Intrepid Small Cap Fund

Discipline Makes the Difference.

3rd QUARTER 2013 COMMENTARY

PERFORMANCE

Average Annualized Total Returns as of September 30, 2013

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/3/05	3.99%	7.65%	9.25%	8.82%	13.96%	11.40%
Intrepid Small Cap Fund - Inst.	11/3/09	4.01%	7.84%	9.51%	9.08%	-	11.21%
Russell 2000 Index		10.21%	27.69%	30.06%	18.29%	11.15%	7.52%^

^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 19.18%.

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.

October 1, 2013

Dear Fellow Shareholders,

Mammas, don't let your babies grow up to be big caps. Small cap equities were the best performing major asset class in the third quarter and year-to-date period. The typical non-financial Russell 2000 company now trades for 40x free cash flow versus 20x for the standard large cap found in the S&P 500 Index. Nearly 30% of Russell members did not make money over the past twelve months, which is why most people only include companies with positive earnings when they cite a Russell P/E. Who needs profits when you can give your corporation a name to tell investors what your stock is supposed to do? Take three aptly-named 2013 IPOs—Rocket Fuel, Gogo, and Xoom—which are up an average of 62% from their offering price through the end of the third quarter. Undoubtedly, small cap investing is the Wild West of the stock market today. There could be gold in them thar hills, but you might also find yourself shot in the gut at high noon outside of a dusty saloon.

In our opinion, stocks are broadly overvalued, and the small cap market is ground zero for the speculative excesses saturating the capital markets today. Bulls claim that smaller companies grow faster. Since 2000, the annualized growth rate of operating income for the Russell 2000 Index is 3.7%. For the S&P 500, it's 4.2%. Bulls say that small companies' higher domestic focus *has to* be a plus, since they argue the U.S. is the cleanest dirty shirt among the world's economies. Most of today's investors would rather borrow a shirt from Pig-Pen than visit the Laundromat. Our economy desperately needs a deep cleansing, to be purged of the albatross of debt and artificial influences of the government. Few seem willing to pay the short-term price. No one wants to sit out of the party while the good times roll, as the Fed DJs turn up the techno beat to max volume and shower the club with free liquid(ity) courage.

For the quarter ending September 30, 2013, the Intrepid Small Cap Fund (the "Fund") rose 3.99% compared to a 10.21% gain for the Russell 2000 Index. In the nine month year-to-date period, the Small Cap Fund increased 7.65% versus a 27.69% rise in the Russell. Lastly, for the trailing twelve month fiscal year of the Fund, the Fund's gain was 9.25%, while the Russell was up 30.06%. Cash was 58.5% of Fund assets at the end of the quarter and was the primary reason for the Fund's underperformance in the three month period. High cash levels were also the largest contributor to the Fund's lower relative returns for the nine and twelve month periods; however, the Fund's holdings also increased less than the Russell 2000 benchmark.

While the Fund is still positively correlated to the small cap market (0.56 for the trailing year), we are among the least correlated to the benchmark in our peer group. We believe this is due to our lack of sector weighting requirements and the type of companies we are purchasing (note that high cash doesn't reduce the correlation, just the volatility). Our businesses are often more mature and operationally stable than the average company you will find in the Russell 2000. Also, we like to find businesses that perform decently, sometimes even better, during economic downturns, and these firms usually aren't as levered to economic growth. Finally, our weighted average market capitalization is currently on the higher end of small caps, and in speculative market environments, the smaller, riskier names usually perform best. The S&P 500 was up 5.24% in the third quarter, which was about half of the Russell's return.

Top Ten Equity Holdings	(% of net assets)
FTI Consulting, Inc.	3.5%
World Wrestling Entertainment, Inc.	3.1%
Global Payments, Inc.	3.0%
Bio-Rad Laboratories, Inc.	2.9%
Amdocs Ltd.	2.9%
Newfield Exploration Co.	2.8%
Aaron's, Inc.	2.6%
Ingram Micro, Inc.	2.5%
EPIQ Systems, Inc.	2.5%
Tetra Tech, Inc.	2.2%

Top ten holdings are as of September 30, 2013. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The positions contributing the most to the Fund's return in the third quarter were Ingram Micro (ticker: IM), Bill Barrett (ticker: BBG), and FTI Consulting (ticker: FCN). There were no losing positions that negatively impacted the Fund's return by more than 10 basis points. Technology distributor Ingram Micro announced decent second quarter results that belied negative industry trends in PC sales well-reported by the media. The company is making headway in lifting its margin profile by pursuing less-commoditized areas of distribution and services. The position was partially reduced as the stock's appreciation reduced the discount to fair value. Bill Barrett, the exploration and production firm, saw its stock rebound. The company's financial leverage has increased as the firm conducts an expensive transition from a natural gas-dominated portfolio to a more balanced oil and gas portfolio. However, management has promised an asset sale before year end to improve the balance sheet, and the company has also recently delivered positive drilling results in the promising Denver-Julesburg Basin. Lastly, FTI Consulting's stock recovered after declining in the second quarter. The low number of major U.S. corporate bankruptcy filings is pressuring results in the firm's key Restructuring segment. We don't expect default rates to stay low forever, and perhaps other investors agreed with us in recent months.

For the Fund's fiscal year, the biggest gainers were Ingram Micro, FTI Consulting, and Securitas (ticker: SECUB SS). The only position with a significant negative impact was Pan American Silver (ticker: PAAS). In mid-September, we sold Pan American Silver in order to capture a tax loss. We simultaneously replaced it with a temporary basket of three different precious metals names. We normally do not engage in tax loss transactions because we never know when our holdings will increase to our intrinsic value estimates. In this case, however, precious metals stocks generally move in tandem in the short run, and we believed we would maintain similar exposure with our temporary replacement set. This has proven true, almost to a tee, through the end of the month. The Pan American transaction reduced the Fund's embedded realized gain by around 20%.

Tetra Tech (ticker: TTEK) was the Fund's only significant purchase in the third quarter. The company is the leading provider of consulting and engineering services for water-related projects for public and private clients. They help determine the best way to treat water, store it, convey it, and protect coastal cities and waterways. For example, the firm helped design a massive surge barrier to reduce the risk of another drastic flood in New Orleans. They are also the general contractor on the Fox River Cleanup, which is the largest sediment remediation project in the world. The company also offers infrastructure services, such as green building design, and consults for wind energy and related projects. Tetra Tech provides the brains, not the labor. The company stumbled this year after drops in metals prices impacted the approximately 15% of revenues from the mining industry. Additionally, certain Canadian provincial governments revealed corruption issues, which deferred the award of projects to companies like Tetra Tech. They have not been implicated in any malfeasance. After the company's guidance revisions, we used the weakness in Tetra Tech's share price to establish a position at a free cash flow yield exceeding 8%.

In the third quarter, the Fund sold Securitas, SAIC (ticker: SAI), and Pan American Silver. Securitas, the global security provider, experienced more drama than we anticipated over our two year holding period, especially during the swoon in European stocks in 2011. We raised our stake after a large drop in price and then reduced it as the stock approached fair value. Along the way, we collected a sizeable dividend exceeding a 4% yield. The stock made money for the Fund, but we were surprised by the aggressiveness of price competition by major security providers for large guarding contracts. SAIC was a profitable short-term investment for the Fund. We articulated our thesis in this calendar year's first quarter letter, and it played out as expected. Our Pan American transaction was described above. We also made a small investment in Royal Gold (ticker: RGLD), a precious metals royalty company, in early July. The stock rose sharply before we could create a meaningful weight at our required discount. We sold Royal Gold at valuation for a quick gain that only had a limited impact on overall Fund performance (+22 basis points), due to the small position size.

Wall Street's culture of blind optimism has fueled a market rally to new highs. Contrarian stances haven't paid off so far. Leonardo da Vinci once said, "It is easier to resist at the beginning than at the end." Recent mutual fund inflows have been strong and hedge funds are abandoning short positions, in spite of record stock prices created by high margins on top of lofty valuations. We are finding scant value in the small cap market and firmly believe your precious capital should be preserved until better opportunities arise. As a result, we expect that our defensive positioning will continue until market conditions change. There is a time for everything. Now is the time for patience. 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. 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. Free Cash Flow measures the cash generating capability of a company by subtracting capital expenditures from cash flow from operations. Basis point is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument. Price-to-Earnings Ratio is a valuation ratio of a company's current share price compared to its per-share earnings as calculated by Market Value per Share divided by Earnings per Share (EPS).

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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