Intrepid Income Fund

Discipline Makes the Difference.

3rd QUARTER 2013 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of September 30, 2013

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	0.87%	1.79%	2.76%	4.44%	5.81%	4.64%
Intrepid Income Fund - Inst.	8/16/10	0.93%	1.98%	3.03%	4.70%	-	5.04%
BofA Merrill Lynch High Yld Master II Index		2.25%	3.79%	7.09%	8.87%	13.35%	8.44%^

^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 9.58%.

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.

October 1, 2013

Dear Fellow Shareholders,

After struggling in the spring, the high-yield market, as measured by the Bank of America Merrill Lynch High Yield Master II Index ("the Index"), roared back and posted a 2.25% return in the quarter ended September 30, 2013. The Intrepid Income Fund (the "Fund") returned 0.87% in the same period. In the Fund's fiscal year ended September 30, 2013, the Index rose 7.09% versus the Fund's gain of 2.76%. The underperformance is primarily attributable to our elevated cash position, which averaged 45% in the quarter and 38% in the year. In addition, our portfolio's holdings are generally more defensive and have higher credit qualities than the average high-yield bond, in our opinion. While these bonds typically have lower than average yields, we believe we are giving up small incremental returns for a dramatic reduction in risk. This posturing is directly related to historically low corporate bond yields and the absence of attractive opportunities.

As we have stated time and time again, when we cannot uncover securities that are attractive on an absolute basis, we will hold cash. We emphasize the word absolute because a prevalent argument for increasing exposure to high-yield bonds is that the asset class is relatively attractive. But relative to what? Surely a 6% prospective return is attractive relative to the measly 1.4% offered by a 5-year U.S. Treasury bond. It also seems attractive relative to investment grade corporate bonds, which currently have a yield-to-worst of 3.4% as measured by the Bank of America Merrill Lynch US Corporate Index. But shouldn't investors betting on relative bargains ensure the reference securities (Treasuries or investment grade bonds) are not overvalued in the first place? This consideration seems to be missing from the relativists' argument. The relative value argument is further weakened when considering default rates. Bond yields are predicated on a successful return of principal at or before maturity. The stated yield would only be realized if there are zero defaults and all coupon payments are reinvested at the same yield. However, a number of high-yield bonds default every year, and in many cases not all of the principal value is recovered. While default rates are currently low, a pick up could materially impact the actual return realized by high-yield investors. For these reasons, we have elected to upgrade the quality of the portfolio's holdings, as well as hold cash when an attractive security cannot be identified.

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Top Ten Holdings	(% of net assets)
Smith & Wesson Holding Corp., 6/15/2017, 5.875%	4.38%
EPL Oil & Gas, Inc., 02/15/2018, 8.250%	4.14%
Northern Oil and Gas, Inc., 06/01/2020, 8.000%	4.08%
Cott Beverages, Inc., 09/01/2018, 8.125%	3.90%
Compass Minerals Intl., Inc., 06/01/19, 8.000%	3.88%
PetroQuest Energy, Inc., 09/01/2017, 10.000%	3.46%
Ruby Tuesday, Inc., 05/15/2020, 7.625%	3.22%
Swift Services Holdings, Inc., 11/15/18, 10.000%	3.14%
ManTech International Corp, 04/15/2018, 7.250%	3.05%
The Scotts Miracle-Gro Co., 01/15/2018, 7.250%	3.01%

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

The largest contributors the Fund's performance in the quarter were EPL 8.250% due 2/15/2018, Ruby Tuesday 7.625% due 5/15/2020, and Smith & Wesson 5.875% due 6/15/2017. All three securities constitute larger weights in the portfolio, and each outperformed the benchmark in the quarter. The contributions of EPL (ticker: EPL) and Ruby Tuesday (ticker: RT) were aided by opportunistic purchases made as the high-yield market sold off in June. The Fund had only one detractor in the quarter, ADS Tactical 11.000% due 4/01/2018, which is one of our smallest positions. In the Fund's fiscal year ended September 30, 2013, the top contributors were EPL 8.250%, PetroQuest Energy 10.000% due 9/01/2017, and WWE common stock. The two bonds are sizeable positions, and both outperformed the benchmark. WWE (ticker: WWE) is a small position, but the stock performed very well in the fiscal year and was, therefore, a top contributor. There was only one material detractor in the fiscal year, Northern Oil and Gas 8.00% due 6/01/2020. Northern Oil and Gas (ticker: NOG) is a fairly new position that was initiated in April and subsequently added to. At the time, we believed the bonds were attractive (and still do), but the market sold off shortly after our purchases. Our focus on absolute value sometimes results in our timing being less than ideal, but as regular readers of our letters know, we do not believe short-term changes in security prices can be forecast with any consistency. Our investment thesis remains intact (see second quarter 2013 commentary), and we believe Northern Oil and Gas will be an attractive core holding for some time.

As a result of the rebound in high-yield bond prices, the Fund's activity was relatively muted in the quarter. We added incrementally to a few positions, and established a material holding in only one new credit idea. Four of our holdings were called partially or in their entirety, two of which constituted large positions in the portfolio: Bill Barrett 9.875% due 7/15/2016, and Bio-Rad Labs 8.000% due 9/15/2016. Additionally, The Pantry (ticker: PTRY) repriced its term loan at a lower interest rate, but we decided not to partake in the lower yielding security.

The Intrepid process of seeking absolute value frequently leads our portfolio managers and analysts to scour beaten-up industries in search of the proverbial diamond in the rough. Over the last few years we have found several ideas in the energy industry, where we cherry-picked the securities we believed offered the most attractive potential returns for the risks taken. In recent months, the precious metals industry has been fertile ground for our search, including miners and service providers. After completing deeper research on several potentials, we uncovered AuRico Gold (ticker: AUQ), a Canadian-based gold miner. AuRico has a small convertible bond issue paying a 3.5% coupon and maturing on 10/01/2016, which we were able to purchase near the end of the quarter. The Fund's flexible investment mandate allowed us to venture outside of the traditional high-yield universe to seek attractive opportunities.

AuRico has gold mines in Ontario, Canada, and Sonora, Mexico. Over the past few years, the company has drastically reorganized the business. Additionally, much of the company's value is dependent on the success of an upcoming project. Combined with significantly lower gold prices, these issues have weighed heavily on AuRico's stock. Since the bonds have a convertible feature, the market determines the bond's value in part based on the stock price. In the past year, the bonds have declined from over 110 to below 95. At prices below 95, the notes offer a yield of approximately 5.5%, and the issuer has no call protection. We believe this is attractive when considering what we believe to be significant asset coverage that minimizes the potential for credit impairment. Note that this view excludes any potential upside from higher gold prices. Essentially, we believe we are being given a free option on higher precious metals prices.

The second idea we would like to highlight is PHI Incorporated (ticker: PHII). We have been slowly accumulating PHI's 8.625% notes due 10/15/2018 since late 2012, and did not want to discuss it in our letters before we reached the target position size. PHI provides helicopter transportation services to the oil and gas industry in the Gulf of Mexico and to the medical industry in various U.S. markets. Investing in an energy services company when energy prices are high is typically a risky proposition, but we believe PHI's business is more immune to the cyclicality of the industry. PHI's business is not highly dependent on exploration like a drilling contractor is. Sales are driven by production levels, which are much more stable. Additionally, nearly all of PHI's oil and gas sales are contract-based. The company receives a fixed fee on half of this amount, regardless of the number of flight hours. Further bolstering the credit quality is what

we consider to be substantial asset protection. PHI owns 210 helicopters that we believe are worth $690 million. A liquid secondary market for helicopters exists, and we believe PHI could easily unload excess fleet if necessary.

We recently came across a mountaineering book by legendary American climber Ed Viesturs entitled "No Shortcuts to the Top." While we expected the book to be a quick pleasure read, we found many parallels between climbing and investing, particularly on the subjects of herd behavior, patience and risk management. We would like to share Ed's view on risk but urge you to read the book to more fully appreciate his accomplishments. We hope you find the connection between safe mountaineering and investing practices as interesting as we do.

Ed Viesturs has taken an activity most would think is incredibly risky, climbing the world's highest peaks, and made it seemingly pedestrian and routine. Ed's view on risk is encapsulated in his saying that, "Getting to the top is optional; Getting down is mandatory." In following this motto throughout his career, Ed has at times forced himself to turn back down a mountain only several hundred feet from the summit. Think for a moment about the sunk costs involved in making such a decision. He and his climbing partners have spent tens of thousands of dollars and travelled halfway around the world. They have spent weeks acclimatizing to the high altitudes in order to prepare their bodies for a summit attempt. In some cases, they may have been waiting for days at a high elevation base camp with limited resources, waiting for the weather to clear before leaving for the summit. We appreciate the patience it takes just to reach the point where a summit bid can even be considered. After all of this preparation, Viesturs has exercised extreme risk control and abandoned summit attempts on several occasions. On one trip, Viesturs elected to turn around only 300 feet from the peak of 29,029 foot Mount Everest.

The parallels to investing are obvious, particularly to the absolute value strategy we employ here at Intrepid. We will continue to remain disciplined in our search for undervalued securities. 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. Bank of America Merrill Lynch US Corporate Index is an unmanaged index of U. S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one year remaining term to final maturity. You cannot invest directly in an index.

Yield-to-Worst is the lowest potential yield that can be received on a bond without the issuer defaulting.

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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