Intrepid Income Fund

Discipline Makes the Difference.

1st QUARTER 2013 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of March 31, 2013

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	0.95%	0.95%	4.26%	5.11%	5.60%	4.90%
Intrepid Income Fund - Inst.	8/16/10	1.00%	1.00%	4.52%	-	-	5.64%
BofA Merrill Lynch High Yld Master II Index		2.85%	2.85%	13.06%	10.89%	11.32%	9.04%^

^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 B of A Merrill Lynch High Yield Master II Index is 11.13%.

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 expense (gross) for the Investor Shares is 1.27% and for the Institutional Share class is 1.02%. 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 1.16% and 0.91% through 1/31/14, 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 1.15% and 0.90% through 1/31/14, respectfully. Otherwise, performance shown would have been lower.

April 1, 2013

Dear Fellow Shareholders,

The high yield market continued its strong performance into the first quarter of 2013 in conjunction with equity indices hitting all-time highs. The Bank of America / Merrill Lynch High Yield Master II Index completed its 10th straight month of positive performance. **The yield-to-worst offered by high-yield bonds hit a new all-time low of 5.60% during the quarter, and stood at 5.71% on March 31, 2013.** We believe the apparent optimism of market participants is largely misguided, and is rooted in the actions of "Helicopter Ben" and his sidekicks at the Federal Reserve. Unprecedented levels of market intervention, combined with chronic budget deficits, leave us increasingly wary of committing capital to risky asset classes.

The Intrepid Income Fund (the "Fund") underperformed the high-yield index in the first quarter of the calendar year and in the first six months of the Fund's fiscal year, which began on September 30, 2012. The Fund gained 0.95% in the three-month period and 1.91% in the six-month period ending March 31, 2013. In the same periods, the index rose 2.90% and 6.17%, respectively. Returns were diminished by our under-allocation to lower-rated bonds, which outperformed the broad market, as well as the high cash balance.

The Fund is positioned differently than a traditional high-yield fund and an investment-grade corporate bond fund. We generally have a higher-quality bias and hold cash to take advantage of market dislocations. Further, the Fund's duration, a measure of interest rate sensitivity, is short in this record low interest rate environment. Investment grade bonds typically have a much longer duration and are therefore more exposed to interest rate risk. Given the higher-quality holdings and elevated cash position that averaged 45% of assets, the Fund performed as would be expected. Investment grade credit spreads remained essentially flat near 150 basis points, and prices declined in response to higher Treasury rates.

Portfolio activity was relatively muted in the quarter. Two of our largest holdings, Gibraltar Industries 8.00% due 12/01/2015 and

Spartan Stores 3.375% convertible notes, were called in their entirety. It can be frustrating to see our portfolio companies call our notes and issue new longer-dated, lower-coupon bonds. In most cases we don't believe the new paper is particularly attractive and therefore don't get involved. Case in point is Gibraltar's new issue, sporting a 6.25% coupon with a 2/01/2021 maturity. It's difficult for us to get excited about a moderately-leveraged, cyclical building products company even if it were trading near par. Apparently market participants disagree with us, as the notes are trading near $107 and offer a measly 5.1% yield for the next eight years. However, there are rare cases where we believe the new notes are attractive. We were able to get involved in Spartan's new 6.625% notes due 12/15/2016 at what we believe is an attractive price for paper maturing in less than four years.

Top Ten Holdings	(% of net assets)
Cott Beverages, Inc., 8.125%, 09/01/2018	3.89%
Bill Barrett Corp., 9.875%, 07/15/2016	3.83%
Thermon Industries, Inc., 9.500%, 05/01/2017	3.72%
Speedway Motorsports, Inc., 8.750%, 06/01/2016	3.62%
PetroQuest Energy, Inc., 10.000%, 09/01/2017	3.59%
Smith & Wesson Holding Corp., 9.500%, 1/14/2016	3.33%
Energy Partners, Ltd., 8.250%, 02/15/2018	2.87%
The Scotts Miracle-Gro Co., 7.250%, 01/15/2018	2.40%
Ruby Tuesday, Inc., 7.625%, 05/15/2020	2.39%
Bio-Rad Laboratories, Inc., 8.000%, 09/15/2016	2.22%

Top ten holdings are as of March 31, 2013. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The Intrepid Income Fund has been a lender to Spartan Stores since late 2009. To refresh your memory, Spartan Stores is a leading grocery distributor and retailer operating almost exclusively in Michigan. The company holds the #1 or #2 market share in Northern and Western Michigan markets, and has the #3 position in other markets. Spartan has been battling against a very tough Michigan economy, and its financial performance has suffered. However, management has done an admirable job keeping costs contained, and has maintained a conservative balance sheet. Based on our adjusted figures, the company's debt-to-EBITDA is only 1.2x. While poor capital allocation decisions are always a risk to a company's credit quality, we are confident that a transaction would not impair the company's ability to service its debt.

Over the past few months we worked to set up the back office infrastructure to support trading of term loans. For those unfamiliar with term loans, the instruments allow us to become senior lenders generally receiving a floating rate coupon, thereby minimizing interest rate risk. Having the ability to purchase term loans also broadens our investment universe. We purchased a sizeable position in The Pantry, Inc's 1st lien term loan B. The Pantry is a regional convenience store and fuel center operator. The Fund was previously an owner of The Pantry's notes, which were called several months ago. The term loan pays us LIBOR + 450 bps with a floor of 125 bps for a current coupon of 5.75%. While we paid a premium to par to acquire the loan, we believe the yield is attractive given our position in the capital structure. The company has more debt than our typical holdings, but the loan is senior to the bonds and leases.

The Spartan notes and Pantry term loan were the only major positions established in the quarter. We added incrementally to some smaller positions, including Scotts Miracle-Gro 7.25% due 1/15/2018 and Cott Beverage 8.00% due 6/01/2019. Both of these positions were discussed in our fourth quarter 2012 commentary.

The largest contributors to the Fund's performance in the quarter were PetroQuest 10.00% due 9/01/2017, EPL Oil & Gas 8.25% due 2/15/2018, and Ruby Tuesday 7.625% due 5/15/2020. PQ and EPL were top contributors in the fourth quarter as well. These securities materially outperformed the market and constitute larger positions. A combination of higher energy prices and more conservative capital allocation plans for 2013 probably supported the energy names. Additionally, lower-rated bonds such as these generally outperformed better quality high-yield bonds in the quarter (although we don't believe these issuers are low quality). The few detractors had an immaterial impact on the Fund's performance.

As regular readers of our letters know, our holdings have been called consistently over the past two or three years as high-yield rates continue to descend to historic lows. We expect several holdings to be called through the summer if the high-yield market remains strong. As we have stated in past letters, we are not required to reinvest this cash. If we cannot find securities that can stand on their own merits, we will default to cash and await more attractive opportunities. Absent a significant increase in interest rates or widening of credit spreads, our cash position could continue to grow.

To reiterate our view on cash, one that has been stated consistently in our commentaries, our cash position is solely a function of the opportunities available in the market. It is not a top-down call on asset prices. We believe our current holdings offer attractive returns for the risk borne, but unfortunately opportunities such as these do not abound. With that said, attractive ideas can be unearthed even when the environment is toughest for value investors – when prices are unreasonably high and opportunities are scarce. We are consistently finding new ideas, but must be increasingly selective in the process. Looking forward, we think it is prudent to maintain our defensive posture, both from a credit risk and interest rate risk perspective. We will continue to focus on higher-quality businesses while maintaining our short duration, which was 1.67 years at quarter-end. Thank you for your investment.

Sincerely,

Ben O Franklin IV

Ben Franklin, CFA
Co-Lead Portfolio Manager

Jason Lazarus, CFA
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 present 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.

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. Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. 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. Basis point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument. Debt-to-EBITDA is calculated as Debt divided by Earnings, Before Interest, Taxes, Depreciation, and Amortization. LIBOR stands for London InterBank Offered Rate. It is the interest rate at which banks offer to lend funds to one another in the international interbank market.