Intrepid All Cap Fund

Discipline Makes the Difference.

3rd QUARTER 2012 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of September 30, 2012

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid All Cap Fund	10/31/07	4.28%	10.20%	21.07%	10.34%	4.07%
S & P 500 Index		6.35%	16.44%	30.20%	13.20%	0.75%
Russell 3000 Index		6.23%	16.13%	30.20%	13.26%	0.95%

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 less than 30 days. 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 1.70%. 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 1.41% through 1/31/13. In addition, the Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses such that the total operating expense, excluding Acquired Fund Fees and Expenses, (expense cap) does not exceed 1.40% through 1/31/13. Otherwise, performance shown would have been lower.

October 1, 2012

Dear Fellow Shareholders,

With a slight turn of phrase, we can best encapsulate the policy of the Federal Reserve, "The easings will continue until morale improves." First, we should give the reader a quick review of the Fed's efforts. We have already experienced two previous rounds of quantitative easing – mass purchases of securities by the Fed from banks and other private institutions to increase the money supply. QE1 began in late 2008 and ended in early 2009. The Fed bought $500 billion in mortgage-backed securities, eventually topping out at $750 billion. The federal funds rate was cut to nearly zero. The Fed also purchased $100 billion in Fannie Mae and Freddie Mac debt as well as $300 billion in longer-term Treasuries. All in, the Fed bought $1.25 trillion in mortgage-backed securities and $175 billion in agency debt. When that did not work, the Fed initiated QE2 from the fourth quarter of 2010 to June 2011. It bought back $600 billion in longer-term Treasuries in monthly, $75 billion lots. The net effect of this easing is an extremely low rate environment with little economic recovery. Stocks have benefitted not from underlying improving fundamentals so much as the act of pushing trillions of dollars into the equity market in the mother of all risk-on trades. Including the years 2009, 2010, 2011 and the past nine months of 2012, the S&P 500 is up 73.03% cumulatively, or 15.77% on an annual basis. That's quite a run for an economy that has seen high unemployment since January 2009.

In light of the history of failed monetary easing policy, what is the Fed to do in an effort to boost the economy? Meet the new boss, same as the old boss. Announced in September, the new Bernanke-led program, dubbed QE3 (Quantitative Easing Part 3), will purchase $40 billion of mortgage-backed securities each month. Concurrent with QE3 is the continuing phase of Operation Twist, in which the Federal Reserve is buying longer-term Treasuries while selling short-term Treasuries it holds. This phase of the program started in June and runs through December and encompasses about $267 billion in securities. The idea is to lower long-term interest rates by creating artificial demand and putting upward price pressure on long-term Treasuries, thereby giving the economy a boost. There is one difference between QE3 and all of the previous programs, and it ties back in to the first line of this letter. This time, the Fed has indicated it will continue buying until it is satisfied that there is economic recovery. There are serious problems with engaging in this behavior. The Fed's balance sheet will continue to balloon. Once it stops, it will have an extremely difficult time unloading all of the longer-term assets. In addition, and more specific to our concerns, it pushes more dollars indiscriminately into the stock market because there is little other place for the dollars to go. It is this type of environment in which asset bubbles form.

For the quarter ended September 30, 2012, the Intrepid All Cap Fund (the "Fund") returned 4.28%, trailing both the Standard & Poor's

500 Index and the Russell 3000 Index returns of 6.35% and 6.23%, respectively. For the fiscal year, the trailing twelve month return for the Fund is 21.07%. In the same period of time, the S&P 500 Index returned 30.20% and the Russell 3000 Index returned 30.21%. Our underperformance is largely caused by our sustained high cash level. Simply put, we do not believe that the current market environment is moving up due to fundamental improvements in businesses. Rather, it is being pushed up by a calculated policy of asset inflation which is forcing too many dollars into the equity market. We refuse to buy businesses which have been bid above and beyond what we believe that they are worth. This has hurt our relative performance over the past year and the past quarter, but we do not believe our approach should or will change.

Top Ten Equity Holdings	(% of net assets)
Telephone & Data Systems, Inc.	4.1%
Bank of New York Mellon Corp.	4.0%
Molson Coors Brewing Co.	3.9%
Bill Barrett Corp.	3.2%
FTI Consulting, Inc.	3.0%
Microsoft Corp.	2.9%
Bio-Rad Laboratories, Inc.	2.7%
Pan American Silver Corp.	2.7%
Potlatch Corp.	2.5%
Johnson & Johnson	2.4%

Top ten holdings are as of September 30, 2012. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

Among our biggest underperformers for the quarter was Dell (Ticker: DELL), which continued to post disappointing quarterly numbers and, in the latest release, cut its estimates for the full year. Dell is a business that is attempting to shift from the commodity business of low margin, low-end consumer PCs to higher-margin, business-centric offerings – not only PCs, but also servers and networking hardware and software. That shift is not happening fast enough. With the heavy sell-off in the quarter, we partially sold our position to realize tax losses. The second underperformer in the quarter was Speedway Motorsports (ticker: TRK), which cited lower admissions as race fans continue to be impacted by the weak economy. The third underperformer was our cash position, which, based upon our reasoning at the beginning of this letter, was 29.9% at quarter-end.

CSG Systems (ticker: CSGS) led the top performers in the quarter with a decent quarterly earnings release and a full year earnings guidance increase. The second best performer was Telephone & Data Systems (ticker: TDS), which was oversold in the second calendar quarter and was most likely experiencing share price recovery. Finally, Pan American Silver (ticker: PAAS) participated in the strong showing which most commodity-related stocks experienced in the quarter. Case in point – rounding out the Fund's top five contributors were oil & gas company Bill Barrett (ticker: BBG) and timber company Potlatch (ticker: PCH).

Given the rising market, we have not been afforded the opportunity to purchase many new names. During the quarter, we were able to add two new businesses to the Fund. First, we added Big Lots (ticker: BIG), a small cap discount retailer. For more information, please refer to the Intrepid Small Cap Fund section. We also bought Staples, Inc. (ticker: SPLS), the leading office supply retailer in the country. It is also the second largest Internet retailer in the world. It is a business which has many of the characteristics that we are attracted to: low capital needs, high cash generation, not overly leveraged, and market leadership. Unlike many other attractive businesses, Staples was trading at a discount to its intrinsic value. Of course, given the current market climate, there is usually a reason for that, and this case is no exception. Staples' one-time industry-leading operating margins were 7% to 8% for its North American retail and North American Delivery segments. With mounting weakness in business and home office spending, those margins have fallen. In addition, the smaller International segment's operating margin has gone negative due to global weakness and lack of scale. Overall margins are down from 6.5% at the end of fiscal 2012 to 4% at present. However, we believe that the stock is oversold, and that management will implement a restructuring plan to improve margins by rationalizing underperforming stores.

Other activity in the Fund involved trimming down positions which approached intrinsic values or, in a couple of cases, realizing capital losses. CoreLogic (ticker: CLGX) and ICON plc (Ticker: ICLR) were examples of stocks which crossed intrinsic value. In the case of ManTech International (ticker: MANT), we took the opportunity to harvest capital losses in the position. Tellabs (ticker: TLAB) was trimmed back significantly for a capital loss. The operational environment for the telecommunications equipment industry is poor, but Tellabs has almost $1 billion in cash – a significant amount for a stock with a market capitalization of $1.28 billion. Unfortunately, new management has given no indication that it will take steps to maximize shareholder value with respect to its balance sheet. It is currently holding much more cash than necessary to fund its operations, which are currently at break-even. Although the company trades below its book value, we believe that the time horizon for such an investment to pay off no longer justifies a significant weight in the Fund.

At the end of the quarter, the average discount in the Fund was 14%. Every security held in the Fund can be compared against our corresponding calculated intrinsic value estimate. We mention this metric every quarter because it gives us some idea about the availability of discounts in the equity market. When the market is dear - that is, when the market is perceived to be expensive as a whole - the average discount tends to be low; when the market is selling off, the average discount tends to increase. It is anecdotal, but we find it to be a useful number to compare against itself over time. Like our investors, we understand that times like these can be the most difficult: to exercise caution in the face of market exuberance, to be patient and wait for good businesses at good prices. We thank you for your confidence in our process.

Sincerely,

Greg M. Estes

Greg Estes, CFA
Inrepid All Cap 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 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.

Market cap is the market price of an entire company, calculated by multiplying the number of shares outstanding by the price per share. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets.

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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