Intrepid Income Fund

Discipline Makes the Difference.

1st QUARTER 2012 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of March 31, 2012

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	2.45%	2.45%	5.24%	10.66%	5.04%
Intrepid Income Fund - Inst.	8/16/10	2.52%	2.52%	5.50%	-	6.33%
B of A Merrill Lynch High Yield Master II Index		5.15%	5.15%	5.63%	23.78%	8.21%^

^Since Inception returns are as of the fund's Investor Class date. Since the inception date of the Institutional Class, the annualized return of the B of A Merrill High Yield Master Index is 9.96%.

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 1.32% and 1.08% for the Institutional Share Class. 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 1.15% and 0.90% through 1/31/13, respectively. Otherwise, performance shown would have been lower.

April 5, 2012

Dear Fellow Shareholders,

The high-yield market extended the gains booked at the end of 2011, rising 5.15% in the first quarter, ended March 31, 2012, as measured by the Merrill Lynch / Bank of America High Yield Master II index (the "Index"). In contrast, the Intrepid Income Fund (the "Fund") gained 2.45% in the quarter, net-of-fees. In the first half of the Fund's fiscal year, ended March 31, 2012, the Fund returned 5.36%, while the Index gained 11.65%. As discussed in previous quarterly commentaries, our short-duration, high-quality bias tends to underperform in periods of rapidly rising prices.

Last quarter we reported that the only bond that negatively impacted the portfolio's performance was Smith & Wesson 9.5% due 1/14/2016. While the notes fell less than 1% in the fourth quarter, we felt this was unwarranted and remained confident in our holding. We are happy to report that Smith & Wesson was our top performer in the first quarter 2012, both for total return and contribution. Fears of both regulatory reform from the upcoming election and a deteriorating economy have caused consumers to flock to firearm purchases. Many of these purchases are for second and third firearms. The company's balance sheet continues to strengthen, and management has no intention of using resources to acquire. They appear focused on maintaining a conservative capital structure. This should bode well for the future of our investment. Rounding out the top performers, Central Garden & Pet 8.25% due 3/01/2018 and Spartan Stores 3.375% convertible notes putable 5/14/2014 both outperformed the market as a whole. These businesses are long-term holdings of the Intrepid Income Fund and represent large positions of around 4% of assets.

Due to the significant gains in the bond and equity markets, the Fund had only one detractor in the first quarter. We initiated a small position in World Wrestling Entertainment (ticker: WWE) common stock, which declined slightly after the target position was established. The position had an immaterial effect on the Fund's return in the quarter. WWE is a market-leading producer of live and broadcasted wrestling events. The company's Monday Night Raw program on USA is the longest running weekly entertainment show on television, which has strong and stable TV ratings. WWE not only offers a 5%+ dividend, but we believe is significantly undervalued at below $9 per share.

The first quarter was fairly active from a trading perspective. We initiated five new positions, primarily in ideas where we had completed our research but could not immediately find a willing seller. These positions include Affinia Group 10.75% due 8/15/2016, Computer Sciences 6.5% due 3/15/2018, Energy Partners 8.25% due 2/15/2018, Quality Distribution 9.875% due 11/01/2018, and World Wrestling Entertainment common stock. We also added to our holdings of Intertape Polymer 8.5% due 8/01/2014, Libbey Glass 10% due 2/15/2015, and PetroQuest Energy 10% due 9/01/2017.

Our small position in CoreLogic 7.25% due 6/01/2021 was sold early in the quarter as the security appreciated significantly. The CoreLogic position was initiated in the third quarter of 2011 as the corporate bond and equity markets collapsed. Intrepid's equity team had been following the company for over a year and alerted us to the bond issue, which had fallen from par to below $90. While the bond's duration is longer than our typical target of five years or less, we were very comfortable with the company's credit quality and felt the 9.4% yield-to-maturity compensated us well for the increased interest rate risk. The CoreLogic position is a good example of how Intrepid's investment team collaborates across asset classes.

The equity team is also responsible for sourcing our newly entered Computer Sciences bond. Early in the year, the market became concerned that the possible loss of a large contract with the United Kingdom's National Health Service would result in a downgrade of the company's credit rating. While this concern was not unfounded, we believed CSC's credit quality would not be materially impaired if the contract were lost. CSC's 6.5% issue is an investment grade bond. Because the Fund is not constrained to only the high-yield bond asset class, our flexibility allowed us to capitalize on this unique opportunity, acquiring an investment-grade credit offering a junk-bond yield.

Another new position, Quality Distribution, operates the largest chemical tank truck network in North America. The logistics company transports everything from the raw materials that go into Tide laundry detergent to herbicides for Monsanto. The growth in "fracking", which requires massive amounts of water to be pumped into rock layer to extract oil and natural gas, has been an avenue of growth for Quality, which entered the space as a transporter of water in the fourth quarter of 2010. Recently, the company has been shifting to an asset-light business model that runs with less operating leverage. The new model utilizes independent affiliates to provide the physical transportation of chemicals. This can be thought of as a franchise model, and the new strategy requires capital expenditures of only about 1% of revenue, compared to industry-wide percentages of around 10%. This reduction in spending allows the company to use cash for other purposes, such as paying down debt.

Top Ten Holdings (% of net assets)

Spartan Stores, Inc., 3.375%, 5/15/2027	4.11%
Central Garden & Pet Co., 8.250%, 3/1/2018	4.00%
Intertape Polymer, Inc., 8.500%, 8/1/2014	3.99%
PetroQuest Energy, Inc., 10.000%, 9/1/2017	3.99%
PEP Boys Manny Moe & Jack., 7.500%, 12/15/2014	3.85%
Gibraltar Industries, Inc., 8.000%, 12/01/2015	3.66%
Speedway Motorsports, Inc., 8.750%, 6/1/2016	3.59%
Smith & Wesson Holding Corp., 9.500%, 1/14/2016	3.51%
HSN, Inc., 11.250%, 8/1/2016	3.32%
Libbey Glass Inc., 10.000%, 2/15/2015	3.25%

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

Unlike last quarter, only one of our holdings was called by its issuer in the first quarter. Mac-Gray (ticker: TUC) repurchased its 7.625% notes. Our purchase activity more than offset the cash influx, and the fund finished the quarter with 23.2% in cash. While this level reflects a decline from the end of 2011, it is important to note that we expect several of our holdings to be called through the summer. As a reminder, our cash levels do not reflect any attempt to time the market. Cash will fluctuate purely as a function of the available opportunities. As such, we expect the fund's cash level to grow over the next few quarters in the absence of a market sell-off.

The rise in high-yield bond prices has compressed the Index's yield-to-worst down to 7.13%. This is a historically low level of potential return offered by the asset class. On only a handful of occasions over the last decade have yields been this low, first in 2004/2005 then again in early 2011. We believe the portfolio is positioned defensively to insulate our shareholders from adverse credit events and higher risk-free rates. The Fund's modified duration as of quarter-end is 2.4 years. While the opportunity set looks to be fairly limited, persistence and patience are still allowing us to find attractive high-yield issues. Thank you for your investment.

Sincerely,

Ben O Franklin IV

Ben Franklin
Co-Lead Portfolio Manager

Jason Lazarus
Co-Lead Portfolio Manager

Mutual fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. The risk is generally greater for longer term debt securities. Investments by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher rated securities. The fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual securities volatility than a diversified fund.

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. You cannot invest directly in an index.

Basis point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Modified Duration is a time measure of interest-rate risk exposure that estimates how much a bond, or a bond's price, fluctuates with changes in interest rates. Yield-to-Worst is the bond yield computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

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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