INTREPID CAPITAL FUND

Intrepid Capital Funds — *the constant pursuit of value*

4TH QUARTER 2015 COMMENTARY

4Q 2015

DECEMBER 31, 2015

PERFORMANCE

		Total Return			Average Annualized Total Returns as of December 31, 2015			
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Intrepid Capital Fund - Inv.	1/03/05	0.55%	-6.58%	-6.58%	4.07%	5.03%	6.95%	6.13%
Intrepid Capital Fund - Inst.	4/30/10	0.62%	-6.33%	-6.33%	4.31%	5.29%	-	5.70%
S&P 500 Index		7.04%	1.38%	1.38%	15.13%	12.57%	7.31%	7.17%^
Russell 2000 Index		3.59%	-4.41%	-4.41%	11.65%	9.19%	6.80%	6.77%^
BAML HY Master II Index		-2.17%	-4.64%	-4.64%	1.64%	4.84%	6.81%	6.42%^
Barclays Capital U.S. Aggregate Bond Index		-0.57%	0.55%	0.55%	1.44%	3.25%	4.51%	4.33%^

^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 S&P 500 Index is 12.42%, Russell 2000 Index is 9.94%, BAML HY Master II Index is 5.59%, and Barclays Capital U.S. Aggregate Bond Index is 3.50%.

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 1.41% and for the Institutional Share Class is 1.16%. 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 1/31/16, respectively. Otherwise, performance shown would have been lower.

January 6, 2016

Dear Friends and Clients,

For the quarter ending December 31, 2015, the Intrepid Capital Fund (the "Fund") increased 0.55% compared to the BAML High Yield Master II Index which declined 2.17% and the S&P 500 Index which increased 7.04%. For the calendar year 2015, the Fund decreased 6.58% compared to the decline of 4.64% of the BAML High Yield Master II Index and the gain of 1.38% of the S&P 500 Index.

In 31 years in the money management industry, 2015 will go down for me as one of the more frustrating years that I can recall. First off, I have never been comfortable losing money, especially someone else's money – in this case, yours. For a value-seeking, contrarian by nature investor, this past year reminds me a lot of 1999, when I thought quite possibly that the rules of finance had been stood on their head (they hadn't). In both years, people were willing to pay, or I would contend, grossly overpay, for just a handful of largely tech-centric equities that carried the rest of the market. The companies in the 2015 basket, including Facebook, Amazon, Netflix, and Google (Alphabet), are currently priced to perfection, according to many. This basket drove the S&P 500 Index to a slightly better than break even year with a return of 1.38%. If this group of companies is pulled from the S&P 500 Index, the index would have declined 3.59%, a result that is more reflective of the 4.41% decline of the small cap centric Russell 2000 Index for 2015.

The operating mantra I hear repeated to me by individual investors is what I un-affectionately refer to as "The Curse of T.I.N.A." Simply put, There Is No Alternative to investing in the stock market as rates on money market funds and CDs are barely visible to the naked eye, even with the Federal Reserve nudging up interest rates in the middle of December 2015. So, what did these risk seekers earn for their impatience in not holding cash until "the price was right?" Not much. As mentioned, the S&P 500 Index earned 1.38% for the year 2015. The investment grade bond index, Barclays Capital U.S. Aggregate Bond Index, earned only 0.55% for the same time period. Either way, the average "investor" in stocks and bonds exposed his capital to substantial risk of impairment by leaving the comfort of cash.

Please don't get me wrong. I am not happy with the investment results we at Intrepid Capital delivered to you in calendar year 2015. I wish it wasn't so, but earning attractive risk-adjusted returns is not easy. If anything, it is very mentally taxing to not follow the herd.

Top Ten Holdings	(% OF NET ASSETS)
Berkshire Hathaway, Inc. - Class B	4.6%
Royal Mail PLC	4.4%
Ezcorp, Inc., 06/15/2019, 2.125%	4.1%
Verizon Communications, Inc.	4.0%
Tetra Tech, Inc.	3.5%
Pitney Bowes Intl Pfd Stock, 6.125%	3.3%
Ingram Micro, Inc. - Class A	3.2%
The Western Union Co.	3.1%
Symantec Corp.	2.8%
Regis Corp., 12/02/2019, 5.500%	2.8%

Top ten holdings are as of December 31, 2015. Fund holdings are subject to change and are not recommendations to buy or sell any security.

I have spoken in the past, and most recently at our client presentation in November 2015, that most investors unwittingly "buy high and sell low" with the suboptimal results you might expect. According to the annual investor behavior study produced by DALBAR, poor timing decisions have resulted in returns for the average equity investor that are only half of the S&P 500's annual return over the last 20 years![1] As CEO of Intrepid Capital, I see this tendency almost every day. Shareholders redeem their holdings because we are "not keeping up" with the market. Our investment process is, by design, not structured to "keep up" in the latter stages of a bull market. We believe the returns of the last three years of the stock market are an aberration. This may come as a shock to some readers, but the S&P 500 Index annualized return for the 15-year period ending December 31, 2015 was 5.00%; a much lower average when viewed over the long term.

The best I can tell from this seat that I have occupied for 21 years is that there might be some foul weather ahead. From a business valuation standpoint, with seven analysts searching the globe daily, there are not a lot of cheap, high quality securities available today. We hold ample cash and short-term fixed income securities to allow us to take advantage of better (lower) prices in the future.

The Fund's three largest contributors during the quarter were Fabrinet (ticker: FN), Microsoft (ticker: MSFT), and American Science & Engineering (ticker: ASEI). The Fund's three largest detractors for the quarter were Royal Mail (ticker: RMG LN), Staples (ticker: SPLS), and Leucadia National (ticker: LUK).

The Intrepid Capital Fund (ICMBX) continues to have an overall 4-Star Morningstar Rating out of 865 Moderate Allocation funds for the period ending December 31, 2015 (derived from a weighted average of the fund's three-, five-, and ten-year risk adjusted return measure). We thank our shareholders for making this possible.

Thank you for your patience, for which we strive to reward.

Best regards,

Mark F. Travis
President
Intrepid Capital Fund Portfolio Manager

[1] *Quantitative Analysis of Investor Behavior*. Boston: Dalbar, 2014.

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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually 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 may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

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 Bank of America/Merrill Lynch High Yield Master II Index is Merrill Lynch's broadest high yield index, and as such is comparable with the broad indices published by other investment banks. 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. 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. You cannot invest directly in an index.

Investment Grade is a bond with credit rating of BBB or higher by Standard & Poor's or Baa3 or higher by Moody's. A Basis Point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Stocks are generally perceived to have more financial risk than bonds in that bond holders have a claim on firm operations or assets that is senior to that of equity holders. In addition, stock prices are generally more volatile than bond prices. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. A stock may trade with more or less liquidity than a bond depending on the number of shares and bonds outstanding, the size of the company, and the demand for the securities. Similarly, the transaction costs involved in trading a stock may be more or less than a particular bond depending on the factors mentioned above and whether the stock or bond trades upon an exchange. Depending on the entity issuing the bond, it may or may not afford additional protections to the investor, such as a guarantee of return of principal by a government or bond insurance company. There is typically no guarantee of any kind associated with the purchase of an individual stock. Bonds are often owned by individuals interested in current income while stocks are generally owned by individuals seeking price appreciation with income a secondary concern. The tax treatment of return of bonds and stocks also differs given differential tax treatment of income versus capital gain.

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 12/31/15. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentage. The Intrepid Capital Fund-Investor received 2 stars among 865 for the three-year, 2 stars among 745 for the five-year, and 5 stars among 505 Moderate Allocation Funds for the ten-year period ending 12/31/15. The rating is specific to the Investor Share Class and does not apply to other share classes, which have different ratings.

 Past performance is no guarantee of future results.

References to other mutual funds should not be interpreted as an offer of these securities.

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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