Intrepid Income Fund

Discipline Makes the Difference.

4th QUARTER 2011 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2011

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	2.84%	4.50%	4.50%	11.80%	4.76%
Intrepid Income Fund - Inst.	8/16/10	3.01%	4.82%	4.82%	-	5.58%
B of A Merrill Lynch High Yield Master II Index		6.18%	4.38%	4.38%	23.72%	7.48%^

^Since Inception returns are as of the fund's Investor Class date. The return for the B of A Merrill High Yield Master Index is 7.84% as of the inception date of the Institutional Class.

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 1.34% 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 1/31/13, respectively. Otherwise, performance shown would have been lower.

Dear Fellow Shareholders,

The fourth quarter of 2011 was marked by a continuation of the volatile trends experienced recently in both equity and high-yield fixed income markets. After a tough third quarter, the high-yield market, as measured by the Bank of America Merrill Lynch High Yield Master II Index (the "Index"), continued its decline in the first several days of October before bottoming out on October 4, 2011. We viewed the sell-off as an opportunity to commit capital at attractive prices. Many other investors held the same opinion, which sent the index higher on the next 18 consecutive trading days, resulting in a total recovery of 8.62%. The benchmark gave back about one-third of the gain heading into December, and then rallied again to offset most of the loss. All said, the Index returned 6.18% in the fourth quarter, while the Intrepid Income Fund (the "Fund") recorded a gain of 2.84%. The divergence is not surprising given the Fund's higher-quality, shorter-duration bias and average cash position of about 19%.

For the calendar year, the Fund outperformed the index by 12 basis points, returning 4.50% versus the benchmark's gain of 4.38%. It should be noted that while the Fund and the index ended up at the same destination, the paths taken to arrive here could not have been more different. The high-yield index's maximum drawdown in 2011 was 9.74%, while the Income Fund fell 2.37% from peak to trough.

Given the market action in the fourth quarter, virtually all of the Fund's holdings provided positive returns. The only exceptions were Smith & Wesson 9.5% bonds due January 2016 and our position in Potlatch common stock, both of which fell less than 1%. The top contributors in the quarter were PetroQuest Energy 10% due 9/01/2017, Ashtead Capital 9% due 8/15/2016, and Speedway Motorsports 8.75% due 6/01/2016.

PetroQuest is a relatively new idea in which we established a small position before this summer's sell-off. We added to our holdings on several occasions as it traded lower over the next few months, and PQ now represents more than a 3% position. The company is a small cap natural gas and oil driller operating in shale gas regions and in the Gulf of Mexico. We believe the company's balance sheet is underappreciated by the market: PQ has one of the best ratios of debt to proved developed reserves in the high-yield energy space. Additionally, the market likely has discounted the bonds due to the company's exposure to natural gas (82% of production). However, PQ has low cash costs which, combined with high oil and natural gas liquids (NGL) prices, should allow the business to weather a prolonged period of low gas prices. Lastly, this issue is fairly small at only $150 million outstanding, so we are likely capturing a small liquidity premium by owning the bonds.

Ashtead Capital is a position we entered in the third quarter and was discussed in our previous commentary. It was noted that the U.S. equipment rental industry was undergoing a structural shift as contractors decide to rent rather than own. While we expected these tailwinds to slowly aid in the company's results, Ashtead surprised by reporting much better than expected earnings in the most recent quarter. Additionally, the company has invested heavily in its fleet earlier than major competitors while remaining conservatively levered.

Speedway Motorsports represents a long-term holding for the Income Fund, first through the 2013 issue that was called by the company, and currently through the 8.75% notes due 6/01/2016. We have been following this business for a number of years and are very comfortable with the credit quality. As one of our largest positions, the bonds did not need to produce outsized gains to be one of the top contributors to the Fund's performance.

As discussed in our prior commentary, the Fund was very active in the third quarter as the high-yield market offered attractive opportunities to put cash to work. This trend continued early in the fourth quarter. By October 6, 2011, the Fund's cash position was at the lowest level since the fall of 2008. To reiterate our position on cash, we do not attempt to time the market. Cash is deployed when we believe attractive risk-adjusted opportunities exist. We believe this principal is exemplified by the fact that greater than 40% of the cash invested in the fourth quarter was done within two days of the October 4 market bottom. The Fund added to eight existing positions and entered positions in two new securities, Intertape Polymer 8.25% due 8/01/2014 and Oshkosh 8.25% due 3/01/2017.

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Intertape Polymer Group is the second largest tape manufacturer in North America. The company has significant exposure to the volatility of resin prices, which is exacerbated by a leverage multiple, as measured by debt-to-EBITDA, of almost four times. However, Intertape has already survived one of the most tumultuous periods for resin prices in 2008, and this occurred at a time when the company had more debt than they do now. Additionally, the company has successfully disposed of a union-jacked, cash-draining facility in Canada, eliminated low-margin products, and has entered a better pricing environment. These changes have led to improved fundamentals, but we believe the small issue size has caused many investors to overlook the enhancements, which in turn has allowed us to purchase the notes at an attractive price. We were able to establish a position in this short-dated credit at a yield-to-worst of nearly 10%.

Oshkosh is a manufacturer of specialty vehicles, including tactical vehicles for the military, Pierce fire trucks, JLG access equipment, and McNeilus concrete and refuse collection vehicles. We have followed the company for some time but it wasn't until the fourth quarter that we were presented with the opportunity to acquire the notes at a level deemed attractive. We believe the opportunity arose from a combination of the high-yield market's third quarter dip and several company-specific issues surrounding performance on a defense contract, UAW labor negotiations, and stagnant demand in select segments. We had hoped the company-specific issues might provide just such an opportunity and we greeted it with open arms when it did. We acquired the bonds at an attractive level, offering a yield-to-worst of 9.0%.

Top Ten Holdings	(% of net assets)
Spartan Stores, Inc., 3.375%, 5/15/2027	4.20%
Central Garden & Pet Co., 8.250%, 3/1/2018	3.99%
PEP Boys Manny Moe & Jack., 7.500%, 12/15/2014	3.97%
Gibraltar Industries, Inc., 8.000%, 12/01/2015	3.75%
Speedway Motorsports, Inc., 8.750%, 6/1/2016	3.71%
HSN, Inc., 11.250%, 8/1/2016	3.67%
Smith & Wesson Holding Corp., 9.500%, 1/14/2016	3.41%
Amscan Holdings, Inc., 8.750%, 5/1/2014	3.35%
Bill Barrett Corp., 9.875%, 7/15/2016	3.34%
PetroQuest Energy, Inc., 10.000%, 9/1/2017	3.11%

Top ten holdings are as of December 31, 2011. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

On the sales side, we partially exited positions in Scholastic 5.0% due 4/15/2013 and Halfords common stock. A portion of our Scholastic holdings were sold in anticipation of better opportunities, and we pared back our Halfords equity holdings as the stock rallied. Additionally, we fully exited our position in Teleflex 3.875% convertible bonds as the stock reached our intrinsic value estimate, resulting in a solid gain in the convertible.

The fourth quarter high-yield rally tempted several of our portfolio companies to tap the debt markets. Three of our largest positions, American Greetings 7.375% due 6/01/2016, Chart Industries 9.125% due 10/15/2015, and Sally Holdings 9.25% due 11/15/2014, were called in full by the issuers. Both the Chart Industries and Sally refinancings were expected. Further, three other holdings, Hanesbrands floating rate due 12/15/2014, Mac-Gray 7.625% due 8/15/2015, and Collective Brands 8.25% due 8/01/2013, were partially redeemed. As we have noted on several occasions, we are not mandated to reinvest this cash. In fact, we view these occurrences as a way to automatically rebalance the Portfolio. As prices rise, risk-adjusted returns become less attractive, and redeemed issues leave us with dry powder to put to work when superior risk-adjusted situations present themselves.

The sales and redemption activity, coupled with a decline in the number of attractive high-yield securities, caused the Income Fund's cash balance to increase to 28.9% as of December 31, 2011. The larger cash balance resulted in a decline in the Fund's modified duration to 2.2 years from 2.7 years at prior quarter-end. The duration of the index is 4.7 years. We believe that risk-free rates are artificially low and therefore intend to minimize our exposure to interest rate risk by keeping the Fund's duration on the short end. As noted in last quarter's commentary, we are aware that high-yield spreads are wider than the historical average. However, abnormally low risk-free rates result in absolute yields that are fairly close to the average. Securities under consideration for purchase must be attractive on an absolute basis. Therefore, while we are still finding select situations meeting our criteria, we do not view the high-yield universe as abnormally cheap. We will remain disciplined in investing our cash position. Thank you for your investment.

Sincerely,

Ben O Franklin III

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. The Bank of America Merrill Lynch (BofA/ML) CCC and Lower US High Yield Index is a subset of the Bank of America Merrill Lynch High Yield Index including all securities rated CCC1 or lower. Bank of America Merrill Lynch (BofA/ML) BB-B US High Yield Index is a subset of the Bank of American Merrill Lynch US High Yield Index including all securities rated BB1through B3, inclusive. 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. Modified Duration is a time measure of interest-rate risk exposure that estimates how much a bond, or a bond fund's price, fluctuates with changes in interest rates. EBITDA is earnings before interest, taxes, depreciation and amortization. Debt-to-EBITDA is the ratio of total debt to earnings before interest, taxes, depreciation and amortization. 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. Maximum Drawdown is the largest drop from peak to a bottom in a certain time period.

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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