

## Part 2A of Form ADV: Firm Brochure Item 1 – Cover Page

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This Firm Brochure provides information about the qualifications and business practices of Intrepid Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 904-246-3433 or [invest@intrepidcapital.net](mailto:invest@intrepidcapital.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Intrepid Capital Management, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with the information on which you should base your determination to hire or retain an adviser.

Additional information about Intrepid Capital Management, Inc. is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108516.

## ITEM 2: MATERIAL CHANGES

This Form ADV Part 2A (the “Firm Brochure”) provides you with a summary of Intrepid Capital Management, Inc.’s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. As a registered investment adviser, we are required to amend the Firm Brochure at least annually, within 90 days of our firm’s fiscal year end of December 31. If there are any material changes to an adviser’s Firm Brochure, the adviser is required to notify you and provide you with a description of the material changes. We will inform you of the revision(s) based on the nature of the information as follows:

**Annual Update:** We will provide you with either a summary of the material changes to our Firm Brochure, with an offer to deliver the full revised Firm Brochure within 120 of our fiscal year end, or we will provide you with our revised Firm Brochure, which includes a summary of material changes in Item 2.

**Material Changes Outside of Annual Update:** Should a material change in our business occur after the annual update is filed and before the next annual update is due, depending on its nature, we will promptly communicate this change to you and other clients (and it will be summarized in Item 2). “Material Changes” requiring prompt notification include, among others, changes in ownership or control, change in our principal location, new information regarding disciplinary proceedings, significant changes to our advisory services or advisory affiliates, and any information that is critical to a client’s full understanding of who we are, how to find us, and how we do business.

The following material changes have been made to the Firm Brochure as of 3/26/2020:

- We have amended the Firm Brochure to reflect the fact that the Intrepid Capital Management Funds Trust closed the Intrepid International Fund (ICMIX) on September 27, 2019, and that we closed the Intrepid International strategy on September 27, 2019.
- We have amended the Firm Brochure to disclose that we offer wealth management services to high net worth individuals. See “Item 4: Advisory Business – Wealth Management Services” for a description of these services, and “Item 5: Fees and Compensation – Wealth Management Services” for a description of the fees charged for these services.
- We have amended the Firm Brochure to disclose risks related to recent market development, including the recent outbreak of COVID-19. See “Item 8: Method of Analysis, Investment Strategies and Risk of Loss – Market Risk” for a discussion of these risks.
- We have amended the Firm Brochure to disclose that we do not invest directly in cryptocurrencies, initial coin offerings, distributed ledger technology, blockchain and/or other related products (collectively, “Crypto Assets”), but we may invest indirectly in Crypto Assets by investing in registered investment companies, including exchange traded funds, collective investment vehicles, and non-investment company exchange-traded products that have Crypto Assets as underlying assets.

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## ITEM 4: ADVISORY BUSINESS

Intrepid Capital Management, Inc. (“Intrepid Capital,” the “Adviser,” “we,” “us” or “our”) incorporated in Florida in 1994, and is a wholly owned subsidiary of Intrepid Capital Corporation, incorporated in Delaware in 1998. Intrepid Capital is an investment management firm focused on finding value in equity and fixed income markets for institutional, corporate, and high net worth investors. With over 25 years of investment experience, the Adviser has a strong focus on partnering with clients to ensure their investment goals are realized. We differentiate ourselves by managing concentrated portfolios with low turnover, seeking absolute returns, and co-investing with our clients.

We believe that our investment style allows us to pursue the best value we can find in the markets with the goal of achieving superior risk-adjusted returns. We also believe that sound strategies, executed consistently, are the keys to long-term success.

### ASSETS UNDER MANAGEMENT

As of December 31, 2019, we were actively managing \$380,985,546 on a discretionary basis and \$11,495,889 on a non-discretionary basis.

We offer the following investment advisory and related services to our clients:

### INVESTMENT MANAGEMENT SERVICES

We offer a separately managed account (a “SMA”) investment option, which is administered through the client’s custodian. The program includes the following:

- a. **Investor Profile:** We consult with the client to obtain detailed financial information and other pertinent data on an Investor Profile Questionnaire to enable the client to determine the appropriate investment guidelines, risk tolerance, net worth, net income and other factors that will assist in ascertaining the suitability of a SMA.
- b. **Investment Policy Statement:** We prepare an investment policy statement (“IPS”) for the client and, subject to the client’s approval, including investment objectives, policies, and constraints consistent with the client’s requirements and requirements under applicable law, and provide a periodic review of the IPS.
- c. **Investment Recommendations:** We recommend, for consideration and approval by the client, (i) asset allocation target-date or risk-based model portfolios for the client, and (ii) funds from the line-up of investment options chosen by the client to include in such model portfolios. We manage the implementation of the model portfolios for the client’s account, with full discretion to make purchase and sale decisions for the account. We review the client’s investments and recommend investments in pooled investment vehicles that are not registered under the Investment Company Act of 1940 (a “Private Fund” and, collectively, “Private Funds”), consistent with the requirements of the client’s IPS as adopted by the client.
- d. **Portfolio Management:** We manage the client’s portfolio using, but not limited to stocks, bonds, mutual funds, exchange traded funds, US Treasury bonds and money market instruments. We manage the client’s account on an individual basis. Further restrictions and guidelines imposed by clients affect the composition and performance of portfolios. For these reasons, performance of portfolios within the

same investment objective may differ. Therefore, clients should not expect that the performance of their portfolios will be identical with our average client. We also offer different investment strategies for our clients, and, in implementing these strategies, we employ model portfolios.

- e. **Performance Evaluation and Monitoring Services:** We perform ongoing monitoring of investment options in relation to the criteria provided by the client and make recommendations accordingly. We furnish performance measurement services to our clients, provided by the custodian and through internally generated reports, in the form of quarterly performance evaluation reports. The internal reports are intended to inform clients as to how their investments have performed for the selected period of time. We schedule regularly recurring review meetings, with the number of meetings varying based on the account size.
- f. **Discretionary Authority:** We generally have discretionary authority to buy and sell securities. The client may also elect to have their accounts managed on a non-discretionary basis. The client's custodian may charge a transaction fee or commission on any transaction. We review the client's investments and recommend investment manager(s) and investment(s) consistent with the requirements of the client's IPS as adopted by the client. We have full discretion of the selection of investment managers and investment replacements if an existing manager or investment is no longer suitable. We are authorized to direct any firm designated in writing by the client to reallocate assets among different investment strategies offered by the designated firm. We are authorized to direct any designated firm to sell or purchase any particular security that is a permissible investment for any investment strategy in which the client is invested.
- g. **Custodian Commissions:** The custodian has the responsibility to disclose its commission charges to the client. For accounts managed on a discretionary basis, the client grants us sole discretion to purchase, sell, exchange, convert and otherwise trade securities and other investments in the client's account. This trading authorization is continuing in nature and remains in effect until terminated by the client or us.

## MUTUAL FUNDS

- a. We serve as the investment adviser to the Intrepid Capital Management Funds Trust ("ICFT"), a series of open-end mutual funds. The ICFT currently consists of four no-load funds: (1) the Intrepid Capital Fund – currently offering both Investor Class and Institutional Class shares; (2) the Intrepid Endurance Fund – currently offering both Investor Class and Institutional Class shares; (3) the Intrepid Disciplined Value Fund – currently offering only Investor Class shares; and (4) the Intrepid Income Fund – currently offering only Institutional Class shares (collectively, the "Funds"). As such, we furnish continuous investment advisory services to the Funds and are primarily responsible for the day-to-day management of the investment portfolio of the Funds.
- b. Please review the Funds' Prospectus and Statement of Additional Information for further information regarding the investment strategies, restrictions and risks related to the Funds.

## WEALTH MANAGEMENT SERVICES

We offer the following wealth management services, each as agreed to with the specific client (so, wealth management clients receive all services listed under Investment Management Services and only those services identified below that are contractually agreed to by them):

- a. We perform ongoing monitoring of investment options in the client's 401(k) in relation to the criteria provided by the client and make recommendations accordingly.

- b. We review the client's investments and recommend investments in pooled investment vehicles that are not registered under the Investment Company Act of 1940 (a "Private Fund" and, collectively, "Private Funds"), consistent with the requirements of the client's IPS as adopted by the client. We perform due diligence regarding Private Funds and monitor the performance of Private Funds.
- c. We provide financial planning services, which are defined as a comprehensive evaluation of the client's current and future financial state. We make this evaluation after gathering all known facts through personal interviews, analysis of financial statements and written investor profile. See the discussion on "Financial Planning Services" below.
- d. The client should refer to its wealth management agreement for a full understanding of our wealth management services and obligations.

## FINANCIAL PLANNING SERVICES

- a. For clients who do not receive full wealth management services, we provide financial planning on an "as needed" basis. We generally intend to provide these services to persons with an investable net worth of \$1,000,000 or more. However, we may, in our discretion, prepare a financial plan for a client with a net worth less than \$1,000,000. The nature of the services to these clients is based on information provided by the client and documented in the client's Financial Planning Agreement. The Financial Planning Agreement will terminate upon delivery of the financial plan, except for the client's obligation to pay the agreed-upon fee per the agreement, the limitation on liability and the arbitration provision described in the agreement. However, some clients may contact us for a plan update, and such an update will be a new engagement with a separate fee.
- b. The written financial plan is based on documentation provided by the client as set forth in the Financial Planning Agreement, including a Planning Questionnaire, and the client is made aware that a failure to provide accurate and current information may adversely affect the quality of the financial plan.
- c. The client should refer to the Financial Planning Agreement for a full understanding of our financial planning services and obligations.

## HEDGE FUND

The Intrepid Capital L.P. (the "Partnership") is an investment partnership designed to allow qualified investors to participate in a professionally managed, diversified investment program, which primarily invests in publicly traded equity securities by holding both long and short positions, and corporate debt. The Partnership does not hold any securities short that are being held long in other strategies or client accounts.

- a. We act as the General Partner of the Partnership and have sole responsibility for the management of the Partnership's business and investments. We also have discretionary authority to select investments in trading activities on behalf of the partnership.
- b. The minimum investment in the Partnership is \$500,000 unless we allow a smaller investment; provided, however, that each investor has a minimum \$1,000,000 under management with us or more than \$2,100,000 net worth exclusive of the value of the investor's principal residence. Please refer to the Private Offering Memorandum and Subscription Agreement for additional details and instructions.

- c. Clients who invest in the Partnership should also refer to the Private Offering Memorandum for, among other things, additional disclosure about the risks in investing in the Partnership and our relationship with the Partnership.

## GENERAL CONSIDERATIONS

- a. We may from time to time determine that an investment in a product or service offered by us or by a company affiliated with us is consistent with a client's financial situation or the recommendations contained in the client financial plan. In addition, a client may decide, at the client's own independent discretion, to purchase financial products offered by or through us or an affiliated company. In such circumstances, we receive investment advisory fees as the adviser to such products, like the ICFT.
- b. We may recommend or take action in the performance of our duties for one client that differ from the recommendations or advice given to another client. Differences include, but are not limited to, the timing and nature of the recommendation or action taken. We are not required to recommend for purchase or sale any securities or other investments to a client, even though we may purchase or sell or recommend for purchase or sale such securities for our accounts or for the account of any of other clients.
- c. We and our employees may make personal investments in securities and other financial products that we also recommend to our clients.

## ITEM 5: FEES AND COMPENSATION

### INVESTMENT MANAGEMENT SERVICES

#### *FEES – PERCENTAGE OF ASSETS UNDER MANAGEMENT*

Assets under management EXCEPT for ICFT's Funds, or the Intrepid Capital, L.P.

#### INVESTMENT MANAGEMENT SERVICES (ANNUAL FEE)

Market Value of Portfolio	Equity & Balanced Accounts	Fixed Income Only Accounts
Up to \$5,000,000	1.00%	0.75%
\$5,000,000 - \$10,000,000	0.75%	0.75%
\$10,000,000 and up	0.60%	0.60%

- a. The minimum balance for an Equity, Balanced and Fixed Income separately managed account is \$1,000,000. However, we may accept accounts which have a lower minimum value at our discretion. All accounts are billed 25% of the annual fee in advance on a quarterly basis. Each quarterly billing is applied to the market value of the account, including cash equivalents, on the last day of the preceding quarter. Circumstances affecting fees and quarterly billing are negotiable and will be discussed prior to initiating the program with us. All fee changes to client agreements must be made with thirty (30) days written advance notice.
- b. The client agreement may be terminated by either party upon thirty (30) days written notice and the client is entitled to a pro-rata refund of any prepaid quarterly fees. Clients who terminate the agreement within five (5) days of signing the agreement will be provided a full refund.
- c. Prior written authorization for the withdrawal of the quarterly fee is obtained from the client and written notification of the quarterly fee is provided to the client prior to debiting the client's account. If there is inadequate cash available to pay the quarterly fee, the client's prior authorization under the client agreement will permit us to liquidate securities to pay for the fees.
- d. We may invest client cash balances in registered investment companies, including, without limitation, money market funds, mutual funds and exchange-traded funds, and in unregistered investment companies, including hedge funds, private equity funds and other pooled investment vehicles. In addition to the fees we charge, each of the investment companies, registered or unregistered, in which clients' funds may be invested charges its own investment advisory fees and expenses. So, for example, to the extent that clients invest in mutual funds, other than the Funds, such clients effectively will pay two levels of advisory fees, one to us for the management of their assets and one indirectly through the management fees and other expenses embedded in the mutual funds to their investment adviser. Clients will not pay an investment advisory fee to us with respect to assets that are invested in the Funds. However, clients as investors in the Funds will bear their individual proportional share of fees and expenses paid by the Funds, including the investment advisory fees paid by the Funds to us.

### MUTUAL FUNDS

- a. The ICFT's four mutual funds; the Intrepid Capital Fund – offering Investor Class shares ("ICMBX") and Institutional Class shares ("ICMVX"); the Intrepid Endurance Fund – offering Investor Class shares ("ICMAX") and Institutional Class shares ("ICMZX"); the Intrepid Disciplined Value Fund – offering Investor Class shares ("ICMCX"); and the Intrepid Income Fund – offering Institutional Class shares ("ICMUX") all pay an investment management fee to the Adviser.

- b. Each mutual fund’s fee is calculated based on the amount of the individual mutual fund’s average daily net assets and is paid monthly. The annual investment management fee payable to us from ICMAX, ICMZX, ICMBX, ICMVX and ICMCX is 1.00%, while the annual fee from ICMUX is 0.75%. As the investment adviser, we have contractually agreed, through January 31, 2021 for ICMAX, ICMZX, ICMBX ICMVX, and ICMCX, to reduce our monthly fee and/or reimburse each fund to the extent necessary to ensure that the specific fund’s net annual operating expenses do not exceed 1.30% for ICMCX, 1.15% for ICMBX, ICMVX, ICMAX and ICMZX or 0.90% for ICMUX. If we reduce our fee or reimburse expenses in a particular month, we can request reimbursement, from that particular mutual fund, for that waiver or reimbursement in the subsequent three-year fiscal period assuming that reimbursement would not cause the net operating expenses of that particular fund to exceed its contractually agreed upon annual cap. Our investment advisory agreements must be renewed every year by a majority of the trustees of the ICFT.

**WEALTH MANAGEMENT SERVICES**

- a. Wealth management clients are charged the fees below based on the Total Assets Under Management (“Total AUM”). Total AUM means the total assets subject to the wealth management agreement, without limitation, all of the assets in the Managed Account and all of the assets outside of the Managed Account that are subject to the agreement.

**WEALTH MANAGEMENT/FINANCIAL PLANNING SERVICES (ANNUAL FEE)**

Fee Minimum	\$2,500 per year
\$1,000,000 - \$10,000,000	0.25% of Total AUM
\$10,000,000 and up	0.20% of Total AUM

- b. These fees are in addition to: (1) the fees that these clients are charged for SMAs in which they are invested (See “Item 5: Fees and Compensation – Investment Management Services – Fees – Percentage of Assets Under Management – Separately Managed Accounts (SMA)” above); and (2) the fees that these clients are charged for assets under management outside of ICFT’s Funds or SMAs (See “Item 5: Fees and Compensation – Investment Management Services – Fees – Percentage of Assets Under Management – Assets Under Management Except for ICFT’s Funds or Intrepid’s Separately Managed Accounts” above).
- c. With regard to a cash (or cash equivalents) only Managed Account, a cash management fee of 0.10% shall apply (in lieu of the wealth management/financial planning fees described above) for the coordination of the cash needs of the client. For purposes of clarification, cash and cash equivalents include money market funds, certificates of deposit, U.S. Treasuries, investment grade short-term debt obligations, and repurchase agreements, that are managed pursuant to the client’s wealth management agreement.

**FINANCIAL PLANNING SERVICES**

- a. For clients who desire financial planning, not including wealth management clients, we charge \$250 per hour for financial planning services, including, without limitation, outside holdings analysis and consulting services. We will provide a written estimate of cost and hours needed prior to engaging in a project for a client and will provide updates as needed. The client can determine how much time we should spend on their partial or full plan, and a flat fee will be charged based on the type of services provided to the client.

- b. Prior to the delivery of a financial plan, either party may terminate the Financial Planning Agreement for any reason upon written notice. In the event of a termination prior to delivery, we will be entitled to compensation at the rate of \$250 per hour for the time expended on the preparation of the financial plan. We may, at our discretion, waive the right to this compensation if the client is unsatisfied with the services provided. If the Financial Planning Agreement is terminated prior to the delivery of the financial plan by us, we will be under no obligation to provide the client with a financial plan.
- c. We will provide a written plan and the client may implement all, some, or none of the suggestions as the client sees fit. We will send a written statement of the fee after the presentation, which is payable within 30 days of the date of the invoice.

## HEDGE FUND

- a. The Partnership pays us a quarterly management fee equal to  $\frac{1}{4}$  of 1% of the net assets in the Partnership as of the beginning of each calendar quarter for bearing the overhead expenses and providing investment management services for the Partnership.
- b. As the General Partner, we will receive a performance incentive allocation of 20% of any new high balance in each limited partner's account for each allocation period. An allocation period is generally a 12-month period and a new high is any amount by which the value of the limited partner's account at the end of an allocation period exceeds the highest value at the beginning of any allocation period, disregarding capital additions and withdrawals, and taking into consideration any decrease in an account from a prior allocation period. The incentive fee will only be charged on the capital account of the investors who are "qualified clients" (i.e., having a net worth in excess of \$2.1 million exclusive of the value of the investor's principal residence) or having assets under management with us in excess of \$1 million.
- c. The General Partner performance incentive fee for the Partnership is billed annually on the last day of the allocation period, which is typically the calendar year end, and is automatically deducted and paid out of each investor's capital account.
- d. By charging a performance-based fee upon the capital accounts of limited partners of the Partnership, we have an incentive to favor the Partnership account over the accounts of clients who are not charged an incentive fee. For example, there is the incentive to place the best trades for the Partnership over that of our other clients. We address this conflict by maintaining trading policies designed to provide reasonable assurance that clients are treated fairly and by performing periodic testing to reasonably ensure one account is not favored over another. We also have an incentive to steer the assets of clients to the Partnership. We address this conflict by disclosing this conflict to clients and prospective investors in the Partnership.

## FEES - OTHER

Clients may incur other fees or expenses in connection with their investments that are not paid to us. Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

- a. For separately managed accounts, clients may incur brokerage or other transaction fees, annual account fees, or other brokerage or custodian charges as determined by where their account is held.
- b. As a shareholder in one or more of the ICFT's four Funds, expenses associated directly with the Funds, as well as, transaction or brokerage costs may be incurred. The ICFT is responsible for paying fees

associated with administering and maintaining the trust and its Funds. These fees include, but are not limited to accounting, administration, custody services, legal, and transfer services, and are charged ratably across the Funds. In addition, separate transaction fees and account maintenance fees may be charged directly by brokers and custodians.

- c. In addition to the fees paid by the limited partners of the Partnership described herein, the limited partners also indirectly pay their pro rata share of the Partnership's expenses. These fees include, but are not limited to, accounting fees, registration fees, software expense, and tax fees.

## ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Please refer to Item 5: Fees and Compensation, for information on performance-based fees.

The side-by-side management of both the Funds and other accounts may raise potential conflicts of interest due to the interest held by us or one of our affiliates in an account (for example, cross trades between a Fund and another account and allocation of aggregated trades among the Funds and other accounts). We have developed policies and procedures reasonably designed to mitigate these conflicts. In particular, we have adopted policies limiting the ability of portfolio managers to effect cross trades and policies to ensure the fair allocation of securities purchased on an aggregated basis.

## ITEM 7: TYPES OF CLIENTS

We provide advisory services and non-advisory services to corporate, institutional, and high net worth individuals. We also provide advisory services to mutual funds (registered investment companies) and pooled investment vehicles that are not registered as investment companies.

- a. SMA's are offered to business entities, institutions, and high net worth individuals. See "Item 4: Advisory Business" and "Item 5: Fees and Compensation" above.
- b. For the mutual funds in the ICFT, the type of investment and minimum investment varies based on the type and class of the fund. Each fund is generally described as follows; ICMAX and ICMZX – small cap value equity, ICMBX and ICMVX – moderate allocation balanced, ICMCX – mid-cap value equity, and ICMUX – income. The minimum initial amount of investment is \$2,500 for investor class shares of the Funds (ICMAX, ICMBX, and ICMCX), \$2,500 for institutional class shares of ICMUX and \$250,000 for institutional class shares of the Funds (ICMZX and ICMVX). Subsequent investments in the investor class or institutional class shares of the Funds may be made with a minimum investment of \$100. Please also reference the Funds' Prospectus and Statement of Additional Information for further information. See "Item 4: Advisory Business" and "Item 5: Fees and Compensation" above.
- c. Wealth management services are offered to business entities, institutions, and individuals. See "Item 4: Advisory Business" and "Item 5: Fees and Compensation" above.
- d. The Partnership offers interests only to "accredited investors" and "qualified clients," a general description of the Partnership account minimums is described in Item 4: Advisory Business, IV - Hedge Fund. Please also reference the Partnership's Private Offering Memorandum for further information. See "Item 4: Advisory Business" and "Item 5: Fees and Compensation" above.

### **Method of Analysis - Overview**

Our research is done internally following a bottom-up, value-based strategy. Analysts focus on company filings, conference calls, discussions with management and other sources when generating company reports. We emphasize the use of primary research over sell-side materials. Securities and Exchange Commission (“SEC”) filings are critical to understanding a business’s history and stability, as well as the primary drivers for the business. The core concept is to value a business in its entirety, as if we were buying the stock in a private market transaction.

We discount free cash flows using normalized assumptions, as opposed to cash flows at the peak or trough of the business cycle. For businesses in which discounting free cash flows could be problematic (e.g., financials or commodity-related businesses), we attempt to value the business via an asset valuation. We typically use discount rates between 10% and 15% depending upon a business’s level of overall risk and cyclicality. Finally, we use realistic growth rate assumptions, which tend to be between 3% and 5%. Management contact (typically via phone) can be important to better clarify accounting questions or to understand the challenges/opportunities facing the target business in question. Once we have valued the entire business, we can determine whether the stock price is at a discount (below) or premium (above) to our intrinsic valuation.

Ideas are shared across the firm and between portfolios. The research team is composed of portfolio managers and research analysts who search for and evaluate ideas. The investment team meets on a weekly basis to review ideas. Ultimately, the lead portfolio manager of the investment strategy has final decision rights and responsibility for which securities are bought and sold in each strategy. However, all analysts and portfolio managers work in close proximity to one another; ideas are shared throughout the course of each business day.

### **Method of Analysis – Equity Securities**

We start with our investable universe of securities, ranging from \$200 million to roughly \$9 billion in market cap for the small cap portfolio, and \$200 million and above for the other equity portfolios. These include domestic and foreign securities. We generally eliminate companies which do not meet our criteria. We prefer companies that tend to be profitable, generate positive free cash flows, and have reasonable financial leverage. Oftentimes when we are screening, we use firm valuation metrics (i.e. Enterprise Value) to account for use of leverage. In addition to screening based on valuation (e.g. EV/EBIT or free cash flow yield), we also screen for companies trading near their 52-week low price levels that may be out of favor or otherwise mispriced by the market. Another important source of ideas comes from the body of knowledge built by the research staff over the years. Some high-quality businesses have been followed continuously but may not be owned at a particular time. When the prices of such stocks decline to a level that affords us an adequate margin of safety, we stand prepared to invest. Ideas are also sourced from our credit team as they evaluate modestly leveraged investment grade and high yield debt issuers. When we believe there is a clear path to debt reduction, we may buy these securities for our equity portfolios.

Once a portfolio candidate is found, we thoroughly review the company’s business strategy, financials, competitors, and outlook. If the candidate passes our initial due diligence, we may ask questions to management or others in the industry to firm our understanding of the business. The final step in our process is to discount the candidate company’s future free cash flows to determine our intrinsic value. This value is then adjusted to reflect excess working capital, hidden assets, hidden liabilities and debt. If the market value is near 20% below our calculated intrinsic value, the candidate is placed on our potential buy list. While the existence of a catalyst may be desirable, we do not require a catalyst before investing in a security. Although discounting free cash flows is our primary valuation methodology, we also calculate asset valuations when appropriate, and use a conservative multiple of normalized earnings in other instances. Determining the potential takeover price for a business allows us to understand potential upside, but it is not our main technique.

We are very valuation sensitive. We will not usually acquire a company unless we can buy it at a material discount to intrepid value, which is generally 20%. Positions are generally sold or reduced in size when they cross our intrinsic value estimate. Our sell discipline is typically driven by the occurrence of three potential events:

- Valuation target achieved
- Degradation of fundamentals
- Misleading statements/information from management

Turnover is not a consideration in our sell discipline.

### **Method of Analysis – Fixed Income**

We start with the two thousand plus issuers in the Bloomberg Barclays Gov/Credit 1-5 Year Index, smaller issuers not included in the index, and other investment-grade, high yield, and convertible bonds. We utilize Bloomberg terminals to screen based on simple, broad criteria, specifically:

- Yield-to-Maturity & Yield-to-Worst
- Spread
- Maturity
- Leverage – Debt / TTM EBITDA
- Interest Coverage – TTM EBIT / interest expense
- Free Cash Flow Yield

We apply similar metrics to the entire index to identify suitable candidates. Additionally, we use our equity research to expand our potential buy list. After broad screening, we quickly scan each bond's financial statements to further narrow down the field. We do not use sophisticated screening methods specifically because we do not want to overlook potentially attractive investments.

The initial screen usually yields several hundred securities to be evaluated further. We use quantitative and qualitative methods to eliminate companies that do not meet our criteria. For example, the companies must generate free cash flows and have stable balance sheets. Oftentimes, we use firm valuation metrics (*i.e.*, Enterprise Value) when screening to account for use of leverage. Certain potential candidates may arise from the use of screens. A second and equally important source of ideas comes from the body of knowledge built by the research staff. In other words, some businesses have been followed for years but may not be owned at a particular time. Depending upon price, these may be suitable candidates as well.

The portfolio managers carefully select securities that, after passing most or all primary criteria, have an attractive yield relative to the risk taken. Risk is measured in both a quantitative and qualitative manner. The portfolio managers tend to keep the duration short, with the average duration usually shorter than 3 years. The short duration helps reduce interest rate risk so that the focus can be on adding value via deep credit research. The decision on the adequacy of the yield is also based on both quantitative and qualitative properties of the bond in consideration. The option-adjusted spread of the bond over the comparable Treasury is an important quantitative measure in the yield received. Lastly, the impact the bond has on the overall portfolio is measured with careful consideration for the current market environment.

### **Investment Strategies**

#### **Equity:**

We are valuation-driven investors who focus on businesses that are selling below what we believe the underlying businesses are worth. Our valuations are calculated by discounting projected free cash flows and valuing assets. We focus on established companies that have strong balance sheets and that generate consistent free cash flows.

We attempt to reduce risk through detailed fundamental analysis of a limited number of holdings and by avoiding businesses that cannot be valued with a high degree of confidence.

We employ a long-term investment approach focused on absolute results rather than relative performance. By doing so, we attempt to think independently and avoid investment fads. We typically sell stocks when they exceed our calculated intrinsic value or when there is a decline in company fundamentals that is not yet reflected in the price of the stock. As bottom-up investors, we focus on security selection, in which the decision to buy or sell a particular security is made independently of the presence or absence of investable opportunities among other securities. In certain market conditions when we are unable to find attractive discounts, we may determine that it is appropriate for our portfolios to hold a significant cash position for an extended period of time. We may maintain substantial cash positions when we determine that such cash holdings, given the risks we believe to be present in the market, are more beneficial to shareholders than investments in additional securities.

We do not invest directly in cryptocurrencies, initial coin offerings, distributed ledger technology, blockchain and/or other related products (collectively, "Crypto Assets"). We may invest indirectly in Crypto Assets by investing in registered investment companies, including exchange traded funds, collective investment vehicles, and non-investment company exchange-traded products that have Crypto Assets as underlying assets.

#### **Fixed Income:**

We seek fixed income securities that offer attractive yields relative to U.S. Treasury securities, while limiting interest rate risk and the possibility of permanent capital impairment. We perform deep fundamental credit analysis to identify securities with high risk-adjusted potential returns. We invest in a wide range of fixed income securities, including corporate bonds, convertibles, and preferred stock, but will typically target the high-yield corporate market. We seek to limit interest rate risk when we are not being compensated to assume it.

The investment team focuses on understandable businesses that generate predictable cash flows, in addition to owning tangible assets such as land, buildings, marketable equipment, or mineral reserves. We aim to build a portfolio that will withstand credit crises and liquidity events, striving to own debt securities in businesses that would have the ability to refinance in such an environment. We have historically found the high yield corporate debt market to be fertile ground for our search. High yield securities typically have paid high current interest, as well as offer the potential for capital appreciation when purchased at a discount to par value or when favorable company-specific events occur. We perform deep fundamental credit analysis in selecting debt securities for our portfolios, and the holdings are not limited by credit quality, sector, or geography.

Investments in debt instruments will not be limited in duration, but typically will be in securities having duration of two to six years at the time of purchase. Duration is a measure of a debt security's price sensitivity, taking into account a debt security's cash flows over time. In certain market conditions, we may determine that it is appropriate for the portfolios to hold a significant cash position for an extended period of time. We may maintain substantial cash positions when we determine that such cash holdings, given the risks we believe to be present in the market, are more beneficial to shareholders than investment in additional securities.

#### **Risk**

We try to control risk by ensuring that we understand a business's operating characteristics, cash flows, and balance sheet, and then waiting to buy shares until we believe there is at least a 20% discount to our fair value estimate. We assess the internal operating and financial risk of each holding, and this is reflected in our valuations. We tend to own shares in businesses with more stable end markets than average and without highly leveraged balance sheets. These can usually be valued with a higher degree of confidence. This risk control process helps us participate in rising markets and protect capital in declining markets. Portfolio risk is often measured by outsiders using standard deviation.

There is a risk that you could lose all or a portion of your money on your investment. This risk may increase during times of significant market volatility. Our investment strategies are subject to the following risks which could affect the value of your investment:

- **American Depositary Receipt (“ADR”) Risk:** ADRs may be subject to some of the same risks as direct investment in foreign companies, which includes international trade, currency, political, regulatory and diplomatic risks. Because unsponsored ADR arrangements are organized independently and without the cooperation of the issuer of the underlying securities, available information concerning the foreign issuer may not be as current as for sponsored ADRs and voting rights with respect to the deposited securities are not passed through.
- **Cash Position Risk:** The ability of the Adviser to meet its objective may be limited to the extent it holds assets in cash (or cash equivalents) or is otherwise uninvested.
- **Credit Risk:** The issuers of bonds and other debt securities held in an Adviser-managed account may be unable to make interest and principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial conditions that would lower the credit quality of the security and lead to greater volatility in the price of the security.
- **Crypto Assets Risk:** Investing in Crypto Assets, or in instruments the value of which are derived from or based on Crypto Assets, is highly speculative and subject to numerous risks, as discussed below. Crypto Assets come in different forms. A cryptocurrency, like bitcoin, is a peer-to-peer, decentralized, crypto currency the implementation of which relies on the principles of cryptography to validate the transactions and generation of the currency itself. A network (or utility) token relies on a network protocol with similar principles to a cryptocurrency, but also purports to serve functions other than the storage of value. The creation and use of Crypto Assets is not currently subject to a fully-developed set of legal or regulatory requirements, and trading in Crypto Assets is subject to high levels of volatility and the potential for market abuse.

Crypto Assets exist entirely in electronic form, as entries in decentralized (or “distributed”) crypto ledgers. The ledgers themselves, as well as the private encryption keys used to access Crypto Asset balances, are held on hardware (which can be physically controlled by the holder or by a third party) or via software programs on third-party servers, and as such are susceptible to all of the risks inherent in holding any electronic data, such as power failure, data corruption, security breach, communication failure, and user error, among others. Accordingly, Crypto Assets are subject to theft, destruction, or loss of value from hackers, corruption, or technology-specific factors such as viruses that do not affect traditional currency, which is underwritten by central banks and monetary authorities.

Transactions in Crypto Assets are recorded and authenticated not by a central repository, but by a peer-to-peer network. While decentralization avoids certain common threats to computer networks (e.g., denial of service attacks), the use of a peer-to-peer system relies on participants in the network having greater numbers and computing power than coordinated attackers. This authentication strategy necessitates investment in substantial amounts of computing power, which in turn increases the burdens on participants in the network to stay ahead of attackers. If and as the popularity of Crypto Assets increases, the burdens on participants in the network (which are defrayed by transaction costs) can be expected to increase, which may reduce the value of Crypto Assets.

Transactions in Crypto Assets also provide a high degree of anonymity, making them susceptible to misuse for criminal activities, such as money laundering. This misuse, or the perception of such

misuse (even if untrue) could lead law enforcement agencies to close Crypto Asset exchange platforms or other Crypto Asset-related infrastructure with little or no notice and prevent users from accessing or retrieving Crypto Assets held via such platforms or infrastructure.

- **Debt/Fixed Income Securities Risk:** The value of your investment may change in response to changes in interest rates. An increase in interest rates typically causes a fall in the value of the debt securities in which the Adviser invests. Interest rates in the U.S. are at, or near, historic lows, which may increase the exposure to risks associated with rising interest rates. Moreover, rising interest rates or lack of market participants may lead to decreased liquidity in the bond and loan markets, making it more difficult for the Adviser to sell its holdings at a time when the Adviser might wish to sell. The longer the duration of a debt security, the more its value typically falls in response to an increase in interest rates. The value of your investment may change in response to the credit ratings of debt securities held by the Adviser. The degree of risk for a particular security may be reflected in its credit rating. Generally, investment risk and price volatility increase as a security's credit rating declines. The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security. The Adviser cannot collect interest and principal payments on a debt security if the issuer defaults. Prepayment and extension risks may occur when interest rates decline and issuers of debt securities experience acceleration in prepayments. The acceleration can shorten the maturity of the debt security and force the Adviser to invest in securities with lower interest rates, reducing the portfolio's return. Issuers may decrease prepayments of principal when interest rates increase, extending the maturity of the debt security and causing the value of the security to decline. Distressed debt securities ("junk bonds") involve greater risk of default or downgrade and are more volatile than investment grade securities. Distressed debt securities may also be less liquid than higher quality debt securities. Many debt securities utilize LIBOR as the reference or benchmark rate for variable interest rate calculations. However, the use of LIBOR has come under pressure following manipulation allegations. If LIBOR in its current form does not survive or if an alternative index is chosen, the market value and/or liquidity of securities with distributions or interest rates based on LIBOR could be adversely affected.
- **Equity Securities Risks:** Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This change may occur because of factors that affect securities markets generally or factors affecting specific industries, sectors or companies in which the Adviser invests.
- **Exchange-Traded Fund ("ETF") Risk:** ETFs are investment companies that trade like stocks. The price of an ETF is derived from and based upon the securities held by the ETF. However, like stocks, shares of ETFs are not traded at net asset value, but may trade at prices above or below the value of their underlying portfolios. The level of risk involved in the purchase or sale of an ETF is similar to the risk involved in the purchase or sale of a traditional common stock, except that the pricing mechanism for an ETF is based on a basket of securities. Thus, the risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile than the underlying portfolio of securities. Disruptions in the markets for the securities underlying ETFs purchased or sold could result in losses on the Adviser's investment in ETFs. ETFs are subject to management fees and other fees that may increase their costs versus the costs of owning the underlying securities directly.

The market prices of shares of ETFs fluctuate in response to changes in net asset value ("NAV") and supply and demand for such shares and include a bid-ask spread charged by the exchange specialists, market makers or other participants who trade the particular security. There may be times when the market price and the NAV vary significantly. This means that shares of an ETF may

trade at a discount or premium to NAV. In particular, the following circumstances may impact the market price of the shares of ETFs: (1) in times of market stress, market makers may step away from their role of market making in the shares of ETFs and in executing trades, which can lead to differences between the market value of the shares and an ETF's NAV; (2) to the extent authorized participants ("APs") exit the business or are unable to process creations or redemptions and no other AP can step in to do so, there may be a significantly reduced trading market in the shares, which can lead to differences between the market price of the shares and an ETF's NAV; (3) the market price for the shares may deviate from an ETF's NAV, particularly during times of market stress, with the result that investors may pay significantly more or significantly less for the shares than an ETF's NAV, which is reflected in the bid and ask price for shares or in the closing price; (4) when all or a portion of an ETFs underlying securities trade in a market that is closed when the market for the shares is open, there may be changes from the last quote of the closed market and the quote from an ETF's domestic trading day, which could lead to differences between the market value of the shares and an ETF's NAV; and (5) in stressed market conditions, the market for the shares may become less liquid in response to the deteriorating liquidity of an ETF's portfolio.

An active trading market for the shares of ETFs may not be developed or maintained. Trading in shares of ETFs on the stock exchange where they are listed for trading (the "Exchange") may be halted due to market conditions or for reasons that in the view of the Exchange, make trading in shares inadvisable, such as extraordinary market volatility. There can be no assurance that shares will continue to meet the listing requirements of the Exchange. If the shares are traded outside a collateralized settlement system, the number of financial institutions that can act as APs that can post collateral on an agency basis is limited, which may limit the market for the shares.

- **Foreign Securities Risk:** Stocks of non-U.S. companies (whether directly or in ADRs) as an asset class may underperform stocks of U.S. companies, and such stocks may be less liquid and more volatile than stocks of U.S. companies. The costs associated with securities transactions are often higher in foreign countries than the U.S. The U.S. dollar value of foreign securities traded in foreign currencies (and any dividends and interest earned) held by the Fund may be affected unfavorably by changes in foreign currency exchange rates. Policy and legislative changes in foreign countries and other events affecting global markets, such as the institution of tariffs by the U.S. or the United Kingdom's expected exit from the European Union (or Brexit), may contribute to decreased liquidity and increased volatility in the financial markets. Additionally, investments in foreign securities, whether or not publicly traded in the U.S., may involve risks which are in addition to those inherent in domestic investments, such as less demanding regulatory requirements, less demanding financial reporting requirements, and less stable economies. Foreign companies may be subject to significantly higher levels of taxation than U.S. companies, including potentially confiscatory levels of taxation, thereby reducing the earnings potential of such foreign companies. Substantial withholding taxes may apply to distributions from foreign companies.
- **High Yield Risk:** Investment in high yield securities can involve a substantial risk of loss. These securities, commonly called "junk bonds," are rated below investment grade and considered to be speculative with respect to the issuer's ability to pay interest and principal. They are more likely to default than investment grade securities when adverse economic and business conditions are present. High yield securities are generally much less liquid than investment grade debt securities and their market values tend to be volatile. In addition, high yield securities tend to have greater credit risk than investment grade securities.
- **Interest Rate Risk:** In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations. There have been extended periods of increases in interest rates that have caused

significant declines in bond prices. Interest rates currently are at, or near, historic lows, and may increase, with potentially sudden and unpredictable effects on the markets and the Adviser's choice of investments.

- **Liquidity Risk:** The risk, due to certain investments trading in lower volumes or to market and economic conditions, that the Adviser may be unable to find a buyer for its investments when it seeks to sell them or to receive the price it expects based on the Adviser's valuation of the investments.
- **Market Risk:** In the past decade financial markets throughout the world have experienced increased volatility, depressed valuations, decreased liquidity and heightened uncertainty. The prices of the securities in which the Adviser invests may decline for a number of reasons. A rise in protectionist trade policies, slowing global economic growth, risks associated with pandemic and epidemic diseases, risks associated with the United Kingdom's departure from the European Union, the risk of trade disputes, and the possibility of changes to some international trade agreements, could affect the economies of many nations, including the United States, in ways that cannot necessarily be foreseen at the present time, and may negatively impact the markets in which we invest for clients.

A recent outbreak of respiratory disease caused by a novel coronavirus was first detected in Wuhan City, Hubei Province, China and has now been detected internationally. The virus, named "SARS-CoV-2" (sometimes referred to as the "corona virus" and abbreviated as "COVID-19") has resulted in travel restrictions, closed international borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19, and other infectious illness outbreaks that may arise in the future, could adversely affect the economies of many nations, the entire global economy, individual companies and capital markets in ways that cannot be foreseen at the present time. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises and related impacts caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its adverse effects, including adverse effects on our investments, cannot be determined with certainty.

- **Small and Medium Capitalization Company Risk:** Small and medium capitalization companies often have narrower product lines and markets and more limited managerial and financial resources, and as a result may be more sensitive to changing economic conditions. Stocks of smaller companies are often more volatile and tend to have less trading volume than those of larger companies. Less trading volume may make it more difficult to sell securities of smaller companies at quoted market prices. Finally, there are periods when investing in small capitalization company stocks falls out of favor with investors and the stocks of smaller companies underperform.
- **Value Investing Risk:** The Adviser may be wrong in its assessment of a company's value or the market may not recognize improving fundamentals as quickly as the Adviser anticipated. In such cases, the stock may not reach the price that reflects the intrinsic value of the company. There are periods when the value investing style falls out of favor with investors and in such periods a Fund may not perform as well as other mutual funds investing in common stocks.

## ITEM 9: DISCIPLINARY INFORMATION

There have been no disciplinary actions against us or any of our principals or employees within the last ten years by:

- Any domestic, foreign or military court,
- The SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority, or
- Any self-regulatory organization (SRO).

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We are the investment adviser to ICFT, a series of open-end mutual funds. We typically offer these investment options to clients and prospects whose account objective is aligned with a fund's investment objective and whose investment activity would be better served in a mutual fund investment as opposed to a managed account. Some officers also have roles with ICFT, and other staff members also perform certain activities on behalf of ICFT, which could create conflicts of interest due to competing priorities. We spend more than 50% of our time offering or managing this investment option.

We are also the General Partner of the Partnership, which is offered as an investment option for qualified investors. We make all day-to-day investment decisions and will dedicate a portion of our time to the management of the Partnership's investments. We typically purchase and sell equity securities and corporate debt, though there is no material limitation on the particular securities or other investments which the Partnership may acquire, with the goal of maintaining capital preservation and generating long-term capital appreciation. We spend more than 20% of our time offering and managing this investment option.

We receive compensation from both ICFT, based upon assets under management, and from the Partnership, based upon assets under management and the performance of the investments. Because we are compensated by both ICFT and Partnership, we have a conflict of interest in recommending an investment in one over the other to our clients. However, we believe that we have mitigated this conflict of interest by ensuring that our clients' assets that are invested, upon our recommendation in ICFT or the Partnership are invested according to each of our client's needs, are suitable for their investment objectives, and not based on the fees charged by us in either investment choice.

We also offer comprehensive financial analysis and planning services to our clients. We spend more than 5% of our time offering these services.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We have adopted a Code of Ethics and Professional Standards (“Code of Ethics”) designed to avoid prohibited acts and mitigate potential conflicts of interest. The Code of Ethics works in conjunction with our written Compliance and Supervisory Procedures Manual (“Compliance Manual”) and is designed, among other things, to detect and prevent insider trading and to govern personal securities trading. Such issues addressed by either document include, among other things, forbidding any of our employees from trading, either personally or on behalf of others (such as a hedge fund and private accounts managed by us), on material non-public information and from communicating material non-public information to others in violation of any governing law.

Securities are subject to the Code of Ethics (“Covered Securities”), provided that the following securities are not subject to the Code of Ethics:

- Direct obligations of the Government of the United States;
- Bankers’ acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, including repurchase agreements;
- Shares issued by open-end registered investment companies other than the Intrepid Mutual Funds (provided that shares of exchange traded funds purchased or sold in the secondary market are Covered Securities for purposes of the Code); and
- Shares issued by the Intrepid Mutual Funds that are held within the 401(k) account of persons subject to the Code of Ethics (“Access Persons”). So, purchases or sales of the Intrepid Mutual Funds in the Intrepid Profit Sharing/401(k) Plan are exempt from preclearance, as discussed below.

Access Persons may not purchase or sell, directly or indirectly, any Covered Security in which he has, or by reason of such transaction acquires, any direct or indirect beneficial ownership unless such purchase or sale has been “precleared” by the Adviser’s Chief Compliance Officer. This preclearance requirement does not apply to any of the following transactions:

- Purchases or sales effected in any account over which the Access Person has no direct or indirect influence or control.
- Purchases or sales of Covered Securities which are not eligible for purchase or sale by any Intrepid Mutual Fund, any private fund advised us, or any separately managed account advised by us; provided, however, that the prohibition against participating in initial public offerings applies.
- Purchases or sales which are non-volitional on the part of either the Access Person.
- Purchases or sales pursuant to model portfolios managed by us.
- Purchases which are part of an automatic dividend reinvestment plan.
- Purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities, to the extent such rights were acquired from such issuer, and sales of such rights so acquired.

- Purchases or sales which receive the prior approval of the Board of Trustees of the Intrepid Mutual Funds; provided, however, that the prohibitions regarding initial public offerings and limited offerings apply.

Records will be maintained of all securities bought or sold by us or our employees. We require all new employees disclose all of their, their spouse's, and any beneficial ownership accounts that they have, as well as, the holdings in these accounts. All employees are required to provide monthly or quarterly holdings reports, depending on the type of account, to the CCO. These reports are reviewed for compliance purposes.

Our Compliance Manual, in conjunction with our Code of Ethics, sets forth our policy that clients' interests are always placed ahead of any corporate or personal interest. Our policies require our employees to do their purchasing and selling after transactions have been completed for all client accounts and include the procedures that require all employees to pre-clear their personal securities transactions except for those limited transactions accepted (see above) from the pre-clearance requirement. We believe that the Code of Ethics and Compliance Manual, are designed to detect and prevent insider trading, to govern personal securities trading, and are appropriate to prevent or eliminate potential conflicts of interest situations between the Adviser, our employees, and our clients. However, clients should be aware that no set of rules can possibly anticipate or relieve all potential conflicts.

A copy of our Code of Ethics is available to our clients upon a written request.

## ITEM 12: BROKERAGE PRACTICES

Our clients in a SMA are required to provide written discretionary authority to us to select and execute transactions on their behalf. Clients may direct us to enter orders for their account with certain broker-dealers. However, such a client is advised that their account may not receive as favorable a price on a transaction as it would if we had discretion to choose the broker-dealer to affect the transaction. For those clients' accounts where we have discretion to choose the broker-dealer to affect the transaction on the account, the broker-dealers are chosen to achieve the best overall services for the clients' accounts.

Generally, transaction fees are negotiated. Consistent with our policy to obtain best execution, transactions are placed with broker-dealers after giving consideration to the following:

- The past experience/proven ability of broker to perform;
- Difficulty of execution for stock or bond in question (liquidity, volatility, broker speed and communication feedback);
- Ability to allocate block trades for multiple accounts at average pricing;
- Availability of soft dollar or other research incentives;
- Ability to handle/provide size execution;
- Ability to service special account needs (certification/transfers etc.); and
- Purely price of commission alone.

We use block trading and aggregation of orders for our clients. When decisions are made to purchase or sell securities for a number of clients, simultaneously, the transactions are generally averaged as to price and are allocated as to amount in accordance with the daily purchase or sell orders actually executed for each client. The allocation of block trades to several accounts occurs by weighing the following factors:

- The liquidity of the issue in question and broker ability to execute without negatively effecting price and speed of response;
- The availability or need for cash in a given account;
- The relative size or position of the issue in question relative to other accounts;
- The size of orders to be executed through the same broker; and
- After considering the above factors, trades will typically be executed broker by broker to avoid the adverse effect on price of multiple interests.

All trades are allocated and transmitted to brokers by the end of the trading day. In the event of a partial fill, shares will be allocated pro-rata based on original total order quantity, unless it proves cost-prohibitive for some accounts to receive their pro-rata portion, in which case shares will be filled randomly. We use Advent's Moxy to determine order quantities and calculate pro-rata and random allocations when necessary.

Exact pro-rata allocations may not be achieved due to rounding of quantities to achieve round lot positions in client accounts. In instances where accounts are required or deemed cost-effective to trade at different brokers, accounts are likely to receive different execution prices. But, generally, all accounts traded at a specific broker-dealer will receive the same average price.

Pursuant to Section 28(e) of the Securities Exchange Act of 1934, as amended, we have soft dollar arrangements whereby we have the discretionary authority to select broker-dealers who may charge commissions in excess of the lowest available commissions, in recognition of the value of products or services provided by the broker-dealer to us. The products or services arranged or provided by the broker-dealer may be used in servicing all of our clients, but may or may not be used in connection with accounts that have paid commissions to the broker-dealer providing the service. Research products and services may include access to proprietary research systems, access

to third party providers of pricing and performance information, discounts on software applications and other business-related expenditures. These arrangements will only affect the clients we have brokerage discretion over, and where we have determined in good faith that such commissions are reasonable in relation to the value of the research and execution of products/services received from the broker-dealer. One of our principals will periodically review to evaluate the research and execution products/services we receive under the arrangements. Such research includes information in the form of written and oral reports, reports accessed by computers and terminals, statistical collations, appraisals and analyses relating to markets, companies, industries and economic factors. The execution products received are designed to assist us in facilitating timely trade executions and support our ability in trying to obtain best price execution for the client trades.

When we use commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services; thus, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

## ITEM 13: REVIEW OF ACCOUNTS

Accounts for clients with a SMA, will be reviewed monthly, quarterly, and annually as well as daily in periods of rapidly changing markets. Reviewers include technical analysts, corporate officers, and administrative and trading personnel. We will review time weighted rates of return for various periods as well as investment alternatives. Clients with a SMA will receive monthly statements from their custodian. Most custodians also offer online access to the account. Clients will also receive quarterly reports from the Adviser, and in addition, have the ability to request an ad-hoc report or retrieve reports electronically.

Investments held in the ICFT are reviewed daily. Clients with investments in the mutual funds of the ICFT will receive quarterly statements from the custodian, unless they have chosen to receive electronic communications. Online access to their accounts is also available.

Investments in the Partnership are reviewed daily and the Partnership's performance is reviewed monthly. Limited partners in the Partnership will receive a quarterly statement provided by the Adviser and a copy of the Partnership's annual financial statements with an accompanying independent auditor's report.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

From time to time we compensate others for referring advisory clients to us. Referral fees are based on a percentage of the annual management fees that we earn on referred accounts and represent no additional expense to such accounts. Persons who refer clients to us are required to provide the written disclosure to persons referred in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940.

## ITEM 15: CUSTODY

We do not maintain physical custody of client assets. However, in some circumstances we may be deemed to have constructive custody:

- As the general partner for the Private Investment Fund, we are considered by the SEC to have constructive custody of the Private Investment Fund's assets. We do not have to have surprise examinations conducted in connection with such custody, as investors in the Private Investment Fund receive annual audited financial statements.
- With regard to "third party" money movement authority, the SEC has stated that standing letters of authorization (SLOAs) that grant "third-party" money movement authority to an investment adviser constitute custody. However, if we comply with certain conditions prescribed by the SEC, we do not have to have surprise examinations conducted in connection with such custody, and we comply with those conditions.
- With regard to "first party" money movement authority, we require that the client provide the sending custodian a signed authorization form listing the receiving account number(s) at other outside financial institutions. Under these circumstances, we are not deemed to have custody of such assets.

Clients in a SMA will receive statements from us. They should carefully review and compare the statements they receive from the custodian of their account with the statements they receive from us.

Clients in the mutual funds of the ICFT will receive statements from the transfer agent where the account is being held. Clients should carefully review the statements they receive.

The Partnership is a private investment fund, and as the General Partner, the Adviser is deemed to have custody of the assets even though the assets are held by an unaffiliated, third-party custodian. Limited partners in the Partnership will receive a quarterly statement provided by the Adviser and a copy of the Partnership's annual financial statements with an accompanying independent auditor's report. Clients should carefully review their statements and the Partnership's annual financial statements.

## ITEM 16: INVESTMENT DISCRETION

Clients with a SMA shall be required to provide written discretionary authority to the Firm to select and execute transactions on their behalf. SMA clients may set limits on investment discretion by specifying certain securities they do not want held in their account, or by setting other limits, subject to agreement by us. Clients may direct the Firm to enter orders for their account with certain broker-dealers. The Adviser assumes discretionary authority after the following procedures have taken place.

- The Adviser's discretionary investment advisory agreement has been completed and signed by the client.
- The custodian's account application is completed and signed by the client indicating that we have investment authority and trading discretion on the account.
- A copy of the Adviser's most recent Form ADV is delivered to the client.

## ITEM 17: VOTING CLIENT SECURITIES

The Adviser will vote proxies for client accounts under our management unless the client expressly requests that we do not do so. The Adviser votes proxies in a manner that it believes is consistent with the economic best interests of each company. In accordance with its duty of care, the Adviser monitors proxy proposals just as it monitors other corporate events affecting the companies in which we invest.

- With respect to routine matters, the Adviser will tend to vote with management, although it reserves the right to vote otherwise. Routine proposals are those that do not change the structure, bylaws or operations of the company.
- The Adviser will generally tend to vote with management with respect to social, environmental, or political proposals.
- The Adviser generally votes against poison pills, green mail, super-majority voting provisions, golden parachute arrangements, staggered board arrangements and the creation of classes of stock with superior voting rights.
- The Adviser will generally vote in favor of maintaining preemptive rights for shareholders and cumulative voting rights.
- Whether or not the Adviser votes in favor of or against a proposal to a merger, acquisition or spin-off depends on its evaluation of the impact of the transaction on the security.
- The Adviser generally votes in favor of transactions paying what it believes to be a fair price in cash or liquid securities and against transactions which it believes do not.

In circumstances that the Adviser would vote against management's recommendations, an explanation as to the reason for divergence from the recommendation would be documented and maintained by the Adviser. There may be instances where the interests of the Adviser may conflict or appear to conflict with the interests of its clients. In such situations, the Adviser will, consistent with its duty of care and duty of loyalty, vote the securities in accordance with its pre-determined voting policy, but only after disclosing any such conflict to clients and affording them the opportunity to direct the Adviser in the voting of such securities.

Upon request, clients may obtain information from the Adviser about how it voted client securities by contacting us (904) 246-3433. A copy of the Adviser's proxy voting policies and procedures is also available upon request.

## ITEM 18: FINANCIAL INFORMATION

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. There are no financial conditions to disclose which would impair the Intrepid's ability to meet contractual commitments to clients.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Intrepid has not been the subject of a bankruptcy petition at any time during the past ten years.

### PRIVACY POLICY STATEMENT

In accordance with the requirements of SEC Regulation S-P, our privacy policy statement is designed to provide you with the following information about how we handle your confidential information, whether you are currently a client or a former client.

1. You provide us with information that is inherently personal and private in nature, and we want you to know that we take very seriously our duty to maintain the confidential nature of that information. It is our policy only to disclose information when you authorize us to do so (see Item 3 below). We take the utmost care in addressing administrative, technical, and physical safeguards for the protection of your records and information. For example:
  - a. We restrict access to nonpublic personal information to those employees that need to know that information in order to provide services to you; and
  - b. All documents and/or drafts of documents containing any client information that are not required to be maintained are promptly shredded; and
  - c. Access to electronic data is protected with both external and internal computer network security measures; and
  - d. On-site records storage is consistently monitored during business hours to preclude any third-party access; and
  - e. We maintain all other necessary physical, electronic, and procedural safeguards in compliance with federal standards to guard your nonpublic personal information.
2. We collect nonpublic personal information about you from the following sources:
  - a. We restrict access to nonpublic personal information to those employees that need to know that information in order to provide services to you; and
  - b. All documents and/or drafts of documents containing any client information that are not required to be maintained are promptly shredded; and
  - c. Information about your transactions with us or others.
3. We may disclose non-public, personal information about you to the following types of nonaffiliated third parties, but only with your authorization:

- a. Financial service providers, such as asset custodians, mortgage lenders, banking institutions, and insurance agents; and
  - b. Professional service providers, such as accountants, attorneys, and real estate brokers; and
  - c. Others, as you specify from time to time.
4. We may disclose nonpublic personal information about you to nonaffiliated third parties, **but only when doing so is required by law as follows:**
- a. With the regulatory authorities and law enforcement officials who have jurisdiction over the Company or if the Company is required to do so by U.S. or other applicable law; and
  - b. To protect against fraud.

If you have any questions regarding these policies and procedures, please call us at (904) 246-3433 or write us at 1400 Marsh Landing Parkway, Suite 106, Jacksonville Beach, FL 32250 and any concerns you may have will be addressed.



**Intrepid Capital Management, Inc.**  
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Suite 106  
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