Intrepid Capital Funds
the constant pursuit of value

INTREPID ENDURANCE FUND

4TH QUARTER 2015 COMMENTARY

4Q 2015

DECEMBER 31, 2015

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of December 31, 2015 3 Year	5 Year	10 Year	Since Inception
Intrepid Endurance Fund - Inv.	10/03/05	-0.65%	-5.81%	-5.81%	2.17%	3.39%	8.73%	8.69%
Intrepid Endurance Fund - Inst.	11/03/09	-0.64%	-5.58%	-5.58%	2.45%	3.64%	-	6.92%
Russell 2000 Index		3.59%	-4.41%	-4.41%	11.65%	9.19%	6.80%	6.71%^

^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 Russell 2000 Index is 13.35%.

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 1.40% and for the Institutional Share Class is 1.15%.

January 4, 2016

Pyrite: *The most common of the sulfide minerals, with a metallic luster and pale brass-yellow hue that give it a superficial resemblance to gold, hence the well-known nickname of* ***fool's gold*** *(Wikipedia).*

Dear Fellow Shareholders,

Former NBA rebounder Antonio Davis once said, *"It's fool's gold if you are winning games and are not playing the right way."* Process drives long-term outcomes. In the short run, a good, disciplined process can fall flat. Likewise, a harebrained, haphazard process can appear golden when it's untested.

The nation's best performing large mutual fund in 2015, which will go unnamed, recently had nearly a 20% weighting in Amazon.com, followed by 18% in Home Depot, 6% in Netflix, and 5% in Priceline. A Bloomberg article lavished praise on the fund: *"Unlike so many money managers today who chase big betas, acquiring assets with the most historical volatility and hoping for the largest returns to compensate for the risk, {Fund XYZ} is rooted in the valuation model extolled in the 1930s by Columbia University finance professors Benjamin Graham and David Dodd."*[1] Ben Graham was the father of value investing and Warren Buffett's mentor. In his magnum opus, *The Intelligent Investor,* Graham cautioned that enterprising investors should refrain from investing in growth stocks *"in which the excellent prospects are fully recognized in the market and already reflected in a current price-earnings ratio of, say, higher than 20."* Amazon's P/E ratio is 923x, while Netflix's is 292x. The P/E of Priceline is 26x and Home Depot is 25x. Ben Graham disciples are like fool's gold—they can be found everywhere yet are mostly devoid of value.

Amazon and Netflix were the S&P 500's two best performing stocks in 2015, up 118% and 134%, respectively. Most people love these services, and this adulation has transferred to their stock prices. Amazon and Netflix are disrupting their respective industries by offering more for less, and they are partly able to do so because shareholders have not yet demanded a profit from them. Four S&P tech stocks—Facebook, Amazon, Netflix, and Google (the "FANGs")—accounted

[1] Winkler, Mathew A. "Guess Who's the Year's Top Stock Picker. Guess Again." *BloombergView*. (December 29, 2015).

for $450 billion of growth in market cap in 2015, while the 496 other stocks in the S&P collectively lost $938 billion in capitalization. Amazon's market capitalization is $317 billion, which is bigger than the combined market values of Walmart, Target, and Costco. These three old economy retailers reported trailing twelve month GAAP net income of nearly $17 billion, while Amazon's net income was $328 million.

According to Bloomberg, during the past year "Price Momentum" was the undisputed stock strategy champion, up 32%. Conversely, "Traditional Value" delivered the worst return, down about 21% for the year.

Past performance does not guarantee future results.

Top Ten Holdings	(% OF NET ASSETS)
Corus Entertainment, Inc. - Class B	5.2%
Ezcorp, Inc., 06/15/2019, 2.125%	4.6%
Pitney Bowes Intl Pfd Stock, 6.125%	3.6%
Tetra Tech, Inc.	3.0%
Sandstorm Gold Ltd.	2.7%
Amdocs Ltd.	2.0%
Cubic Corp.	1.6%
Silver Wheaton Corp.	1.5%
Bio-Rad Laboratories, Inc. - Class A	1.5%
Baldwin & Lyons, Inc. - Class B	1.5%

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.

While momentum strategies, or buying what's worked and selling what hasn't, thrived last year, momentum trading is not investing. It's speculating. Your bank account doesn't know the difference, but you should, so you don't emulate the explorers of times past who thought they discovered huge gold treasures only to later find they landed on a mountain of pyrite. Momentum trading relies on the Greater Fool theory, which supports the purchase of a security not based on its fundamentals but on the expectation that it can be offloaded at a higher price to another speculator, or a greater fool. It's Russian roulette, where the stakes rise for each subsequent participant until the final bang.

Investing is like poker, where luck matters in the short run, but skill and patience eventually separate the wheat from the chaff. The country singer Kenny Rogers distills abundant investment wisdom into one verse of his famous song, titled "The Gambler."

You've got to know when to hold 'em
Know when to fold 'em
Know when to walk away
And know when to run
You never count your money
When you're sittin' at the table
There'll be time enough for counting
When the dealin's done

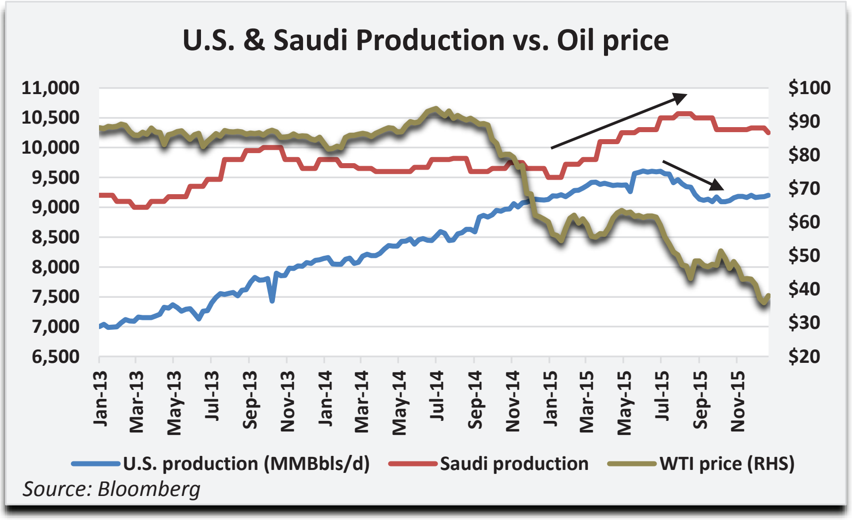
The dealin's not done, so investors shouldn't count their money yet. Those fortunate enough to have ridden this rally all the way up should count their lucky stars instead. There's a whole other side to the investment cycle that we haven't experienced in over 6 years: the bear market. Our advice to speculators—walk away. If you're an Intrepid Endurance Fund (the "Fund") shareholder, know that we have battened down the hatches and believe we are strongly positioned to ride out the anticipated storm. While we can't avoid all losses, we are doing everything in our power to limit the downside by only investing in securities we've identified as attractive discounts, while keeping a large slice of the Fund in cash awaiting better prices. As of December 31, 2015, 67.8% of the Fund was held in cash.

During the fourth quarter, the Intrepid Endurance Fund declined 0.65%, versus a 3.59% gain for the Russell 2000 Index. For the year ending December 31, 2015, the Intrepid Endurance Fund lost 5.81% compared to a 4.41% decline for the Russell. If the year had been extended by one extra trading day, through January 4, 2016, the Fund and Russell Index would've returned -5.67% and -6.71%, respectively, as stocks stumbled out of the gate in 2016. Our performance wasn't good last year, as several of our positions performed worse than market averages. We aim to do better. For a couple of our losing positions, we got it wrong. For the rest, which are more meaningful holdings, we think the market has it wrong. Several of our positions are trading at the widest discounts to our valuations since we purchased them.

Where we got it wrong

In our year end 2014 letter from 12 months ago, we explained our rationale for investing in a small basket of beaten down energy stocks. We argued then that we expected oil prices to recover sometime in the next 18 months because U.S. producers couldn't make money at existing low prices, so production would decline. We predicted that the first companies to bite the dust would be those producers with high leverage, high production costs, and minimal hedges. We stated that the U.S. was the swing producer in global oil markets, so the burden of solving the oil glut would fall on the U.S. energy industry, not Saudi Arabia. We maintain most of these beliefs.

Where we called it wrong on oil was in how long we thought it would take for prices to recover. Although U.S. production has declined about 4% from its peak, the response has been slower than we anticipated, especially considering the industry's substantial reduction in capital spending. More importantly, other nations such as Saudi Arabia and Russia have increased output as U.S. production falls, stymying the supply/demand adjustment process. There's a fight for market share. OPEC is broken. This may elongate the time for oil prices to recover.



Oil prices are lower than we expected them to be by now, and our exposure to energy negatively impacted the Fund in 2015. On a security-level basis, our biggest energy regret for the year was Contango Oil & Gas (ticker: MCF). That E&P had a great balance sheet, but its onshore oil portfolio placed it among the highest cost U.S. producers. Additionally, we came to find management quality to be below-average. Unit Corp. (ticker: UNT) was another costly position for the Fund in 2015. Unit was also a good balance sheet story with minimal hedges, like Contango, but we think Unit is a better operator with more competitive assets. We expect Unit to survive the energy downturn that has already sent dozens of peers into bankruptcy. We continue to hold shares of Unit, which is our only direct energy investment today.

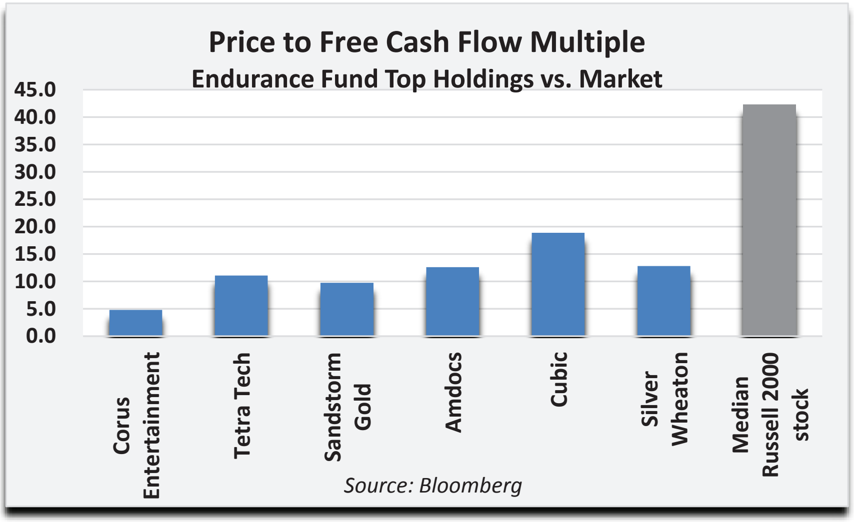
On the flipside, we made money on two other E&Ps, SM Energy (ticker: SM) and Newfield Exploration (ticker: NFX). These were larger enterprises that were better hedged than the aforementioned small caps. We sold both early in the year after solid short-term gains. Collectively, owning U.S. E&Ps impacted the Endurance Fund by -1.3% in 2015. We stand by our original prediction that oil prices will rebound, and the recovery from these lows could be sharp. Unfortunately, the lack of high-quality balance sheets in the small cap E&P space makes it challenging for us to safely express our views should the recovery continue to be delayed.

Where market has it wrong (in our opinion)

Our Canadian exposure clubbed us in 2015. Canadian equities fared worse than U.S. stocks because our northern neighbor's economy is more tied to commodity markets. Our two Canadian positions, Corus Entertainment (ticker: CJR/B CN) and Dundee Corp. (ticker: DC/A CN), both fell sharply and reduced the Fund's 2015 return by 3.2% (net of the associated gain on Canadian dollar currency hedges). We think the selling was massively overdone.

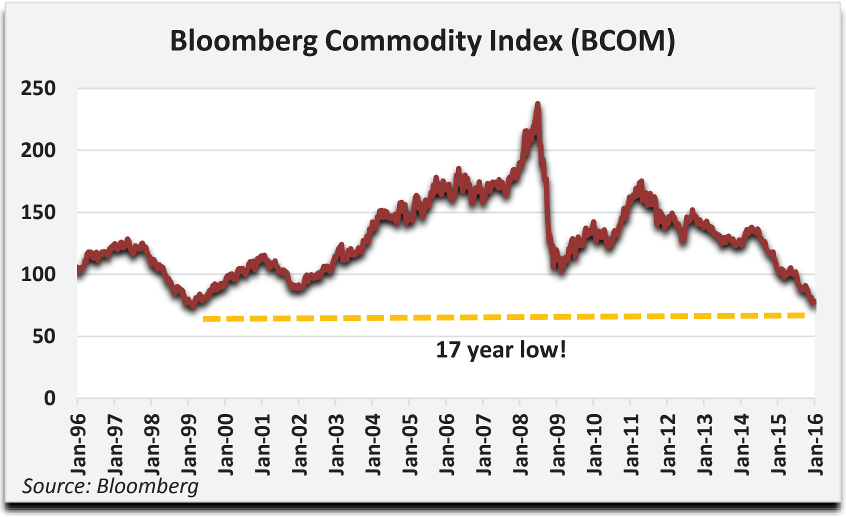
Corus's stock dropped due to weak organic advertising revenues and investor concerns that Canada's new à la carte television rules will impair the company's business model. We expect advertising to heal in the next couple of quarters as Corus more effectively monetizes its solid ratings. We also do not expect a severe outcome when cable providers beginning offering channels on an à la carte basis later this year. Corus's CEO has pledged that EBITDA will grow slightly in fiscal 2016. The dividend yield exceeds 10% and the stock is selling for less than 5x trailing free cash flow. There is no other television-based media stock on the continent that trades for anywhere near that multiple.

Corus may carry the lowest free cash flow multiple in our portfolio, but our next 5 largest equity positions also trade at less than half of the multiple of the typical small cap company.



Dundee Corp.'s stock was drubbed in 2015. Dundee suffered through a perfect storm due to its Canadian domicile and commodity exposure. The Bloomberg Commodity Index is at its lowest level since 1999, reflecting bear markets in oil and gas, gold, agricultural products, and industrial metals. Dundee's largest publicly traded investments declined in price in 2015, and several of the firm's wholly owned subsidiaries delivered operating losses. Additionally, after Thanksgiving Dundee ran into friction regarding a proposed refinancing of one class of preference shares, which we effectively treat as debt. We think other investors may have been concerned that Dundee does not have sufficient liquidity to pay off the preference shares at their June 2016 maturity, in the event it cannot refinance them on suitable terms. We do not share these concerns, given the company's unrestricted cash holdings, credit facility, and material liquid investment portfolio. Lastly, going into year end, we believe Dundee's stock was impacted by tax loss selling, which could reverse in the New Year.

We expect Dundee's management to take steps in 2016 to reduce the cash burn of its subsidiaries, starting with its underperforming broker dealer. Additionally, Dundee's investment portfolio includes a few lottery tickets, such as a privately held interest in TauRx, which is developing an Alzheimer's drug. Phase III clinical trials for TauRx's LMTX drug should be available next summer, and the company is planning a 2017 IPO. Dundee's ~5% stake in TauRx was carried at $68 million (CAD) as of September 30, 2015. A recent *Wall Street Journal* article suggested that a TauRx IPO could value the



Past performance does not guarantee future results.

drug company at $15 billion (USD), presumably assuming the Phase III data is encouraging. We have no insight into the outcome here and we are not assuming any upside for TauRx, but at the rumored theoretical valuation Dundee's investment would grow in value by more than 10x.[2] As of December 31, 2015, Dundee was trading for 27% of its $1 billion book value. We have taken punitive haircuts to the carrying value of several of Dundee's anchor assets and still arrive at a book value materially above recent prices.

The Fund lost over 1% from its precious metals investments during the year. These include Sandstorm Gold (ticker: SAND), Silver Wheaton (ticker: SLW), and a couple of miners we sold halfway through 2015. Gold and silver had another tough year, but we feel good about this element of our portfolio. Interest rates remain subdued around the world, with half of European sovereign debt selling at negative yields. In other words, you invest in a "safe" government bond and are assured to receive less money back in 5 years. We think the Federal Reserve will quickly abandon its rate increase plans once the fragility of the U.S. economy can no longer be plausibly denied by the unelected hypnotists at the Fed. Low interest rates, quantitative easing, government stupidity, and market mayhem should all be bullish for gold prices.

In 2015, the Fund made money on a few names too, such as Amdocs (ticker: DOX) and Bio-Rad (ticker: BIO), but we don't want to tout our victories in a year we'd characterize overall as poor. The Fund was stung by Corus and commodities. As we noted in the chart at the beginning of this letter, Traditional Value strategies performed poorly in 2015. Although we would never place ourselves in any bucket called "traditional," we are more aligned philosophically with a Traditional Value strategy than any others on the chart, like Price Momentum, Profit Trends, or Relative Value. Buying what was out of favor did not work last year, but the "dealin's not done" and we expect many of our biggest losers in 2015 to be our largest future contributors to the Fund's performance.

Housecleaning

The Fund's top gainers in Q4 were Tetra Tech (ticker: TTEK), Cubic (ticker: CUB), and Ingram Micro (ticker: IM). Corus and Dundee had the largest negative impact on the Fund's fourth quarter performance. Our EZCORP 2.125% convertible bond holding had a much smaller negative effect on returns. Since we last updated you on EZCORP six months ago, the company has completed the restatement of its past financials. It also exited its payday lending business in the U.S., which may help reduce regulatory overhang. The company's Mexican payroll withholding subsidiary is struggling mightily compared to local peers, but the debt of that business is non-recourse to the parent. EZCORP's core pawn business is demonstrating improving trends, in spite of ongoing weakness in gold prices. While the company is not without problems, including poor corporate governance, we believe that asset value more than covers liabilities. Both of the company's leading pawn shop competitors have healthy balance sheets, and we think they'd be very interested in EZCORP's store footprint in the U.S. and Mexico should it ever want to sell. Based on recent industry transaction prices for stores, EZCORP's enterprise value would be multiples of all recourse liabilities. The bonds are yielding 14%, so they are technically classified as a distressed security. We think they are far from it.

[2] Ngui, Yantoultra. "Singapore Developer of Alzheimer's Drug Plans U.S. IPO." *Wall Street Journal*. (December 31, 2015).

Over the past couple of years, we've been trapped in a Robert Frost nightmare. Two roads diverged in a yellow wood… The first path offered a "pyritic" victory, shiny on the surface but crowded and lacking sustainable underpinnings. The second, less trodden, trail promised a Pyrrhic victory, where the ultimate righteousness of positioning is threatened by the short-termism that plagues the investment industry. If you don't keep up with your benchmark, even if markets are acting irrationally, you lose business and credibility, at least for a while. We took the road less traveled by—holding high cash and owning out of favor stocks to help defend your capital while market conditions are extreme. We strongly believe *that* will make all the difference.

Thank you for your investment.

Sincerely,

Jayme Wiggins, CFA
Intrepid Endurance 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 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 June 26, 2015, the Fund was named the Intrepid Small Cap Fund.

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 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as a representative of the equity market in general. The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index made up of 22 exchange-traded futures on physical commodities. The index currently represents 20 commodities, which are weighted to account for economic significance and market liquidity. 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. Price to Free Cash Flow is a valuation metric that compares a company's market price to its level of annual free cash flow. 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. The Price to Earnings (P/E) Ratio is calculated by dividing the current price of the stock by the company's trailing 12 months' earnings per share. EBITDA is calculated as the company's Earnings Before Interest, Taxes, Depreciation and Amortization. GAAP (Generally Accepted Accounting Principles is a framework of accounting standards, rules and procedures defined by the professional accounting industry. Dividend Yield is a dividend expressed as a percentage of a current share price. Book Value is the net asset value of a company, calculated by subtracting total liabilities from total assets. West Texas Intermediate (WTI) is a grade of cruide oil used as a benchmark in oil pricing. Beta is a measure of volatility of systematic risk, of a security or a portfolio in comparison to the market as a whole.

As of 9/30/2015, CAD = USD 0.74510