



Intrepid Small Cap Fund

the constant pursuit of value

September 30, 2011

Investor: ICMAX Institutional: ICMZX

For Information Please Call: 866-996-FUND

Visit Us At: www.intrepidcapitalfunds.com

PERFORMANCE

Average Annualized Total Returns as of September 30, 2011

	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/3/05	-9.11%	-6.55%	1.02%	14.64%	12.07%	10.90%
Intrepid Small Cap Fund - Inst.	11/3/09	-9.07%	-6.41%	1.28%	-	-	9.16%
Russell 2000 Index		-21.87%	-17.02%	-3.53%	-0.37%	-1.02%	0.66%^

^Since Inception returns are as of the fund's Investor Class date. The return for the Russell 2000 Index is 7.94% as of the inception date of the Institutional Class.

Per the Prospectus, the Fund's annual operating expense (gross) for the Investor Shares is 1.51% and 1.26% 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 1/31/12, respectively. Otherwise, performance shown would have been lower.

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.

TOP TEN HOLDINGS

(% of net assets)

Securitas AB	3.2%
Bio-Rad Laboratories, Inc.	3.1%
CSG Systems International, Inc.	3.0%
Mantech International Corp.	2.9%
CoreLogic, Inc.	2.8%
Regis Corp.	2.8%
Teleflex, Inc.	2.6%
FTI Consulting, Inc.	2.5%
Core-Mark Holding Co., Inc.	2.4%
Amerisafe, Inc.	2.4%

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security.

IMPORTANT INFORMATION

The information provided herein represents the opinions of the author and/or Intrepid Capital Funds management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice. The Advisor believes that current market conditions warrant a temporary 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. Investment performance reflects fee waivers, in the absence of such waivers, total return would be reduced.

Free Cash Flow: A measure of financial performance calculated as operating cash flow minus capital expenditures.

References to other funds should not be interpreted as an offer of these securities.

The Intrepid Small Cap 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 Fund's investment objectives, risks charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contains this and other important information about the investment company, and it may be obtained by calling 866-996-FUND. Read it carefully before investing.

The Intrepid Capital Funds are distributed by Quasar Distributors, LLC.

Intrepid
Capital Funds

Holding Cash Is Not a Sin

Intrepid's Jayme Wiggins discusses how keeping a cash hoard gives his team the flexibility to capitalize on opportunities when they arise.

Fund Manager Q & A | 12-02-11 | By Liana Madura

Jayme Wiggins is the lead portfolio manager of Intrepid Small Cap (ICMAX). He recently answered our questions on how exceptional performance can be achieved by avoiding risk and delivering an attractive absolute return. He also commented on how small caps continue to be priced at a significant premium relative to larger companies and that market opportunities are not attractive enough at this time to completely part with cash reserves. However, Wiggins does see some opportunities in the tech and real estate areas.

1. What do you think has driven your outperformance during the last five years?

The outperformance has come from strictly adhering to our investment process, which is based on avoiding risk and delivering an attractive absolute return. We have no interest in tethering to a benchmark, even if we look relatively silly at times. We do not have sector constraints. We own a fairly concentrated portfolio of names we know well, and we do not insist on remaining fully invested at all times. Most importantly, we only purchase stocks when we have a high degree of confidence in our valuation. If we cannot find companies that fit our investment criteria, we are perfectly content to hold cash until better opportunities arise.

In 2007 and early 2008, it was very difficult to find cheap small-cap stocks, so around 40% of the fund's assets were held in cash and Treasury bills. We avoided many of the sectors that were hit hardest during the downturn, like banks, energy companies, and cyclical businesses. Additionally, we had several larger holdings that delivered gains in 2008. We quickly invested in the fund in late 2008 and early 2009 as small-cap valuations became very attractive. Cash dropped to almost zero. Given the magnitude of discounts available, we bought several companies with more operating or financial risk than we typically take (but not both for the same firm). For instance, energy stocks constituted more than one fifth of the portfolio and benefited as oil prices rebounded. During 2010, we became more defensive starting in the fall as small-cap valuations grew increasingly stretched. This posture continued through August of this year.

2. Has the current market volatility presented any buying opportunities? What's your view of the current valuation of small-cap stocks?

The sharp sell-off in August allowed us to buy several new small-cap names and add to existing positions. New purchases included Convergys (CVG), Computer Sciences (CSC), Ingram Micro (IM), and Brady (BRC). Nevertheless, the broader small-cap market is not offering abundant bargains today. Small caps continue to be priced at a significant premium to larger companies. One out of every five companies in the Russell 2000 does not even make money, and we do not buy those. For those firms that are profitable, margins are now near the highest levels ever. Eventually, we think margins will contract. Even if you believe current margins are sustainable, small-cap multiples are higher than warranted.

3. The fund has a considerable amount of cash. Why are you holding such a stockpile? What's keeping you from deploying your dry powder?

Our cash is a direct reflection of the opportunities we can find. In early July, the Russell 2000 hit an all-time high and our cash peaked at 41% of assets. During the summer downdraft, we deployed a significant amount of capital, and cash fell to the low 20s. We are as strict about our sell discipline as our buy discipline. With the market bounce during the fall, several of our holdings approached or crossed their intrinsic values, so cash has increased. Currently, cash is in the high 30s as a percentage of the fund.

Many investors view cash as a sin, but cash gives us the flexibility to capitalize on opportunities when they arise. If we could find 30 high-conviction ideas, then we would be fully invested today. We are pleased with our current holdings, but our view is that today's market opportunities are not attractive enough for us to completely part with our cash reserves. Obviously, the risk to this stance is that performance will trail in a rising market. We are willing to accept this risk, if you can even call it a risk. To us, it makes no sense to own overvalued stocks just because they might go up more. We are not seeking

consistent outperformance but instead a consistent process. That process centers on protecting capital in ugly markets and participating in rising markets.

4. You have an outsized exposure to the tech industry. What about that industry do you find attractive right now?

It is not an industry call but a bottom-up recognition that certain companies classified as technology stocks currently have characteristics we find attractive. First, 20% of the fund is classified as falling in the technology sector, but that definition is fairly liberal. For example, we own two payment processors whose fortunes depend on the level of credit and debit card activity.

With that said, the fund has expanded its weighting in companies that offer IT and other outsourcing services. These firms are currently trading at low earnings multiples, they generate consistent cash flow, and they have good balance sheets. Each of the stocks has been affected by a different issue. Computer Sciences is being punished because of continued doubt over a major contract and temporary margin pressures in one of its three segments. ManTech (MANT) is suffering because of uncertainty over defense spending. CSG Systems (CSGS) might be trading cheaply because of concerns over potential customer losses. In each case, we believe the primary issue is fully priced into the stock. The ultimate performance of these names should depend more on a resolution of company-specific questions than how the overall technology sector fares.

5. With the real estate market dwelling in the basement, what do you like about CoreLogic?

If conditions for a company are depressed, we are more likely to own it. A large part of our time is spent determining normalized earnings. CoreLogic (CLGX) has exhibited more volatility than our typical holding. We started a position with the understanding that housing market conditions were challenging, but we believed CoreLogic's unique portfolio of businesses would enable it to perform decently. The company's competitive position is very strong in several areas because of its detailed property and consumer databases. Poor forecasting by management, in combination with the negative impact of the Dodd-Frank bill on CoreLogic's appraisal business, led to a dive in the stock price in early August.

We more than doubled our stake as the stock reached levels that implied almost no value for the part of CoreLogic's business driven by mortgage originations and defaults. Management announced they were exploring strategic alternatives at the end of August, which

led to a nice bounce in the stock price. We are not sure whether this process will result in a sale. Although we have reduced our position, we believe CoreLogic's shares still offer value, particularly when compared with other companies that provide data analytics. CoreLogic's fundamentals can improve without a substantial rebound in housing activity, upon which only about half of its businesses depend. We expect an eventual rotation from refinancing mortgage originations to purchase originations, but we believe the overall level of normalized origination activity is only modestly higher than existing levels. CoreLogic needs to effectively execute its cost-reduction initiatives and hone its focus on its higher-margin, less cyclical businesses.

Liana Madura is an assistant site editor with Morningstar.com.