Intrepid Income Fund

Discipline Makes the Difference.

4th QUARTER 2013 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of December 31, 2013

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Income Fund - Inv.	7/2/07	1.41%	3.23%	3.23%	4.51%	8.83%	4.68%
Intrepid Income Fund - Inst.	8/16/10	1.49%	3.50%	3.50%	4.80%	-	5.11%
BofAML High Yield Master II Index		3.50%	7.42%	7.42%	9.03%	18.65%	8.68%^
BofAML US Corporate Index		1.02%	-1.46%	-1.46%	5.35%	8.93%	6.22%^
Barclays US Aggregate Bond Index		-0.14%	-2.02%	-2.02%	3.26%	4.44%	5.12%^

^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 BofAML High Yield Master II Index is 9.95%, BofAML US Corporate Index is 4.56%, and Barclays US Aggregate Bond Index is 2.63%.

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.

January 2, 2014

Dear Fellow Shareholders,

The quarter ending December 31, 2013 was marked by stronger economic numbers and an improved outlook, as evidenced by the Fed's decision to 'taper' its monthly asset purchases under QE from $85 billion to $75 billion. Risky asset classes concluded the year with solid fourth quarter performances, while securities with high interest rate exposure generally performed poorly as Treasury bond yields rose materially. High-yield bonds were not greatly impacted by higher Treasury rates because the asset class's duration is lower than other fixed income sectors, such as investment-grade corporates. Further, the impact was offset by spread compression as investors positively reassessed the credit risk of the asset class on the improved economic forecast. The additional compensation required by high-yield investors, known as the spread, reached the lowest level since 2007 as measured via the Bank of America Merrill Lynch Master II Index (the "high-yield index").

The high-yield index returned 3.50% in the quarter ending December 31, 2013. Investment grade corporate bonds, as measured by the Bank of America Merrill Lynch US Corporate Index (the "corporate index"), gained 1.02% in the quarter as spread tightening helped to offset the negative effect of higher risk-free rates. In contrast, the Barclays U.S. Aggregate, which generally reflects the performance of the entire domestic investment grade bond universe, declined 0.14%. U.S. Treasury securities did not fare well in the quarter, as the yield on the ten-year rose from 2.61% to 3.03%. To illustrate the impact of such a rate change, consider a ten-year Treasury bond issued on August 15, 2013. The security's semi-annual coupon payment is 1.25% of the face value, and this bond lost 3.21% in the fourth quarter alone. The Intrepid Income Fund (the "Fund") returned 1.41% in the quarter. In the full calendar year, the Fund gained 3.23%. The high-yield index, corporate index, and Barclays US Aggregate returned 7.42%, -1.46%, and -2.02%, respectively, over the same period.

Top Ten Holdings	(% of net assets)
EPL Oil & Gas, Inc., 02/15/18, 8.25%	4.83%
Smith & Wesson Holding Corp., 6/15/17, 5.86%	4.49%
Northern Oil and Gas, Inc., 06/01/20, 8.00%	4.36%
Regis Corp., 12/05/17, 5.75%	4.03%
Cott Beverages, Inc., 09/01/18, 8.16%	3.99%
Compass Minerals Intl, Inc., 06/01/19, 8.00%	3.94%
PetroQuest Energy, Inc., 09/01/17, 10.00%	3.60%
Brown Shoe Co., Inc., 05/15/19, 7.16%	3.48%
AuRico Gold, Inc., 10/01/16, 3.50%	3.43%
Swift Services Holdings, Inc., 11/15/18, 10.00%	3.22%

Top ten holdings are as of December 31, 2013. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The Fund trailed the high-yield index in both the quarter and the year due to the high cash allocation and ownership of what we believe are higher quality (and therefore lower yielding) bonds. Cash averaged 43% of the Fund's assets in the quarter. As bond yields flirt with all-time lows, finding attractively priced fixed-income securities has become increasingly difficult. Additionally, many of our portfolio companies have repurchased their outstanding bonds in favor of issuing new, lower-cost securities. We are not forced to reinvest this cash into new ideas, and therefore the Fund's cash balance has remained high. However, as opportunities become available, we can quickly deploy capital into attractive ideas.

WWE common stock (ticker: WWE) was the Fund's top contributor in the fourth quarter as the shares rose more than 60%. Rounding out the top three contributors were two of our largest holdings, Northern Oil & Gas 8.000% due 6/01/2020 (ticker: NOG) and EPL Oil & Gas 8.250% due 2/15/2018 (ticker: EPL). Both securities outperformed the high-yield index. Northern Oil & Gas was mentioned in our third quarter commentary, where we disclosed that the bond was the only material detractor in the Fund's fiscal year ended September 30, 2013. We also noted that our investment thesis remained intact, and we believed the notes would prove to be an attractive holding. The NOG notes were the top performing bond position in the quarter.

There was only one material detractor in the fourth quarter; Ruby Tuesday 7.625% due 5/15/2020 (ticker: RT). The company is struggling through a turnaround, which caused comparable store sales to fall a whopping 11% in the most recent quarter. The company cut advertising as it prepares to introduce menu new items. While the turnaround continues to weigh on earnings, we are satisfied with our holding due to significant asset coverage. The company owns the land and building on over 300 stores, and the building only on more than 250 additional stores. Further, RT has $36 million in cash and $23 million in properties for sale. Lastly, part of the turnaround strategy consists of spending roughly $50 million on television advertising, which we believe can be cut if the new strategy is not effective and redeployed back into the historically successful couponing strategy.

We put some cash to work in the fourth quarter as we entered two new positions and added to several existing holdings. For the first time in quite a while, none of our holdings were called by the issuers, so the Fund's cash balance declined from 48% to 37%. It should be noted, however, that we expect call activity to increase early in 2014.

The largest new position is Regis Corporation 5.75% due 12/05/2017 (ticker: RGS). Regis is the world's largest owner of beauty salons, with 9,517 owned or franchised locations as of June 30, 2013. The most recognizable banners are Supercuts, MasterCuts, and SmartStyle/Cost Cutters locations in Wal-Mart stores. We have been following Regis for nearly six years and have previously owned the stock in our equity portfolios. When we were presented the opportunity to participate in the company's new offering, our prior involvement allowed us to get up to speed quickly. The 5.75% notes are a new issue, in which we and other investors purchased the notes directly from the company, rather than from another investor on the secondary market. We typically don't purchase new issues due to the long maturity schedules, but in this case we believed the 2017 maturity date was reasonable. Additionally, the issue size is very small at only $120 million. Such a small size typically causes larger investors to overlook the issue, which can lead to mispricing. We purchased the notes at par, and we believe the 5.75% coupon is attractive given the credit quality and short duration.

The second new position entered is Brown Shoe 7.125% due May 15, 2019 (ticker: BWS). Brown Shoe is another business we have been involved with in the past. We were once owners of the 8.750% notes due in 2012. Brown Shoe is a shoe retailer and wholesaler, primarily operating under the Family Footwear banner. BWS has fairly significant operating leverage, meaning a small change in sales can have a large impact on profitability. However, the company has little financial leverage. Brown Shoe's debt-to-EBITDA ratio, a commonly used measure of credit risk, is only 1.2x, which is quite low for a high-yield issuer. BWS's leverage is on the low end of even our conservatively positioned portfolio. The notes are likely to be called in May of this year, and we believe the bonds are an attractive short duration holding.

As always, we are continuing to search for undervalued securities on your behalf. 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 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. 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.

Debt-to-EBITDA is calculated as Debt divided by Earnings, Before Interest, Taxes, Depreciation, and Amortization. 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 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.

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