INTREPID DISCIPLINED VALUE FUND

4TH QUARTER 2016 COMMENTARY

4Q 2016

DECEMBER 31, 2016

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of December 31, 2016: 3 Year	5 Year	Since Inception
Intrepid Disciplined Value Fund - Inv.	10/31/07	1.89%	12.02%	12.02%	5.15%	8.77%	5.83%
S&P 500 Index		3.82%	11.96%	11.96%	8.87%	14.66%	6.40%
Russell 3000 Index		4.21%	12.74%	12.74%	8.43%	14.67%	6.55%

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 expense (gross) for the Investor Shares is 1.31%. 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 1.30% through 1/31/17. Otherwise, performance shown would have been lower.

January 3, 2017

Dear Fellow Shareholders,

The first thing we read in the paper this morning was an article entitled, "Earnings, Not Donald Trump, Are Stocks' Best Friend in 2017."[1] The primary thrust of the article is that the streak of earnings declines for five straight quarters has halted. The long national nightmare is finally over. The third quarter of 2016 had earnings growth of 3.1% for S&P 500 companies. Our thoughts - somewhat sarcastic - were, "Whew…bullet dodged!" The tepid stock performance of 2015 and early 2016 were mentioned. However, the two-year annualized return for the S&P 500 Index was 5.97% - not too shabby for an earnings recession.

The chart to the left begins in 2009, which those with long memories will recall was the tail end of a truly horrific bear market. Since then, there have been some temporary blips, but we now seem to be wading into uncharted territory in which not even more than a year of declining earnings can stop this market. We dub it the Alfred E. Neuman market because nothing seems to worry it.

For the fourth quarter, the Intrepid Disciplined Value Fund ("the Fund") was up 1.89%, below the mark set by both the S&P 500 Index of 3.82% and the Russell 3000 Index of 4.21%. The post-election rally fueled all major stock indices. From November 8th through the end of the year, the

1 Otani, Akane, "Earnings, Not Donald Trump, Are Stocks' Best Friend in 2017," Wall Street Journal, January 3, 2017.

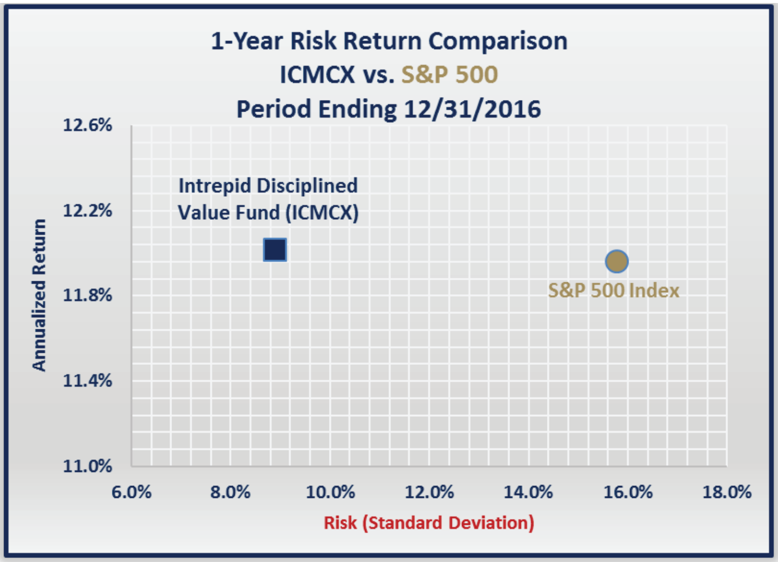
S&P 500 was up 4.98% while the Russell 3000 was up 5.81%. There was even more exuberance in the smallcap market, where the Russell 2000 Index was up 13.84%! In the end, it was the post-election rally that turned the fourth quarter around. We note the irony of this, since electing Donald Trump was supposed to be a *bad thing*. At least, that was the conventional wisdom prior to election day. On the Monday before the election, the S&P 500 increased 2.22% on the news that the FBI had concluded its briefly re-opened probe of Hillary Clinton's emails. The market rallied on relieved fears, believing that Secretary Clinton would be elected the next day. After the election, the market rallied on the belief that Mr. Trump would relax regulations, lower taxes, and increase infrastructure spending among other things, thus boosting economic growth. Why do we feel like we can hear music playing in the background? What is that catchy tune? Oh, that's right, it's the song from *The Lego Movie*, "Everything is Awesome!!!" This appears to be the most optimistic market we have ever seen.

Top Ten Holdings	(% OF NET ASSETS)
Western Digital Corp.	4.4%
Corus Entertainment, Inc. - Class B	4.2%
Oaktree Capital Group LLC	3.8%
Teradata Corp.	3.3%
Northern Trust Corp.	3.1%
Verizon Communications, Inc.	3.0%
Leucadia National Corp.	3.0%
The Bank of New York Mellon Corp.	2.8%
Apple, Inc.	2.6%
Coach, Inc.	2.1%

Top ten holdings are as of December 31, 2016. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

We would be remiss if we did not mention that the Federal Reserve increased the Fed Funds rate in December for only the second time in a decade. The Fed now has an outlook for more aggressive hikes in 2017, with a target of 1.4% by the end of 2017. Part of this change in posture is because economic data looks more promising, but another reason is the possible inflationary implications of a Trump administration's fiscal policy prescriptions. Jayme Wiggins has more detailed thoughts on this in the Endurance Fund commentary. The ten-year Treasury yield has also marched up in the post-election rally, ending the year at 2.45%. While still historically low, we think it is worthwhile to note both developments. We believe one of the primary inflators of equity values has been lower rates, which have forced equity investment with the rationale that there is no alternative. As rates climb, the alternatives to equity investment start to reappear. We think that is especially true for investors for whom fixed income investment is more appropriate due to risk tolerance, but who have felt as if they have had no other choice but to invest in equities.

For 2016, the Fund returned 12.02% compared to 11.96% for the S&P 500 Index and 12.74% for the Russell 3000 Index. The presence of higher-performing small caps propelled the divergence between the two indices. Although the Fund topped the S&P 500 for the year, we believe we did it in a far less risky fashion (see chart to the right). Consider that the Fund's cash level at year-end was 54.3% and has been high all year long, implying that the "pure return" on our holdings was well in excess of the market's return. It has been and continues to be a very challenging environment for value investors.



Source: Morningstar Direct

The Fund's performance for the year was fueled by its exposure to precious metals, with both Silver Wheaton (ticker: SLW) and Alamos Gold (ticker:

AGI) among the top contributors, along with Western Digital (ticker: WDC). There were only three stocks that contributed negatively to performance: Unit Corp (ticker: UNT), American Science & Engineering (ticker: ASEI), and Oaktree Capital (ticker: OAK). Of these, ASEI was acquired for $37 per share in September and Unit Corp was sold back in May. We continue to hold Oaktree and have further discussion on the position below.

Among the top contributors for the Fund in the fourth quarter were Northern Trust (ticker: NTRS), Western Digital, and Leucadia (ticker: LUK). First, Northern Trust has participated in the post-election bank rally, as investors believe that a Trump Administration will relax financial regulations imposed by Dodd-Frank. At this point, there is little specific indication of what will happen, but the general call for decreased or relaxed regulation appears to be more clear. We consider this position to be close to fair value at this time.

Second, we have mentioned Western Digital in previous letters. The company's operating margin is improving, and at its recent Investor Day, the company reinforced the view that storage prices are stable and are likely to stay that way for some time. In our view, much of the improvement in operating margin will come from consolidation of the SanDisk acquisition and the HGST subsidiary located in China. Western Digital management received Chinese approval to begin eliminating operating expense redundancies previously mandated at HGST. Down the road, we should expect to see revenue synergies as Western Digital leverages its OEM (Original Equipment Manufacturer) customer relationships to drive increased sales of its newly acquired SanDisk products. For now, stable pricing and improving margins have been a dynamic duo for this stock.

Finally, Leucadia has seen some return to normalcy after having gone through a rough revenue decline in its investment bank subsidiary, Jefferies. Fixed Income trading revenue has recovered, and some block stock positions that the company marks to market have also recovered from an earlier beating. Another big subsidiary, National Beef, has finally started to post consistent operating income. National Beef had been struggling with the narrow spread between what it must pay for slaughtered cattle and what it makes selling processed meat. Cattle prices have receded as cattle herds have grown and the strong dollar has scared away foreign purchasers of U.S. beef. The net result for National Beef is an improved spread earned on its processed meat.

The bottom contributors for the quarter include Teradata (ticker: TDC), Oaktree , and Alamos Gold (ticker: AGI). Alamos Gold saw a bit of a reversal after solid price gains earlier in the year. Again, the post-election rally led investors to cool on precious metals. Our position has been reduced as well. For Teradata, many investors have lost patience. As noted in previous letters, the company is going through a transformation. Rather than sell its data warehousing and management software on proprietary hardware, it wants to become what management calls "deployment agnostic." That means a customer does not need to spend millions to set up an in-house data warehouse, but can begin by using Teradata's services via a public cloud, such as Amazon Web Services or Microsoft's Azure. Such services are scalable, so the customer pays for what it needs to use and can increase its capabilities over time. TDC's CEO Vic Lund, who has been on the job for less than a year, has instilled a sense of urgency among the employees. However, 2017 is expected to be a trough year for revenue, and that is where most analysts have focused their attention. We have been, and are still willing to be, patient with this stock. Management noted in its recent Analyst Day that they will also be disclosing bookings and bookings growth on a quarterly basis so that analysts can better measure how Teradata's new delivery channels are performing. Management also has some very aggressive revenue growth rate goals after 2017, which implies that 2017 could be an inflection point. Stay tuned.

Finally, Oaktree has been in the same situation for a while now: a distressed debt investor in a low-rate environment. Low rates are particularly difficult for investors that want to be rewarded for taking risk, simply because the market does not price in much risk. That has been the case for Oaktree, and the longer it takes for more opportunities to surface, the longer it takes before they can begin another cycle of realizations on their investments. The dividend yield at year end, however, was 6.79%, and Oaktree also has a 20% stake in DoubleLine Capital. The stake is still carried on its books for the original investment of $26 million. Today, DoubleLine Capital manages more than $100 billion, so the asset is likely worth significantly more than its book value.

We close this letter as we have always done, citing the average discount among the Fund holdings. At year end, that average was 19%. This is an internal statistic that measures the stock price against our own estimates of intrinsic values for each holding. It indicates to us that the discount has shrunk a bit from the prior quarter. Cash levels in the Fund remain elevated, but this does not mean we are not looking for investable opportunities. We are willing to entertain many ideas. However, we are unwilling to overpay for those ideas. We thank you for investing with us and we realize that you have many alternatives. We appreciate your confidence in our process, and we wish you a prosperous 2017.

Sincerely,

Greg Estes, CFA
Intrepid Disciplined Value 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 and medium sized 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 April 1, 2013, the Fund was named the Intrepid All Cap Fund.

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 Russell 3000 Index is an index representing the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. You cannot invest directly in an index.

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. Forward P/E Ratio is calculated by dividing the current price of the stock by the company's expected earnings per share. Earnings Per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Operating Margin is the ratio of operating income divided by net sales. Dividend Yield is calculated by dividing the dollar value of dividends paid in a given year per share of stock by the dollar value of one share of stock. Book Value is the value of a security or asset as entered in a company's books. Bookings are funds that are expected to be received from customers in the near future based on accepted orders or contracts. Cancellations, amendments and extensions can have a positive or negative impact on bookings. Bookings differ from sales, where money has been received for services or products provided. Bookings Growth would be the change in Bookings for an annual and quarterly basis.

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