Intrepid Capital Funds *the constant pursuit of value*

INTREPID INTERNATIONAL FUND

3RD QUARTER 2018 COMMENTARY

3Q 2018

SEPTEMBER 30, 2018

PERFORMANCE

	Inception Date	Total Return			Average Annualized Total Returns as of September 30, 2018		
		Qtr.	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid International Fund - Inv.	12/30/14	-4.09%	-11.60%	-5.70%	4.48%	-	3.43%
MSCI EAFE Net Index		1.35%	-1.43%	2.74%	9.23%	-	5.73%
MSCI EAFE Hedged Index		2.91%	2.94%	7.09%	10.74%	-	8.17%

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 dated January 31, 2018, the annual operating expense (gross) for the Intrepid International Fund-Investor Share Class is 2.14%. The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses until January 31, 2019 such that Net Expense Ratio for the International Fund-Investor Share Class is 1.40%. The Net Expense Ratio represents the percentage paid by investors. Otherwise, performance shown would have been lower.

October 5, 2018

Dear Fellow Shareholders,

The Intrepid International Fund (the "Fund") endured a decline of 4.09% for the third quarter of 2018, while the MSCI EAFE Index (the "Index") eked out an increase of 1.35%. As is normally the case with the Fund, the high concentration of uncorrelated securities causes it to perform much differently than the Index. The third quarter was swung by a few large detractors. We believe it's important for our investors to understand that movements in the market prices of securities many times does not reflect changes in the value of the underlying businesses.

To help understand the negative performance during the period, we will begin with a review of the top three detractors for the quarter. These were Quarto Group (ticker: QRT LN), Dundee Corp's 7.5% Series 5 Perpetual Preferred shares (CUSIP: 264901877), and Coventry Group (ticker: CYG AU).

Quarto is a British illustrated book publisher focused on both Children's and Adult titles. Many believe books are a relic of the past, but the data suggests otherwise. A market and channel review conducted by Pragma Consulting Limited was commissioned by the company in November 2017. The report highlighted that the addressable market for Quarto in the US has grown 4.6% since 2013 and is forecast to grow by a further 8.8% by 2020. Past and expected future growth rates in the UK were also reported to be in the mid-single digits.[1] As mentioned above, the books Quarto sells are illustrated and thus are more insulated from the shift to the digital age.

On September 17, 2018 Quarto reported a revenue increase of 12% with an even larger improvement in earnings. Despite the positive development, the stock has traded down. This is a very thinly traded stock, and it can have significant price movements on very little volume. We believe this stock is one where Mr. Market has provided a price that is not related to the underlying value of the stock.

1 The Quarto Group. *Annual Report* 2017. Web. 4 Oct 2018, p. 19.

To play devil's advocate, the company does have a debt balance they are dealing with. However, the company has publicly stated they are close to extending the maturity of their debt. Additionally, 40% of the company's 2017 revenue was backlist titles that produce revenue over three years on average. In a bind, the company could choose to not reinvest in some of these titles temporarily and use the cash flow to pay down debt. We believe the new CEO, CK Lau, will skillfully inject capital into the business, so this is an unlikely possibility, but it is an option. Lastly, Lau has developed a formidable plan to both cut costs and grow revenue. We don't believe the market is giving the stock credit for this plan, which will play out over the next year or so.

Top Ten Holdings	(% OF NET ASSETS)
Clere AG	6.1%
Dundee Corp., 5.610%	5.6%
Coventry Group Ltd.	5.3%
Noranda Income Fund	5.0%
Gattaca PLC	4.4%
Hornbach Baumarkt AG	4.3%
Berentzen-Gruppe AG	4.1%
Dundee Corp., 7.500%	3.6%
GEA	3.5%
Quarto Group, Inc.	3.1%

Top ten holdings are as of September 30, 2018. Fund holdings are subject to change and are not recommendations to buy or sell any security.

The Dundee Series 5 Preferred shares have a put date in June of 2019 at par; however, the company has the option to convert the shares to common equity at a floor price of C$2.00 per Class A share. On the company's most recent conference call, management hinted at this possibility, as well as the possibility of a negotiation to extend the preferred, and potentially a partial redemption. The comments caused the preferred to drop in price, despite having significant asset coverage. We are not sure exactly how the negotiations will work out; however, the company has the ability to pay off the Series 5 shares now, and the largest holder negotiating with the company successfully renegotiated terms with the company in a similar fashion in 2016. The current yield on the preferreds is over 9%, so we are happy to be paid an adequate dividend while we wait.

The company has two other Series of preferred shares outstanding, one of which we own. The price of that security increased during the period as the possibility that the Series 5 Preferreds may be extended has increased the credit quality of the other outstanding Series. In fact, the Series 3 Preferred Shares went on to be a top contributor during the quarter.

Coventry Group was a top detractor for the Fund for two reasons: 1) its large weight in the portfolio means a small price movement will have a large impact on performance, and 2) we believe the price our 3rd party pricing service provided for the illiquid security at the end of the quarter was conservative. The weight in the Fund has increased over time as the security has increased in value; in fact, it was a top contributor in the second quarter of this year.

Typically, securities we own are valued at the last sales price on the securities exchange on which they are primarily traded. However, shares of Coventry Group do not trade every day. In this situation, our third party pricing service will generally use the bid quotation. This can vary significantly from where the shares have recently traded. The last day of the third quarter that the shares traded was September 25th at a price of A$1.233 per share. They did not trade on the last trading day in the period, and our pricing service valued them at the bid price of AUD 1.15 per share instead of the last price they traded at. The nearly 7% difference between these two prices was enough to cause a roughly 40 bps negative contribution to the Fund. The shares have traded higher as we have entered the fourth quarter.

Despite the downward price of the security, we believe the business fundamentals at Coventry Group are improving significantly. The Australian firm supplies fasteners and other products to the industrial market. Its business is literally focused on nuts and bolts. Financial performance is improving, employee morale has spiked, and customers are happier than they've been in years. We are happy with the direction of the firm and our investment in it.

Our top three contributors for the quarter were Dundee Corp's 5% Series 3 Perpetual Preferred shares (cusip: 264901802), Clere (ticker: CAG GR), and Gattaca (ticker: GATC LN).

Our top contributor during the third quarter, the Dundee Series 3 Preferreds, belong to the same company whose Series 5 Preferreds were a top detractor. This shows how different parts of the capital structure can have significantly different price movements. The assets backing both securities are the same, but the performance is widely different. Our weight was higher in the security with the positive performance.

Clere is another company in which we own a large weight. The company has over €18 per share in cash and investments yet trades south of €12.50 per share. Despite the stability of the assets, the security tends to swing around for no apparent reason; this quarter it swung in our favor. We have taken advantage of the vicissitudes to add on weakness, and when the weight gets too large for our risk profile, reduce on strength. We have no idea what the future holds for the price of the shares, but we feel confident in a stable to growing intrinsic value.

Gattaca swung from a top detractor in the second quarter of 2018 to a top contributor this quarter. We provided an update last quarter on the UK recruitment firm and explained our decision to purchase more shares in the face of weakness in that quarter's commentary. This quarter the price of the shares rebounded slightly, allowing the security to be a top contributor. We still hold a large weight in this undervalued security.

The only new addition during the period was a purchase of Italian Wine Brands (ticker: IWB IM). The wine seller does not own any vineyards, which allows for an asset light business. The company is priced at a discount relative to its peers and our own intrinsic value calculation. IWB produces copious amounts of free cash flow and could be a takeover target down the road by a competitor.

Recently international markets have lagged domestic stocks. On a year-to-date basis, the Index is down 1.43%, compared to the S&P 500's return of 10.56%. However, it is not a given that the US will always outperform the rest of the world. In fact, in the 1970s and 2000s the US was among the worst-performing stock markets worldwide. Even the 80s were tough, as a recent Wall Street Journal article highlighted that international stocks outperformed the US by an average of 6.2% per year for the 10 years ending 1986.[2] Domestic indexes have been driven by technology stocks, which are not nearly as present in the rest of the world's markets. We do not believe that the recent underperformance of international markets will last forever; however, we do not have the foresight to determine when that will reverse. However, we do believe there is ample opportunity to find investments in foreign markets that offer attractive risk-adjusted returns.

This quarter the Fund's performance was driven by securities for which we think the price moved independently of the underlying value. While a negative performance is not something to celebrate, we are comforted by the ability to add to some positions at what we believe to be attractive prices. We must remain detached from market prices, while being relentless in our assessment of value. We strongly believe we are doing so. Lastly, we are pleased our investors understand and share our philosophy, which is one that generally results in uncorrelated performance.

Thank you for your investment.

Sincerely,

Ben Franklin, CFA
Intrepid International Fund Portfolio Manager

2 Zweig, Jason. "The 'Dumb' Money Is Bailing on U.S. Stocks." *The Wall Street Journal.* 28/29 Sept. 2018, p. B5.

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 may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The risks of owning ETFs generally reflect the risks of owning the underlying securities they are designed to track. ETFs also have management fees that increase their costs versus the costs of owning the underlying securities directly.

The MSCI EAFE Net Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. The MSCI EAFE Hedged Index represents a close estimation of the performance that can be achieved by hedging the currency exposures of its parent index, the MSCI EAFE Index, to the USD, the "home" currency for the hedged index. The index is 100% hedged to the USD by selling each foreign currency forward at the one-month Forward weight. The S&P 500 Index is a broad based, unmanaged index of 500 stocks, which is widely recognized as representative of the U.S. equity market in general. You cannot invest directly in an index.

Yield is the income return on an investment. It refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. 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 refers to Earnings before Interest and Taxes. Basis Points (bps) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

As of 9/30/18, 1 USD = 0.8617 EUR (€), 1.2908 CAD (C$), 1.3844 AUD (A$)

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice or recommendations to buy or sell any security.

Diversification does not guarantee a profit or protect from loss in a declining market.

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