Intrepid Capital MANAGEMENT INC.

Index Returns	
10/1/2015 to 12/31/2015	
Dow Jones:	7.70%
S&P 500:	7.04%
NASDAQ:	8.71%
Russell 2000:	3.59%
MSCI EAFE	4.71%

PRESIDENT'S LETTER

January 2016

Dear Friends and Clients,

In 31 years in the money management industry, 2015 will go down for me as one of the more frustrating years that I can recall. First off, I have never been comfortable losing money, especially someone else's money – in this case, yours. For a value-seeking, contrarian by nature investor, this past year reminds me a lot of 1999, when I thought quite possibly that the rules of finance had been stood on their head (they hadn't). In both years, people were willing to pay, or I would contend, grossly overpay, for just a handful of largely tech-centric equities that carried the rest of the market. The companies in the 2015 basket, including Facebook, Amazon, Netflix, and Google (Alphabet), are currently priced for perfection. This basket drove the S&P 500 Index to a slightly better than break-even year with a return of 1.38%. If this group of companies is pulled from the S&P 500 Index, the index would have declined 3.59%, a result that is more reflective of the 4.41% decline of the small cap centric Russell 2000 Index for 2015.

The operating mantra I hear repeated to me by individual investors is what I un-affectionately refer to as "The Curse of T.I.N.A." Simply put, There Is No Alternative to investing in the stock market as rates on money market funds and CDs are barely visible to the naked eye, even with the Federal Reserve nudging up interest rates in the middle of December 2015. So, what did these risk seekers earn for their impatience in not holding cash until "the price was right?" Not much; maybe 70 basis points in a broad investment grade bond index or a little over 1% in the S&P 500 Index. Either way, the average "investor" in stocks and bonds exposed his capital to substantial risk of impairment by leaving the comfort of cash.

Please don't get me wrong. I am not happy with the investment results we at Intrepid Capital delivered to you in calendar year 2015. I wish it wasn't so, but earning attractive risk-adjusted returns is not easy. If anything, it is very mentally taxing to not follow the herd.

I have spoken in the past, and most recently at our client presentation in November 2015, that most investors unwittingly "buy high and sell low" with the suboptimal results you might expect. According to the annual investor behavior study produced by DALBAR, poor timing decisions have resulted in returns for the average equity investor that are only half of the S&P 500's annual return over the last 20 years!

As CEO of Intrepid Capital, I see this tendency almost every day. Despite overseeing mutual funds that have outperformed their respective benchmarks over the last decade, received media recognition and earned national acclaim from Lipper on two occasions, shareholders redeem their holdings because we are "not keeping up" with the market. Our investment process is, by design, not structured to "keep up" in the latter stages of a bull market. The returns of the last three years of the stock market are an aberration. It may shock you, but for the 15-year period ending December 31, 2015, the S&P 500 Index had an annualized return of 5.00%, and a 10-year annualized return of 7.31%. Comparatively, Intrepid's Balanced strategy had annualized, net-of-fee, returns of 7.58% and 6.75%, for the same periods, respectively. Intrepid's other equity strategies, that have been in existence for longer than 15 years, have posted similar or even better returns.

The best I can tell from this seat that I have occupied for 21 years is that there might be some foul weather ahead. From a business valuation standpoint, with seven analysts searching the globe daily, there are not a lot of cheap, high quality securities available today. We hold ample cash and short-term fixed income securities to allow us to take advantage of better (lower) prices in the future.

Thank you for your patience, which I feel certain will be rewarded.

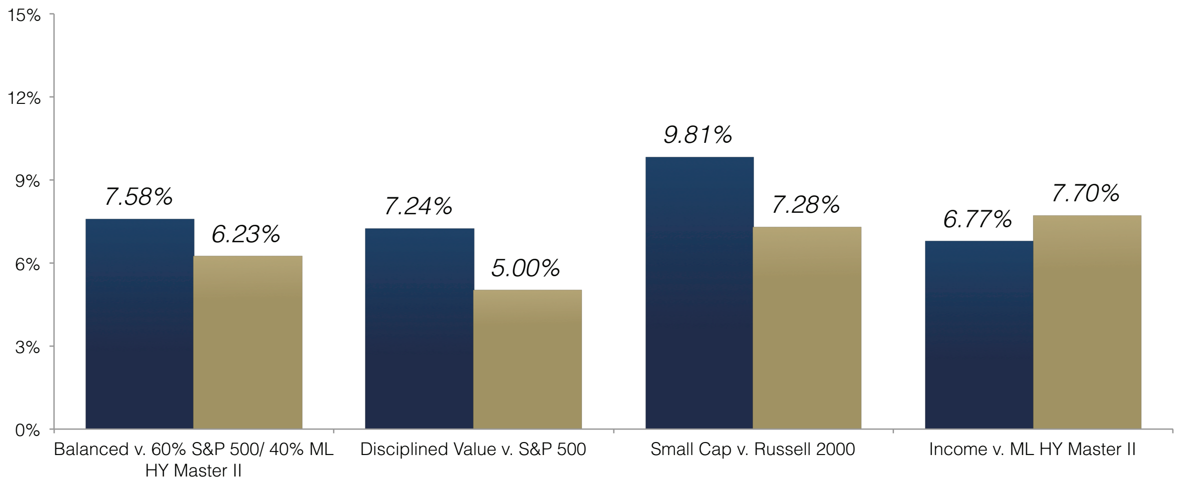
Best regards,

Mark F. Travis
President/C.E.O.

ANNUALIZED PERFORMANCE

TRAILING 15 YEAR RISK/RETURN

DECEMBER 31, 2000 TO DECEMBER 31, 2015

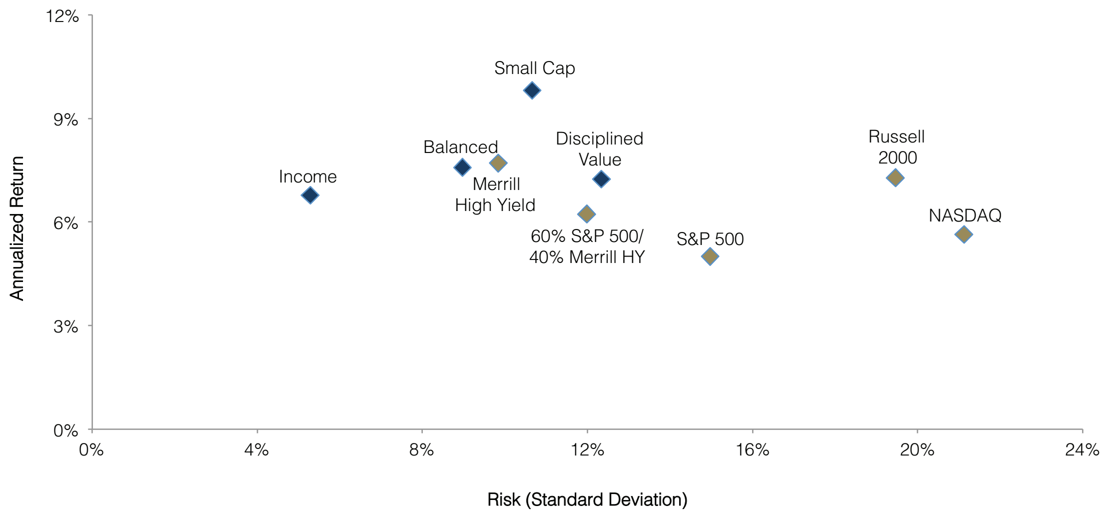


- Past performance is no guarantee of future results. Intrepid composite returns are presented net of investment advisory fees and all returns are presented annualized for the 15-year period ending December 31, 2015. Returns reflect the reinvestment of dividends and other earnings. The volatility of 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.

RISK ADJUSTED RETURNS

TRAILING 15 YEAR RISK/RETURN

DECEMBER 31, 2000 TO DECEMBER 31, 2015



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