Intrepid Capital Funds *the constant pursuit of value*

INTREPID SMALL CAP FUND

4Q2014

4th QUARTER 2014 COMMENTARY

DECEMBER 31, 2014

PERFORMANCE

	Inception Date	Total Return Qtr.	Total Return YTD	Total Return 1 Year	Average Annualized Total Returns as of December 31, 2014 3 Year	5 Year	Since Inception
Intrepid Small Cap Fund - Inv.	10/03/05	-0.89%	1.30%	1.30%	7.23%	8.33%	10.39%
Intrepid Small Cap Fund - Inst.	11/03/09	-0.75%	1.54%	1.54%	7.49%	8.60%	9.53%
Russell 2000 Index		9.73%	4.89%	4.89%	19.21%	15.55%	7.99% ^

^Since Inceptioon 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 17.16%.

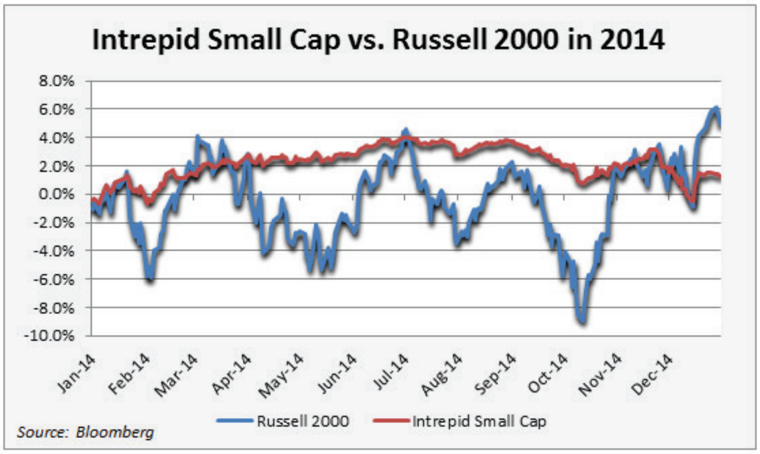
Performance data quoted represents past performance and does not guarantee future results. *Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance 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 expenses (gross) for the Investor Share Class is 1.42% and for the Institutional Share Class is 1.17%. 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 1.40% and 1.15% through 1/31/16, respectively. Otherwise, performance shows would have been lower.

January 6, 2015

Dear Fellow Shareholders,

The year 2014 was frustrating for us. High quality investment opportunities remained scarce throughout the period. The Intrepid Small Cap Fund (the "Fund") led its Russell 2000 benchmark for most of the year, with the largest favorable gap achieved in mid-October. However, after that point, the broader small cap market staged a recovery, while the Fund's performance languished. On several occasions during 2014, the Russell headed lower and appeared to be threatening deeper losses. Each time, small caps rallied back, and they ended the year near record highs.



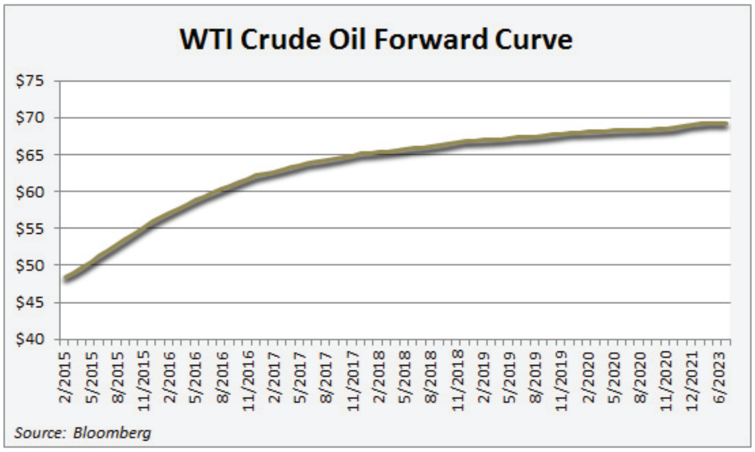
Over the past three years, the Fund has significantly underperformed its benchmark, primarily because of our large cash position and refusal to purchase small cap stocks that we believe are overvalued. Even in hindsight, we think we've done the right thing. The Russell 2000 traded for 93x unadjusted earnings as of December 31, 2014, according to Bloomberg data. We expect small caps to ultimately suffer a severe and painful adjustment.

For the fourth quarter ending December 31, 2014, the Intrepid Small Cap Fund lost 0.89%, while the Russell 2000 Index gained 9.73%. The Fund's underperformance can be attributed to investments in energy-related firms and our cash high position, which ended the quarter at 68.4% of Fund assets. For the 2014 year, the Fund returned 1.30% versus 4.89% for the Russell 2000 benchmark. The Fund's equity-only performance was 6.33% in 2014.

The top investment story of the quarter was the oil price freefall, which accelerated after Thanksgiving when OPEC decided against reducing production. Global oil supplies have continued to rise, while oil demand growth is tapering. There's an imbalance that has been mainly created by an explosion in U.S. shale oil production. The U.S. shale revolution has been fueled by the aggressive application of horizontal drilling and hydraulic fracturing techniques and equally aggressive balance sheet expansion, as E&P (exploration & production) companies have gorged on cheap credit. That party is over.

Over the past three months, we have spent a significant amount of time evaluating opportunities in the energy sector. It's not the easiest area to invest in, given the lack of predictability and minimal cash generation. Most energy companies have both financial and operating leverage, and this can be a dangerous combination in oil price environments like the current one. With that said, turmoil often creates investment opportunities. Shell-shocked investors have quickly turned uber-bearish on the energy sector, and many former cheerleaders now deem the sector to be uninvestable. Journalists are falling over themselves with bold headlines of the newest, lowest breakeven price for oil production. We do not expect oil prices to persist at current levels ($48.50 West Texas Intermediate) for an extended period of time, and we have established new positions in several E&P companies.

We will discuss our individual energy stock picks later, but our general thesis hinges on a partial rebound in oil prices beyond what is implied by the current forward price curve. Without that, we would not expect these investments to be successful. We do not know when oil prices will begin to recover, but we think it will happen within the next 18 months. Our expectation for a rebound in oil is based on two primary beliefs: 1) The breakeven price for most U.S. producers is higher than the figures being bandied about by the media, and 2) It is not in Saudi Arabia's interest to let oil prices remain at current levels for a long period of time.



U.S. Shale Breakeven Price

A cursory glance at the trailing twelve month income statements (ending September 30, 2014) of domestic E&P companies reveals that nearly 1 out of 5 had insufficient operating income to cover their interest expenses, and this performance reflects a period of strong oil prices. Ignoring the impact of hedges, the profit picture will considerably darken in the coming quarters. Some companies are not likely to survive the tumult. Who fades first? Those producers with high leverage, high production costs, and minimal hedges are expected to bite the dust before others.

Six months ago, energy industry commentators were citing $80 per barrel as a floor for oil prices, based on full cycle breakeven costs for marginal producers. Now some observers are citing cash production costs for efficient U.S. producers of $15 or $20 per barrel as a theoretical bottom. Soon they might say the price of oil should be determined by the minimum wage of a Saudi oilfield worker. Let's distinguish between near-term and long-term price floors. In the short run, oil should not trade below the marginal cash cost of production. The cash cost includes lease operating expenses (such as labor), transportation expenses and production taxes, but it excludes sunk drilling costs and non-well specific expenses like overhead and interest. If oil trades below the variable cash cost of production, a producer is burning cash with every additional barrel and is better off "shutting-in" an oil well (i.e. turning off the tap).

In the long-run, oil should trade closer to the full cycle total cost of the least efficient producers who are helping to satisfy global

Top Ten Holdings	(% of net assets)
Corus Entertainment, Inc. - Class B	3.3%
Bio-Rad Laboratories, Inc.	3.1%
Amdocs Ltd.	3.1%
Tetra Tech, Inc.	3.1%
IPSOS	2.6%
Dundee Corp. - Class A	2.1%
Ezcorp, Inc., 06/15/2019 2.125%	2.0%
Pitney Bowes Intl Pfd Stock	1.7%
SM Energy Co.	1.6%
Sandstorm Gold Ltd.	1.4%

Top ten holdings are as of December 31, 2014. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

crude oil demand of 92 million barrels per day. The full cycle cost includes the cost to drill new wells, produce oil from current wells, and general expenses to operate a business. While U.S. shale is not the least efficient slice of global production, it has a large market share, its cost structure is far above OPEC, shale oil production declines rapidly without reinvestment, and capital spending decisions are much more responsive to oil price movements than those at state-controlled entities. As a result, the U.S. is now viewed as the swing producer in global oil markets. Therefore, the burden of solving the global oil glut could fall on the shoulders of the U.S. energy industry. Saudi Arabia, the key voice within OPEC, has said that it won't intervene to support the market.

Despite plummeting oil prices, U.S. oil production has continued to rise. We have seen countless articles citing the lack of any U.S. supply adjustment to date as evidence that U.S. companies are playing a game of chicken with Saudi Arabia. We disagree. Most U.S. producers have, wisely, cried uncle. Major players such as Continental Resources have announced substantial cuts to their capital spending budgets for 2015. Some weaker operators, like American Eagle Energy, have decided to stop drilling altogether. Rig counts have started to fall and this trend will intensify in the coming months. However, there is a time lag between capital investment cuts and when production begins to fall. The high decline rate of shale wells increases the odds that a decrease in U.S. production will be impactful.

If the breakeven price for marginal producers was around $80 per barrel six months ago, it's going to be lower six months from now. Energy service companies will reduce prices in order to support the utilization rates of their equipment. Ironically, this cost relief would seemingly help perpetuate the disease of low oil prices. Yet, we don't think it will be nearly enough to offset the loss in revenue from commodity weakness.

We believe that most U.S. E&P companies will not make money at current oil prices. They will sharply reduce investment, which will eventually curtail supply. Lower supply should have a beneficial impact on oil prices, holding demand constant. This adjustment process will take time, and we expect there to be casualties along the way. Favorable hedges will buy time for many operators, and everyone will shift drilling spending toward the acreage that offers the best returns. The industry is entering survival mode, and it's our job to determine who can hold their breath long enough for the tsunami to pass.

Saudi Arabian Game Theory

Saudi Arabia is the world's largest and lowest cost oil producer. It costs them just over $20 per barrel to extract oil. Their Middle Eastern OPEC neighbors follow them in efficiency. Saudi Arabia currently supplies 9.6 million barrels of oil per day (bbls/d) and accounts for 10.5% of global production. They are the leading member of OPEC, whose collective membership represents one third of global oil supply. OPEC's overall market share has declined over the years, not because they are producing less, but because other countries are producing more. Ten years ago, the Saudis produced 9.1 million bbls/d of crude oil and had an 11% share. According to the U.S. Energy Information Administration, three years ago U.S. crude production was 5.875 million bbls/d. Now it's over 9 million bbls/d and growing.

In the past, Saudi Arabia and OPEC have addressed oil price weakness by cutting production. As oil prices began faltering this quarter, Saudi Arabia asked Mexico and Russia to participate in a production cut with OPEC. Press reports indicate that Russia would not agree to an output cut. As a result, the Saudis decided that OPEC would not intervene to prop up oil prices. Their rationale is that the most efficient producer should not cede market share to higher cost producers like U.S. shale companies or Russia. Their position makes sense—Saudi oil is low cost and the country has a large war chest of foreign exchange reserves. They can outlast marginal players, but that doesn't mean they are indifferent to lower prices.

Oil revenue accounts for 90% of total government revenue for the Kingdom of Saudi Arabia. Today's oil prices create a material budget deficit for a country that previously ran huge surpluses. The Saudi stock market is tanking. More vulnerable OPEC members like Venezuela and Iran are screaming for relief. Brent crude oil prices have fallen by half and have probably overshot the floor where Saudi Arabia thought they would settle after their OPEC announcement. The Kingdom's 2015 budget currently models government revenues that are approximately 32% below 2014. If oil prices do not improve, their lowered projections may still be too optimistic. Most people would rather have more money than less money. That includes Saudi oil sheikhs.

The Prisoner's Dilemma is an example from Game Theory that demonstrates why two rational individuals might not cooperate, even if doing so would create the optimal outcome for both. In the classic version, two criminal accomplices are being held separately and must decide whether to confess to a crime. If they both betray each other, they serve time for the crime. If they both keep quiet, they serve a reduced sentence. If one betrays the other, the snitch gets off scot-free while the other faces an even harsher sentence.

We think the Prisoner's Dilemma can be applied to the roles of Saudi Arabia and U.S. shale producers in global oil markets, with some important caveats. The dilemma, in this case, is whether or not to cut oil production. The first caveat is that Saudi Arabia is part of OPEC, and not all members have the same financial strength and cost structure. Similarly, the U.S. shale industry is comprised of numerous players who don't always act in concert. Nevertheless, the optimal combined decision in this Prisoner's Dilemma is for both Saudi Arabia/OPEC and U.S. shale producers to reduce supply. This would result in the highest oil price, and the required aggregate reduction in volume would be modest.

Saudi Arabia / OPEC

U.S. Shale	Cut	Don't Cut
Cut	Highest oil price Same market shares, but less volume	Oil prices eventually improve Reasserts OPEC dominance as low cost producer
Don't Cut	Temporary oil price improvement Unclear if U.S. shale learns a lesson	Lowest oil price U.S. bankruptcies, poorer Saudi Arabia

The worst combined outcome, which would bring the lowest oil price, is if neither the Saudis nor shale companies cut production. The second important difference between this dilemma and the original is that the prisoner punishments are not equal. If neither player yields, the Saudis receive the equivalent of a prison yard beat down, while U.S. shale companies get the electric chair. Because the shale industry faces a potentially fatal outcome, they will avoid this at all costs.

Hence, we come to the third key distinction between the classic Prisoner's Dilemma and the current oil predicament. Unlike the original dilemma where decisions must be made simultaneously and are permanent (i.e. if one criminal tattles the other can't tattle later), decisions about oil production are dynamic. Domestic E&Ps could wait to see if OPEC would come to the rescue, as they have before. If the Saudis had cut production and U.S. shale kept charging ahead, oil prices would probably improve temporarily, but the industry might be dealing with the same issue again in short order.

In our opinion, Saudi Arabia's recent decision to not cut production was rational. In contrast to the credit crisis, when the oil market imbalance was caused by a rapid drop in demand, in this case new supply is smothering the market. Weaker oil demand growth from China and elsewhere is a secondary factor. The Saudis are sensibly waiting for high-cost suppliers to pull back so that OPEC doesn't yield further market share. Once the hard lesson is learned by higher-cost producers that they can't rely on an OPEC bailout, we think that oil prices will improve and global energy markets will return to some semblance of normality.

Many have speculated on political reasons for Saudi Arabia to embrace lower oil prices. While geopolitical motivations may be relevant, we won't go there. At the end of the day, revenues matter, and we believe that Saudi Arabia and others within OPEC have little desire for long range Brent prices of $50 per barrel. Saudi Arabia's government net oil revenue is roughly $250 billion in years when Brent trades around $100 per barrel. They are modeling around $160 billion for 2015, but it could be less than $120 billion at $50 Brent. That assumes flat production of 9.6 million barrels per day.

We don't believe OPEC intervention will be necessary for oil prices to rebound in the next 18 months. Nonetheless, hypothetically, what might happen to oil if Saudi Arabia singlehandedly cut production by 1 million barrels per day? That would still keep them 1 million barrels above their 20 year production trough of 7.6 million (achieved in 2002), and it would arguably help bring global markets into balance. An oil price of $80 would improve the Kingdom's budget picture substantially and could still be low enough to squeeze marginal U.S. E&Ps and other high cost producers. It could be a Goldilocks outcome for Saudi Arabia--$100 Brent is too high, $50 Brent is too low, but $80 Brent is just right.

Some people have suggested that Saudi Arabia and certain OPEC members could engage in a scorched earth policy by promoting even lower sustained prices in order to eradicate the competition. The theory is that once they are stepping over the carcasses of every other oil-producing country and corporation, their dominance over global markets will be clear and oil prices will skyrocket. We don't buy this strategy. While debt-laden companies may go bankrupt, their reserves in the ground don't go away. High cost oil will reappear at higher oil prices. Moreover, OPEC doesn't have the capacity to meet the world's oil demand on its own.

Fourth Quarter Energy Purchases

Oil prices could go lower in the near-term, but we believe that reductions in capital investment by higher-cost producers will bring the market into balance and result in higher prices. We have tried to structure our portfolio to benefit from this outcome. However, most U.S. small cap E&Ps carry high levels of debt, with a median Net Debt to EBITDA of 2.7x for firms under $5 billion in market capitalization. Excessive debt makes survival more questionable in a stressed commodity environment. Overall leverage across the energy sector is greater than in past cycles. Investors have to make tradeoffs—you generally must pay high multiples for producers with clean balance sheets and robust drilling economics. We've tried to pick our spots carefully and believe that we have a reasonable balance of risk and reward.

During the fourth quarter, we purchased four new positions in energy companies: SM Energy (ticker: SM), Unit Corp. (ticker: UNT), Northern Oil & Gas (ticker: NOG), and Contango Resources (ticker: MCF). We also continue to own a small weight in Newfield Exploration (ticker: NFX). Two of the new purchases were made prior to the seminal OPEC meeting and two were made after it. During the quarter, we incurred a significant unrealized loss on one new position, single digit percentage losses on two, and earned a modest gain on the fourth. The total quarterly impact to the portfolio from E&Ps was -1.16%, or -1.85% if you include another preexisting investment with energy exposure. We don't often succeed in picking the bottom when making investment purchases, and the volatility associated with commodity prices makes it that much harder for oil stocks. Our policy is to average down as prices fall, which we did over the fourth quarter. Nevertheless, the severity of the price decline exceeded our expectations.

SM Energy is a $2.3 billion market cap E&P with operations mainly focused on the Eagle Ford and Bakken shale plays, with additional interests in the Permian and Powder River Basins. SM prides itself as an exploration trailblazer that enters attractive energy plays early on at a favorable cost per acre. The result is a return on capital that is higher than most peers. The firm has a long history of conservative balance sheet management, with Net Debt/EBITDA of 1.3x, placing it well below the U.S. E&P median. In the past, the stock has suffered a discount because of the perception that SM did not have a deep inventory of drilling prospects. We think this was partly a self-inflicted circumstance due to management's conservative reserve estimation. The company's current reserve life (proved reserves/production) is 9 years, and it's longer in SM's core, higher-return shale plays. SM is the Fund's largest individual E&P position at 1.6% of assets.

Unit Corp. is a longstanding, diversified energy company based in Oklahoma that has three business lines: oil and gas exploration and production, contract drilling, and midstream operations. We believe Unit is a good way to gain exposure to the sector without taking meaningful balance sheet risk. Unit's leverage is less than 1x trailing EBITDA. The company has proved reserves of 160 million barrels of oil equivalent, owns 119 drilling rigs, operates 1,500 miles of pipeline and processes a significant amount of natural gas through its facilities. Unit is less oily than some of our other purchases, with natural gas comprising 60% of reserves, natural gas liquids (NGLs) 26%, and oil only 14%. Natural gas is currently facing its own headwinds, partially due to a warm winter, but we would note that gas rebounded significantly after its 2012 trough of below $2 per mcf (thousand cubic feet). Of course, natural gas is a different animal than oil, given that gas supply and demand is a largely domestic phenomenon. Oil is still the more precious of the two commodities today. Yet, we are pleased to own the stock of Unit Corp., which has suffered like more oily, leveraged companies, but it has a balanced portfolio.

Northern Oil & Gas is the largest non-operating oil company in the Bakken. It owns small working interests in 25% of the wells drilled in the Bakken to date and partners with nearly all major producers. Debt/EBITDA of 2.5x is the highest among our new purchases, and the Bakken is generally a lower-return play than the Eagle Ford or Permian due to wide oil differentials (i.e. lower prices) because of inadequate transportation capacity. As a result, Northern Oil is our most speculative position and currently comprises 1% of the Fund's assets. The company has hedges that lock in high oil prices of $90 on the vast majority of production for the next 18 months. In fact, Northern appears to be more hedged than any of its Bakken-based peers. We believe that the company's non-operating model provides significant flexibility, as Northern can decline to participate (non-consent) on specific wells while retaining most of the related acreage. The company's overhead expenses are also quite low. Other parties have shown interest in the non-operating model, including Leucadia, which formed a venture called Vitesse in May 2014 that is acquiring non-operating interests in the Bakken field. Lastly, we expect Bakken oil price differentials to decline over the next couple of years as pipelines come online. This should make the play's overall economics more attractive.

Contango Resources is the byproduct of a merger between Contango Oil & Gas and Crimson Exploration. Contango was a Gulf of Mexico offshore gas producer with mostly developed reserves. It had a pristine balance sheet and generated positive free cash flow in each of the 5 years before the merger, which is almost unheard of in the E&P sector. Crimson was an onshore liquids producer with more undeveloped reserves and a material amount of debt. Contango's founder Kenneth Peak died of brain cancer in April 2013, which created a leadership void. The merger gave Contango a management team and more drilling inventory and gave Crimson financial breathing room and cash flowing assets. We were attracted to the company's excellent balance sheet, which has minimal debt, and management's pledge to drill within cash flow. Additionally, when we purchased Contango early in the quarter, it traded at one of the lowest multiples in the sector, and its Enterprise Value was below the Standardized Measure of Discounted Future Net Cash Flows. That's unusual in the energy sector, as most stocks imply significant value for unproved resources.

Our current combined allocation to energy stocks is 5.5%, or 7.6% if you include our position in Dundee Corp. (ticker: DC/A CN), which is a Canadian holding company with some energy exposure. A general theme is that we own less leveraged E&Ps, with the exception of Northern Oil & Gas, which has a ratio of debt to cash flow that is comparable to the typical small cap E&P. Our holdings with more debt, like Northern, are more hedged. Our energy holdings represent a significant portion of the Fund's *invested* capital, but we do not consider the total exposure to be aggressive. The individual weights are modest, and we are willing to increase the position sizes under the right circumstances. However, we are mindful of the risk of buying energy companies before a recession is evident. We do not believe that the U.S. or global economy is healthy, so there is a risk that a future oil demand shock could further pressure the volatile share prices of energy producers. Our current Fund exposure reflects a delicate balance between our views about the risk of a global recession and expectation that oil prices will be higher under normal conditions.

Other Portfolio Activity

In addition to our energy investments, we established two other new positions in the fourth quarter: Sandstorm Gold (ticker: SAND) and EZCORP's 2.125% convertible bonds (CUSIP 302301AA4). Sandstorm Gold is a precious metals streaming and royalty company that had cash and investments accounting for almost half of its market cap at our entry price. A metals streaming arrangement is another financing vehicle for miners. In return for upfront payments, Sandstorm has the right to purchase, at a fixed price per ounce, a percentage of a mine's precious metal production for the life of that mine. Sandstorm's stock had been smashed by falling gold prices and concerns about the viability of one of its key precious metals streams. The company's clean balance sheet and high cash flow business model make it safer than most miners, in our opinion. Yet, because Sandstorm has partnered with several junior miners, its stock price carried the perception of severe credit risk. As a result, the stock traded for a multiple far below other streaming and royalty companies. We believe the risk that Sandstorm's streaming partners would fold was fully priced into the shares. In fact, Sandstorm's Enterprise Value was just over 6x its trailing and expected free cash flow.

EZCORP operates 1,400 pawn and financial services stores across the U.S., Mexico, and Canada. Pawn loans are usually small, non-recourse loans collateralized by personal property. Jewelry accounts for over half of pawn collateral. In addition to making secured loans, pawn operators earn revenue by retailing forfeited collateral at their stores and selling gold jewelry to wholesalers ("scrapping"). EZCORP's financial services lending operations include standard payday loans, as well as longer-term installment loans. The pawn operations account for the majority of the company's earnings. Over the past two years, declining gold prices have crushed EZCORP's jewelry scrapping profits, the consumer lending business has faced elevated regulatory risk, and the company's controlling shareholder has made dramatic changes to EZCORP's leadership. We have major concerns about the sustainability of the financial services operation, which is already showing cracks. Nonetheless, we believe our bonds are well-covered by the both the cash flow stream of the pawn business and the tangible asset value of the enterprise. Our purchase of EZCORP's convertible bond was made at a yield to worst exceeding 6%, which was comparable to prevailing junk yields while retaining a valuable option on the stock. Furthermore, as the bond represents a contract, we are less beholden than stockholders to the whims of Phillip Cohen, EZCORP's notorious controlling shareholder.

We sold four stocks in the quarter, including Global Payments (ticker: GPN), FTI Consulting (ticker: FCN), Telephone & Data Systems (ticker: TDS), and Aspen Insurance (ticker: AHL). Each of these stocks exceeded our intrinsic value estimate.

The Fund's largest contributing gainers in the fourth quarter were Ipsos (ticker: IPS FP), Sandstorm Gold, and SM Energy. Ipsos's last quarterly information disclosure indicated that the market research firm's sales trends have stabilized. Ipsos's stock may also have benefited from speculation that the company could be sold, since one of the company's co-CEOs passed away unexpectedly. Sandstorm Gold's stock is volatile, and it rebounded strongly on the modest recovery in gold prices as the quarter ended. One of the firm's key junior miner streaming partners has an all-in cost of production that is close to current gold prices, so any improvement in the price of gold increases the viability of that streaming deal. We purchased SM Energy later in the fourth quarter, and although oil prices continued to slide, the stocks of many energy producers staged a slight rebound in the final weeks of the year.

The Fund's biggest detractors in the quarter were Northern Oil & Gas, Dundee Corp., and Corus Entertainment (ticker: CJR/B CN). We bought Northern Oil & Gas earlier in the quarter, and it felt the full brunt of the energy sector's weakness and was the Fund's most material losing position.

Dundee Corp.'s stock also suffered from energy market mayhem, but we believe the impact may have been excessive. Dundee is a holding company based in Canada with interests in a variety of resource-oriented businesses. Energy investments comprise less than one quarter of Dundee's book value. The company's largest energy investment is United Hydrocarbon (UHI), an exploration company focused on the Republic of Chad, which has exclusive drilling rights to 4 blocks of land that contain a significant amount of reserves and resources. A handful of large energy companies operate in Chad, including Exxon, Petronas, Glencore, China National Petroleum Corporation, and Taiwan's Overseas Petroleum and Investment Corporation. Some of these have acreage adjacent to UHI's blocks of land. UHI is still about a year away from producing oil, but our research on competitors indicates a lower cost of production in the region compared to U.S. shale outfits. Dundee has provided nearly all of UHI's funding, so there appears to be little risk that an outside creditor could force a liquidity event. We believe UHI should halt drilling activities until oil prices improve.

Another factor that negatively impacted Dundee's stock is its investment in DREAM Unlimited (ticker: DRM CN). DREAM is a Canadian real estate company which has seen its stock collapse. The majority of DREAM's assets and earnings have come from land development. The company owns over 8,000 acres in the Western Canadian provinces Alberta and Saskatchewan, and these areas have experienced strong growth due to resource industries like oil & gas, potash, agriculture, and diamond mining. Management believes DREAM purchased its land at an attractive cost basis and that "the current market value is substantially greater than book value." Sell side analysts have estimated land value of 2.5x carrying value. Yet, a strong argument can be made that Canada's housing market is in bubble territory. In our opinion, such concerns are valid, but we believe the current DREAM stock price is already assigning little premium over book value to the company's land holdings. Furthermore, although DREAM's roots lie in land development, its future is in serving as an asset manager.

DREAM provides management services to three listed REITs (real estate investment trusts) and a mutual fund trust. DREAM's real estate professionals effectively manage these entities, choosing which assets they buy and sell and how to optimize results. DREAM collects base management fees ranging from 0.25% to 1% of the gross assets of each of these vehicles, and it also earns a percentage of the value of new acquisitions, capital expenditures, and capital raises. It's a good setup of recurring revenue for DREAM, and we believe the asset management business mitigates concerns about DREAM's housing market exposure. We would note that Dundee's share price fell more in the quarter than the value of their entire investment in United Hydrocarbon and unrealized loss on DREAM. If we reflected the updated price of DREAM and completely zeroed out all of Dundee's energy holdings, Dundee's stock would still be trading at a one third discount to book value. We think investors are pricing in outcomes that are too heinous.

Corus Entertainment was the Fund's third largest detractor in the fourth quarter. The company's shares fell sharply after it reported earnings in late October and reduced fiscal 2015 guidance. Corus experienced a meaningful organic decline in television advertising revenue. Advertising fell even as ratings remained solid for Corus's core television networks. The weakness was concentrated in women's networks, where Corus has leading properties. Management blamed three factors, including an adverse change in the Canadian dollar exchange rate, account movements between ad agencies, and competition from digital platforms. The overall television advertising market in Canada was soft, but Corus underperformed peers. Further research led us to conclude that the most important factor was a competitive loss of advertising share because Corus did not reduce prices as quickly as competitors like Shaw. We'd be more concerned about Corus if the firm's women's network ratings were falling, but they're not. We believe the company has an opportunity to right the advertising ship in the upcoming fiscal year.

Corus's stock may also react to pending announcements from the Canadian Radio-television and Telecommunications Commission (CRTC) that could require television broadcasters to offer programming on a "pick and pay" (a la carte) basis. The CRTC has engaged in a public dialog with the industry and seems to be aware of the potential severe negative consequences from implementing a rigid pick and pay system where broadcasters are forced to break up TV bundles. We expect the CRTC to implement a neutered version of their original proposal that preserves the desirable economics of owning and operating television networks. Corus's free cash flow yield rose to 10% on the share price weakness, and we added slightly to our position.

The beefiness of this quarter's shareholder's letter is tied to our increased activity level. Despite selling several positions and small cap indexes hitting new records, the Fund's cash declined by 5% due to new investments. Although the energy sector turmoil negatively affected our return this quarter, we welcome the volatility and opportunity to invest in unloved small caps. We hope the contagion among energy stocks spreads to the rest of the market. It has been a long, long time since we've had to engage in the sort of investment triage that is endemic to cheap stock markets. For value investors, the best feeling is having so many seemingly inexpensive ideas that you begin separating the good from the great. Today, investors are willing to stare at ideas sideways, backwards, and upside down to justify an investment thesis. Valuations are being stretched liberally. Discipline has been thrown to the wind. Bears are dropping like flies. The investment herd is warm and inviting now, but it won't always be. We have opted to walk the lonely road until order is restored. Thank you for your investment.

Jayme Wiggins

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 Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

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 S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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. Free Cash Flow Yield equals normalized free cash flow divided by the company's market capitalization. It measures how well a company generates cash from its current operations. EBITDA is calculated as the company's Earnings Before Interest, Taxes, Depreciation and Amortization. Net Debt to EBITDA is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. Enterprise Value equals market capitalization plus debt minus cash. Yield-to-Worst is the lowest potential yield that can be received on a bond without the issue defaulting.

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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