INTREPID INCOME FUND

3RD QUARTER 2016 COMMENTARY

3Q 2016

SEPTEMBER 30, 2016

PERFORMANCE

		Total Return			Average Annualized Total Returns as of September 30, 2016		
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inst.^	8/16/10	2.39%	8.20%	6.76%	2.38%	3.64%	3.98%
BAML HY Master II Index		5.49%	15.32%	12.82%	5.27%	8.24%	7.40%
Barclays US Aggregate Bond Index		0.46%	5.80%	5.19%	4.03%	3.08%	4.92%
BAML US Corporate Index		1.44%	9.11%	8.50%	5.60%	5.23%	6.08%

^Institutional Class shares of the Intrepid Income Fund commenced operations on August 16, 2010. Performance shown prior to August 16, 2010 (Since Inception) reflects the performance of Investor Class shares, which commenced operations on July 2, 2007, and includes expenses that are not applicable to and are higher than those of Institutional Class shares.

Effective January 31, 2014, the Investor Class shares of the Fund were closed, and any outstanding Investor Class shares were converted into Institutional Class shares.

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 Institutional Share Class is 0.96%. 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 0.90% through 1/31/17. Otherwise, performance shown would have been lower.

October 3, 2016

> *A man occasionally reaches a fork in life's path. One road leads to doing something, to making an impact on his organization and his world. To being true to his values and vision, and standing with the other men who've helped build that vision. He will have to trust himself when all men doubt him, and as a reward, he will have the scorn of his professional circle heaped on his head. He will not be favored by his superiors, nor win the polite praise of his conformist peers. But maybe, just maybe, he has the chance to be right, and create something of lasting value that will transcend the consensus mediocrity inherent in any organization…*
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> — Antonio Garcia Martinez, ***"Chaos Monkeys: Obscene Fortune and Random Failure in Silicon Valley"***

Dear Fellow Shareholders,

After the minor Brexit scare at the end of June, risk assets continued to march upward. In fact, Brexit may have been the impetus needed to propel markets to even loftier levels. The event solidified the belief that central bankers were not about to take the punch bowl away, but instead might add more grain alcohol to the mix. Worldwide government bonds rates dropped to all-time lows in July. Approximately $12 trillion in global sovereign debt currently trades at negative yields. The U.S. 10-year Treasury yield touched a record low of 1.36% before rising back to 1.60% by the end of September. In response, fixed income investors piled into higher yielding securities. The Barclays Aggregate, which is a broad measure of the U.S. investment grade bond market, returned 0.46% in the quarter ended September 30, 2016.

Corporate bonds outperformed by a wide margin as investors were attracted to the credit spread. Investment grade corporate bonds gained 1.44%, as measured by the BofA ML US Corporate Master Index. The U.S. high-yield bond market, as measured by the BofA ML High Yield Master II Index (the "Index"), returned 5.49% in the third quarter. Year-to-date, this Index has risen a whopping 15.32%, making U.S. high-yield bonds one of the best performing asset classes in the world. Historically low interest rates, the stabilization of commodity prices, and the promise of central bankers to implement even more audacious monetary policy have been driving forces behind the asset class's spectacular performance this year.

Top Ten Holdings	(% OF NET ASSETS)
Regis, 12/02/2019, 5.500%	5.1%
Pitney Bowes Intl Pfd Stock, 6.125%	4.0%
Multi-Color, 12/01/2022, 6.125%	4.0%
Alamos Gold, 04/01/2020, 7.750%	3.8%
Nathan's Famous, 03/15/2020, 10.000%	3.7%
FirstCash, 04/01/2021, 6.750%	3.5%
Tech Data, 09/21/2017, 3.750%	3.5%
PHI, 03/15/2019, 5.250%	3.0%
Starz LLC / Starz Finance, 09/15/2019, 5.000%	2.9%
Dollar General, 07/15/2017, 4.125%	2.6%

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

The Intrepid Income Fund (the "Fund") returned 2.39% in the third quarter ended September 30, 2016, bringing the year-to-date return to 8.20%. We believe this is a favorable outcome considering the defensiveness of the portfolio. As we have discussed in past letters, we have found it quite difficult to find attractive investments for the Fund. Therefore, we have maintained a bias toward high-yield bonds issued by companies we believe have better-than-average credit qualities. Furthermore, we have maintained dry powder in the form of cash and short-term investment grade bonds when we are unable to identify suitable investments. Short-term investment grade bonds averaged 20% of the Fund's assets in the third quarter, and cash averaged 27%.

For the second quarter in a row, EZCORP's 2.125% convertible bonds (EZPW) were by far the top contributor to the Fund's performance. The bonds were one of the Fund's largest holdings throughout most of the quarter, and we benefited as the bonds rose by more than 18%. The notes took another leg up late in September after the much anticipated sale of their Mexican unsecured loan business was completed. Our thesis has largely played out as the yield has compressed to less than 3% from a high of over 18% in February. We have taken the opportunity to reduce our position size meaningfully. Our large position in competing pawn operator Cash America (CSH) was also a top contributor. Cash America merged with First Cash, another pawn shop operator, and Cash America's 5.75% notes were redeemed at a large premium. Lastly, the Fund's position in Alamos Gold 7.75% notes due 4/1/2020 contributed meaningfully as gold prices continued to increase. There was one material detractor in the third quarter. Our position in the common stock of Corus Entertainment (CJR/B CN) detracted about 0.10% from the Fund.

With bond yields at historic lows, we have found it very difficult to identify attractive investment candidates. We typically seek higher-quality high-yield securities, so the BofA/ML BB US High Yield Index is somewhat illustrative of our opportunity set. At the end of the quarter, the yield-to-worst on this index was just 4.55%. We purchased one new high-yield bond in the third quarter, the notes of Nathan's Famous, Inc., owner of the iconic hot dog brand. While the company runs several branded restaurants, the vast majority of the firm's business is derived from royalties and franchise fees. In 2014, Nathan's entered into an attractive 18-year licensing program with Smithfield Foods, which provides the business with significant recurring revenue. We believe the notes may be overlooked by larger investors due to the small issue size, which allowed us to purchase the bonds at attractive yields.

The global search for yield has forced fixed income managers to seek out income in unconventional areas, including less-than-investment grade bonds and loans, securitized products, and dividend-paying equities. "Covenant-lite" securities have received attention recently. Traditional loan and bond contracts place restrictions on borrowers called covenants, which are designed to protect the lenders' investment. Common covenants include limitations on the amount of debt the firm can have, restrictions on how management deploys cash flow (potentially to the detriment of lenders), and limits on asset sales. Covenants provide a means to prevent actions that could impair the lenders' claim on the business and also open an avenue for lenders to force faltering borrowers to take action. How restrictive the terms of a new lending agreement are relies heavily on the receptiveness of the capital markets. When investors are fearful, lenders require more onerous covenants. When investors are complacent, borrowers have the ability to dictate looser covenants. As the global search for yield has intensified, investors have increasingly turned to covenant-lite loans to pick up incremental yield. A recent Bloomberg article cites covenant research done by Moody's and Xtract Research. According to Moody's, over 75% of leveraged loans (the loan equivalent of a high-yield bond) completed in 2016 are covenant-lite, compared to 46% in 2013. Even more striking, Xtract Research found that just 35% of leveraged loans made in the first half of 2016 included maintenance ratios, which require the borrowers to maintain certain financial ratios or be in default of the loan. In 2010, ***all*** leveraged loans were subject to maintenance covenants.

Our intent is not to imply these loans are poor investments, but simply to put perspective on the current state of the fixed income markets. The demand for higher yielding securities is allowing borrowers to negotiate lower coupons and less restrictive covenants. As always, we will not force your portfolio into investments that do not offer an appropriate return for the risks borne. We will continue to work diligently to find attractive investments on your behalf, while maintaining the emotional discipline that forms the pillars of our investment process. Thank you for your investment.

Sincerely,

Jason Lazarus, CFA
Intrepid Income Portfolio Manager

Mutual fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. The risk is generally 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 is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual securities 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.

The Bank of America Merrill Lynch High Yield Master II Index (BAML HY Master II Index) tracks the performance of below investment grade, but not in default, US dollar-denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. Barclays Capital U.S. Aggregate Bond Index is an index representing about 8,200 fixed income securities. To be included in the index, bonds must be rated investment grade by Moody's and S&P. Bank of America Merrill Lynch U.S. Corporate Index (BAML US Corporate Index) is an unmanaged index of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one year remaining term to final maturity. The Bank of America Merrill Lynch BB US High Yield Index (BAML BB US High Yield Index) is a subset of the BAML HY Master II Index including all securities rated BB1 through BB3, inclusive. You cannot invest directly in an index.

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. Investment Grade is a bond with credit rating of BBB or higher by Standard & Poor's or Baa3 or higher by Moody's. Yield to Maturity is the total return anticipated on a bond if the bond is held until the end of its lifetime. Yield-to-Worst is the lowest yield an investor can expect when investing in a callable bond.