Intrepid Small Cap 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	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/3/05	-2.13%	2.99%	1.89%	14.72%	11.29%	11.50%
Intrepid Small Cap Fund - Inst.	11/3/09	-2.05%	3.10%	2.13%	-	-	11.26%
Russell 2000 Index		-3.47%	8.53%	-2.08%	17.80%	0.54%	4.01%^

^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 Russell 2000 Index is 15.02%.

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 1.46% and 1.21% for the Institutional Share class. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses such that the total operating expenses (excluding Acquired Fund Fees and Expenses) do not exceed 1.40% and 1.15% through 1/31/13, respectively. Otherwise, performance shown would have been lower.

July 3, 2012

Dear Fellow Shareholders,

The United States is the Charlie Sheen of world economies. Both are associated with Wall Street and have enjoyed much success. The U.S. is the world's number one economy and one of the best performing stock markets this year. Sheen's Two and a Half Men was TV's top comedy and he was the highest paid actor on television. This country and Charlie both know how to blow money on things that don't last. We can chant "Winning!" all day long, but it doesn't make problems go away. As a nation, we borrow and spend too much and have made promises we cannot keep. Small cap stocks are not discounting the pain that will be required to return America to a proper economic footing.

The Intrepid Small Cap Fund (the "Fund") declined 2.13% in the second quarter, while the Russell 2000 Index fell 3.47%. In the six month period through June 30, 2012, the Fund posted a 2.99% return versus an 8.53% gain for the Russell 2000 Index. Our defensive, high-cash positioning helped modestly during the quarter, but it has negatively impacted our relative performance since markets began ascending last fall. The Fund's year-to-date returns have also been muted by losses in a small number of holdings. Gains in our top three performers have been offset by declines in our three worst performing holdings. While recent returns have been uninspiring, we have increased the average valuation discount in the Fund since the start of the year.

We like our positioning today. Cash was 44% of assets at the end of the quarter. Many managers are forced to fully invest their portfolios. They reason that the U.S. is the "cleanest dirty shirt" and therefore is the logical place to invest. We will only invest cash when we find an undervalued idea. To do otherwise would betray our process and the promise we have made to you. Our liquidity should come in handy when investors lose faith in the power of the Bernanke Put.

The Fund contains a large number of businesses whose performance is not acutely dependent on economic strength—firms that sell insurance, medical supplies, handle cable and telecom billing, offer bankruptcy services, provide security, etc. The energy sector has been hit hardest in 2012, and more recently we have found value in a few energy stocks. These introduce additional volatility to the Fund, but we feel we are being compensated for the extra risk. The combined quarter-end weighting in commodity-oriented stocks (e.g. energy, timber, precious metals) was still below 10%, up from 4% to start the year. We would continue to characterize the Fund as having a largely defensive posture.

The three securities having the largest positive contribution to returns in the second quarter were CSG Systems (ticker: CSGS), Cott Corp. (ticker: COT), and Iconix Brand Group (ticker: ICON). CSG's management said their visibility into achieving full year earnings guidance had increased. The billing company has two large contracts coming up for renewal over the next nine months, and we believe the share price already assumes a steep haircut to contract pricing. Cott Corp. is succeeding in passing through commodity cost inflation for its private label beverages, and the firm has received additional shelf space from some of its largest customers. We reduced our weighting as the stock appreciated.

Top Ten Equity Holdings	(% of net assets)
Bill Barrett Corp.	3.0%
CSG Systems International, Inc.	3.0%
ManTech International Corp.	2.9%
EPIQ Systems, Inc.	2.8%
Bio-Rad Laboratories, Inc.	2.8%
Aspen Insurance Holdings Ltd.	2.3%
Teleflex, Inc.	2.2%
Potlatch Corp.	2.2%
Securitas AB	2.2%
American Greetings Corp.	2.1%

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.

Iconix Brand Group was a new addition to the portfolio during the quarter. We purchased a small position after the company's stock fell sharply due to a reduction in earnings guidance. Iconix is the world's second largest licensor of consumer brands after Disney. It is a royalty business, and Iconix only provides marketing support for brands such as Candie's, Joe Boxer, Mossimo, Ocean Pacific, Sharper Image, Starter and Peanuts. We are conscious of the dangers of increasing the Fund's consumer retail exposure at this point in the economic cycle; however, Iconix's royalty-based model reduces operating leverage and the company has a diverse customer base including Walmart, Target, Kohl's, and Kmart/Sears. The free cash flow yield at purchase was 15%.

The worst performing holdings in Q2 were ManTech (ticker: MANT), Bill Barrett (ticker: BBG), and Securitas (ticker: SECUB SS). ManTech's stock dropped as the company reduced its 2012 outlook, which had been set only two months earlier. Uncertainty over defense spending has taken a toll on the shares of ManTech and other contractors. We think the shares are already pricing in a scenario of lower defense funding under sequestration. The stock trades at less than 5x the operating income we expect this year, and the trailing free cash flow yield is 25%. Furthermore, the company recently announced the renewal of its largest contract and this provides enhanced visibility. Historically most of ManTech's cash flow has been used for acquisitions, but we have urged management to repurchase stock at current low levels.

Bill Barrett has the dubious distinction of back-to-back appearances on the Fund's quarterly decliners list. The combination of increased usage of natural gas for power generation, less new drilling, and a record heat wave has spurred a rebound in gas prices, which are almost back to the level they started the year. In contrast, oil and natural gas liquids pricing has been weak lately, and investors seem to have suddenly discovered Bill Barrett's liquids exposure. The firm's aggressive capital spending plan, designed to transition its mix toward oil, may have also given investors pause. We think the stock remains attractive but recognize that commodities can be volatile in the short run.

Securitas, the security services provider, has performed relatively poorly since it was added to the portfolio last year. Fortunately, it has paid a 5% dividend yield and we were able to add to the holding when the stock was the most stressed last summer. The company's European exposure hasn't helped perceptions. Securitas derives approximately one third of operating income from basic guarding services in Europe and another fifth of EBIT from higher margin mobile and monitoring services in the Nordic region. Management has been slow to pass through wage inflation in certain countries. Nevertheless, once Securitas halts its recent margin contraction, we think investors will once again appreciate the defensive qualities of the security business.

In addition to Iconix Brand Group, other Fund purchases during the second quarter were FTI Consulting (ticker: FCN), Patterson-UTI Energy (ticker: PTEN), and Newfield Exploration (ticker: NFX). This is our second time owning FTI, which provides consulting services for corporate restructurings, forensic accounting, antitrust cases, high-profile PR campaigns, and offers e-discovery software services to the legal industry. The company has performed very well when the economy is at positive and negative extremes. In the current muddle along environment, results have been mediocre. We view FTI as a good hedge against a rapidly deteriorating economy.

On the other end of the spectrum, Patterson-UTI and Newfield Exploration are well-run businesses, but the stocks probably won't shine in a tough market. Patterson operates one of the largest fleets of land-based drilling rigs in the U.S. We originally bought the stock when oil prices cratered in 2008 and drilling activity fell, and we sold as energy prices recovered. This time around, Patterson's shares began sinking as natural gas rig activity fell, even though overall rig counts are higher due to robust oil drilling. The majority of the company's rigs can be used for either commodity, and utilization has remained solid. The share price already appears to reflect a steep drop in utilization similar to what occurred during the last recession. Even if this happens, Patterson has a healthy balance sheet and is trading at a discount to tangible book value and our estimate of asset value.

Newfield Exploration is a larger, less leveraged, and more oily version of Bill Barrett. Over 80% of the company's revenue comes from liquids. The stock has dropped from a peak of $76 last spring to below $30 in the second quarter. The primary short-term risk to this name is that a weaker economy sends oil prices down more. We think the shares are telegraphing lower energy prices at an EV/EBITDAX multiple of less than 4x. The current negative sentiment for energy stocks gave us an opportunity to establish a starting position that we would consider expanding in the event of an economic shock.

During the quarter, we exited our positions in Core-Mark (ticker: CORE), Central Garden & Pet (ticker: CENTA), and Oil-Dri (ticker: ODC). We also sold out of the majority of our CoreLogic (ticker: CLGX) stake. In all of these cases, the stocks reached valuation. Core-Mark is a major distributor to convenience stores and benefited from the mild weather conditions in the first quarter. Central Garden & Pet is undergoing a multi-year plan to streamline the business. We think management may have overpromised. Kitty litter producer Oil-Dri is a long-term sentimental holding, but given the Fund's growth over the last few years, Oil-Dri was too small to make a meaningful impact on future returns. CoreLogic has benefited from record low mortgage rates. While we are fond of the business, we are concerned that refinancing activity will dry up in the coming years and growth in purchase mortgage originations will not be sufficient to offset this volume shortfall.

If you expect smooth sailing and large market advances for the rest of 2012 and beyond, then this might not be the fund for you. On the other hand, if you want an investment manager focused on downside risk, who aims to maximize returns over the cycle and who invests only when strict valuation criteria are met, then Intrepid Capital may be a good fit. Our process is designed to capitalize on fear, volatility, and the inevitable investment bargains they generate. Thank you for your investment.

Sincerely,

Jayme Wiggins, CFA
Intrepid Small Cap Fund Portfolio Manager

Mutual fund investing involves risk. Principal loss is possible. The Fund is subject to special risks including volatility due to investments in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund is considered non-diversified as a result of limiting its holdings to a relatively small number of positions and may be more exposed to individual stock volatility than a diversified fund.

The Advisor believes that current market conditions warrant a defensive position from the requirement to invest at least 80% of its net assets in equity securities of small capitalization companies.

The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. Companies in the Russell 3000 Index, as ranked by market capitalization. You cannot invest directly in an index.

Cash Flow measures the cash generating capability of a company by adding non-cash charges and interest to pretax income. Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. Free Cash Flow Yield equals free cash flow divided by market capitalization. EBIT is calculated as the company's Earnings before Interest and Taxes. EV/EBITDAX is the ratio of Enterprise Value to Earnings before Interest, Taxes, Depreciation, Amortization, and Exploration expenses. Enterprise value equals market capitalization plus debt minus cash. Tangible book value is calculated as shareholders' equity minus intangible assets including goodwill.

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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