PERFORMANCE

		Total Return			Average Annualized Total Returns as of December 31, 2015		
	Inception Date	Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inst.^	08/16/10	-1.33%	-1.27%	-1.27%	0.38%	2.38%	3.37%
BAML HY Master II Index		-2.17%	-4.64%	-4.64%	1.64%	4.84%	6.28%
Barclays US Aggregate Bond Index		-0.57%	0.55%	0.55%	1.44%	3.25%	4.67%

^Institutional Class shares of the Intrepid Income Fund commenced operations on August 16, 2010. Performance shown prior to August 16, 2010 (5-Year and 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 0.95%. 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 1/31/16. Otherwise, performance shown would have been lower.

January 4, 2016

Dear Fellow Shareholders,

The high-yield market certainly ended 2015 with a bang. After six straight years of positive returns, which included bond yields reaching all-time lows, the high-yield market posted losses in each of the last three quarters. The asset class recorded its first annual decline since 2008, with the BofA/ML High Yield Master II Index falling 4.64% in the calendar year. While the drawdown was relatively mild, opening the hood reveals an extremely bifurcated market. As presented in the tables below, the riskiest securities measured by rating experienced significantly higher losses than higher-quality high-yield. Additionally, most of the weakness is attributable to commodity-related businesses. Investors who attempted to generate outsized returns by bottom feeding on the highest-yielding securities fared the worst, and several made financial headlines due to their misfortune. In an unprecedented move, the Third Avenue Focused Credit Fund blocked investor redemptions in December after sustaining losses even greater than the high-yield market experienced in 2008. Several other funds suffered similar losses.

2015 Index Returns by Rating

BofA / ML Index	Return
BB	-1.04%
B	-5.00%
CCC	-15.02%
Distressed	-37.99%

2015 Index Returns by Sector

BofA / ML Index	Return
Paper	-11.39%
Steel	-20.66%
Energy	-23.58%
Metals & Mining	-26.21%

As regular readers of our commentaries know, we have been pessimistic on the high-yield asset class for some time. In the midst of record low yields offered by high-yield bonds in 2014, we had extreme difficulty sourcing attractive securities for the Fund. In response, we focused on higher-quality, shorter-maturity bonds and defaulted to cash when attractive investments could not be identified. This positioning proved beneficial in 2015. The Intrepid Income Fund (the "Fund") fell 1.33% in the fourth quarter of 2015, while the BofA/ML High Yield Master II Index slid 2.17%. The Barclays US Aggregate Index, which broadly represents the US investment grade bond market, lost 0.57% in the quarter. For the full calendar year, the Fund declined 1.27%, while the High Yield Master II Index lost 4.64% and the Barclays Aggregate gained 0.55%. While we are never satisfied with negative returns, no matter how small the magnitude, we are pleased with how the Fund weathered a period in which some pockets of the high-yield market experienced huge losses. Excluding our two largest detractors and one security that was inappropriately marked down on the last day of the year (and has since been marked back up to its true value), the Income Fund's return would have been positive in 2015. As discussed below, we believe these two positions will contribute strong returns going forward.

Top Ten Holdings	(% OF NET ASSETS)
Pitney Bowes Intl Pfd Stock, 6.125%	5.4%
Regis, 12/02/2019, 5.500%	5.1%
Ezcorp, 06/15/2019, 2.125%	4.1%
Alamos Gold, 04/01/2020, 7.750%	3.7%
Multi-Color, 12/01/2022, 6.125%	3.5%
Tech Data, 09/21/2017, 3.750%	3.5%
Hanesbrands, 12/15/2020, 6.375%	3.3%
First Cash Financial Svc, 04/01/2021, 6.750%	3.2%
PHI, 03/15/2019, 5.250%	3.0%
Dollar General, 07/15/2017, 4.125%	2.6%

Top ten holdings are as of December 31, 2015. Fund holdings are subject to change and are notrecommendations to buy or sell any security.

The top contributor to the Fund's performance in 2015 was Ruby Tuesday 7.625% due 5/15/2020. While we wouldn't classify the company's operational performance as particularly strong, management was able to stabilize same store sales and improve operating margins while continuing to focus on debt reduction. It could be argued that Ruby Tuesday's bonds performed well in 2015 simply because they were undervalued at the beginning of the year. While we are comforted by the firm's significant real estate portfolio, Ruby Tuesday bonds have always been one of our riskier holdings. We took advantage of the strength in the bonds to reduce our position at prices above par.

Northern Oil & Gas 8% due 2020 and PetroQuest Energy 10% due 2017 were the second and fourth largest contributors to the Fund's performance in 2015. Yes, you read that right – two energy bonds were top contributors in a year when independent high-yield energy bonds lost 36%, according to Barclays research. Clearly these issues were not held throughout the year, or we would have suffered a loss similar to the figure cited here. We exited our positions in these bonds in the summer, which was discussed in our second and third quarter letters. To recap, we believed Northern's bonds held up a little too well in the face of crashing oil prices. Our decision to sell PetroQuest was triggered by the firm's sale of a core asset at an attractive price, which caused the bonds to jump several points.

Considering the pain experienced in certain portions of the high-yield market, namely oil and gas, mining, steel, and heavily leveraged businesses in general, it's worth reviewing the Fund's exposure and how we have navigated the environment. At the end of 2014, the Fund had roughly 10% of its assets invested in exploration and production (E&P) companies, specifically in three companies that we believed were unique to the space; Northern Oil & Gas, Energy XXI (formerly EPL) and PetroQuest. We noted in our fourth quarter letter that we would likely not increase our exposure to the sector beyond our current holdings. Additionally, we admitted that these positions would likely not work out if energy prices remained low for an extended period of time.

In this business it is important to recognize mistakes and evaluate the issues objectively. While we are still confident that the marginal cost to extract oil and gas is significantly higher than current energy prices, companies with large debt loads do not have time on their sides. Energy prices have stayed lower for much longer than we expected, and we became less confident that these companies' asset values could cover the obligations. Our investments in these firms essentially became long bets on higher oil prices, but with materially larger downside than one would be exposed to with a simple long position in oil or natural gas futures. As noted, we exited two of these positions at opportune times, and our sale of the EPL notes resulted in only a small loss for the year. We have maintained our exposure to energy indirectly through our ownership of two helicopter businesses that provide transportation to offshore oil and gas platforms. Additionally, we purchased a small position in one E&P company that we believe is of higher quality – Unit Corp 6.625% due 5/15/2021. In aggregate, we estimate our energy-related positions negatively impacted the Fund's performance by about 0.40%. All of our positions outperformed the peer groups in 2015.

Regarding metals and mining exposure, our positions significantly outperformed the average bond in the sector in 2015. For the majority of the year, we held only one position in the sector. Our position in Alamos Gold 7.75% due 4/01/2020 was a positive contributor to the Fund's performance in the fiscal year and the fourth quarter. We purchased the bonds of the company formerly known as AuRico Gold several years ago when we bought the firm's convertible bonds. These bonds were called by the company and refinanced with a second lien bond (the 7.75% notes) that we believed was attractive. Several months after the issuance, AuRico merged with Alamos Gold. AuRico was legally the acquiring entity, but assumed the Alamos name. The transaction significantly enhanced the credit quality of our bonds as Alamos brought a huge cash balance to the transaction. The Alamos bonds provided a strong positive return in 2015 in stark contrast to the 26% loss experienced by the Metals and Mining Index, and the bonds were one of the Fund's top contributors.

In aggregate, the most hard-hit sectors, including energy and metals and mining, only detracted roughly 0.30% from the Intrepid Income Fund in 2015. We had less of the Fund's assets invested in these sectors than the Index, and our holdings significantly outperformed the average bond in these sectors. The Fund's two largest detractors were not even securities in the Index. One of our largest positions and highest conviction ideas is EZCORP 2.125% convertible bonds due 6/15/2019, which we have discussed in our past letters. The convertible bonds were the largest detractor in the calendar year, declining from around 90 cents on the dollar to below 70 cents. At the current yield of 14%, EZCORP's notes are technically distressed, defined as offering 1000 basis points or more above a comparable U.S. Treasury security. We believe EZCORP is far from distressed. The company made positive strides in 2015 to strengthen the business, including exiting the payday loan business entirely. We continue to believe that EZCORP's core pawn businesses in the U.S. and Mexico are worth significantly more than the firm's recourse liabilities.

The second largest detractor from the Fund's performance was Corus Entertainment common stock (CJR/B CN). While our positions in dividend-paying equity securities have historically been small relative to our core bond positions, Corus's stock was smashed and delivered a large negative return to the Fund. Corus has experienced some mild pressure on advertising revenues over the past several quarters, but the stock is hardly deserving of the paltry 5x free cash flow multiple it is currently being assigned. We intend to maintain a small position in the stock.

The Income Fund had several of its holdings called by their issuers in the quarter ended December 31, 2015. Our positions in the bonds of Central Garden & Pet and SpartanNash (formerly Spartan Stores) were called. Intrepid had been a longtime lender to both companies, initially investing in Central's notes in 2007 and Spartan's in 2009. Additionally, our Sally Beauty and Scotts MiracleGro bonds were repurchased by the issuers. We also reduced our position in Ruby Tuesday 7.625% due 5/15/2020 and exited our holdings of Caleres 6.25% due 8/15/2023. The cash flow from these activities was partially offset by several new purchases and additions to existing positions. However, as stated previously, most of the carnage in the high-yield market was limited to riskier credits that Intrepid does not typically target for inclusion into the portfolio. The better-capitalized, less-cyclical, cash flow generating businesses that we seek did not experience a large sell off in their debt instruments. As such, we continued to have difficulty finding attractive fixed income investments. We were, however, able to identify a few situations that we believe will offer attractive risk-adjusted returns, including Cash America 5.75% due 5/15/2018, Royal Gold 2.875% convertibles due 6/15/2019, and Sally Beauty 5.75% due 6/01/2022.

Intrepid Capital Funds
the constant pursuit of value

INTREPID INCOME FUND

4TH QUARTER 2015 COMMENTARY

4Q 2015

DECEMBER 31, 2015

Cash America (ticker: CSH) is the largest operator of pawn shops in the United States, with over 800 locations in more than 20 states. The company's business has been under pressure from a number of distinct sources, including the decline in gold prices experienced over the last several years, regulatory pressures in payday loans, and weak core pawn demand as a result of lower gas prices. Management has taken steps to shift the business toward a pure-play pawn model by closing standalone payday loan locations, discontinuing payday lending at pawn stores, and through the spin-off of its online lending business. Additionally, the headwind from lower gold prices is likely coming to an end. We believe Cash America's credit quality is very strong from both an operational and asset coverage perspective. The 5.75% notes constitute the vast majority of the firm's total debt, and we believe the yield is appealing for short maturity paper.

High-yield spreads have widened materially over the past several months, and many market prognosticators are proclaiming that high-yield bonds are very attractively priced. While we agree that there are more opportunities than we have seen in years, we do not believe the asset class is overly cheap in aggregate. The sell-off is mostly concentrated in the lowest-quality bonds and in commodity-related sectors. As always, we will continue to be very selective in choosing bonds for your portfolio, but we will not hesitate to deploy our cash (34% of the Fund's AUM on 12/13/2015) if opportunities arise. Thank you for your investment, and we wish you a prosperous 2016.

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. You cannot invest directly in an index.

Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. 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. 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. 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. Cash Flow measures the cash generating capability of a company by adding non-cash charges and interest to pretax income.

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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