Intrepid Small Cap Fund

Discipline Makes the Difference.

3rd QUARTER 2012 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of September 30, 2012

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/3/05	4.15%	7.26%	16.76%	10.79%	12.12%	11.72%
Intrepid Small Cap Fund - Inst.	11/3/09	4.19%	7.42%	17.02%	-	-	11.80%
Russell 2000 Index		5.25%	14.23%	31.91%	12.99%	2.21%	4.63%^

^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 15.65%.

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 for the Institutional Share class is 1.21%. 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 1/31/13, 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 1/31/13, respectfully. Otherwise, performance shown would have been lower.

October 1, 2012

Dear Fellow Shareholders,

Like many others in this business, we often bring our work home with us. Intrepid Capital is the largest institutional shareholder of WWE. Much to my wife's chagrin, I now watch wrestling on TV. While I was viewing an episode of *Monday Night RAW* a few weeks ago, the intro music for the wrestler "Ryback" began to blare. *"Feed. Me. More. Feed. Me. More…"* According to Wikipedia, Ryan Reeves was nicknamed "Silverback" as a teenager after a childhood friend joked that he resembled a silverback gorilla. I concur. The muscled 6'3", 291 pounder's signature move is performing a fireman carry and backwards body slam on two men at the same time. Rather than watching Ryback destroy his opponent, I began to daydream. As the fans chanted, *"Feed. Me. More,"* I thought of the investing masses pleading for more quantitative easing (QE) from the Fed later that week. *"Feed. Me. More."* Instead of Ryback lifting 400 pounds onto his shoulders, I saw Ben Bernanke, a modern-day Atlas, hoisting stock markets to all-time highs. *"Feed. Me. More."* The crowd goes wild! I know how this scene ends: a face plant into the mat.

For the quarter ending September 30, 2012, the Intrepid Small Cap Fund (the "Fund") returned 4.15% versus a 5.25% gain for the Russell 2000 Index. Year-to-date, the Fund is up 7.26% compared to 14.23% for the Russell 2000. Lastly, for the Fund's fiscal year ending September 30, 2012, the Fund rose 16.76% versus a 31.91% gain for the Russell benchmark. Stocks have run up again despite a barrage of negative economic signals and the fast-approaching fiscal cliff. We have taken advantage of the market's strength to sell holdings that have crossed our fair value estimates. At quarter end, cash was 49.6% of Fund assets. Cash has accounted for the majority of the Fund's underperformance versus the benchmark. Our high cash position reflects our opinion that small cap discounts are very difficult to find today. How could we be wrong? Here are three possible explanations. *Our portfolio positioning may be incorrect if*:

1) Debt doesn't matter anymore. When borrowing costs are zero, there is no difference between one dollar of debt and infinity dollars of debt.
2) Profit margins are at a "permanently high plateau." Earnings multiples for large caps aren't that high today (small caps are a different story), so if the current record level of profitability is sustainable, the broader market may be fairly valued.
3) The risk premium for owning equities has shrunk permanently. High grade fixed income investors can reach out and touch the lower bound for bond yields, and they realize there is scant upside. If investors are now

willing to accept a 7% long-run nominal return for stocks instead of 10%, then they are willing to pay a much higher price for the same earnings.

In our opinion, a defensive stance is warranted today. At least two of the theories listed above would be debunked if interest rates were at normal levels. Debt matters, margins mean-revert, and stocks only seem safe until they go down. We don't stretch our valuations in order to stay invested or generate portfolio activity. As a result, the Fund's cash has grown significantly over the past two years.

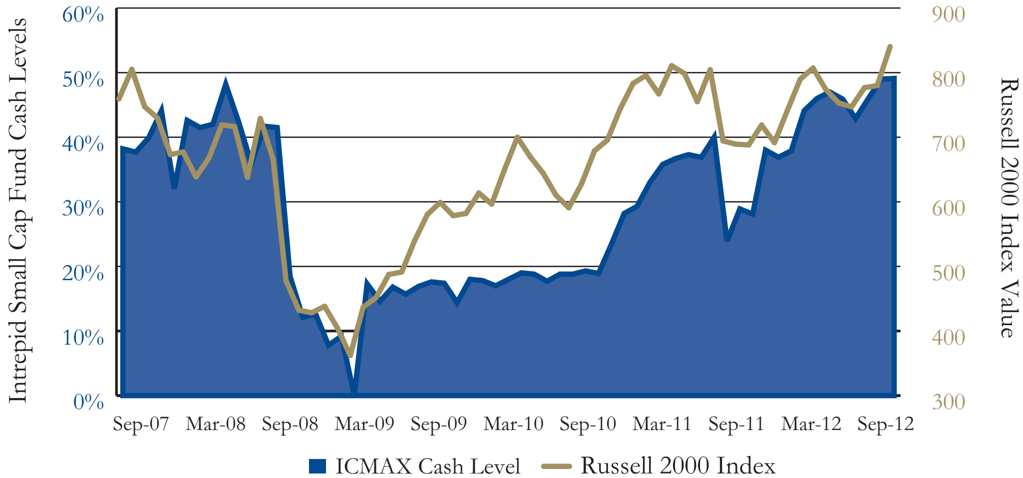
Top Ten Equity Holdings	(% of net assets)
FTI Consulting, Inc.	3.4%
ManTech International Corp.	3.0%
Bio-Rad Laboratories, Inc.	3.0%
EPIQ Systems, Inc.	2.7%
Bill Barrett Corp.	2.7%
Potlatch Corp.	2.6%
Global Payments, Inc.	2.5%
American Greetings Corp.	2.4%
Aspen Insurance Holdings Ltd.	2.4%
Pan American Silver Corp.	2.2%

Top ten holdings are as of September 30, 2012. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

Any fund with the words "Small Cap" in its name must have an investment objective to normally invest 80% of the Fund's assets in small capitalization companies. Funds that invest in small caps but do not have Small Cap in their title are exempt from this rule. The Intrepid Small Cap Fund has not met the 80% objective for the past two years because we have not found enough undervalued small caps to fill the portfolio. Funds like ours are permitted to take a "temporary defensive position" and hold more than 20% cash in response to "adverse market or economic conditions." Please review our prospectus for this disclosure. From our perspective, an adverse market is not when stocks are falling sharply but when they have risen beyond what normalized earnings can justify.

We are not your typical investment manager and this is not your typical small cap fund. We hope you, as a Fund shareholder, feel that we have appropriately communicated our stance on holding cash. The Intrepid Small Cap Fund has usually held more cash than peer funds. The chart below shows monthly values of the Fund's cash versus the Russell 2000 over the last 5 years. The Fund held substantial amounts of cash from its October 2005 inception through the fall of 2008. The market's crash created many undervalued opportunities, and the Fund was fully invested for a brief period in 2009. Cash stayed below the 20% mark until the QE2-inspired rally in the fourth quarter of 2010.

Intrepid Small Cap Fund Cash vs. Russell 2000
September 15, 2007 - September 15, 2012



Russell 2000 data was sourced from Bloomberg. Values were recorded on the 15th of each month.

We do not know when the Fund will be 80% invested again, since it depends on the external opportunity set. We approached the 20% cash level last August, but the market quickly resumed an upward path. Our cash is not a market call, but it is a byproduct of how many undervalued businesses we discover through our bottom-up analysis. While the Fund could become more invested without a change in market levels, we think that small caps will need to experience a selloff before we find enough ideas to reduce cash meaningfully.

At some point, regulators may decide that we cannot include Small Cap in our fund name because of our willingness to hold substantial amounts of cash when opportunities are scarce. If we eventually have to change the Fund's name, so be it. There are some things we will not compromise on. We will not change our small cap investment approach, which is the same absolute return-driven philosophy that we have practiced since the inception of Intrepid's Small Cap separate account strategy in 1998.

During the third quarter, the Fund's largest contributors were CSG Systems (ticker: CSGS), Bill Barrett (ticker: BBG), and Pan American Silver (ticker: PAAS), which collectively added 1.71% to the Fund's return. CSG may have benefited from reduced fears of customer losses, as management has expressed considerable optimism about its key relationships. CSG, which had long been one of the Fund's largest positions, was significantly reduced as it neared fair value. Bill Barrett and Pan American had been portfolio underperformers until this quarter. As commodity names, they participated in the QE hype of the third quarter. Even after the recent run up, we believe that Bill Barrett's stock price has not caught up to the improved sentiment toward natural gas. Pan American was purchased as a QE-hedge. It is an imperfect hedge, since inflation also affects the cost structure of precious metals miners. Nonetheless, it offers us some protection.

The only holding that adversely affected the Fund's performance by more than 10 basis points in the third quarter was Ingram Micro (ticker: IM), which cost the Fund 17 basis points. Ingram is the world's largest distributor of technology products. At the beginning of the quarter, Ingram announced the acquisition of BrightPoint (ticker: CELL), which is a provider of supply chain services to the wireless industry. The acquisition makes strategic sense. We suspect that investors were not happy with the large premium offered to BrightPoint shareholders, but the offer price was only 12x BrightPoint's five year average free cash flow. Ingram is a market leader that has consistently generated cash, and it is trading below tangible book value today. We doubled our share ownership in Q3.

For the full fiscal year ending September 30, 2012, the three top contributors to performance were CSG Systems, CoreLogic (ticker: CLGX), and Convergys (ticker: CVG). The largest portfolio losers were Bill Barrett, ManTech (ticker: MANT), and Tellabs (ticker: TLAB).

We only purchased one new holding in Q3: Big Lots (ticker: BIG). Big Lots is the nation's largest broadline closeout retailer. A majority of shoppers visit Big Lots to look for steep discounts in a "treasure hunt" environment, but 30% of the company's merchandise is consumables. The stock plummeted after second quarter earnings, which were impacted by poor merchandising decisions. Although the company is exposed to consumer spending, Big Lots' value-orientation and consumables mix helped sustain the company during the last recession. We bought the stock at a multiple of approximately 6x operating income (EBIT).

In addition to the Big Lots purchase, we significantly increased our positions in FTI Consulting (ticker: FCN) and Global Payments (ticker: GPN). FTI's shares fell to a multi-year low after second quarter earnings. In our opinion, the company should perform above-average in a hairy economy due to FTI's leading restructuring practice and its consulting on high-profile litigation. Global Payments is a major payments processor that helps small and medium-sized merchants process electronic transactions. The firm experienced a security breach earlier this year, but the damage appears limited. Global Payments has recurring revenue and competes in an attractive industry. We have owned other payments names like Total Systems Services (ticker: TSS), and we continue to explore undervalued opportunities in this space.

We exited several positions that reached valuation in the past three months, including Computer Sciences (ticker: CSC), Convergys (ticker: CVG), ICON plc (ticker: ICLR), and Regis (ticker: RGS). We also sold Tellabs (ticker: TLAB). Tellabs' fundamentals have deteriorated over time, but we were comforted by the cash-rich balance sheet. After Tellabs' CEO died of pancreatic cancer this quarter, we thought the new leaders might chart a different strategic direction for the company. This does not appear to be in the cards, and we lacked confidence that management would deploy the company's cash in an intelligent fashion. We sold Tellabs at a loss. We significantly reduced our Teleflex (ticker: TFX) holding as the stock neared intrinsic value. Lastly, we sold almost our entire Federated Investors (ticker: FII) stake. Although the money market industry experienced a small victory in late August when the SEC lacked the votes to push through more reform, financial authorities are hell-bent on altering the industry structure. The regulatory uncertainty was too substantial for us to maintain our position in light of the stock's appreciation year-to-date.

Regardless of the market's direction, we will continue to implement the Intrepid Capital investment process to uncover overlooked opportunities. While much of the investing world treats performance like an NFL game measured in quarters, we view investing as a marathon of emotional discipline encompassing years of investment returns in favorable and unfavorable climates. We look forward to the day when Ben Bernanke is not the focal point of investing decisions. As we enter October, our Fed fatigue has never been greater. Store your investment acorns; it could be a cold winter.

Thank you for your investment.

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. 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. Basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

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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