Intrepid Capital Funds
the constant pursuit of value

INTREPID SELECT FUND

3RD QUARTER 2016 COMMENTARY

3Q 2016

SEPTEMBER 30, 2016

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of September 30, 2016 3 Year	5 Year	Since Inception
Intrepid Select Fund - Inv.	7/31/15	5.83%	24.24%	24.89%	-	-	12.32%
Russell 2000 Index		9.05%	11.46%	15.47%	6.71%	15.82%	2.48%
S&P MidCap 400 Index		4.14%	12.40%	15.33%	9.35%	16.50%	4.60%

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.

October 3, 2016

Dear Fellow Shareholders,

The Intrepid Select Fund (the "Fund") increased 5.83% in the third quarter compared to a 9.05% rise in the Russell 2000 Index. The S&P MidCap 400 Index gained 4.14% during the period. The Fund's year-to-date return of 24.24% compares favorably to the 11.46% increase in the Russell 2000. Cash ended the quarter at 19.5% of Fund assets, which is above our target of 10% or less. The primary reason for the jump in cash was our sale of most of our EZCORP convertible bond holding near the end of the quarter. The Fund's cash was also impacted by the September closing of OSI Systems' acquisition of American Science & Engineering, a Fund holding. Lastly, the Fund reduced its exposure to precious metals investments during the quarter. We will begin rebalancing the portfolio toward our 10% cash goal but would gently remind shareholders that the Fund owns not only equities but also unique securities, such as convertible bonds, which must be acquired with patience. Moreover, the small and mid cap markets are not exactly serving up much value. Despite extremely difficult circumstances for value investors like us who won't knowingly overpay, we were pleased to purchase a few new positions in the quarter that are discussed below.

The Fund's three largest detractors in the quarter were Corus Entertainment (ticker: CJR/B CN), Dundee Corp. (ticker: DC/A CN), and put option positions on the iShares Russell 2000 ETF (ticker: IWM). Corus finally experienced the positive inflection in advertising that we had long been expecting, with flat year-over-year ad results for its television networks and good growth in subscription revenue. However, advertising performance at the networks Corus recently acquired from Shaw Media were down about 13%. Shaw's advertising had held up well during the period when Corus was struggling. Perhaps it's a reversion to the mean. By the end of the fiscal quarter ending February 28, 2017, Corus will have had sufficient time to integrate the Shaw assets and should begin to realize benefits from its increased scale.

Dundee's shares fell after one of its large investment holdings, TauRx, announced disappointing Phase III trial results for its Alzheimer's disease drug. In the Fund's Q415 letter, we said we had no special insight into the likelihood of a favorable result, so were not including any upside to our valuation, but noted that the payoff was potentially huge. It appears that other investors were assigning a higher probability to a positive outcome than us. Dundee's management has taken a few positive steps to improve the firm's trajectory, like selling Dundee's unprofitable retail brokerage business. We think

Dundee trades at a sizeable discount to Net Asset Value (NAV), but we are not committing new dollars to the name until management presents a clear path to offsetting cash burn.

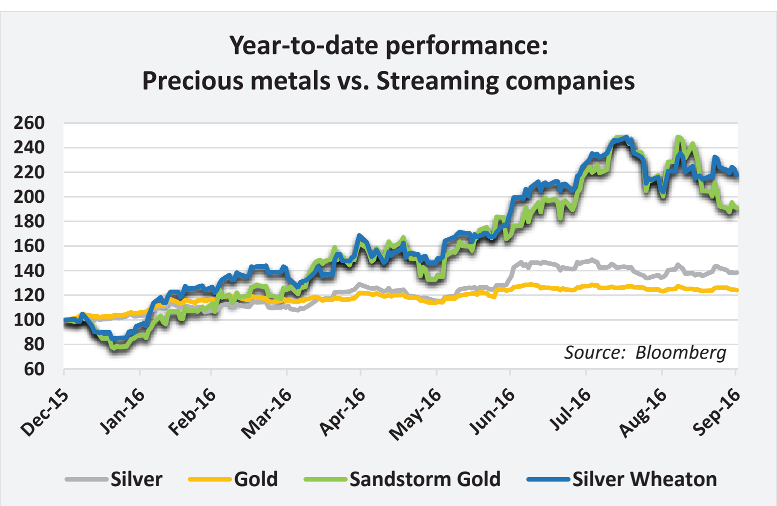
During August, the Fund purchased two deep out-of-the-money put option contracts on the Russell 2000 Index that cost about 1% of the Fund's assets. The strike prices on both were approximately 20% below the level of the Russell 2000 at the time of purchase. One contract expires in December 2016 and the other in January 2017. We are confident that the small cap market is overvalued but are unsure as to when conditions will normalize. The Fund was sitting on a sizeable year-to-date performance gain, making the cost of options more "affordable," and we thought it was worthwhile to build a small tail risk hedge into the portfolio that would pay off if the market fell sharply in the near-term. We believe the most likely outcome is that these puts will expire worthless. So far, they have declined in price as markets have climbed higher. Nonetheless, we think buying the puts was a good call, especially since options are historically cheap given low implied volatility.

Top Ten Holdings	(% OF NET ASSETS)
Corus Entertainment, Inc. - Class B	8.3%
Teradata Corp.	6.8%
Tetra Tech, Inc.	5.4%
Amdocs Ltd.	5.2%
Western Digital Corp.	4.8%
iShares Gold Trust	4.6%
Baldwin & Lyons, Inc. - Class B	4.1%
Oaktree Capital Group LLC	4.0%
Mattel, Inc.	3.9%
Leucadia National Corp.	3.8%

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 Fund's top gainers in the third quarter were Teradata (ticker: TDC), EZCORP converts (CUSIP 302301AB2), and Sandstorm Gold (ticker: SAND). Teradata is a data analytics company that is shifting from a hardware-only model to one which includes a software-as-a-service version through platforms such as Amazon Web Services and Microsoft Azure. The interim CEO, Vic Lund, is pushing the company to focus its efforts towards offering its products in as many delivery modes as possible to gain more clients. It is challenging, in light of the relatively tight current environment for client IT budgets. Given the medium-term timeline for the company to implement changes, combined with the short-term nature of investors, we should expect volatility in this stock.

After bottoming in February at around 60 (18%+ yield), EZCORP's bonds ended September near par value (2.5% yield). The bonds moved higher due to improving fundamentals on the pawn side, where EZCORP is outperforming peers. More importantly, the company successfully sold its unprofitable Mexican payroll withholding subsidiary for a higher amount than investors expected. We have liquidated most of our position, as the investment no longer offers an equity-like return.



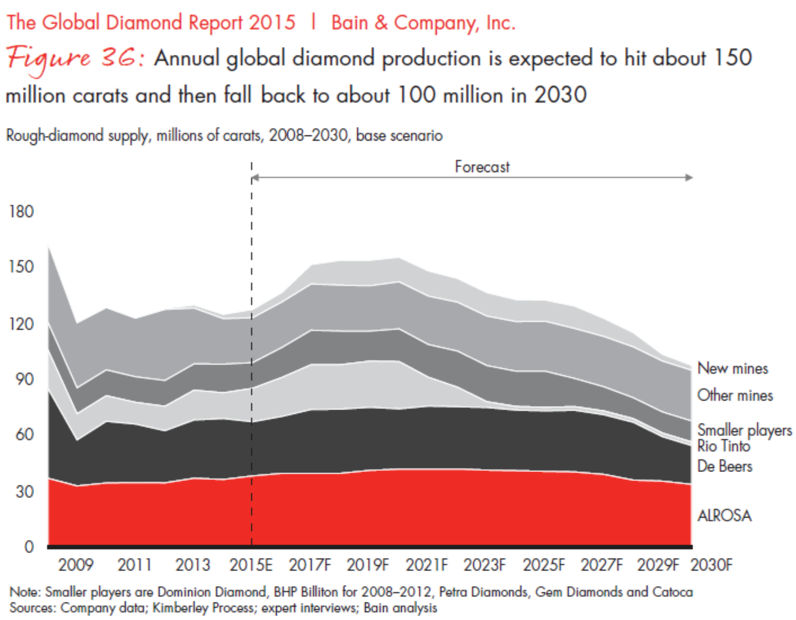
Sandstorm Gold's stock increased further in Q3 along with the rest of the precious metals space. Sandstorm and Silver Wheaton's (ticker: SLW) stocks became overvalued relative to silver and gold prices, so we exited both positions (see chart left).[1] We hope to own them again. We like the streaming business model, but their stocks began to imply precious metals prices that were much higher than spot ranges. We transferred a portion of the sale proceeds from these investments into the iShares Gold Trust (ticker: IAU), an ETF that is one of the most inexpensive ways to gain exposure to gold. It is also a much lower beta investment than Sandstorm and Silver Wheaton, which could prove useful if there is a temporary dip in precious metals prices.

1 All starting values are harmonized to 100 for visual presentation of subsequent performance.

We established a position in the convertible bonds of Primero Mining (CUSIP 74164WAB2), which mature on February 28, 2020. The yield at cost was over 11%. Primero is a gold miner and counterparty to both Silver Wheaton and Sandstorm Gold, so we were familiar with the company. In February, the Mexican tax authorities informed Primero that they sought to nullify the Advance Pricing Agreement (APA) established by the same authorities in 2012. The APA confirmed that Primero would pay taxes based on its realized silver price from its San Dimas Mine, which equaled a ~$4 per ounce streaming payment from Silver Wheaton rather than the higher, actual silver price. The Mexican tax authorities have changed their mind, so they want to reverse their prior decision and apply the change retroactively.

We do not believe Primero will be forced to pay back taxes, but we do anticipate they will pay higher taxes going forward. In our opinion, the San Dimas Mine can withstand the extra burden, as the cost structure should still be below prevailing gold prices. Primero issued equity in June, reducing the firm's Net Debt to below 1x anticipated EBITDA. Next year, the leverage multiple should decline further as the company moves past recent operating challenges. The yield offered on this small $75 million issue exceeds anything else we could find among gold and silver miners, yet we think the credit quality is solid. As with the iShares Gold Trust, we believe the price of this convertible bond will be less volatile than owning the equity of a streamer or gold mining company.

We purchased the stock of Dominion Diamond (ticker: DDC), which is the world's third largest diamond producer. The company owns interests in two mines in the Northwest Territories of Canada, one of the most politically stable mining jurisdictions in the world. Diamonds are not recession resistant and are tied to luxury spending and global GDP growth. Recent soft demand from China has contributed to weak prices. This may continue. However, a lack of investment into exploration has resulted in fewer development projects, creating favorable supply/demand fundamentals that should materialize in a few years as old mines are shuttered. Dominion's anticipated mix skews toward smaller stones that are desirable to growing middle classes in China and India, the second and third largest diamond consumers after the U.S.



Dominion's operating performance is expected to improve materially in the upcoming year, as the firm has transitioned toward higher grade sections of its mines. The forward Enterprise Value to EBITDA multiple is 1.4x, the Price to Book ratio is 0.6x, and the dividend yield is 4.3%. Dominion's stock is valued at approximately half of the NAV multiple of comparable Canadian producers and has significantly underperformed peers over the past twelve months. The stock also appears inexpensive relative to Archon Minerals (ticker: ACS CN), a publicly traded firm whose only significant asset is a minority interest in a portion of one of Dominion's mines. Cash and diamond inventory account for 38% and 17%, respectively, of Dominion's market capitalization, which we believe provides downside protection. An activist shareholder is on the company's board, which may have influenced recent capital allocation decisions, including instituting a buyback and disposing of a highly valued office building in downtown Toronto.

While purchasing a diamond miner at this point in the global economic cycle may appear risky, we believe Dominion is undervalued based on the most likely long-term scenario for diamond prices. Unlike the fragmented oil industry, the top four producers control almost three quarters of global diamond production value and have demonstrated a willingness to restrain output in tough markets like 2008-2009. Additionally, we think owning a diamond company offers an inflation hedge that is comparable to a gold miner, even if diamonds are not viewed as safe haven investments like the yellow metal. Since the stock market bottomed in 2009, rough diamond prices (+69%) have modestly outperformed gold prices (+43%). However, a basket of diamond producers has absolutely trounced the performance of gold mining stocks, with the former quintupling in price while gold miners fell over the period.[2] We think this is partly due to the more favorable industry structure for diamonds.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.

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. 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). Price-to-Book (P/B Ratio) compares a stock's market value to the value of total assets less total liabilities. Beta is a measure of volatility of systemic risk of a security or a portfolio in comparison to the market as a whole. Out of The Money is used to describe a put option with a strike price that is lower than the market price of the underlying asset. Put Option is an option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specific time.

2 Equal-weighted diamond basket includes DDC CN, LUC CN, MPV CN, SWY CN, and PDL LN. Gold miners represented by GDX. The period referenced is from 3/9/2009 to 9/30/2016.