Intrepid Income Fund

Discipline Makes the Difference.

2nd QUARTER 2012 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of June 30, 2012

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	0.62%	3.09%	5.01%	7.59%	4.91%
Intrepid Income Fund - Inst.	8/16/10	0.68%	3.21%	5.26%	-	5.85%
B of A Merrill Lynch High Yield Master II Index		1.83%	7.08%	6.51%	16.16%	8.18%^

^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 9.64%.

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.

July 5, 2012

Dear Fellow Shareholders,

The high-yield market continued to charge higher in the second quarter of 2012 as investors piled into the asset class. Record low government and investment-grade bond yields have forced fixed income investors to accept lower credit quality in return for higher potential returns. The Intrepid Income Fund (the "Fund") returned 0.62%, net of fees, in the quarter ended June 30, 2012, while the Bank of America / Merrill Lynch High Yield Master II Index gained 1.83% in the same period. Our relative underperformance is due to our continued conservative positioning with regard to both credit quality and interest rate risk. As has been the case since the Fund's inception, our primary holdings tend to be of higher credit quality and shorter duration, and we believe this posturing is prudent when assessing the available opportunities. The Fund's relatively high cash balance and equity exposure also contributed to the underperformance.

We added to several of our existing holdings in the second quarter, the largest of which was FTI Consulting 7.750% due 10/01/2016, but new position activity was limited. We established a position in one new fixed income security, Pantry 7.750% due 2/15/14. Pantry is a regional convenience store operator in the southeastern United States, primarily utilizing the Kangaroo banner. The company has a considerable debt load but is actively reducing the burden through free cash flow generation. Additionally, Pantry owns approximately one-quarter of its stores, which provides some asset coverage if the business were to deteriorate. We believe the 7.5%+ yield offered by the notes is attractive for a short-duration credit.

The second newly established position is ManTech common stock (ticker: MANT). ManTech is a provider of IT, cybersecurity, and logistics services to the U.S. Department of Defense. We have followed this business for several years (and have owned it in Intrepid's equity portfolios), but did not believe it was an appropriate holding for the Income Fund until recently. Management instituted a sizeable dividend last year, and the yield became attractive when the company lowered its full year guidance in May. ManTech and other defense contractor stocks have experienced significant pressure as budget uncertainty looms in Washington. While this concern is valid, we believe the stock is priced considerably below a worst-case scenario valuation at only 4.5 times EBIT. The business generates substantial free cash flow – enough to purchase the entire business in less than five years.

Four holdings were called partially or in entirety, the most significant being Levi Strauss 8.875% due 4/01/2016 and Libbey Glass 10.000% due 2/15/2015. We also exited a portion of our Central Garden 8.250% due 3/01/2018, which we feel has become riskier over the last several quarters. Central Garden has performed more poorly than expected, which combined with several irregularities and inconsistencies (unexplained margin compression, hidden gain from doubtful accounts, and an apparent change in attitude toward leverage) led us to feel less comfortable with holding a full position.

In last quarter's letter we discussed Smith & Wesson's contribution to the portfolio. The 9.500% bond due 1/14/2016 was again the largest contributor the Fund, along with Pep Boys 7.500% due 12/15/2014 and Gibraltar Industries 8.000% due 12/01/2015, which both returned considerably less than the SWHC holding. The Fund's largest detractors were Halford's common stock (ticker: HFD.L) and World Wrestling Entertainment common stock (ticker: WWE), which were pressured along with the equity markets, but declined to a larger degree. Each equity security accounts for less than 1%

of the Fund's total assets.

Halford's reported a decent quarter in the three month period ending March 31, 2012. However, the current quarter's guidance was poor. One explanation for the weakness could be higher than average rainfall in the company's primary markets in the United Kingdom, which is clearly transitory, although the poor weather has continued into the summer. Market sentiment on European retailers is highly negative, but half of Halford's earnings stream is in non-discretionary categories. As such, we believe the company's earnings would show more stability if the UK were to enter a recession. Further, our valuation utilizes margins which are below the company's long-term average. We believe the current price of HFD offers an attractive risk-adjusted return while capturing a 10% dividend yield. Additionally, since we are not in the business of speculating on currencies, we entered into a forward contract to sell British Pounds in order to hedge the currency exposure associated with Halford's.

We believe WWE's core business remains intact and is as strong as it has been in recent history. The large unknown surrounding WWE is the launch of its cable network. If successful, the company could be worth considerably more than the current market price, although the lack of recent news gives us less confidence the network will come to fruition. If unsuccessful, the network would be a cash drain, and given management's prior actions it is unclear how long it would allow the venture to operate. Additionally, WWE's foray into the film business has destroyed shareholder value. That said, we believe considerable value exists even if the network fails, and management has provided a more distinct timetable on potentially shutting down the film business. The stock pays a 6% dividend.

Top Ten Holdings	(% of net assets)
PEP Boys Manny Moe & Jack., 7.500%, 12/15/2014	4.08%
Intertape Polymer, Inc., 8.500%, 8/1/2014	4.06%
Spartan Stores, Inc., 3.375%, 5/15/2027	4.05%
PetroQuest Energy, Inc., 10.000%, 9/1/2017	3.89%
Gibraltar Industries, Inc., 8.000%, 12/01/2015	3.86%
Smith & Wesson Holding Corp., 9.500%, 1/14/2016	3.70%
Speedway Motorsports, Inc., 8.750%, 6/1/2016	3.62%
HSN, Inc., 11.250%, 8/1/2016	3.18%
Amscan Holdings, Inc., 8.750%, 5/1/2014	3.03%
Bill Barrett Corp., 9.875%, 7/15/2016	3.02%

Top ten holdings are as of June 30, 2012. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

To clarify our position on holding equity securities in the Fund, we believe select common stocks can provide respectable income while retaining considerable upside potential. Currently 5% of the portfolio is invested in four equity securities. The weighted average dividend yield of these securities is 6.2%, and we believe all are undervalued. We have no intention of adding to our positions at this time, nor are we actively seeking to establish new equity positions. However, we do have the ability to allocate up to 10% of the Fund's assets to common stocks, and we will keep our eyes open for potentially unique situations.

In the prior quarterly update, we stated that some holdings would likely be called in the summer. Several of our portfolio companies have since announced the redemption of our notes, including HSN Inc, Dollar General, Mobile Mini, and Ashtead Capital. While we continue to discover interesting situations, the current opportunity set is rather limited. As such, we expect our cash to increase from the current level of 26.5%. Our cash balance will fluctuate in proportion to the opportunities available and is not an attempt to time the market. Higher cash levels, combined with our shorter-duration credits, should keep the Fund's duration low for the foreseeable future. The Income Fund's modified duration was 2.05 years on June 30, 2012.

Thank you for your investment.
Sincerely,

Ben O Franklin III

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. 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.

Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. 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. EBIT is calculated as the company's Earnings before Interest and Taxes.

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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