Intrepid Income Fund

Discipline Makes the Difference.

2nd QUARTER 2013 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of June 30, 2013

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	-0.03%	0.91%	3.58%	5.04%	5.29%	4.69%
Intrepid Income Fund - Inst.	8/16/10	0.03%	1.04%	3.85%	-	-	5.15%
BofA Merrill Lynch High Yld Master II Index		-1.35%	1.50%	9.57%	10.43%	10.63%	8.41%^

^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 9.61%.

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.

July 2, 2013

Dear Fellow Shareholders,

Chuck Prince, former CEO of Citigroup, famously quipped in 2007 that "as long as the music is playing, you've got to get up and dance." Well, as we all know, that credit party ended rather abruptly and left many with hangovers. This time around, Fed Chairman Ben Bernanke just informed partygoers that the kegs may run dry and his all-nighter could end early. This prompted many to head for the exits in search of a better party or a bed in which to sleep it off. The subsequent downturn in nearly every asset class is interesting - stocks, corporate bonds, commodities, precious metals, and U.S. Treasury bonds all sold off. This is not a typical occurrence in a "risk-off" environment. We believe this provides evidence of the Federal Reserve artificially propping up markets.

The high-yield market, as represented by the Bank of America Merrill Lynch High Yield Master II Index, (the "Index"), lost 1.35% in the quarter ended June 30, 2013. Due to the lower duration, the index significantly outperformed investment grade corporate bonds as represented by the Bank of America Merrill Lynch U.S. Corporate Index, which fell 3.36%. Further, the Barclays U.S. Aggregate Index, which broadly tracks the investment grade bond market including Treasuries, corporates, and mortgages, slid 2.33%. Longer duration bonds were hard hit as 10- and 30-year U.S. Treasury rates spiked. The 10-year rate, which is of particular interest to most fixed income investors, increased more than 100 basis points from the early May low of 1.63% before declining slightly to 2.49% by the end of the quarter.

The Intrepid Income Fund (the "Fund") performed as we believed it should in such an environment, losing only 0.03%. The Fund has maintained a very short duration, so our performance was not greatly affected by the sharp increase in rates. Further, we have always targeted higher-credit quality bonds within the high-yield market, and our performance in the quarter reflected this bias. Lastly, the Fund's cash balance, which averaged 43% of assets, was a major contributor to the outperformance. As we do every quarter, we like to remind readers that we do not allocate capital based on top-down market calls. We only invest when we find a security we believe provides

an attractive return for the risks borne. If we cannot find such a security, we will hold cash as we have done since the Fund's inception.

Top Ten Holdings	(% of net assets)
Smith & Wesson Hld Corp., 5.875%, 06/15/2017	4.24%
Northern Oil & Gas, Inc., 8.000%, 06/01/2020	4.02%
Energy Partners, Ltd., 8.250%, 02/15/2018	3.96%
Bill Barrett Corp., 9.875%, 07/15/2016	3.82%
Cott Beverages, Inc., 8.125%, 09/01/2018	3.80%
Compass Minerals Int, Inc., 8.000%, 06/01/2019	3.78%
PetroQuest Energy, Inc., 10.000%, 09/01/2017	3.38%
Ruby Tuesday, Inc., 7.625%, 05/15/2020	3.09%
Swift Services Hld, Inc., 10.000%, 11/15/2018	3.05%
The Scotts Miracle-Gro Co., 7.250%, 01/15/2018	2.96%

Top ten holdings are as of June 30, 2013. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The Fund's largest contributors were WWE common stock, Thermon Industries 9.50% due 5/01/2017, and Smith & Wesson 9.50% due 1/14/2016. We have discussed WWE in prior letters, and readers can refer to Intrepid Small Cap Fund commentaries for more detail. Thermon (ticker: THR) is a fairly new position that we expected to hold until the May 2014 call date. The company decided to repurchase our bonds earlier at a premium, which pulled the gain forward and made it a top contributor. Lastly, Smith & Wesson (ticker: SWHC) offered to exchange our bonds due in 2016 for new notes, which was completed at a premium. Energy credits were the Fund's biggest detractors in the quarter. Northern Oil & Gas 8.00% due 6/01/2020, a newly established position discussed below, was the largest detractor, although the bonds declined only a few points. This was followed by Swift Energy 8.875% due 1/15/2020 and EPL Oil & Gas 8.25% due 2/15/2018. The Swift Energy (ticker: SFY) position was recently entered, and we added to EPL Oil & Gas (ticker: EPL) as prices fell.

Despite the relatively mild sell-off in high yield bonds (the Index is only off 4.1% from its all-time high), the market did offer opportunities to build new positions and add to existing holdings. We were fairly active buyers in the second quarter, entering six new positions and adding to six existing names.

As mentioned, Smith & Wesson offered to exchange its 9.50% notes due 1/14/2016 at a price of $110. For each $1,000 in par value, holders were offered $1,100 of the new bonds. We elected to participate in the exchange and add to the position, which is now the Fund's largest holding. The new notes pay a 5.875% coupon and mature on 6/15/2017. The total issue size is $100 million, up from the prior issue size of $43 million. The proceeds will be used primarily to repurchase stock. While a debt-funded equity buyback is clearly a credit negative, the company already had $60 million in cash prior to the new issuance. In our opinion, Smith & Wesson will continue to maintain a conservative capital structure, which is particularly important in the current environment where gun sales are arguably in bubble territory. We believe the new notes offer an attractive return for a higher-quality, short-duration credit.

Compass Minerals International (ticker: CMP) owns the world's largest rock salt mine and the largest rock salt mine in the U.K. The company sells highway deicing salt to municipalities, and sells consumer and industrial grade salt for various uses such as water conditioning and food preservation. The salt business contributes 80% of total sales and 70% of profits, and we believe is largely immune to changes in economic activity. CMP also owns a growing fertilizer business. The company has maintained a conservative financial profile over the last several years, with net debt-to-EBITDA hovering around 1.5x. The new position in the 8.00% bonds is a great example of the utility of maintaining detailed watch lists of high-quality businesses we would like to own at the right prices. We first completed research on Compass during the credit crisis in 2008/2009, and soon after became a creditor. Compass called our holdings when it issued the 8.00% bonds, but at the time the new issue had too much interest rate risk for our liking, and we believed better opportunities existed elsewhere. We followed the company for the last several years, and as the interest rate risk declined the issue became more and more attractive. It took quite some time to establish the position, given the small issue size of only $100 million, but we were able to purchase a full position in the bonds early in the quarter.

Over the last two years we have found considerable value in energy credits, and we constantly monitor the space in search of new ideas. In the second quarter we established a position in Northern Oil & Gas 8.00% notes due 6/01/2020. Northern Oil & Gas (ticker: NOG) owns mineral rights for 182,000 net acres in North Dakota and Montana, where operators drill in the Bakken and Three Forks formations. These areas primarily produce oil, which currently receives a hefty price premium to natural gas on an energy-equivalent basis. NOG has

a conservative balance sheet with only 2.0x debt-to-EBITDA and net debt-to-proved reserves of only $6 per barrel of oil equivalent (boe). This second metric is a way to measure asset coverage. For context, oil producing assets have recently sold for more than $30 per boe. Commodity price exposure is a primary credit risk when investing in energy businesses. To mitigate this risk, NOG has hedged 70% of its expected production in both 2013 and 2014. We began establishing the position early in the quarter before the market sold off, and therefore the position was the largest detractor in the quarter. The notes are slightly longer duration, which were impacted by the steep increase in risk-free rates. Spread widening across the high-yield market also contributed to the price decline. At current prices, we believe the notes have compelling risk/reward characteristics.

The last new holding we would like to highlight is ManTech International 7.25% due 4/15/2018. ManTech (ticker: MANT) is a provider of IT, logistics, cyber intelligence, and other services to the Department of Defense. The company's operations have suffered as the U.S. has withdrawn from Iraq and the operational tempo in Afghanistan has slowed. About 30% of the company's business is tied to the Middle East, which will be fully discontinued within a year or two. This has caused many analysts to be overly negative on the company. However, we believe the company's core business is higher quality, and the balance sheet is rock solid with almost no net debt. ManTech is a good example of how we can leverage research across product lines. Intrepid's equity portfolios have owned the common stock for quite some time, but we believe the bonds were not particularly attractive due to the longer maturity and low yield. Over a year ago, the Fund purchased a small weight in the equity when the share price declined to levels which we believe implied a disaster scenario and offered, in our opinion, an attractive dividend yield. We have made a solid gain on this position and were able to "swap" some of this exposure with a position senior in the capital structure when the bonds traded lower during the recent high-yield pullback.

To continue with the party analogy, we view ourselves as designated drivers. We participate and enjoy the festivities, but stay away from the hunch punch. As the party drags on we become increasingly bored, eagerly anticipating the night to end. On the following morning when others have lost their wallets and are nursing hangovers, we awake early with a spring in our step. We hope this gives our investors an idea of how we manage the Funds. **Our first priority is to protect capital.**

We thank you for your investment.
Sincerely,

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. Barclays Capital U.S. Aggregate Bond Index is an index representing about 8,200 fixed income securities. To be included in the index, bonds must be rated investment grade by Moody's and S&P. 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. Debt-to-EBITDA is calculated as Debt divided by Earnings, Before Interest, Taxes, Depreciation, and Amortization. Net Debt-to-EBITDA is calculated as Debt minus cash divided by Earnings, Before Interest, Taxes, Depreciation, and Amortization. Basis point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

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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