Intrepid Capital MANAGEMENT INC.

Index Returns	
1/1/2015 to 3/31/2015	
Dow Jones	0.33%
S&P 500	0.95%
NASDAQ	3.79%
Russell 2000	4.32%

PRESIDENT'S LETTER

April 2015

"To make money, buy some good stock, hold it until it goes up, and then sell it. If it doesn't go up, don't buy it."

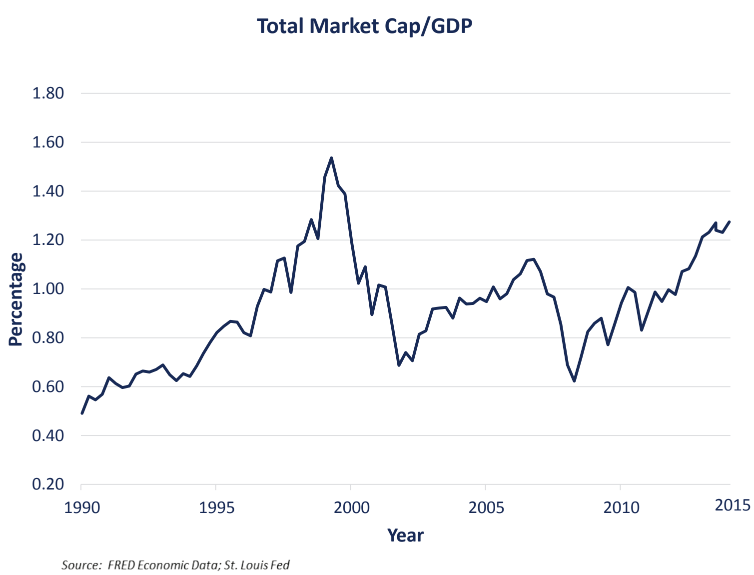
— Will Rogers

Dear Friends and Clients,

I always chuckle when I read the above quote from Will Rogers. Most of the 'good stock' that Mr. Rogers refers to (i.e. those that went up!), in the first quarter of 2015, were too expensive for rational buyers like us at Intrepid Capital. Much of what "went up" during this period, biotechnology for example, is difficult, if not impossible, to value in absence of any pre-tax cash flow from which to form a business valuation.

I think to move forward, it may be helpful to look back. This time six years ago (March 2009/April 2009), gloom was the prevalent mood for investors as the financial crash from the prior fall weighed heavy and most were looking to sell, not buy. Opportunities were everywhere, from our perspective, as many were hiding under the bed with a flashlight on! High quality companies with cheap share prices were abundant for the taking, and we did, which led to high absolute returns for calendar year 2009, and the seeds for attractive returns for the next several years.

Fast forward to today, where fear is non-existent and the expectation, for most, is that share prices are not allowed to decline! Please keep in mind that share prices tend to decline faster than they appreciate. From a historical standpoint, the S&P 500 Index has averaged between 14 – 15% the last 5 years, which is well above a longer term (20 years) average of 9 – 10%. Another data point to consider is the current total market cap/GDP ratio of approximately 1.24% (see chart below). The past peaks in the market/GDP ratio of early 2000 and late 2007 are being challenged with today's equity prices. Our returns for the period are subdued by our unwillingness to over pay for both equity or debt securities, and our willingness to hold cash balances.



The cash balances create a great deal of consternation, externally and internally, particularly as prices continue to appreciate. We liken cash to be either a) a sea anchor in a rising market or b) a life boat in a falling one. The beauty of a cash balance, as one who has plied the less liquid corners of the capital markets (small cap equity, high yield debt), is that when the market seizes up, cash is king!

As a portfolio manager, you can make one decision to purchase, not two decisions (what to sell, then what to buy). If the environment continues in the second quarter of 2015 as it has for much of the recent past, we would anticipate more liquidations than acquisitions as holdings reach our conservative estimates of value. We are diligently searching for new investment opportunities that meet our criteria and we are ready to deploy cash when we find them.

Thank you for entrusting us with your hard earned capital, it is not a position we take lightly.

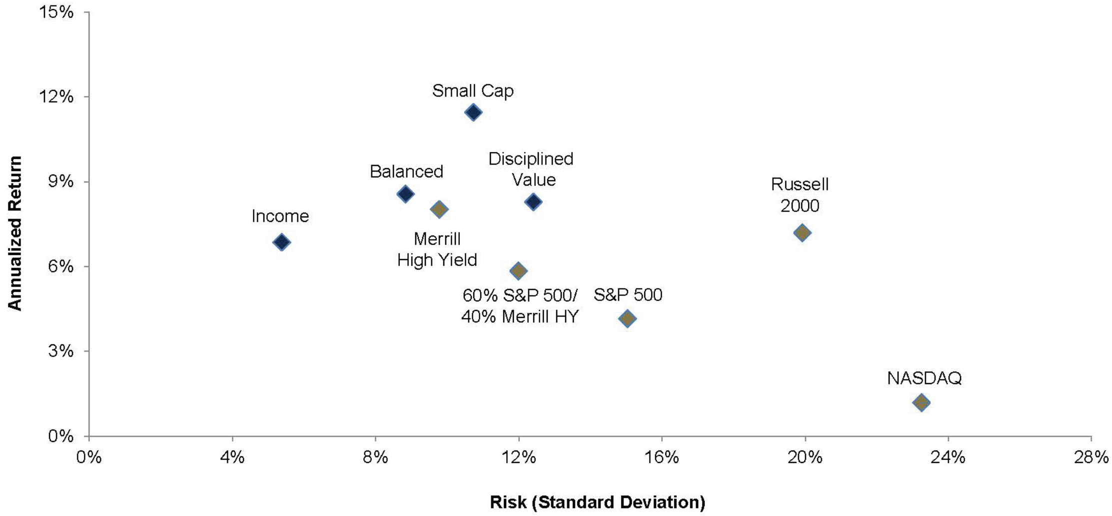
Best regards,

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

RISK ADJUSTED RETURNS

TRAILING 15 YEAR RISK/RETURN

MARCH 31, 2000 TO MARCH 31, 2015

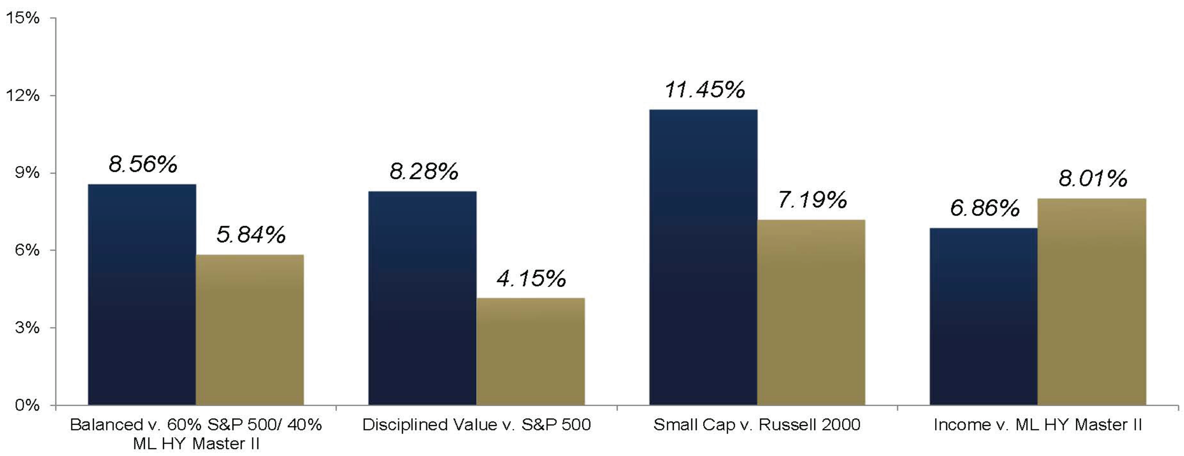


- Past performance is no guarantee of future results. Intrepid composite returns are presented net of investment advisory fees and all returns are presented annualized for the 15-year period ending March 31, 2015. Returns reflect the reinvestment of dividends and other earnings. The volatility of the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

ANNUALIZED PERFORMANCE

TRAILING 15 YEAR RISK/RETURN

MARCH 31, 2000 TO MARCH 31, 2015



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