Intrepid Capital
MANAGEMENT INC.

Index Returns	
10/1/2014 to 12/31/2014	
Dow Jones	5.20%
S&P 500	4.93%
NASDAQ	5.76%
Russell 2000	9.73%

QUARTERLY MARKET LETTER
COMMENTARY
January 2015

"Patience is bitter, but its fruit is sweet."

— Jean-Jacques Rousseau

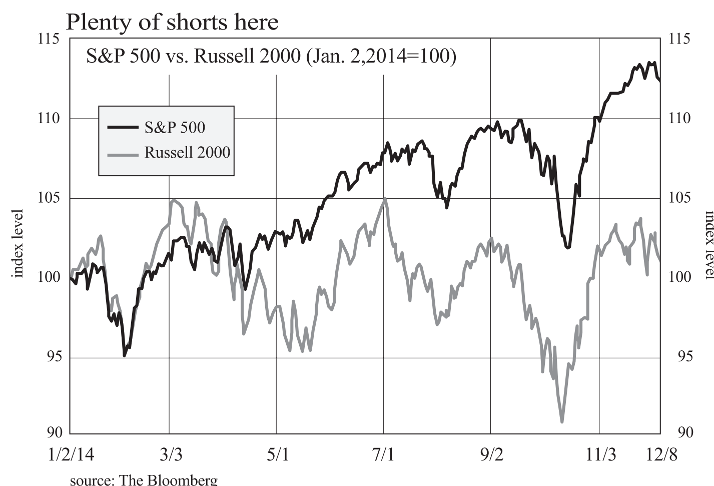
Dear Friends and Clients,

The equity markets presented us two very brief opportunities to put additional cash to work in the 4th quarter of 2014, once in mid-October and then again in mid-December. In both instances, investor psychology quickly swung to bearish sentiment, only to be just as quickly washed away by rising prices.

As an investor who operates from the basis that it all comes back to cash, it is currently very difficult to find shares in a business at these prices, where one would be happy with the cash flows to the investor. "Prices be damned," many are saying as more investors put money into index funds while hedge funds continue to close. If only it were that easy. Low cost, almost free, coupled with mindless simplicity have generally not been the way to high risk adjusted returns, until now. If you were to view the 2008 results of the Vanguard 500 Index Fund, you would probably have asked yourself if you could have really stuck with a decline of about 37%. Based on our experience with most investors, the answer is probably not. The history of the no-load mutual fund industry argues otherwise, showing investors tend to bail out at the bottom of the market when there is too much volatility. We strongly encourage you not to do this. Instead, just continue to delegate that responsibility to us!

The application of consistent and fundamental valuation techniques guides us into and out of the markets. As prices rise to meet our estimate of intrinsic value, in the absence of alternative undervalued securities, our cash balances will build. Cash in our portfolios are elevated today for that reason. Our process of carefully underwriting each stock and bond will never bat 1,000, and it might not keep up with a sharp upswing in market prices, but our primary goal to our shareholders is to protect the capital they entrusted to us.

For most of the last fifteen years, we have increased value to portfolios by searching mostly through the large universe of the small cap market, generally U.S. based companies, as represented by the Russell 2000. The Russell 2000, the S&P 500 Index, along with shorter maturity, less than investment grade bonds, as represented by the Bank of America Merrill Lynch High Yield Master II Index (BAML HY Master II) have been the place to be most of the last fifteen years, just not in 2014. See the chart to the right showing the S&P 500 versus the Russell 2000 over the course of 2014.



The Intrepid Balanced Portfolio (the "Portfolio") underperformed its primary benchmark for the quarter ended December 31, 2014. The blended benchmark of 60% S&P 500 Index/40% BAML High Yield Master II Index increased 2.51% versus the Portfolio which was flat at 0.0%, net-of-fees. The BAML High Yield Master II declined 1.06% and the S&P 500 Index increased 4.93% for the period. For the 2014 year, the Portfolio increased 5.58%, net-of-fees, compared to the BAML High Yield Master II which returned 2.50% and the S&P 500's return of 13.69%. Although the Russell 2000 Index outperformed the Portfolio in the fourth quarter with a return of 9.73%, the Portfolio defeated the index for the 2014 year, which returned only 4.89%.

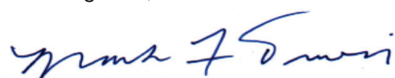
The top contributors to the quarter's performance were Staples (ticker: SPLS), Express Scripts (ticker: ESRX), and Western Union (ticker: WU). In contrast, the Portfolio's largest detractors for the quarter were Bill Barrett (ticker: BBG), Northern Oil & Gas (ticker: NOG) and Dundee Corp. (ticker: DC/A CN). Please read our other portfolio commentaries which discuss, or have discussed in prior quarters, these companies more in depth.

We expect changes in the market over the course of 2015 which we hope to take advantage of for the benefit of our clients. It will be interesting to see how the Federal Reserve works its way out of the "box canyon" in which it finds itself. Each time over the last year and a half there has been even a brief mention of rising rates, the equity and debt markets have sold off. With an aging bull market, coupled with high stock and bond prices, we believe the prices could swing dramatically. Please rest assured all of us at Intrepid Capital will be seeking higher returns than currently offered in cash, with no more risk than absolutely necessary.

Finally, we are pleased to announce the launching of our new International portfolio. This strategy will be managed according to the same disciplined philosophy we have implemented across the firm over the past 20 years. Our focus will be on developed markets outside the United States. Think Australia and France, not North Korea or Zimbabwe! This portfolio is being led by Ben Franklin, CFA. In October, Matt Parker, CPA joined Intrepid Capital to assist our investment team as a new research analyst, and is focusing on analyzing potential international investments. Please contact Matt Berquist or Chris Pilinko if you would like to discuss investing in this new product.

Thank you for entrusting us with your hard earned capital. If there is anything we can do to serve you better, please don't hesitate to call.

Best regards,

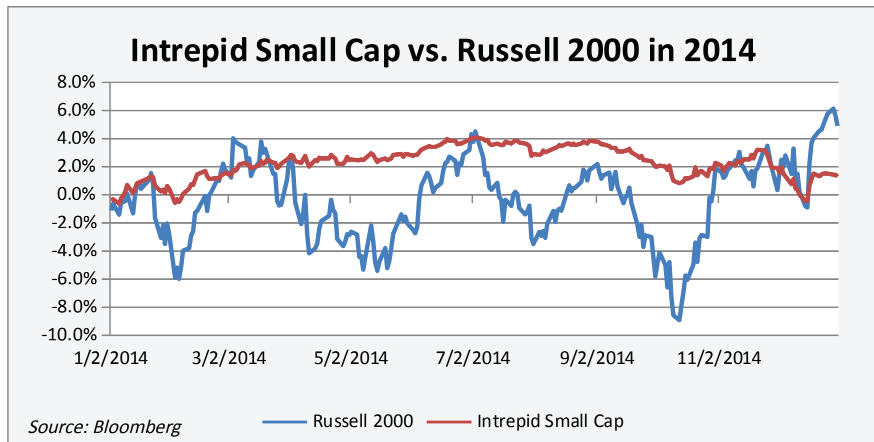


Mark F. Travis

President/C.E.O.

SMALL CAP PORTFOLIO – COMMENTARY BY JAYME WIGGINS, PORTFOLIO MANAGER

The year 2014 was frustrating for us. High quality investment opportunities remained scarce throughout the period. The Intrepid Small Cap Portfolio (the "Portfolio") 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 Portfolio'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 Portfolio 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.

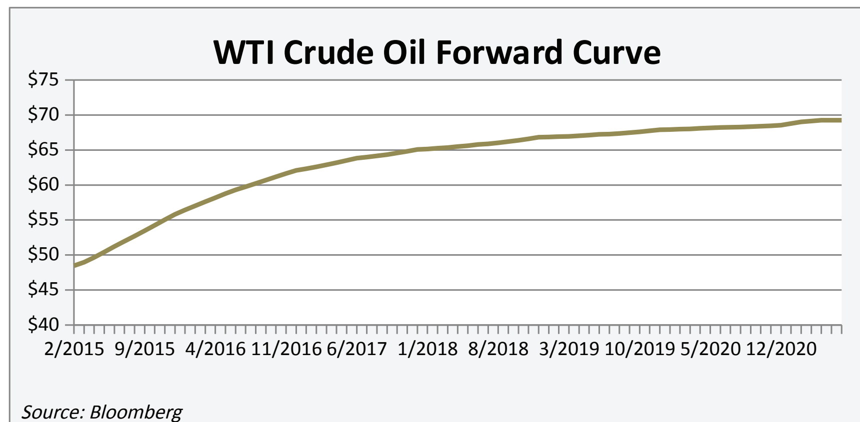
For the fourth quarter ending December 31, 2014, the Intrepid Small Cap Portfolio lost 0.71%, net-of-fees, while the Russell 2000 Index gained 9.73%. The Portfolio's underperformance can be attributed to investments in energy-related firms and our cash high position, which ended the quarter at 68.4% of Portfolio assets. For the 2014 year, the Portfolio returned 1.69%, net-of-fees, versus 4.89% for the Russell 2000 benchmark. The Portfolio'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 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.

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.

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

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 Portfolio'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 Portfolio'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 Portfolio'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 Portfolio 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 Portfolio'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 Portfolio'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 Portfolio'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 Portfolio'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 Portfolio'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.

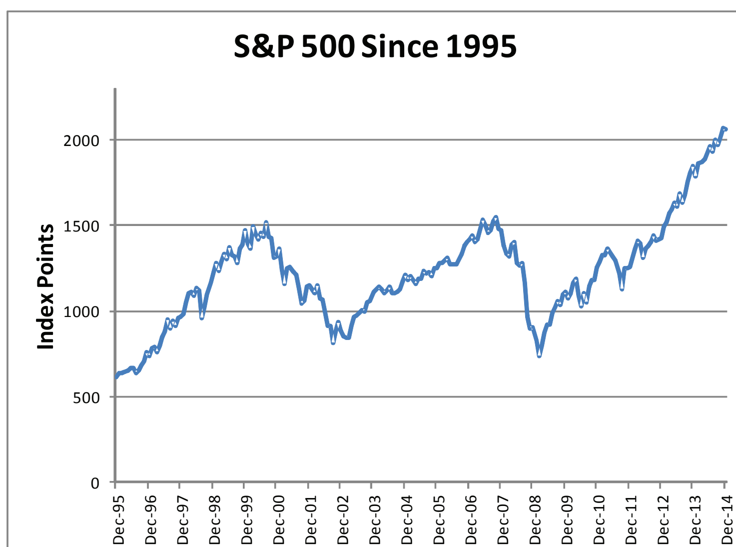
DISCIPLINED VALUE PORTFOLIO – COMMENTARY BY GREG ESTES, PORTFOLIO MANAGER

Stocks rallied in the fourth quarter to finish strong, with the S&P 500 Index up 4.93% in the quarter and the Russell 3000 Index up 5.24%. The Intrepid Disciplined Value Portfolio ("the Portfolio") finished the fourth quarter with a gain of 2.28%, net-of-fees, as exposure to mineral and oil commodities weighed down the rest of the portfolio (more on the below). For the full year, the S&P 500 Index was up 13.69% and the Russell 3000 Index was up 12.56%. In our Q3 letter, we made note of the fact that large capitalization stocks were generally posting better returns than smaller capitalization stocks. The fourth quarter was a bit of a reversal, although the trend held for the full year. For 2014, the Portfolio posted a gain of 8.09%, net-of-fees.

The stock market has been moving up since April 2009, which marked the end of the 2008/2009 bear market. Since then, the S&P 500 has posted an annualized return of 20.44% from March 31, 2009 through December 31, 2014. In contrast, the Portfolio has generated an annualized return of 15.40%, net-of-fees. We believe that in times like these, when the market is in such an extended bull period, it is helpful to stop for a bit of introspection. Answering a few key questions can be helpful in understanding why we have done what we have.

With nearly 45% cash at year end, you are positioned very defensively and have been for some time. Why?

For many investors, the high cash level jumps out at them. Why should I pay to hold so much cash? However, we believe that investors pay us to invest their money as we would invest our own. As a matter of fact, these Portfolios are our primary long-term investments. We are a bottom-up manager that wants to own businesses trading at discounts to their intrinsic values. If we cannot find a company to buy, we will default to cash, rather than increase the weights in the companies we currently own. This is done to limit risk in any one company. Does it mean we are taking risk of relative underperformance in comparison to index benchmarks? Absolutely, but we inherently believe that it is preferable to underperform on a relative basis than perform poorly on an absolute basis. We believe therefore, that our clients are paying us primarily for our ability to assess the intrinsic values of businesses and own the ones that are trading for less than those businesses are worth. There are two parts to this assessment. The first is in buying businesses that we deem to be trading for discounts to intrinsic values. The second and often more difficult task, is selling—or not owning—businesses that are trading above their intrinsic values. Maintaining this process is critical. Therefore, in light of how we strive to conduct ourselves, a market that has posted an annualized gain of more than 20% over the past five years will make it *very difficult* to find stocks to buy and necessitate holding more cash.



Source: Bloomberg

Shouldn't you change how you invest in light of the current environment?

This question arises often in times of relative underperformance. In the late 90s, the nascent Internet environment was referred to as a "New Paradigm" that justified owning stocks at extreme multiples. In the mid-2000s, a credit bubble propelled stocks to new heights. Today, it is the low interest rate environment set by the Federal Reserve that we believe is the primary fuel for this stock market. The question asked illustrates a way of thinking that is alien to us at Intrepid because it implies that an investor should go along with the herd—at least for some indeterminate period of time—and "ride the current wave." Would it have benefitted us to be fully invested during this low rate environment? Of course. Would it have violated our core philosophy and process to fully invest the Portfolio? Without a doubt it would have. By doing that, we would have surrendered our primary role as evaluators of businesses and become prognosticators of future interest rate changes. And by putting ourselves in that position, if (and when) the market begins to sell off, we will have placed ourselves in a very poor position to take advantage of future stock prices while fully participating in a declining market. We want to do what we believe is right for our clients, even if it means we might fall out of favor versus index benchmarks.

When will the market turn? Or what will cause it to turn?

The "when" question is never clear, except in one regard: it is usually unexpected by most investors. We are certainly not prognosticators, and one need look no further than to see how long we have had high cash level to confirm this. As to what might cause the market to turn, there are several possible answers to that question. For example, the decline in oil prices might be signifying a global economic slowdown, which in turn would be a negative driver for the broad equity market. Or a pullback could be caused by the possibility of increasing interest rates. With short term rates so low, money is effectively forced into higher risk asset classes such as equities. If interest rates increase then investors would have more return potential in lower-risk fixed income than they do today, which might cause a shift out of equities into other asset classes. While the Federal Reserve has discontinued its bond-buying program, it stills clings to muddled verbiage when discussing possible future rate increases.

For the quarter, the Portfolio's top performers were Staples (ticker: SPLS), Intuitive Surgical (ticker: ISRG), and Cisco Systems (ticker: CSCO). Staples was the top performing stock in the S&P 500 Index for the fourth quarter. This was not due to the most recent quarterly release, in which the company continues to trim its retail store footprint amid revenue growth challenges. It came when Starboard Value, an activist investor that had already pushed for the merger of Office Depot (ticker: ODP) and Office Max, announced it had acquired a 6% stake in Staples with the intent of possibly merging it with the new Office Depot. The prospect of a merged Staples and "Office Maxpot" sent the stock up significantly in mid-December. Certainly, a joint office supply operation would leave much more room to cut expenses and leverage the combined, existing footprint. We will continue to follow developments closely.

Intuitive Surgical posted solid quarterly results. Intuitive, which was the Portfolio's top-performing stock for the full year, has shown an improvement in procedure growth, which allayed fears from late 2013 over the efficacy of robotic-assisted surgery. However, indications are that surgeons continue to adopt the use of *da Vinci* systems for procedures. In addition, there is great potential for growth outside of the U.S., where adoption is at much lower levels both from surgeons and for the types of procedures used in conjunction with the devices. Cisco Systems delivered a mixed quarter, with revenue weakness among its U.S. Service Provider customers, but the market appears to be more focused on a possible recovery and improvement in its much larger Switching segment.

On the opposite end of the spectrum, the Portfolio's bottom contributors were all related to commodities: two energy companies and one precious metal. Northern Oil & Gas (ticker: NOG), which owns a minority stake in multiple oil operations in the Bakken Shale region, has been hammered by falling oil prices, as have many producers in shale regions. Because there is a relatively higher cost per barrel to produce the oil in shale regions, the drop in oil prices has hit these regional operators much harder than other energy companies. However, Northern Oil & Gas has hedges in place to protect itself through much of 2016. While Newfield Exploration (ticker: NFX) is much more diverse in terms of both the geographies in which it operates and in its production of both oil and gas, it too has been hit by oil price declines. Rounding out the Portfolio's bottom

contributors is Newmont Mining Corp (ticker: NEM), whose stock price has fallen as the price of gold went from a high on $1,250 per troy ounce in October to a year-end level of $1,184.

Our cash level remains elevated at 45.3%. The current average discount within the Portfolio, in which we examine the current stock price for each investment to our corresponding estimate of its intrinsic value, is 5%. This is about as low as it has ever been. While we continue looking for new investment opportunities, more often than not, we find ourselves passing on ideas after conducting research. On those occasions in which we have passed on purchase, many are strictly due to the current stock price being too rich for our tastes. Should there be a reduction in share price, we feel confident that we can deploy cash to acquire more securities in a short time frame. Thank you for your continued investment.

INCOME PORTFOLIO – COMMENTARY BY JASON LAZARUS AND BEN FRANKLIN, CO-PORTFOLIO MANAGERS

The fourth quarter of the calendar year was painful, to say the least. The Intrepid Income Portfolio (the "Portfolio") posted its worst quarterly performance since 2008, losing 2.79%, net-of-fees, in the period ended December 31, 2014. The high-yield market dropped 1.06%, as measured by the BAML High Yield Master II Index (the "Index"). Since June 30, 2014, when energy prices started falling and the high-yield market began to roll over, the Portfolio has fallen 3.29%, net-of-fees, while the Index declined 2.97%. In the calendar year, the Portfolio lost 0.83%, net-of-fees, while the Index gained 2.50%. Our Bloomberg peer group returned 0.37% in 2014. To add insult to injury, due to our short-duration positioning, we did not participate in the gains experienced in the broader investment grade fixed income markets as long-term U.S. Treasury yields marched consistently lower. Despite nearly every market prognosticator calling for higher interest rates in 2014 as the Federal Reserve's QE program came to an end, the bond market had its own ideas. The ten-year rate declined from over 3.0% in January to less than 2.2% by the end of the year. The longest duration bonds posted some of the best returns in years.

The Portfolio's underperformance in the quarter and the calendar year is almost solely attributable our investments in the bonds of two energy exploration and production (E&P) businesses. As most readers probably know, energy stocks and bonds have been battered over the last six months. Oil prices tumbled further in the fourth quarter of 2014 after OPEC refused to cut production, sending the U.S. benchmark West Texas Intermediate to levels not experienced since the midst of the financial crisis in the summer of 2009. Spot prices have fallen further in the first week of 2015.

Our process is rooted in deep fundamental credit analysis, and we enter positions when we believe we are being appropriately compensated to bear the operating and financial risk of the target business. We are disappointed by our performance, but we do not attempt to anticipate changes in security prices in the next week, month, or quarter. Nevertheless, it would have been preferable to be on the sidelines as we watched energy bond prices tumble.

Portfolio activity was rather limited. We added slightly to three positions. Our position in the bonds of Swift Transportation (ticker: SWFT) was called by the company. The bonds constituted about 3% of the Portfolio's assets. We reduced our position in Smith & Wesson's 5.875% notes due 6/15/2017 in the interest of risk control. Recall that we participated in a new bond offered by the company in the third quarter, which pushed the combined position up to 6% of the Portfolio's assets. We elected to rebalance the combined position to our target level in the mid 4% range. The combined position remains the Portfolio's largest holding.

We exited our newly established position in Mobile Mini's 7.875% notes due 12/01/2020 for an immaterial loss due to credit quality concerns. Shortly after our purchase, the company blind-sided us with a massive acquisition to be funded with debt senior to our bonds. MINI decided to expand outside of its traditional steel storage container business and purchase Evergreen Tank Solutions. Evergreen rents liquid storage tanks, stainless steel tank trailers, pumps, and other items mostly to downstream oil and gas customers (refiners). MINI paid $405 million in cash, or 9x EBITDA, by more than doubling the size of its secured debt load. The transaction put the $200 million in unsecured bonds below more than $700 million in secured debt and increased the company's total leverage ratio to 4.5x. A leverage ratio of this level isn't immediately concerning considering Mobile Mini's minimal reinvestment requirements and high free cash flow, but the acquired business produces significantly less free cash flow than the legacy steel container business. Further, the recent decline in energy prices could impact the newly acquired business significantly. We concluded the approximate yield of 7% was not compensating bondholders for the additional risk.

The largest contributor to the Portfolio's performance in the fourth quarter of the calendar year was our relatively recent investment in EZCORP's 2.125% convertible bonds due 6/15/2019. We initiated the position last quarter and added to it as the stock and bond sold off in October. The idea was sourced by our equity team more than a year ago, and was also purchased in the Intrepid Small Cap Portfolio. Readers can find additional detail about EZCORP in the Small Cap commentary. The second largest contributor in the quarter was our combined position in two Rent-A-Center senior issues. The notes were one of the largest detractors in the third quarter as the investors became concerned about subprime consumers becoming overextended. One of Rent-A-Center's peers has started to experience greater than expected credit losses, which weighed on the group as a whole. We believe that rental operators such as Rent-A-Center and competitor Aaron's have vastly more experience servicing a stressed consumer and can handle the associated credit losses. The position remains one of the Portfolio's core holdings.

The vast majority of the Portfolio's losses were the result of large positions we have in bonds of two energy companies, both of which are highly exposed to oil prices. We have owned both issues for quite some time, and both have contributed to outsized returns prior to the recent sell-off. Few market participants expected oil prices to decline with such magnitude, us included, but we knew this outcome was within the realm of possibilities. Despite significantly lower oil prices, both issues are still sizeable holdings. When we purchased these issues, we concluded that both companies could withstand periods of significantly lower commodity prices. We continue to believe this to be true, for reasons we will detail below.

Northern Oil & Gas (ticker: NOG) was our second largest position earlier this year (behind our combined position in two Smith & Wesson issues). We recently had approximately 5% of the Portfolio's assets invested in the 8% senior notes due 6/01/2020. The company has been discussed extensively in past commentaries. Considering the firm's moderate leverage and heavy exposure to oil prices, it is not surprising that the 8% notes were the largest detractor in both the quarter and the fiscal year.

Since it was founded, Northern has been a non-operating partner in 25% of all wells drilled in the Bakken region of North Dakota and Montana. The company doesn't actually drill any wells. Instead, it holds acreage positions across the region. When an operator wants to drill on the company's land, Northern either elects to participate in that well, or it non-consents. If participating, the company simply pays its pro-rata share of the drilling and operating expenses and receives a check for its share of the well's sales. This gives the company the flexibility to dial back capital spending quickly if the need arises.

The company's non-operating position has been a point of contention among market participants. Investors betting against the company believe the non-operating position is a significant negative. They contend that if Northern needs to conserve cash by non-consenting to a well, then future cash flows from that well would never be realized, and the company would lose the acreage position. Clearly, the company would receive no financial benefit if it non-consents to a well, but this view is too simplistic. Consider the incentives of the operators. When oil was $100/bbl and the markets were willing to provide capital at attractive rates, drillers were exploring fringe areas of the play. But with oil at $50/bbl, drilling activity will shift from marginally profitable areas to those offering the highest rates of return. Much of this fringe acreage is unlikely to be drilled at current oil prices. Northern's acreage includes both high quality areas and fringe areas, so it will have the ability to participate in high-quality wells while maintaining fringe drilling inventory in areas that become attractive at higher oil prices.

There is one additional wrinkle that needs to be explored. There is a limit to how long acreage can be retained without being drilled. Typically, a lease will expire if the land hasn't been drilled in three to five years. Once a drilling spacing unit (DSU) has a certain minimum level of production, the acreage is considered held-by-production and no further drilling needs to take place for the leaseholders to keep the leases. Since Northern is a non-operator, it does not have the ability to drill on acreage that may be at risk of lease expiration. This is a risk some market commentators have noted, but we believe the risk is overblown. Most of Northern's acreage is already held-by-production and the acreage at risk has staggered expiration dates over the next five years. In addition, even in the face of lower oil prices, operators may continue to drill select marginally profitable wells to ensure acreage is held-by-production. Northern can choose not to participate in these low return wells, but it will still benefit from the acreage becoming held-by-production. In addition, most productive spacing units will eventually include numerous wells, so Northern retains the right to participate in future wells drilled on the property.

The process of developing Northern's acreage is an important long-term value creator, but as bondholders we are more focused on the company's proved developed producing reserves. These reserves consist of oil and gas wells that have already been drilled and are consistently producing. Since well production rates and costs are usually not difficult to estimate, we can assess the value of the producing reserves under various energy price assumptions. Liquidity is not an issue in the near-term, as Northern is very well hedged through 2015 and even into 2016, so we are basing the analysis on the state of Northern's producing reserves at the end of 2016. While we do not expect oil prices to remain at current levels indefinitely (see analysis in the Small Cap commentary), our analysis indicates that the notes would recover significant value even if oil remained at $50/bbl for the life of the wells, which could be up to 30 years. The fact that the notes are trading in the mid-70s provides a margin of safety and adds appreciation potential to the 8% coupon.

The other large energy position that detracted materially from the Portfolio's performance was EPL Oil & Gas 8.25% due 2/15/2018. It was the second largest detractor in the quarter and the year, although the position had been one of the Portfolio's top performers since it was purchased in early 2012. EPL is an offshore energy producer operating in the Gulf of Mexico. Simplifying our original thesis, we purchased EPL's notes due to the company's low debt levels, strong cash margins, positive free cash flow generation (which has been uncommon among energy producers), and extensive hedging program. In the middle of 2014, EPL was acquired by a larger Gulf of Mexico producer named Energy XXI (ticker: EXXI). Energy XXI funded the acquisition with stock and additional debt.

Since the acquisition would make us creditors of Energy XXI, we analyzed the credit quality of EXXI in the same manner we do any potential investment. We concluded that bondholders were not being compensated appropriately for lending to Energy XXI. However, the restrictiveness of the EPL bond indenture allowed us to remain comfortable with the bond's credit quality. Upon completion of the merger, the EPL indenture limited Energy XXI's ability to create guarantees with the acquired assets. This means that EPL remains a standalone subsidiary, and Energy XXI bondholders have no claim on the EPL assets until the 8.25% senior notes are no longer outstanding. In the event of a restructuring, Energy XXI only has an equity claim on the EPL assets. This means that before Energy XXI bondholders can recover value from the EPL assets, EPL creditors must be paid in full.

Not only do we believe that the EPL subsidiary's credit quality is superior to Energy XXI's, but the new capital structure introduces an interesting dynamic. Energy XXI issued new debt and drew down its revolver to fund the purchase, but this debt has no claim on EPL's assets. EPL accounts for around one-third of the combined company's reserves and production, but only has 25% of the combined entity's debt. Thus, Energy XXI has a strong incentive to not only support the EPL subsidiary in any way it can, but to take out the 8.25% notes to be rid of the restrictive covenants.

If $45/bbl oil is the new normal, our energy bond positions aren't likely to achieve favorable outcomes. But the risks must be viewed through the lens of potential returns. As of this writing, our E&P bonds are offering yields in the mid- to high-teens. With any investment there are improbable, even unfathomable, potential outcomes that may occur. We aren't going to bat a thousand, but you should expect us to intelligently deploy capital into ideas that we believe are compensating us appropriately for the risks. One could argue there are many attractive potential investments in the high-yield energy space. We would not disagree. However, we believe our overall exposure to the sector is appropriate. We have just below 10% of the Portfolio's assets invested in exploration and production companies, and an additional 5% invested in service providers that we believe are less exposed than the typical energy service business. At the present, we don't intend to materially increase our exposure, but we may alter the positions within the sector.

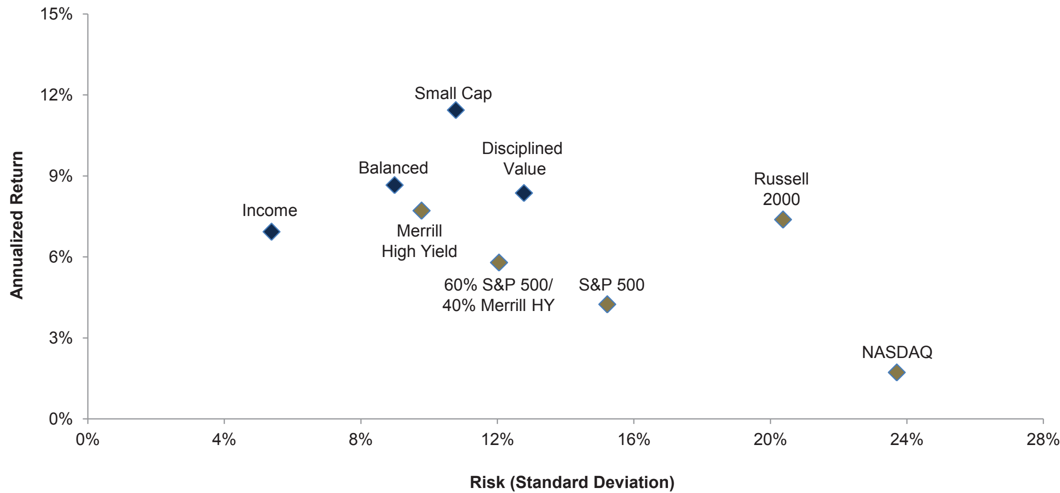
It's common for investors to hold onto losing positions in the hope of prices bouncing back, so we think it's useful to visualize positions as if they were not yet owned. We ask ourselves, "Assuming we recently discovered these potential investments, would they be attractive enough to purchase for our portfolios?" Our answer is overwhelmingly, "yes." We are hoping that the pain experienced in energy bonds will spread to the broader high-yield markets and allow us to put our cash hoard to work.

Thank you for your investment.

RISK ADJUSTED RETURNS

TRAILING 15 YEAR RISK/RETURN

DECEMBER 31, 1999 TO DECEMBER 31, 2014

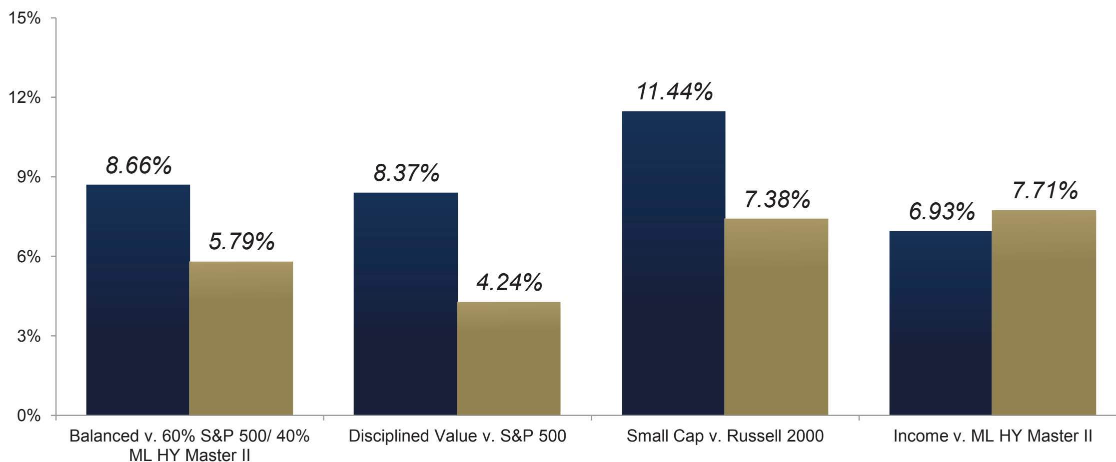


- Past performance is no guarantee of future results. Intrepid composite returns are presented net of investment advisory fees and all returns are presented annualized for the 15-year period ending December 31, 2014. Returns reflect the reinvestment of dividends and other earnings. The volatility of the listed benchmarks may differ materially from the volatility of any Intrepid composite. As of December 31, 2004, the firm changed its fixed income benchmark from the Salomon High Yield Short-Term Index to the Merrill Lynch High Yield Master II Index.

ANNUALIZED PERFORMANCE

TRAILING 15 YEAR RISK/RETURN

DECEMBER 31, 1999 TO DECEMBER 31, 2014



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