

# 'Steady Eddie' manager finds small-cap growth

**MARK JEWELL**

**OF MUTUAL INTEREST**

**L**ately, Mark Travis has faced a million-dollar question, day in and day out.

The mutual fund manager emerged relatively unscathed from the market collapse — a performance that drew the attention of investors who were pouring an average of \$1 million a day into Travis's top fund this spring.

Now, Travis's challenge is how to use that money to capitalize on any bargain stocks still to be had in a market where's he found plenty since last fall.

His conclusion: Even after the market rebound that started in March, there are still lots of attractively priced stocks in the small-cap space that Travis knows best. But you have to look harder to find them.

Travis, president and chief executive of Intrepid Capital Management, has an enviable record at his Jacksonville Beach, Fla.-based firm's two largest funds, which he runs along with two other managers.

Intrepid Small Cap ranks among the top-10 performing US diversified stock funds over the past 12 months with an 18.4 percent return through late July.

Another of Intrepid's 5-star Morningstar-rated funds, the nearly \$58 million Intrepid Capital (ICMBX), ranks within the top 1 percent of its mid-blend category over the past one- and three-year periods.

Money chases success, and Intrepid Small Cap's assets are now up to \$167 million, from just \$40 million in January.

In a recent interview, Travis explained what he's doing with all that new cash, and why he's still modestly bullish on the market as a whole — particularly certain energy and consumer stocks:

**Intrepid's Small Cap Fund primarily**

**seeks out value stocks that are cheap based on price-to-earnings ratios. What are the chances the fund can continue outperforming if markets keep rising?**

We try to warn new customers that if the Nasdaq and Russell 2,000 Smallcap Index take off, Intrepid will not take off with it.

We are kind of a "Steady Eddie" fund manager — when volatility and fear are high, we can find lots of opportunity. If the market is going straight up, we tend to be a seller as prices reach our valuation targets.

**Where do you think broader market is heading?**

I'm cautiously optimistic. The Federal Reserve has made money free, and that money has got to go somewhere. Some of it is finding its way into the capital markets. I wouldn't be surprised if we saw the markets go up another 10 percent before the calendar year is out.

**You typically look for stocks of companies with few or no liabilities on their balance sheets. What other factors do you look for?**

We're looking for businesses that have stable end demand. They're not sexy. The things that we own are not going to draw a crowd at a cocktail party: food packaging companies, beer brewers, shoe and bra makers, kitty litter. They're things that people need to use, which ordinary investors tend to overlook.

**Those stocks are in the consumer space, and most experts agree US consumers are so burdened that consumer spending will lag even if the broader economy recovers. PetSmart Inc., the pet store chain, is the fifth-biggest holding in the Smallcap Fund. Why do you like it?**

There are 88 million pet cats in this country, and 75 million dogs. It's in the

consumer discretionary space, but at the end of the day, consumers are going to have to feed Fido and Fifi.

If you look at PetSmart's same-store comparable sales, they've been growing 3 percent year-over-year in a very difficult retail environment.

**The Small Cap Fund picked up low-priced energy stocks late last year, then sold many this spring after they rebounded. But that fund still has a bigger-than-average weighting in energy. What values do you still see in energy?**

We like stocks that play off the decline in the number of natural gas drilling rigs in this country — the count has gone from more than 2,000 to less than 1,000. More rigs will be needed as energy demand grows. A couple stocks in this space, Unit Corp. and Patterson-UTI Energy Inc., are top 20 holdings in the Small Cap Fund.

If you look at replacement costs for rigs, and for natural gas, and you look at the long-term outlook for fossil fuel consumption in this country, you can make a great case for being a bull.

What's interesting about energy — and this is something people don't think about — is that as we have more efficient cars and more efficient computers, guess what? We don't burn less energy, we burn more.

Even though car mileage standards rise to 35 miles per gallon, we'll still see consumers use more fuel because we will drive more. And as we went from a 386 computer chip to a Pentium, guess what? It takes more energy to drive it.

This latest green movement toward solar and wind won't change the dynamics of the energy business in my opinion — only at the margin.

*Mark Jewell covers personal finance for the Associated Press.*



# Intrepid Small Cap Fund

*Discipline Makes the Difference.*

Call: 866-996-FUND

[www.intrepidcapitalfunds.com](http://www.intrepidcapitalfunds.com)

## PERFORMANCE

Average Annualized Total Returns as of September 30, 2009

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception
Intrepid Small Cap Fund	10/03/05	15.62%	33.52%	29.35%	14.91%	12.41%
Russell 2000 Index		19.28%	22.43%	-9.55%	-4.57%	-1.24%

## Intrepid Small Cap Fund Expenses

Gross Expense Ratio	2.30%
Net Expense Ratio*	1.50%

\*The Fund's Advisor has contractually agreed to waive a portion of its fees and/or reimburse expenses such that the total operating expenses (excluding Acquired Fund Fees and Expenses) do not exceed 1.50% through 9/30/10.

*Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 866-996-FUND. The Fund imposes a 2% redemption fee on shares held less than one month. Performance data does not reflect the redemption fee. If it had, returns would be reduced.*

### Important Information:

The information provided herein represents the opinions of the author and/or Intrepid Capital Funds management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. You cannot invest directly in an index. Investment performance reflects fee waivers, in the absence of such waivers, total return would be reduced.

**P/E Ratios:** The Price to Earnings (P/E) Ratio is calculated by dividing current price of the stock by the company's trailing 12 months' earnings per share.

**The Intrepid Small Cap Fund is subject to special risks including volatility due to investments in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund is considered non-diversified as a result of limiting its holdings to a relatively small number of positions and may be more exposed to individual stock volatility than a diversified fund. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.**

References to other mutual funds should not be interpreted as an offer of these securities. This material must be preceded or accompanied by a current prospectus.

The Intrepid Capital Funds are distributed by Quasar Distributors, LLC.

### Intrepid Small Cap Fund Top 10 Holdings as of 9/30/09

Top Ten Equity Holdings	(% of net assets)
Pan American Silver Corp. (PAAS)	4.9%
Tidewater, Inc. (TDW)	4.1%
Weis Markets, Inc. (WMK)	3.8%
Constellation Brands, Inc. (STZ)	3.0%
Total System Services, Inc. (TSS)	3.0%
Petsmart, Inc. (PETM)	2.8%
CSG Systems International, Inc. (CSGS)	2.7%
Core-Mark Holding Co., Inc. (CORE)	2.6%
International Speedway Corp. (ISCA)	2.6%
Rent-A-Center Inc (RCII)	2.5%

Fund holdings are subject to change and are not recommendations to buy or sell any security.

**Current and future portfolio holdings are subject to risk.**

Intrepid  
Capital Funds