INTREPID CAPITAL

1Q 2021

Index Returns	
12/31/2020 to 3/31/2021	
Dow Jones:	8.29%
S&P 500:	6.17%
NASDAQ:	2.96%
Russell 2000:	12.69%

QUARTERLY COMMENTARY

March 2021

"No matter what the form of government, there are in fact only two kinds of government possible. Under one system, the state is everything and the individual is an incident. Under that system, the individual has no rights, though they may be termed such; he has only privileges. Under that system, the state is the reservoir of all rights, all privileges, all powers. But this system our forefathers rejected. They declared that all just government drives its powers from the consent of the governed. They affirmed the dignity and the sanctity of the individual…they elected a man-made state, not a state-made man."

— Frank Dixon

Dear Friends and Clients,

Welcome to the RobinHood market! I ran across the above quote as I was thinking about the US Capitol being over-run by Trump supporters contesting the election of Joe Biden. It did not appear from the mayhem that followed that "the governed were giving their consent"…at least not peacefully!

Unfortunately, an Air Force veteran of the Iraq War, along with a Capitol Hill policeman, lost their lives that day.

This was quickly followed up with the second impeachment of Donald Trump by the House of Representatives. And not too long thereafter, the exoneration by the US Senate – many of whom decided against impeachment of someone no longer in office.

If that wasn't enough news, traders using online forums and accounts at RobinHood circled like sharks around companies with large amounts of short interest in an attempt to "squeeze" the short sellers through focused buying in companies like Gamestop (GME), AMC Theaters (AMCX), and others. All this crazy activity almost brought down the broker-dealer (RobinHood), and maybe it should have.

As I'm sure you remember from your youth, the story of Robin Hood and his band of Merry Men took from the rich to give to the poor. In this case, I think the opposite happened! RobinHood trading, with catchy slogans and hip advertisements, convinced many that – with the RobinHood trading app, a little money, and a lot of chutzpah – one could go far!

I recall from earlier in the year a front-page story in the *Wall Street Journal* that chronicled the woe of a 31 year-old security guard living in his parent's home. He took out a personally guaranteed $30,000 bank loan to fund his RobinHood account to trade Gamestop (GME) shares with his RobinHood app. I will jump to the punchline – it didn't end well for the young security guard. Stories like this one make my blood boil!

I bring all of this up because it was a wild quarter, particularly when you consider all of the above took place only in January!

Once the transition of power to the Biden administration was complete, it didn't take long at all for his $1.9 trillion (with a T!) stimulus bill to gain approval from both the US House and Senate using the reconciliation process. This stimulus bill, along with the interest rate suppression courtesy of the Federal Reserve, has ignited prices of almost everything…lumber, copper, oil, bitcoin, stocks, and some bonds.

Please keep in mind as interest rates rise, bond prices fall, which they did across the US Treasury and US investment grade bond yield curves. For example, the yield on the 10-Year US Treasury started the year at 0.90% and finished March at 1.77%, almost a double in yield in one quarter. This movement in rates hurt what we internally call "long duration assets" – this caused negative returns for some bonds in the quarter, and slowed the ascent of the Nasdaq Composite Index in the same time period.

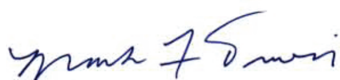
In the Intrepid Balanced Portfolio (the "Portfolio"), with the continuing support from the Federal Reserve and the new stimulus package, we have stayed invested. But as you may have come to expect from us, we have stayed invested in securities that may have been overlooked by others. I have three examples:

1. **Trulieve Cannabis.** A home grown (no pun intended), Florida-centric producer and retailer of cannabis and related products, Trulieve markets to the rapidly growing population of residents with a medical marijuana license in Florida. The growth rate, EBITDA margin, and sales per square foot are nothing short of phenomenal.
2. **Great Western Petroleum 9% 09-30-21 Notes.** It is not too often you see a corporate bond in the top ten performers. Along with a new administration comes a renewed push for renewable energy along with restrictions on oil and gas exploration, including but not limited to the prohibition of drilling on federal lands. Well, guess what? Restricted supply meets heightened demand, and voila – higher oil prices! Hunter Hayes followed this issue closely and deserves the credit here as I likely would not have made it to a refinancing and a higher bond price.
3. **Twitter.** I know many of you are rubbing your eyes right now with a loud "what?!" The last President certainly created a ton of brand awareness up until the day he was kicked off! Interesting note here: the average daily users are around 192 million, which is lower than Snapchat and well behind the 2.2 billion Facebook users, indicating there is plenty of room for growth. Elliott Management, the behemoth hedge fund run by Paul Singer, has taken a large stake and Board representation. Yes, CEO Jack Dorsey is odd. We hope he continues to work with Elliott to create value and/or sell the company. His larger economic interests lie in his equity position in Square Holdings (SQ), the payment processing business.

For the quarter ended March 31st, the Portfolio returned +5.43%. Let's see where we go from here!

Thank you for your continued support. If there is anything we can do to serve you better, please don't hesitate to call.

All the best,



Mark F. Travis
President/CEO

SMALL CAP PORTFOLIO – COMMENTARY BY JOE VAN CAVAGE, CFA, CO-PORTFOLIO MANAGER AND MATT PARKER, CPA, CFA, CO-PORTFOLIO MANAGER

We'll start off this letter the same way we started off the last one: wow, what a quarter! This quarter had it all: political volatility, crazy speculation (Gamestop, etc.), violent factor rotations, and another round of stimulus. Behind these headlines, it appears the vaccine roll-out in the US is going very well…which is great news.

Boiling all of the above into a soup, small cap stocks continued their strong trend from last quarter. The broad Russell 2000 small cap index returned 12.69% in the quarter ended March 31, 2021. The Portfolio returned 10.05% for the quarter, compared to 11.62% for our benchmark Morningstar Small Cap Index.

Last quarter, we mentioned that the Portfolio would likely lag the small cap market if certain macro conditions emerged that benefitted specific types of investments, specifically "recovery plays," small cap financials, and energy. Unfortunately, that discussion proved timely as expectations of a strong rebound in the US economy drove rising inflation concerns and interest rates, which favored all three of these categories.

Despite that, we remain steadfast in only allocating your capital into companies that show "enduring" traits and avoiding what we view as structurally challenged industries, such as those mentioned above. We believe that doing this continues to give you the best chance for long-term success, rather than trying to guess what macro conditions might occur and what sectors that might favor. With how difficult the future is to predict (see 2020), we think focusing on enduring businesses is the more prudent long-term strategy.

The good news is that the companies in the Portfolio are performing very well. As a group, we have been very pleased with their most recent operational execution and financial results. In addition, while finding new opportunities that are priced attractively is more difficult now than it was six months ago, we are still finding great small cap companies that have fallen through the cracks of the large run-up over the last six months.

We purchased new positions in several securities, including Turning Point Brands (TPB), Franklin Covey (FC), and Gamesys Group (GYS LN). We sold Gamesys before quarter-end after a takeover announcement sent the shares higher just two weeks after our purchase. Sometimes it's better to be lucky than smart.

The Portfolio had a moderate level of selling activity during the quarter. We sold out of our positions in Amdocs (DOX), Charles River Labs (CRL), Copart (CPRT), Icon Plc (ICLR), Liberty Braves (BATRK), Ollies Bargain Outlets (OLLI), and Sykes Enterprises (SYKE) after these securities reached our estimates of intrinsic value.

The top contributors to performance for the quarter were Trulieve Cannabis Corp. (TRUL CN), LGI Homes (LGIH), and Skechers USA (SKX). Trulieve will be discussed in more detail later in the letter. Homebuilder LGI reported blowout quarterly results to close out 2020 and has benefited from the remarkable strength of US housing demand. Skechers stock steadily ground higher during the quarter as we think investors anticipated a pickup in retail activity as the economy re-opens. We still believe each of these three positions are trading well below intrinsic value.

The top detractors to performance for the quarter were Take-Two Interactive Software (TTWO), IAA Inc (IAA), and a new position in Cresco Labs (CRLBF) which will be discussed later. We think the reasons for the decline in TTWO and IAA are more related to changes in investors' macro positioning rather than company-specific fundamental issues. Take-Two and IAA each reported fine quarters but were victims of a rotation into "recovery plays."

Finally, we purchased a couple of new positions in the cannabis industry – Cresco Labs (CRLBF) and an AdvisorShares Cannabis ETF (MSOS). Following our initial investment in Trulieve (TRUL CN), we have spent the past few months doing extensive research into the US cannabis industry and believe the opportunity is unique and highly compelling. Collectively, our exposure to this industry was approximately 20% of the Portfolio as of quarter-end, which is approaching the maximum level we are willing to invest the Portfolio in one single sector. We owe you an explanation, and will devote a large portion of this letter walking you through our thesis and why we believe the cannabis industry deserves such a large allocation.

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We think the opportunity in the cannabis industry is one of the most unique and compelling opportunities that we have seen in our careers. The combination of (a) growing public momentum behind cannabis, (b) regulations that create barriers to entry and scale, and (c) a large, existing illicit user base that is transitioning to the legal market has created a very attractive setup for an investment:

1. *Booming Demand* – Legal cannabis consumption is a rapidly growing end market.
2. *Constrained Supply* – State & local regulations often restrict the number of legal cannabis businesses.
3. *Inefficient Stock Prices* – Federal regulations prevent these companies from listing on US exchanges and being purchased by large institutional investors.
4. *Imminent Catalysts* – Regulatory changes are in the works that we believe will broaden the ownership of these stocks and significantly increase these companies' addressable market.

In short, many of these companies can operate in an environment that, due to certain regulations, reduces competition despite very high demand growth. And, again due to regulations, we are able to own these companies before other large investors.

Demand for legal cannabis has grown rapidly and is expected to continue. The total size of the legal market in the US today is around $18 billion. Most estimates we have seen forecast the size of the market to reach ~$60 billion by 2025 and up to $100 billion by 2030 (20-30% annual growth). Importantly, most of this growth is expected to come from shifts in consumption from the illicit market to the legal market. The illicit market today is estimated to be at least triple the size of the legal market, which puts the size of the *total* cannabis market (legal & illicit) at around $80 billion – larger than the size of the wine industry! Because this proven demand already exists today, we view the potential growth as much less risky than a new product category which needs to attract new consumers rather than convert existing users. We think the legal operators will gradually out-compete the illicit market on safety, quality and convenience, which will drive conversion.

The supply side of the equation varies by state (regulation is effectively at the state level). Our focus is on companies that operate in states which restrict the number of licenses awarded to cannabis companies, thereby limiting supply. These states generally seek to tightly control the supply chain, but also want to prevent a flood of "weed shops" from entering their markets. For example, consider the case of Virginia. The state has awarded five regional licenses (essentially monopolies), which translates to a maximum capacity of just 30 retail dispensaries in a state with ~9 million people. While this is somewhat of an extreme sample, the broader point remains that supply, in some states, is being artificially limited by government regulations.

What do you get when you mix booming demand with constrained supply? Incredible economics! The best operators in the industry are able to enjoy strong pricing power while continuing to scale their operations. A perfect example of this is Trulieve, the Portfolio's largest holding, whose dominance in the limited license state of Florida has led to operating metrics that are superior to some of the best retailers in the world.

Perhaps the most compelling part of our thesis is that US institutional investors are largely restricted from owning these stocks for the time being. Because cannabis is still an illegal drug at the federal level, large banking institutions cannot do business with cannabis companies. As a result, these stocks do not trade on US exchanges and cannot be custodied by some of the largest custodians. Instead, they trade on less liquid Canadian exchanges and have a large retail shareholder base. In our view, this is the main reason why these stocks trade at large discounts to our estimates of their value despite such attractive characteristics.

Fortunately, we expect upcoming changes in federal regulations which will benefit the cannabis industry. Public momentum is on their side, as over two-thirds of Americans believe marijuana should be legal (up from about 33% in 2000). One such proposal is the SAFE Banking Act which was recently introduced in Congress and would lift the restrictions on banks to do business with cannabis companies. Most experts we have spoken to expect SAFE (or some other piece of related legislation) to pass within the next year, which would allow these stocks to be listed on US exchanges and owned by institutional shareholders. We believe this will be a significant catalyst to drive flows into these stocks and push prices up closer to intrinsic value.

Then there is the prospect of federal legalization or decriminalization of cannabis, which is probably the most notable piece of legislation that would impact the industry. There is still some uncertainty about how this could take effect, but it is likely an inevitability that there will eventually be some sort of broad legalization. On the one hand, this could allow more traditional supply/demand dynamics to take hold, which would impair the pricing power that certain companies currently enjoy. On the other hand, it would massively increase the addressable market by unlocking a large swath of demand. In the meantime, however, we expect the best operators to continue to earn large excess profits and build economic moats. We believe the current market valuations of these operators are significantly undervalued regardless of how potential regulatory changes play out.

We currently have positions in three cannabis related securities – Trulieve, Cresco Labs and a cannabis ETF. Trulieve has a dominant position in the highly attractive Florida market and is the most profitable large cannabis business in the US. Cresco is the largest wholesaler in the industry and places a smaller emphasis on retail. They have strategically positioned themselves to benefit from the industry becoming more like a traditional CPG category over time. Finally, the AdvisorShares cannabis ETF owns a number of different companies in the cannabis industry. While we have our views on which companies are best positioned currently, we also acknowledge that there is still a lot of uncertainty as to how the cannabis industry will evolve over time. Because we think prices are broadly attractive across the industry, we think owning a basket of companies via an ETF is an effective way to diversify our investment outside of Trulieve and Cresco Labs. As our view on the future becomes clearer, we plan to allocate the ETF position into specific operating companies.

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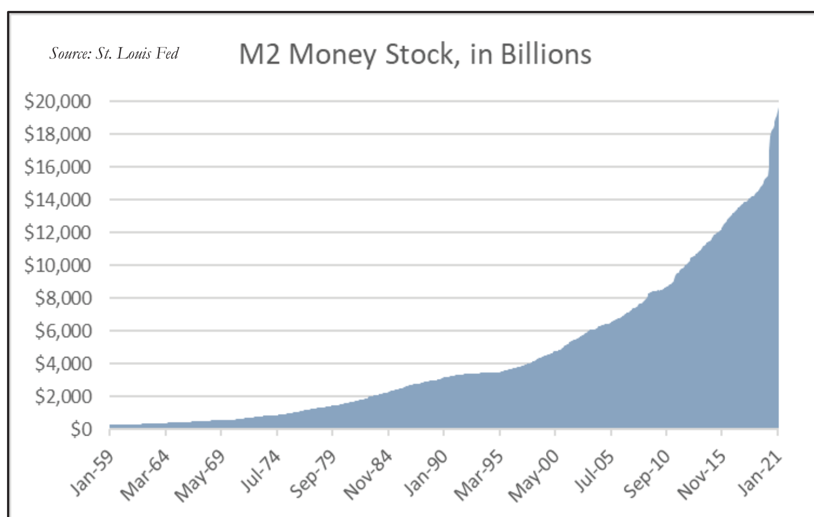
In closing, we remain highly optimistic about the positioning of the Portfolio. We ended the quarter with a cash level of 6%, which is materially consistent with the prior quarter but lower than what it has been over much of the last decade. While this will likely result in more volatility than what the Portfolio has historically experienced, we expect this positioning – in great companies at attractive prices – will better protect and grow your capital over time.

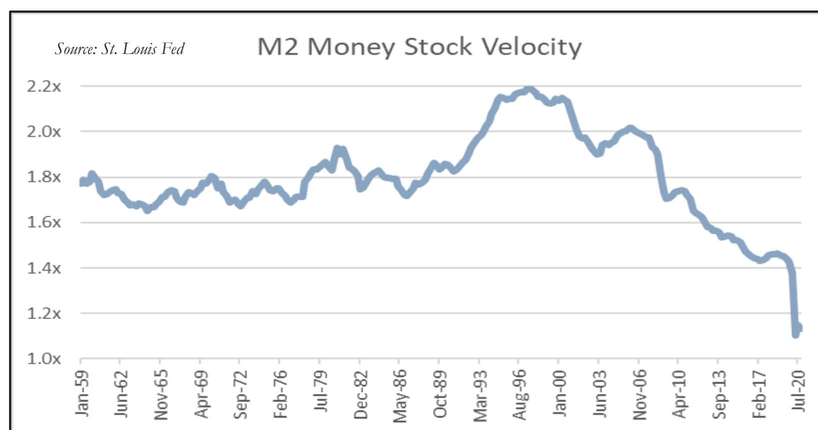
Thank you for your investment.

INCOME PORTFOLIO – COMMENTARY BY HUNTER HAYES, CO-PORTFOLIO MANAGER AND MARK TRAVIS, PRESIDENT/CEO, CO-PORTFOLIO MANAGER

Vaccines for COVID-19 have been distributed across the US at a blistering pace. At the same time, a different type of vaccine is being injected into the American financial system. It has also been administered at a rapid pace and has temporarily halted the spread of financial collapse.



We are speaking, of course, about money printing. As the chart to the left shows, the M2 money stock has grown asymptotically since the onset of COVID-19. In addition to M1, this measure also includes savings deposits and money market accounts. Alongside direct injections of liquidity into American's bank accounts, the Federal Reserve has administered this liquidity by purchasing corporate bonds and continuing to expand its balance sheet through Treasury purchases.



Many have applauded the Federal Reserve's decision to rapidly inject money into the system. After all, the dollars printed for stimulus programs, direct deposits, and corporate credit facilities kept many small businesses afloat and food on people's tables. Just like virologists had not seen something like COVID-19 before, economists had not seen anything like the rapid shutdowns that accompanied the virus.

But eventually, we must deal with the fallout from the borrowed money. As the chart above shows, the velocity of money has fallen to a 60-year low. This measures the frequency a unit of currency is used.

It is logical for the velocity of money to slow down as people hunker down at home. But as consumption habits normalize, what will happen? Many believe a resumption of normal activity will lead to elevated inflation that will be difficult for the Federal Reserve to control. Others have argued that the velocity of money will not pick back up anytime soon, which could even lead to deflation. **We believe our short duration credit strategy will continue to perform well in either scenario.**

For now, the Federal Reserve's "vaccine" has bolstered credit markets to new all-time highs. Last week, yields for CCC-rated bonds, the riskiest slice of the market, dropped to an all-time low of 6.10%. This time last year, there was over $1 trillion of distressed bonds and loans in just the US alone, which today has shriveled to less than $100 billion, according to Bloomberg. Any and every high yield issuer is rushing to lock in record-low rates as primary supply continues to vaporize previous records. There remain plenty of attractive securities amidst the frothiness, but we believe it has never been more important to know and understand the businesses to which one lends capital.

Fixed income performance in the first quarter was mixed. Rates rose to welcome the new decade, with the 10-Year Treasury ending the quarter at 1.74%, nearly double its yield to start the year. Accordingly, the duration-heavy Bloomberg Barclays US Aggregate Index (the "Barclays Aggregate Index") dropped -3.37% for the quarter ended March 31, 2021 and the ICE BofAML US Corporate Index (the "Corporate Index") returned -4.49% over the same period. On the other hand, riskier debt continued its recovery, with the ICE BofAML High Yield Index (the "HY Index") gaining 0.90% in the quarter. The shorter-duration Bloomberg Barclays US Govt/Credit 1-5 Year Total Return USD Index (the "1-5 Year TR Index") returned -0.57% over the same period. **We are pleased to report that The Intrepid Income Portfolio (the "Portfolio") gained 3.84% for the quarter ended March 31, 2021.**

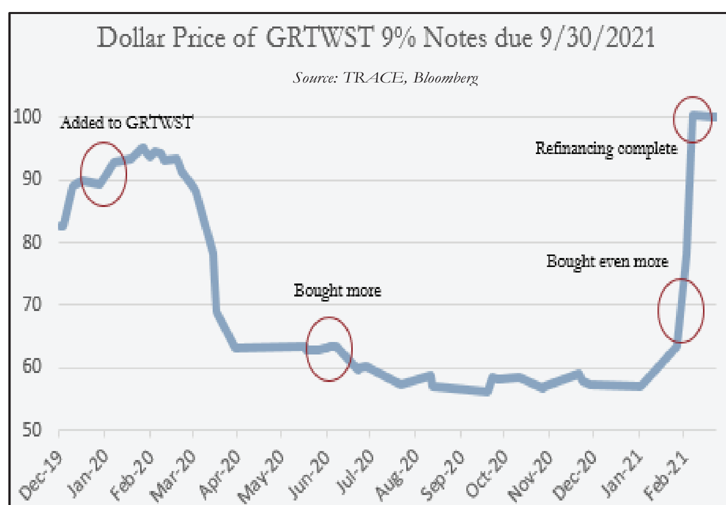
We also report semiannual results given the Portfolio's 9/30 fiscal year end. **For the first six months of the Portfolio's fiscal year, the Portfolio gained 10.95%.** This compares to a loss of -2.73% for the Barclays Aggregate Index and a loss of -1.64% for the Corporate Index. The 1-5 Year TR Index lost -0.25% and the HY Index gained 7.45% over the same period.

The Portfolio's success during the first calendar quarter was primarily attributable to security selection, but we also benefited from a positive overall environment for risk assets. Additionally, we are very pleased with how our short duration focus has protected your capital in the face of rising rates.

Our top contributors for the three months ended 3/31/2021 included:

- **GRTWST 9.0% due 9/30/2021** – We have written about our Great Western thesis in previous commentaries, so we will not rehash the entire thing. The company's 9% bonds plunged this time last year on the back of negative oil prices, but we believed this Colorado-based producer had low enough leverage, robust enough hedges, and adequate liquidity to refinance its notes, so we purchased more at around 60 cents on the dollar.

  We face a difficult choice in fixed income markets when a position we own gaps down. Given the binary nature of bonds, conviction becomes paramount in the heat of this sort of volatility. We went into April with a conservative enough weight in GRTWST that we were comfortable doubling down on our position. We have a rule that when a position trades down significantly, we must either add or sell, forcing us to have a view.



Great Western had been talking about refinancing its notes well before the bonds sold off. In fact, as the chart to the left shows, we added to our position at what we thought was an attractive yield last January. Then the pandemic hit! As COVID-19 infected markets with fear, we spoke with other GRTWST lenders, as well as the company, and became confident the notes would be refinanced. In June, we purchased more bonds at close to a 50% yield. The bonds traded sideways for the next few months, despite the overall recovery in energy.

In February, we finally received a call from Barclays' credit syndicate about Great Western's refinancing. At the time, GRTWST's year-end leverage was only 1.6x and the company was roughly 90% hedged in 2021 at prices that would lock in free cash flow generation. Still, exiting bondholders, including us, played hardball, and demanded that the existing GRTWST equity holders make some credit-positive concessions to make a new issue more attractive.

The biggest concession came from one of the company's largest equity investors. This shareholder agreed to roll its preferred equity, with a large dollar coupon, into common stock, saving the company considerable amounts of cash interest. Concurrently, this experienced, institutional energy investor became the majority equity holder, which we believe puts the company in a great position. Lastly, other existing equity investors poured a modest amount of additional capital into the business and the company carved out 2nd lien capacity on the existing credit agreement, giving GRTWST's new notes a better spot in the capital structure. In short, other investors recognized the value of the company's assets which lifted the price of our notes.

As we continued to gain conviction that the old GRTWST notes were going to roll into a new issue, we purchased even more GRTWST 9% notes in the low 70s. **Shortly after that purchase, our entire position was called at par, earning us a substantial return.**

Great Western is not the typical sort of position in our Portfolio, but it showcases how our credit process paid off during one of the sharpest selloffs in short-duration energy bonds ever. Given our knowledge of GRTWSTs credit situation, and our relatively small weight going into the selloff, we were able to deploy capital opportunistically when we saw a mispricing. We did this knowing the risks, but believing we had a sufficient margin of safety such that, even in a worst-case scenario (bankruptcy), we would likely have had a good recovery.

- **TK 5% due 1/15/2023** – Teekay Corporation's busted convertible notes remain one of our favorite positions. This small, unrated, and misunderstood debt issue has continued to shine since we started nibbling on it in the low-80s. Both of TK's daughter companies, TGP and TNK, continue to perform well as LNG demand returns and tanker day rates have steadied. We believe this parent company will attempt a global refinancing later this year, meaning these convertible notes still likely carry a double-digit yield, despite trading in the mid-90s at the time this letter was written.
- **TPB 2.5% due 7/15/2024** – Turning Point Brand's business continued to crush expectations, resulting in a tremendous run-up in the stock and, hence, the convertible debt we purchased. Since these converts are no longer "busted," we have reduced our position substantially. We still believe the business is poised for continued outperformance on the back of its Stoker's and Zig-Zag brands, but we have no interest in holding onto convertible notes without a positive yield. We happily participated in TPB's debut high yield bond offering in February, which we discuss below. Our equity counterparts also continue to love TPB's common stock.

Both TPB and GRTWST were also top contributors for the six months ended 3/31/2021, along with:

- **WETF 4.25% due 6/16/2023** – Similar to TPB, Wisdom Tree Investments' business has performed exceptionally since our purchase and the stock has nearly doubled on the back of sanguine market conditions. The convertible notes we purchased are no longer busted, so we have substantially reduced our position.

We had only one material detractor for the three- and six-month periods ended 3/31/2021:

- **GRTWST 12% due 9/01/2025** – As we discussed above, Great Western refinanced its debt in February. The new notes, which we purchased upon issuance, have scarcely traded as bondholders await news on the company's new capital plan. These new notes come with a special M&A call at 110 cents on the dollar if the company merges or is acquired in the first 12 months. We believe that GRTWST is a good M&A target, especially given the recent trend of consolidation in the DJ Basin. Regardless of whether the company is acquired or not, we believe the company's low leverage and solid liquidity profile position it well to succeed as oil and gas prices continue to recover and cash flow generation improves.

The Income Portfolio had seven corporate bond positions that were called or matured in the first calendar quarter. We also reduced several positions as they hit our internal yield bogey, selling out of our Nordstrom 6.95% Notes due 3/15/2028 and ServiceMaster 7.45% Notes due 8/15/2027, entirely. The proceeds from the bonds that were called, sold, or matured were redeployed into a mixture of existing positions and new positions from borrowers we have lent to before, including:

- **TRGP 9.5% Perpetual Preferred** – Targa Resources is an operator of crude and natural gas gathering and processing assets. The company is squarely focused on deleveraging, as it believes it is close to ratings improvements. We have owned a different issue of TRGP preferred stock in the past, which was called by the company this past December.

This preferred issue, which was also partially paid down in December, carries a high dividend and is currently callable at 110 cents on the dollar before dropping to 105 cents on the dollar in 2022. We purchased this security at 105.25 cents on the dollar, which works out to over a 9% yield-to-worst. We believe that TRGP will prioritize paying down this high-cost issue as it cleans up its balance sheet and that there exists asymmetric upside relative to the risk.

- **VTOL 6.875% due 3/01/2028** – Bristow Group provides offshore helicopter services to international energy companies, plus search and rescue operations for the UK government. We purchased a small weight in this new issue after our old notes, which were originally issued by ERA Group before it merged with Bristow, were called. The new issue has collateral coverage of 2.6x per 3rd party appraisal, and leverage is relatively light at 2.1x.
- **CURA 10.25% Revolving Credit Facility** – We have written extensively about our Curaleaf thesis. When the company did a small, $50 million drive-by in January, we decided to participate. The terms and protections of this revolving credit facility are the same as the existing term loan we own. We expect both issues to be called next January.
- **GRTWST 12% due 9/01/2025** – As discussed above, we rolled into Great Western's new issue, which has a favorable position in the capital structure, a fat coupon, and a special M&A call. We believe these notes will do well as oil and gas prices continue to recover.
- **TPB 5.625% due 2/15/2026** – TPB tapped the high yield market for the first time in February, raising $250 million for a war chest to continue its buy-and-build strategy. We believe TPB's management is best-in-class and has demonstrated the ability to make sound acquisitions that lead to value creation. The deal was well-oversubscribed, with the bonds trading up several points off the break. Net leverage remains manageable at ~3.1x and we expect the company to continue generating plenty of free cash flow to offset its acquisitiveness.
- **VSTO 4.5% due 3/15/2029** – Vista Outdoor is another issuer whose bonds we rolled into after our 2023 notes were called. We continue to love VSTO's core business, focused on outdoor sports and recreational activities, and believe that the extra dollars raised by this issue will allow the company to continue making accretive acquisitions. Although the coupon is relatively low, especially for the duration, we feel the strong cash flow profile justifies holding a small position, which we will add to opportunistically.

We remain cautiously optimistic about the prospects for economic recovery, and continue to hunt for short-dated, high-yielding securities issued by credit-worthy companies. We endeavor to find securities that do not operate with an unhealthy reliance upon the mercurial credit window, preferring those rare borrowers that view leverage as a bridge to a destination, not an endless highway with increasingly expensive fuel stops.

We anticipate some volatility over the next several quarters, which may present excellent buying opportunities in credit markets, and remain committed to our short duration bias as an organic way to maintain some "dry powder."

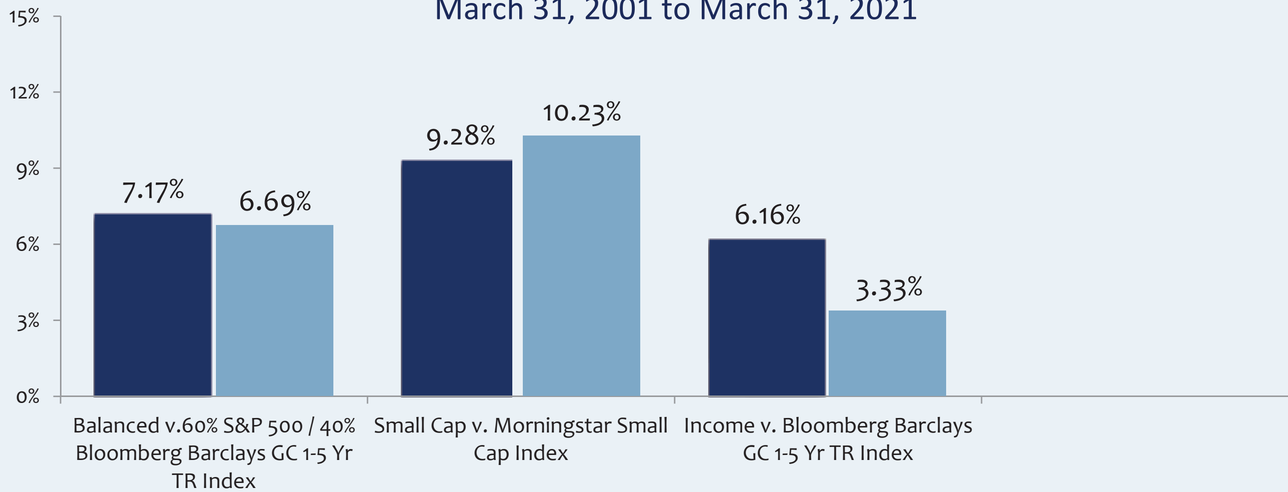
Looking back over the past year, we could not be more pleased with the way our strategy has worked. Going into last March, we were able to redeploy cash from maturing short duration positions into attractive, sometimes longer-dated positions at a time when liquidity was hard to come by. At certain times, it was almost a "name your price" exercise, where forced sellers had no choice but to unload creditworthy positions at deep discounts.

As we discussed earlier, a debate is raging on whether inflation might accelerate on the back of unprecedented money printing. We have no superior forecasting ability when it comes to something as complex as inflation. We do, however, take solace in how our short-duration bias and careful credit work has protected and rewarded investor capital over the past year, and continue to believe our strategy will generate attractive absolute returns.

In the event inflation does begin dislodging stubbornly low yields on certain longer-dated, creditworthy fixed income securities, we will have the nimbleness, afforded by our short duration bias, to redeploy capital if/when we deem it to be an attractive opportunity for the commensurate risk.

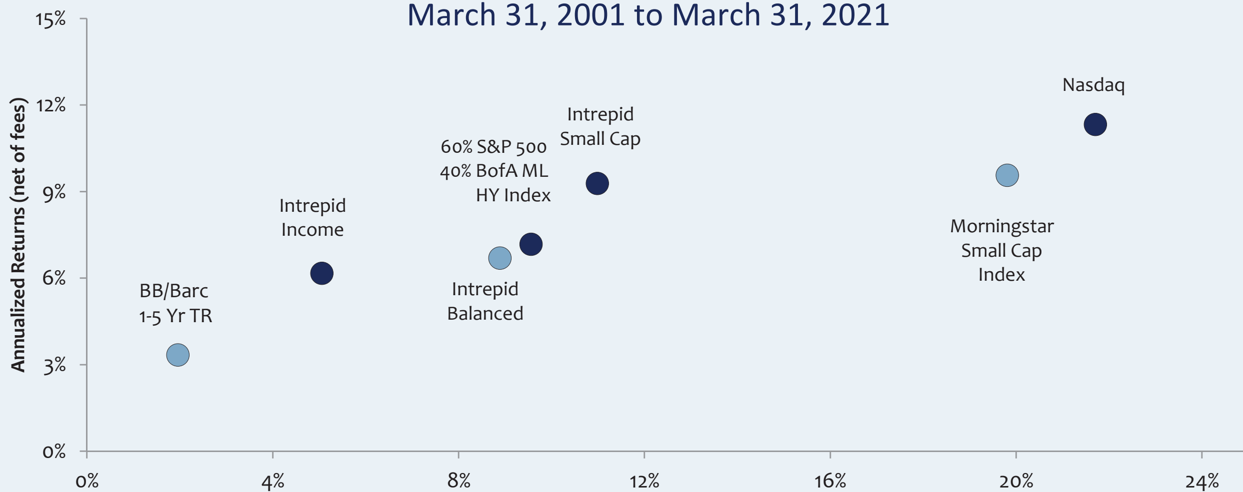
Thank you for your investment.

Annualized Performance



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 20 year period ending December 31 2020 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 January 1 2019 the Intrepid Small Cap changed its benchmark from the Russell 2000 Index to the Morningstar Small Cap Index As of January 1 2019 the Intrepid Disciplined Value changed its benchmark from the S&P 500 Index to the S&P MidCap 400 Index As of January 1 2019 the Intrepid Balanced and Intrepid Income changed their fixed income benchmarks from the ICE BofAML US High Yield Index to the Bloomberg Barclays Gov/Credit 1 5 Year TR Index The benchmarks for the Intrepid Small Cap and the Intrepid Disciplined Value have not been changed retroactively The benchmarks for the Intrepid Balanced and the Intrepid Income have been changed retroactively.

Risk Adjusted Returns



Annualized Standard Deviation of Monthly Returns

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 20 year period ending December 31 2020 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 January 1 2019 the Intrepid Small Cap changed its benchmark from the Russell 2000 Index to the Morningstar Small Cap Index As of January 1 2019 the Intrepid Disciplined Value changed its benchmark from the S&P 500 Index to the S&P MidCap 400 Index As of January 1 2019 the Intrepid Balanced and Intrepid Income changed their fixed income benchmarks from the ICE BofAML US High Yield Index to the Bloomberg Barclays Gov/Credit 1 5 Year TR Index The benchmarks for the Intrepid Small Cap and the Intrepid Disciplined Value have not been changed retroactively The benchmarks for the Intrepid Balanced and the Intrepid Income have been changed retroactively.