Intrepid All Cap Fund

Discipline Makes the Difference.

4th QUARTER 2011 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2011

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid All Cap Fund	10/31/07	9.86%	-0.58%	-0.58%	15.25%	2.41%
S & P 500 Index		11.82%	2.11%	2.11%	14.11%	-2.74%
S & P 400 MidCap Index		12.98%	-1.73%	-1.73%	19.59%	0.79%
Russell 3000 Index		12.12%	1.03%	1.03%	14.88%	-2.44%
Russell 2000 Index		15.47%	-4.18%	-4.18%	15.63%	-1.24%

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 Investor Shares is 1.99%. The Fund's Adviser has contractually agreed to waive a portion of its fees and/or reimburse expenses such that total operating expenses (excluding Acquired Fund Fees and Expenses) do not exceed 1.40% through 1/31/13. Otherwise, performance shown would have been lower.

Dear Fellow Shareholders,

Market volatility continues. When we last wrote to you at the end of September, stock market indices were down anywhere from -13.87% (S&P 500 Index) to -21.86% (Russell 2000 Small Cap Index) in the third calendar quarter of 2011. The fourth quarter saw a reversal as economic indicators provided investors with increased confidence in the economic outlook. October economic releases about slightly improved jobless claims caused a market rally. As that bounce began to fade through November, reports of improved retail sales helped to sustain that initial October rally. For the quarter ended December 31, 2011, the Intrepid All Cap Fund (the "Fund") gained 9.86% versus the S&P 500 Index's return of 11.82%. In the same period, the S&P 400 MidCap Index gained 12.98%, while the Russell 2000 Small Cap Index was up 15.48%. Most of the underperformance against all indices came from the Fund's cash position, which hovered around 20% throughout the quarter. A smaller, secondary cause is that our largest weights—Dell (ticker: DELL), Gilead Sciences (ticker: GILD), and Microsoft (ticker: MSFT)—all underperformed equity indices in the quarter. However, we are content to own quality businesses with high free cash flow yields even if it might mean underperforming for short periods.

During the quarter, the bottom three performers were American Greetings (ticker: AM), Federated Investors (ticker: FII), and Computer Sciences (ticker: CSC). American Greetings had an earnings release just before Christmas which showed an improvement in revenue but an unexpected increase in costs. This news triggered a price decline from about $16 to less than $13 per share. While we do not dismiss the causes of cost increases, we believe that the market has oversold this security. It currently offers a 4.65% dividend yield and trades at less than seven times forward earnings. At these levels, we have slightly increased our weighting in the Fund.

Federated Investors is a leading manager of money market funds, and it has been one of our most volatile securities. The company released earnings at the end of October, and the results were mostly more of the same: low interest rates made it difficult to generate operating income. Unfortunately, this climate of low rates does not appear to have a clear end in sight. In addition, there is chatter within the U.S. Securities & Exchange Commission about implementing reform in the money market industry. This could include a floating NAV (net asset value) and/or capital requirements. These capital requirements would be a 'cushion' in case an investment within the money market fund defaults, to prevent what is referred to as 'breaking the buck.' Talk of reform almost always leads to uncertainty, and heightened uncertainty usually leads to a decline in share price. We are seeing this phenomenon with Federated. However, we believe that the desire to further reform the industry is not as strong as the market perceives it to be. We believe that Luis Aguilar, one of five SEC Commissioners, is likely to be the deciding vote against imposing further restrictions on the industry at this time. While the other four votes are split along political party lines, Mr. Aguilar, who was responsible for compliance and legal issues at Invesco, has made comments which indicate to us that he is less inclined to support further reform in the industry. We consider Federated to be an attractively priced business with a current dividend yield above 6% and an opportunity to significantly expand its earnings in the event of a slight increase in short-term interest rates.

Computer Sciences (ticker: CSC) provides information technology outsourcing for businesses and governments. At the time we initially purchased this business in August 2011, we were already aware of the possible curtailment of a major U.K. contract. During the quarter, CSC announced that it will write off its investment in this contract. Again, we have a business which is attractively priced, with cash flows which we believe more than compensate investors given the risks involved in the business.

The top contributors to performance in the Fund during the quarter were Tekelec (ticker: TKLC), Oshkosh (ticker: OSK), and CoreLogic (ticker: CLGX). If you have read our previous letters, you may recognize these names as being mentioned in the bottom contributors of prior quarters. In the case of Tekelec, we urged patience given the profile of the firm's free cash flows. The price began to drift up on speculation that Tekelec would be acquired, and this was made official in early November as a consortium of private investors announced that they would buy the firm for $11 per share. We exited the position shortly thereafter.

Oshkosh has been another volatile stock. Previously, it had mispriced a contract with the U.S. Department of Defense to produce medium tactical vehicles. This misstep, along with poor performance in commercial and municipal vehicles, has led to weakness in the share price. Taking advantage of this weakness, last summer, Carl Icahn announced that he had established a nearly 10% stake in Oshkosh. His goal was to 'unlock' value in the firm, most likely through a merger with Navistar (ticker: NAV) or by selling parts of OSK. Nonetheless, news of the renowned investor's stake was not enough to prevent OSK from trading near a two-year low by the start of the most recent quarter. The reason for Oshkosh's outperformance in the quarter is twofold. First, we believe it was oversold. In addition, the share price benefitted from a strengthening access equipment segment and further clarity from Mr. Icahn, who is pushing to have six hand-picked members placed on Oshkosh's board. We are following this development closely. Given the rebound in price, we have reduced our position.

CoreLogic also rebounded in the quarter on several news items. One of those items was that earnings were better than expected. Another was the August announcement that management would consider 'strategic alternatives', which could mean one of several things, such as the disposition of select businesses, a sale of the company, and/or the repurchase of equity and debt. Speculation on potential M&A (mergers and acquisitions) activity pushed share price higher. We believe that CLGX share price will be more volatile based upon future M&A news.

Most of the activity not previously mentioned within the Fund was incremental. We added to select positions such as Bank of New York Mellon (ticker: BK) and C.R. Bard (ticker: BCR). We also exited some smaller positions which reached intrinsic value, such as Baldwin & Lyons (ticker: BWINB), Weis Markets (ticker: WMK), and ICU Medical (ticker: ICUI). One major position established in the Fund was Molson Coors (ticker: TAP). Most readers will be familiar with this iconic brewer, which has a leading presence in Canada, the United Kingdom, and the United States through its joint venture with SAB Miller (ticker: SAB.L) known as MillerCoors. We view this business as a classic cash flow generator which, although it does not exhibit a high growth rate, does offer a history of stability and what we believe is a discount to its intrinsic value, as well a current dividend yield of 2.95%. While we had been following this stock in the summer, we wanted to delay establishing the position until we felt that an appropriate margin of safety existed. Our opportunity finally came as the prior calendar quarter closed, and we were able to buy TAP in early October.

Top Ten Equity Holdings (% of net assets)

Molson Coors Brewing Co.	4.5%
Gilead Sciences, Inc.	4.0%
Dell, Inc.	3.9%
Microsoft Corp.	3.8%
Bank of New York Mellon Corp.	3.7%
Telephone & Data Systems, Inc.	3.6%
Tellabs, Inc.	3.5%
CoreLogic, Inc.	3.3%
Speedway Motorsports, Inc.	3.1%
Brown & Brown, Inc.	3.0%

Top ten holdings are as of December 31, 2011. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

For the calendar year ended December 31, 2011, the Fund fell 0.58% versus the S&P 500 Index's gain of 2.11%. For the same period, the S&P Midcap Index fell 1.73%, and the Russell 2000 Index fell 4.17%. We believe that large caps outperformed for the year due to a market perception about the quality of large companies in comparison to the smaller firms that comprise the Midcap and Smallcap indices. The notion that large caps are higher quality businesses than smaller caps might hold true if an investor were strictly buying an index. In that case, size becomes a proxy for quality, and the investor who wishes to improve the quality of his or her investment portfolio might move towards large caps. As more and more investors move as a herd into large caps, buying large cap stocks and selling smaller cap stocks, it impacts the relative performance of the different indices. We disagree with this approach for two reasons. First, it ignores the prices of individual stocks. A high-quality but expensive stock offers no margin of safety. Second, not all large companies are high-quality businesses. We find that many large banks, with their opaque balance sheets, are nearly impossible to properly value. The conventional approach to investing is to segment one's portfolio across almost binary criteria: foreign versus domestic, growth versus value, and small versus large. Viewed along these lines, a conventional investor might shift his portfolio from one end of the spectrum, such as small caps, to the other end in large cap stocks. While our approach does tend toward value and is mostly domestic, we screen for quality regardless of the size of the investment. Because we invest in firms of various sizes which we believe are quality businesses, we may 'miss out' on some of the relative performance variations between large, mid and small indices during times when investors are rotating from one segment to the other.

We like to close our discussion of each quarter by looking at the average discount with the Fund. Each security we own has a discount to its intrinsic value which is based upon its market price and our calculated intrinsic values. At the end of the quarter, that average discount was 17%. To place that in context, the average discount at the end of June 2011 was 9%. By the end of September 2011, stocks had widely sold off and the average discount within the Fund grew to 26%. In this quarter, stocks have climbed, and the average discount has shrunk somewhat to its current level. If we were to summarize, we think that there are still opportunities—perhaps more than at the end of June—but they are not as prevalent as they were when the market was selling off in the third calendar quarter of 2011. We do believe we have found a few potential securities for investment, but as with Molson Coors, we are content to wait until we can capture an appropriate margin of safety before buying. We thank you for your investment and wish you a healthy and prosperous 2012.

Sincerely,

Greg M. Estes

Greg Estes
Inepid 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 S&P MidCap 400 Index provides investors with a benchmark for mid-sized companies. The index covers over 7% of the US equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis. 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. The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 Index, as ranked by market capitalization. You cannot invest directly in an index.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. Tangible book value is book value of equity less intangible assets and goodwill. Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice or recommendations to buy or sell any security.

The Intrepid Capital Funds are distributed by Quasar Distributors, LLC