



Intrepid Income Fund

Discipline Makes the Difference.



2nd QUARTER 2011 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of June 30, 2011

| | Inception Date | 3 Month | YTD | 1 Year | 3 Year | Since Inception |
|---|----------------|---------|-------|--------|--------|--------------------|
| Intrepid Income Fund - Inv. | 7/2/07 | 0.85% | 2.60% | 6.56% | 5.97% | 4.89% |
| Intrepid Income Fund - Inst. | 8/16/10 | 0.92% | 2.79% | - | - | 5.66% |
| B of A Merrill Lynch High Yield Master II Index | | 0.99% | 4.93% | 15.40% | 12.39% | 8.60% [^] |

[^]Since Inception returns are as of the fund's Investor Class inception date, the Inst. Class cumulative return for the B of A Merrill High Yield Master Index is 11.52%.

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 1.34% and 1.09% 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 1/31/12, respectively. Otherwise, performance shown would have been lower.

Dear Fellow Shareholders,

The Intrepid Income Fund (the "Fund") performed as we would expect in a turbulent environment, fluctuating much less than the Bank of America Merrill Lynch High Yield Master II index. After underperforming in the opening weeks of the quarter, the Fund declined significantly less than the high-yield index during the May/June sell-off. The Fund's maximum drawdown in the second quarter was 0.30%, while the index's totaled 1.74%. The high-yield market rallied hard in the last two days of the quarter along with the equity markets, regaining almost 70 basis points. In the end, the Fund nearly matched the index's return. The Intrepid Income Fund gained 0.85% in the three month period, while the index gained 0.99%.

The largest contributors to the Fund's performance were Pep Boys 7.5% notes and Da-Lite Screen 12.5% notes. Pep Boys' management has done an admirable job executing its turnaround strategy, and we believe the credit quality of this issue has improved since our initial purchase. The Da-Lite bonds were called in April at a significant premium in connection with a buyout of the privately-held firm. These two bonds each contributed 10 basis points to the Fund's return in the quarter.

Levi Strauss & Co 8.875% notes and Mobile Mini 6.875% notes were the largest detractors from the Fund's performance, each accounting for a 1 basis point loss. Note that the Levi's bonds were purchased near the end of the quarter and had yet to accrue much interest and therefore, any decline in price will have an outsized effect on the securities contribution.

The Fund's turnover has been slightly elevated in the last few quarters as many of our holdings have been called by their respective issuers. In an environment marked by record low yields, and what we believe to be unfavorable risk/return characteristics, we have been very selective in the process of replacing these called securities. With that said, we have had some success in finding credits that meet our criteria.

We established positions in four new securities in the second quarter. Two of these bonds, Chart Industries 9.125% due October 15, 2015 and HSN Inc 11.25% due August 1, 2016, are likely to be called shortly, but these credits offer what we believe are attractive yields in the short term if called while also offering an adequate long term reward if they remain outstanding. These two issues join several of our recently entered positions that are likely to be called in the next few quarters. While we would be thrilled if these issues were to remain outstanding until maturity, the positions were established to generate an attractive return relative to cash in the near-term as we wait for opportunities to arise. The other two credits we discovered are Levi Strauss & Co 8.875% due August 1, 2016 and PetroQuest 10% due September 1, 2017. Both of these positions were initially entered at less than the 4% target weight, and we will look to selectively add to the names over time.

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On the sales side, five positions were exited in the quarter. Three of these issues, AEP Industries 7.875%, Da-Lite Screen 12.5% and Perry Ellis 8.875% were called by their issuers. The other two bonds were convertible securities and were sold as the companies' equity securities met our estimates of intrinsic value. These bonds include Teleflex 3.875% converts, which we discussed in last quarter's call as one of the top contributors to that period's performance, and Bill Barrett 5% converts. We consider the Bill Barrett trade a swap, as we exited the convertible and increased our position in the 9.875% notes due in 2016.

The last item we believe is important to point out is the Fund's sole equity position in Potlatch Corporation (ticker: PCH). During the first quarter, the 2% position in this equity was one of the largest contributors to the Fund's performance. Early in April we exited the position completely as the stock price crossed our estimated intrinsic value. As the market sold off through June, we were able to re-establish a 1% position in PCH at a price substantially below what we believe it to be worth. The stock was not in our target range long enough to establish a larger position, but we have been able to participate as the stock has rallied.

As has been our strategy since the inception of the fund, we seek high-yield securities with fairly short durations and higher than average credit qualities. As of June 30, 2011 the Intrepid Income Fund's effective duration was 1.27 years and cash equivalents totaled 27% of the Fund's assets. The cash position is a function of the opportunities available in the marketplace and should not be construed as an attempt to time the market. We will remain steadfast in our commitment to earn attractive returns while minimizing downside risk, and will actively put our cash to work if opportunities arise. Thank you for your investment.

Sincerely,

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.

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

Top Ten Equity Holdings (% of net assets)

| | |
|--|-------|
| Scholastic Corp., 5.000%, 4/15/2013 | 4.76% |
| Collective Brands, Inc., 8.250%, 8/1/2013 | 4.43% |
| PEP Boys Manny Moe & Jack., 7.500%, 12/15/2014 | 4.40% |
| American Greetings Corp., 7.375%, 6/1/2016 | 4.13% |
| HSN, Inc., 11.250%, 8/1/2016 | 4.10% |
| Mac-Gray Corp., 7.625%, 8/15/2015 | 4.03% |
| Hanesbrands, Inc., 3.770%, 12/15/2014 | 4.03% |
| Speedway Motorsports, Inc., 8.750%, 6/1/2016 | 4.01% |
| Sally Holdings, LLC., 9.250%, 11/15/2014 | 3.96% |
| Gibraltar Industries, Inc., 8.000%, 12/01/2015 | 3.88% |

Top ten holdings are as of June 30, 2011. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.