthcoming mergers and acquisition activity, the market pushed the stock higher.

On the opposite end of the spectrum, the Fund's bottom contributors include another retailer, Mattel (ticker: MAT). The toy maker disappointed in the quarterly release as it worked through inventory issues, which seem to be a common theme for many retail-oriented businesses. In the case of Western Union (ticker: WU), concerns about higher commission costs have pushed shares down, although our opinion is that being a part of Western Union's network is a long-term advantage for its agents. We think that this will buttress Western's network against outside competitive threats. The third bottom contributor is silver miner Pan American Silver (ticker: PAAS), which has seen rough times as silver spot prices have fallen from a high of $21.58 per ounce in July to a quarterly low near $17 an ounce recently.

Activity during the quarter has been muted, with only one position exited. We sold shares of World Wrestling Entertainment (ticker: WWE) after attempting to re-establish a position earlier in the year. At the time of purchase, we assumed that the state of the business was unchanged from the previous year, but we felt there was an opportunistic chance to add to re-acquire the stock after the share price fell. However, our concerns that the WWE Network would not be as successful as management claimed combined with what we considered significant additional operational expenses led us to sell out of our position.

Our sole purchase for the quarter was in the UK-based publisher Quarto Group (ticker: QRT LN). This is a very small company, with a market capitalization of only £27.9 million. Quarto is unlike other publishers because its focuses on illustrated non-fiction books. Part of the business, called co- editions, involves creating books and licensing them to third-party publishers. This allows Quarto to have widespread distribution of its products. Its Publishing Group sells its titles towards "Communities of Niche Enthusiasts," eschewing traditional bookstores to sell in various retailers locations. Examples would include pet books being found in PetSmart or Petco or Do It Yourself books found in Lowe's or Home Depot. We took the opportunity to establish a position after a relatively weak recent earnings release with the belief that management has good visibility into the second half of the year, which is its most important selling season.

Our cash level remains elevated at 46.3%. The question of whether that level of cash will increase or decrease is predicated on what discounts we can find among individual securities. Obviously a market which is in decline gives us more potential opportunities to purchase than a market that continues to rise. For now, we continue to look at new ideas and evaluate them for future potential inclusion in the Fund. At today's prices, the current average discount within the Fund, in which we examine the current stock price for each investment to our corresponding estimate of its intrinsic value, is 7%. That is slightly bigger than last quarter but still historically low. If pricing becomes more favorable, we stand ready to use some of that cash. We thank you for your confidence in our process.

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 S&P MidCap Index is an index that serves as a barometer for the U.S. mid-cap sector and is the most widely followed mid-cap index in inexistence. You cannot invest directly in an index.

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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