Intrepid Capital Funds

the constant pursuit of value

INTREPID SELECT 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 Select Fund - Inv.	7/31/15	-0.67%	23.40%	23.40%	-	-	9.51%
Russell 2000 Index		8.83%	21.31%	21.31%	-	-	8.31%
S&P MidCap 400 Index		7.42%	20.74%	20.74%	-	-	9.13%

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 shown would have been lower.

January 3, 2017

Dear Fellow Shareholders,

The Intrepid Select Fund (the "Fund") returned 23.40% in 2016 compared to a 21.31% gain for the Russell 2000 Index and 20.74% increase for the S&P MidCap 400. The Fund's absolute return was created by a steady climb higher over the first seven months of the year, after which we flatlined. During the fourth quarter, the Fund returned (0.67%), while the Russell surged 8.83% and the MidCap 400 rose 7.42%. We did not participate in the small cap market's post-election euphoria because of the uncorrelated nature of our holdings compared to popular benchmarks. The Select Fund's holdings include stocks with slightly larger capitalizations, foreign securities, investments in precious metals and gems, and convertible bonds. In general, the performance of these groups of securities fell far short of U.S. small caps in the quarter.

For all of 2016, the Fund's top three gainers were Silver Wheaton (ticker: SLW), Sandstorm Gold (ticker: SAND), and Tetra Tech (ticker: TTEK). The Fund's largest contributors for the fourth quarter were Tetra Tech, Leucadia (ticker: LUK), and Western Digital (ticker: WDC). Tetra Tech, a leading supplier of water-related consulting and engineering services, has rallied on hopes of renewed infrastructure spending. The firm's operating margins are also approaching record levels, as management works to integrate a recent acquisition.

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 certain 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 some 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.

We have mentioned Western Digital in previous letters. This 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.

Top Ten Holdings	(% OF NET ASSETS)
Corus Entertainment, Inc. - Class B	9.3%
Amdocs Ltd.	6.2%
Syntel, Inc.	5.8%
Teradata Corp.	5.5%
Baldwin & Lyons, Inc. - Class B	5.5%
Western Digital Corp.	5.0%
iShares Gold Trust	4.6%
Oaktree Capital Group LLC	4.3%
Dominion Diamond Corp.	4.3%
Primero Mining, 02/28/2020, 5.750%	4.0%

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

The three largest detractors for 2016 were Oaktree Capital (ticker: OAK), Primero Mining's convertible bonds (CUSIP: 74164WAB2) and the iShares Gold ETF (ticker: IAU). The two precious metals positions were also two of the top losers for the fourth quarter. In our letter to you last quarter, we commented on our profitable sales of Silver Wheaton and Sandstorm Gold and rotation into the iShares Gold ETF and Primero convertible bond, stating that they were lower beta investments than the streaming firms, *"which could prove useful if there is a temporary dip in precious metals prices."* We were half right.

Gold prices are down 9% since the U.S. election and are off 15% from the summer highs. Gold is being negatively impacted by rising interest rates and the strong dollar. After selling our streaming companies last quarter, we wanted to maintain some precious metals exposure in light of irresponsible behavior by central banks around the world. We welcome higher interest rates, and the inertia right now is for the Fed to continue hiking gradually. Nevertheless, we believe the Fed will eventually cut rates again before any *real* economic strength takes hold, and at that point investors will realize we cannot extricate ourselves from low rate-dependency without incurring pain. We expect gold to react favorably.

Our Gold ETF investment declined much less than the streaming positions we sold, so in a way it did its job, although the Fund obviously would have been better off in Q4 with zero gold exposure. Our Primero Mining convertible bond position did not hold up as well as we expected. While the notes were pressured by falling gold prices, Primero's third quarter earnings suffered from ongoing labor issues at its San Dimas Mine in Mexico. We thought the labor problems had been resolved, since the company made a significant bonus payment to the mine workers in July. It turns out many of them, newly flush with cash, decided to not show up to work. The San Dimas Mine is located in a remote, mountainous area near the town of Tayoltita. The town of 8,000 would not exist without the mine, which employs 1,596. Historically San Dimas has been a low cost operation, with average all-in sustaining costs of $774 per gold ounce from 2011-2015. Labor issues and other one-off problems have materially inflated costs in 2016. We expect union members to eventually come to their senses, since there are few opportunities for employment in Tayoltita. The depreciating Mexican peso should help mitigate some of the impact of lower gold prices on Primero's results.

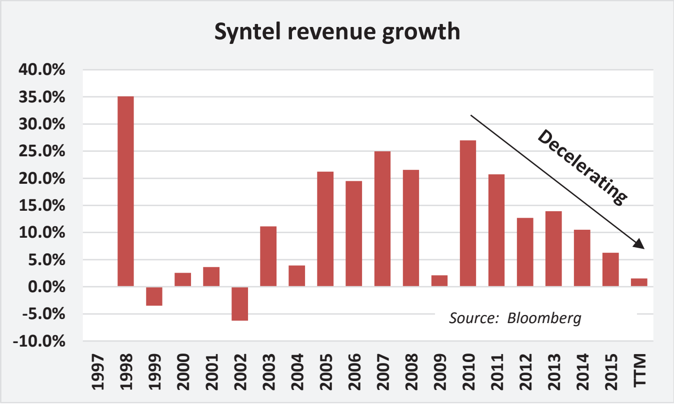
Primero's credit facility expires in May, and management has warned that the company does not currently have enough cash to repay the bank revolver, should it not be renewed by lenders. As of the last report, Primero had borrowed $49 million from the facility, while the company's cash was $31 million. Primero is in discussions with banks to extend the facility. Management is exploring options to improve liquidity, such as marketing for sale Primero's Cerro de Gallo project in Mexico. Although it wouldn't be fun, the company may also be able to issue equity again. Lastly, if things get really bad for Primero, we think they could receive a bailout of sorts from their streaming partner Silver Wheaton. Besides Primero, Silver Wheaton has the most to lose from San Dimas shutting down. San Dimas accounted for 16%

of Silver Wheaton's total production during 2015, and Silver Wheaton has received about $80 million of cash flow per year from the stream. We believe Silver Wheaton would relax the terms of its stream with Primero to help the firm avoid distress or possibly as part of an acquisition of Primero by a larger gold company.

In the event Primero is not able to renew its credit facility and is forced to restructure, we believe convertible bondholders like us would either end up owning the equity of the company or would be paid off in full after another miner acquired the firm. Bondholder recoveries would hinge on whether Primero's streaming partners attempt to reassert their streams or participate as large senior secured creditors in a restructuring. Currently, there is only $49 million in bank debt ahead of convert owners, and Primero's enterprise value is approximately $250 million. We believe the $75 million in par value ($45 million market value) of bonds is covered under most scenarios. The worst outcome for Primero would be one of further declines in gold prices, an inability to come to reasonable terms on taxes with the Mexican government, and ongoing labor problems. At a price of 60 the bonds are yielding 24.8%. We think we are being adequately compensated for Primero's risks.

For Teradata, many investors have lost patience. As has been noted before in our 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.

The Fund purchased one new security during the quarter, Syntel (ticker: SYNT). Syntel provides IT outsourcing primarily to U.S. companies by utilizing a large Indian workforce. Your reaction might be that this is a risky trade in light of the president-elect's rhetoric on outsourcing, since Syntel's fortunes depend on using foreign workers to perform services more cheaply than Americans. However, unlike in the American manufacturing sector, it is not difficult for U.S. citizens with technology backgrounds to find high-paying jobs today. While possible changes to U.S. H-1B visa rules for India-based outsourcers could raise costs, we believe the industry has ways to mitigate the impact from adverse legislation and think investor concerns over this issue are already partly reflected in Syntel's share price.



Syntel has a concentrated customer base, with its top 3 clients accounting for 48% of revenue. After many years of rapid growth, Syntel has recently seen its quarterly revenue decline for the first time in over a decade. Syntel's top line performance over the past year has been worse than its larger competitors, leading some to conclude that the company is not as well positioned to address the evolving technology needs of customers, encompassing investments in social media, mobile, analytics, and cloud offerings.

While Syntel should continue to develop newer "digital" offerings, the company's percentage of revenue from digital activities already appears to be in-line with most peers that advertise this metric. Also, Syntel has industry-leading margins, so it is operating from a position of strength. The company should be able to accelerate revenue growth back to the industry trend line with additional investments and once spending revives for North American Financial Services and Healthcare customers. These are the largest industry verticals served by the firm, but spending trends have been softer than in other sectors where competitors have more exposure. The company's customer concentration introduces risk, but Syntel's top clients have been stable for over a decade and Syntel is deeply embedded in their operations. The stock is trading for 8x normalized operating profit and less than 10x expected free cash flow. Syntel's peers currently trade for an average forward EV/EBIT multiple exceeding 12x (14x trailing). Insiders have recently purchased more stock on the open market than at any point in Syntel's history.

Thank you for your investment.

Sincerely,

Jayme Wiggins, CFA
Chief Investment Officer
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 Before 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. EV/EBIT equals the company's Enterprise Value (EV) divided by Earnings Before Interest and Taxes (EBIT). Normalized Operating Profit is the profit earned from a firm's normal core business operations. A Credit Facility is a type of loan made in a business or corporate finance context, involving revolving credit, term loans, committed facilities, letters of credit and most retail credit accounts. Bank Revolver is a credit card consumer who carries a balance from month to month. Streaming Partner refers to two or more parties involved in financing arrangements customized to fit the specific needs of a particular mining company, a particular project and the related financing requirements.

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