Intrepid Small Cap 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 Small Cap Fund - Inv.	10/3/05	-0.91%	3.52%	9.43%	10.62%	13.59%	11.23%
Intrepid Small Cap Fund - Inst.	11/3/09	-0.83%	3.69%	9.69%	10.89%	-	10.83%
Russell 2000 Index		3.08%	15.86%	24.21%	18.67%	8.77%	6.42%^

^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 17.46%.

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 1.45% and for the Institutional Share class is 1.20%. 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 1.41% and 1.16% 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 expenses, excluding Acquired Fund Fees and Expenses, (expense cap) does not exceed 1.40% and 1.15% through 1/31/14, respectfully. Otherwise, performance shown would have been lower.

July 1, 2013

Dear Fellow Shareholders,

Do you remember when you learned to ride a bike? The process probably started with training wheels. Big smiles at that stage—my feet make me go! Eventually, the training wheels came off. This may have created a heightened anxiety. Your parent likely spent time holding the seat of your bike as you pedaled around, steadying it as you got used to keeping your balance. Then, there was *that* moment. The big moment when your mom or dad let go. Did you pedal off happily down the street? Or did you tumble over?

Investors haven't experienced that moment of independence, *yet*. The hand-holding combination of deficit spending, suppressed interest rates, and money printing has contributed to broad asset inflation. It's been like learning to ride by sitting on an exercise bike. You could fall asleep, and you still won't fall over. Papa Ben has told investors that some day he will let go of the bike (i.e. stock and bond markets), but before he ever does, he promises to make sure we (i.e. the economy) are ready to ride on our own. Do you believe him? One day budgets should balance, interest rates should rise, and the printing press should grind to a halt—right? So far, it has been all talk, no show. We think it's high time for this market to take off the training wheels and put on its big boy pants.

During the second quarter, we underperformed the small cap market. The Intrepid Small Cap Fund (the "Fund") declined 0.91% versus a 3.08% gain in the Russell 2000 Index. Year to date, the Fund is up 3.52% compared to a 15.86% rise in the benchmark. We have owned a lot of one of the few things you can hold in a portfolio that doesn't benefit from asset inflation: cash. The Fund's cash is 56% of assets because we have many things to sell, but little worth buying based on our valuation guidelines. Today, the typical company in the Russell 2000 trades for a median multiple of 18x operating income.

Although our significant cash has been the principal factor explaining our low relative returns over the past year, it wasn't the only reason we underperformed this quarter. A few of our holdings fell by a double digit percentage in the last three months, including Pan American Silver (ticker: PAAS), FTI Consulting (ticker: FCN), and Bio-Rad (ticker: BIO). The latter two are significant positions for the Fund. Bio-Rad is investing large sums in an Enterprise Resource Planning (ERP) system that should eventually help it streamline its global operations, and the firm has also made a few R&D-oriented acquisitions that were dilutive to margins. The Schwartz family continues to manage Bio-Rad with a long-term view. We aren't sure why FTI Consulting's stock dropped. Call it noise. Despite short term swings in stock prices, our internal valuation estimates held steady or increased slightly for almost the entire portfolio.

Like other miners of precious metals, Pan American's stock fell sharply over the past three months due to plummeting gold and silver prices. In addition to commodity price exposure, miners can also be impacted by rising cash costs and political interference. Investor sentiment has been extremely negative toward the sector. On a per reserve basis, Pan American is trading about 30% cheaper than it was at the end of 2008, when silver prices and the firm's cash margin were both lower. Our first investment in the company was successful, as we established our position during the credit crisis and sold as the silver market fully digested the implications of QE2. We repurchased Pan American in early 2012, when the stock was down 50% from its peak. Since then, the stock price has been halved again. We're not giving up on it yet.

Top Ten Equity Holdings	(% of net assets)
Ingram Micro, Inc.	3.3%
World Wrestling Entertainment, Inc.	3.2%
Amdocs Ltd.	3.2%
Bio-Rad Laboratories, Inc.	3.2%
Global Payments, Inc.	3.0%
FTI Consulting, Inc.	3.0%
EPIQ Systems, Inc.	2.9%
Newfield Exploration Co.	2.8%
Aaron's, Inc.	2.7%
Aspen Insurance Holdings Ltd.	2.5%

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.

We will buy a precious metals stock if we believe it offers cheap insurance against the pernicious effects of printing money recklessly. Typically, we require a "double discount" with this type of name. When computing our valuation for Pan American, we took a 25% haircut to the silver price at the time of purchase. Then, we applied a standard discount to our valuation to provide a cushion against uncertain outcomes. Since buying the name, the adverse change in the price of silver has burned through our valuation buffer and reduced Pan American's fair value. Nevertheless, the stock price has fallen even more.

We find it curious that the gold and silver markets appear to be anticipating an end to quantitative easing, yet the stock market is within spitting distance of all-time highs. Even if the "taper" does arrive, we think the Fed will not hesitate to revisit past practices when economic weakness is apparent, even if they are the last ones to acknowledge it. We believe our original rationale for buying a modest position in Pan American was reasonable, and we added to our stake during the quarter. Should we be proved wrong and our government become responsible with fiscal and monetary policy, we'll take our lumps on Pan American. Despite the carnage in the sector, we perceive precious metals as an area of increasing opportunity. In recent months, we have devoted a substantial amount of time to determine the best opportunities in this battered sector, which is one of the only hated areas in the market today. We have researched miners, precious metals royalty companies, pawn shop operators, and mineral drilling contractors. Should the stocks in the space continue to be punished, we are prepared to increase our investments in this area.

The largest gainers in the Fund during the second quarter were WWE (ticker: WWE), Telephone & Data Systems (ticker: TDS), and American Greetings (ticker: AM). TDS benefited from the increasing value placed on wireless spectrum. American Greetings was discussed in our last letter, as the firm received a revised buyout offer on April 1st. WWE has been one of our favorite positions for some time, and we have shared our investment thesis with many of you. WWE is the leading promoter of professional wrestling entertainment. A few years ago, it was an $18 stock. In the spring of 2011, the company significantly cut its outsized dividend to align it better with cash flow. This still left WWE with one of the highest dividend payout ratios among public companies. We established our position after the stock price hit the single digits. Around that time, WWE's management began to discuss more actively plans to launch a WWE television network. They intend to position it as a premium channel like HBO.

Starting a television network is not easy. It's expensive, and you need cable and satellite operators on board as partners. WWE has forged ahead with spending to build out a network infrastructure, even though it has not secured the necessary partnerships. Largely as a result of this spending, the firm's profitability has decreased. Before 2011, WWE was making around $80 million of pre-tax operating income each year. Currently, they are making around half of that amount. We believe it is unlikely that the network venture will succeed. While 13 million unique viewers tune into a WWE show each week, only about 4 or 5 million are watching *RAW*, WWE's most popular show, at any one time. Management has stated they need 1 million subscribers to break even on the network and they are projecting 2-3 million. There are already 6 hours of weekly WWE content available on cable, and we don't believe there are enough fans who clamor for more and are willing to pay a monthly fee for that privilege.

In our opinion, WWE's stock has suffered because investors have assumed its current profitability is permanent. We think there are two primary ways that WWE can improve earnings back to past levels. First, the company could abandon its efforts to establish a WWE network. Most of that spending would fall away. We think this is likely if they do not gain serious traction by the end of 2014. Secondly, we believe WWE has a tremendous opportunity to lift income when it renews its television rights deals. The company's *RAW* and *Smackdown* are the longest running weekly episodic shows on television. WWE receives almost $100 million per year for the domestic portion of its TV rights fees. Yet, WWE is paid a fraction of the amount per viewer relative to other programs, whether it is NASCAR, the NHL, or scripted shows.

WWE has a lower income viewer demographic than many other shows, so it brings in lower advertising rates. The driving decision behind what a network will pay a content provider is the amount of ad revenue the program generates. Sports programs are frequently treated as loss leaders, so networks will sometimes pay above projected ad rates in order to secure marquee properties. We have investigated the ad rates paid to USA during *RAW*, and we believe NBC Universal (owner of USA) could double what it pays WWE and still break even on the property. Our research indicates that WWE could recoup the $40 million reduction in operating profit from 2010 to 2012 by growing its domestic TV rights fees by 40% or its global TV rights by 25%. We believe this is achievable and would keep all parties content. Therefore, we think WWE has two ways to restore profitability: it can end its pursuit of a premium channel network or it can simply do a mediocre job of negotiating the next TV deal. We are the company's largest institutional shareholder.

We sold the following names in the second quarter: American Greetings, International Speedway (ticker: ISCA), Speedway Motorsports (ticker: TRK), and Baldwin & Lyons (ticker: BWINB). The NASCAR names reached valuation. Baldwin is a small cap insurance company with very limited liquidity. We have been gradually selling the position near fair value.

We purchased one new name in the quarter: Tech Data (ticker: TECD). Tech Data is one of the world's leading distributors of IT products. It is a direct competitor to Ingram Micro (ticker: IM), which is one of the Fund's largest holdings. IT distributors move products from vendors to Value Added Resellers (VARs). VARs have relationships with small and medium-sized businesses. They are like a Chief Information Officer for a company that can't afford one. They use Tech Data for credit, logistics, and to simplify ordering products. We initially researched Tech Data during our due diligence for Ingram Micro. At the time, we believed Ingram was the better bargain. Recently, Tech Data has struggled with the final stage of its domestic ERP implementation, leading to a loss of market share in the U.S. Additionally, on March 21st the company announced a restatement due to accounting improprieties at its U.K. subsidiary. The restatement is estimated to total 4% of cumulative operating profit over the past three years. The release of this news sent the stock down, and we purchased Tech Data shortly thereafter. Management is keenly focused on returns on capital. Tech Data is trading close to tangible book value, and our cash flow-based valuation is well-supported by asset value.

The Fund's relative performance in recent quarters has been poor. We attribute it to the three C's: cash, commodities, and chance. Cash is a byproduct of our process and will change when we can find strong investment ideas. Commodity companies have been the Fund's biggest detractors over the past 18 months, yet we believe they are among the largest current discounts in the portfolio. Chance is the randomness experienced on a short-term basis. For the most part, there were not significant operational developments for the companies in the Fund whose stock prices declined this quarter. Ultimately, we expect prices to reach our intrinsic value estimates. We understand that our valuation-driven investment process can sometimes appear peculiar to outsiders when evaluating our performance against peers and benchmarks. We always ask our investors to judge us over a full market cycle, including good and bad market environments. If we do not deliver good risk-adjusted returns over complete cycles, then there is no need to use us as an active manager. We continue to believe in our process and expect to achieve our long-term objectives. Thank you for your investment.

Sincerely,

Jayme Wiggins

Jayme Wiggins, CFA
Intrepid Small Cap Fund Portfolio Manager

Intrepid Small Cap Fund

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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. The Russell 1000 Index consists of the largest 1,000 companies in the Russell 3000 Index. 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. Tangible Book Value is calculated as shareholders' equity minus intangible assets including goodwill.

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