



4th QUARTER 2012 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2012

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Capital Fund - Inv.	1/3/05	0.32%	10.95%	10.95%	9.53%	7.52%	6.92%
Intrepid Capital Fund - Inst.	4/30/10	0.39%	11.20%	11.20%	-	-	7.29%
S & P 500 Index		-0.38%	16.00%	16.00%	10.87%	1.66%	4.33% [^]
Russell 2000 Index		1.85%	16.35%	16.35%	12.25%	3.56%	4.99% [^]
B of A Merrill High Yield Master II Index		3.18%	15.58%	15.58%	11.60%	10.01%	8.28% [^]
US OE Moderate Allocation		1.17%	11.72%	11.72%	7.57%	2.08%	4.20%

[^]Since Inception returns are as of the fund's Investor Class inception date. Since the inception date of the Institutional Class, the annualized return of the S&P 500 Index is 9.46%, Russell 2000 Index is 8.05%, B of A Merrill Lynch High Yield Master II Index is 10.22%, and US OE Moderate Allocation Index is 6.59%.

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 1.47% and for the Institutional Class is 1.22%. 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% and 1.16% through 1/31/13, respectfully. 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% and 1.15% through 1/31/13, respectfully. Otherwise, performance shown would have been lower.

January 4, 2013

Dear Fellow Shareholders,

"You may, by the arbitrary and sterile act of government – for, remember, governments create nothing and have nothing to give but what they have first taken away – you may put money in the pocket of one set of Englishmen, but it will be money taken from the pockets of another set of Englishmen, and the greater part will be spilled away. Every vote given for protection is a vote to give governments the right of robbing Peter to pay Paul, and charging the public a handsome commission on the job."

- Winston Churchill

The Intrepid Capital Fund (the "Fund") completed the quarter and calendar year ended December 31, 2012 with a gain of 0.32% and 10.95%, respectively. The Fund performed favorably relative to the large-cap S&P 500 index, which fell 0.38% in the quarter, but was bested by the Russell 2000's gain of 1.85%. The Fund exhibited significantly less volatility than these equity indices due to our relatively high cash position (averaged about 20% in the quarter) and allocation to high-yield bonds, which performed well in the quarter. From its peak in October, the Fund declined less than 5% before rebounding through the end of the calendar year. In contrast, the Russell 2000 declined almost 9% from peak to trough.

For the year ending December 31, 2012, the fund trailed the Morningstar Moderate Allocation category by 77 basis points. We attribute the brief underperformance to our conservative nature and strong desire to preserve that which has been entrusted to us. Common stock and high-yield bond indices have produced double digit annualized returns over the past three years, which has resulted in considerably less attractive opportunities for us to deploy capital to. In these generally rising markets, we have been net sellers as many of our holdings have reached our estimates of intrinsic value. In such an environment, the portfolio naturally becomes more defensively positioned through the increase in our cash position, which is a direct result of the lack of opportunities. Additionally, while many of our peers in the Moderate Allocation category may be taking greater interest rate risk by extending the maturity profile

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of their funds' fixed income, we do not view the incremental yield as adequate compensation for the increase in risk. With 10-year U.S. Treasury bonds offering a measly 1.7% yield until maturity, bounded by zero, we don't believe now is the time to reach for yield by extending maturities for a few basis points. Investment writer Raymond DeVoe, Jr. said it best; "More money has been lost reaching for yield than at the point of a gun." At Intrepid Capital, given the choices of interest, credit, or liquidity risk in our fixed income selection, we prefer credit and liquidity.

The top three contributors to the Fund's return for the fourth quarter were: Patterson-UTI Energy (ticker: PTEN), FTI Consulting (ticker: FCN), and Iconix Brand Group (ticker: ICON). Iconix is a royalty business that owns a stable of brands sold by major retailers. The stock fell in early 2012 as a result of missing guidance. We bought shares and were rewarded later in the year as the firm continued to build value through its substantial free cash generation. Additional information regarding PTEN and FCN is provided in the Small Cap Fund shareholder letter.

Bill Barrett (ticker: BBG), Newmont Mining (ticker: NEM), and CSG Systems (ticker: CSGS) were the top detractors from the Fund's quarterly performance. The Small Cap Fund commentary discusses Bill Barrett, and the holding has been mentioned in prior letters. Newmont's share price has been pressured by the recent decline in gold prices and slower than expected growth in production. Management has stated it will focus on reducing all-in costs in lieu of financing faster growth. While this may have disappointed the market, we believe shares of Newmont are trading at less than a conservative valuation of its reserves. In this case we believe we may be paid to be patient: Newmont is currently paying a decent dividend of over 3%".

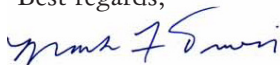
Despite persistently high equity prices and low yields on fixed income securities, we had some success sourcing new ideas in the quarter. We initiated an equity position in Big Lots (ticker: BIG) common stock. In addition, several new high-yields bonds entered the portfolio, which can be reviewed in further detail in the Intrepid Income Fund commentary. The fixed income allocation of the Fund will closely mimic that of the Intrepid Income Fund. Accordingly, the bonds redeemed by their issuers from the Income Fund were also called away from the Capital Fund.

Big Lots is the nation's largest broadline closeout retailer. Shoppers visit Big Lots to look for steep discounts in a "treasure hunt" environment, but 30% of the company's merchandise is consumables. The stock plummeted after second quarter earnings, which were impacted by poor merchandising decisions. Although the company is exposed to consumer spending, Big Lots' value-orientation and consumables mix helped sustain the company during the last recession. We were able to purchase BIG for a single-digit multiple of operating income.

While bargains do not abound, we can assure you that we will continue to diligently search for undervalued securities on your behalf, while maintaining tight controls on risk. Thank you for trusting us with your hard-earned capital; it is not a position we take lightly.

Happy New Year,

Best regards,



Mark F. Travis
President
Intrepid Capital Fund Portfolio Manager

Mutual fund investing involves risk. Principal loss is possible. The Fund is subject to special risks including volatility due

Top Ten Holdings (% of net assets)

Patterson-UTI Energy, Inc.	3.1%
Berkshire Hathaway, Inc. - Class B	3.1%
Bank of New York Mellon Corp.	2.7%
Bio-Rad Laboratories, Inc.	2.6%
Newmont Mining Corp.	2.6%
Molson Coors Brewing Co.	2.5%
Aspen Insurance Holdings Ltd.	2.5%
Big Lots, Inc.	2.4%
FTI Consulting, Inc.	2.4%
Bill Barrett Corp.	2.3%

Top ten holdings are as of December 31, 2012. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

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to investments in smaller 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually 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 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 Bank of America/Merrill Lynch High Yield Master II Index is Merrill Lynch's broadest high yield index, and as such is comparable with the broad indices published by other investment banks. US OE Moderate Allocation is a Morningstar® category of a group of moderate allocation funds that seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These funds tend to hold larger positions in stocks than conservative-allocation funds. These funds typically have 50% to 70% of assets in equities and the remainder in fixed income and cash. 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. 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. Cash Flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. Basis Point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations.

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.