



Kinetics Mutual Funds Second Quarter 2017 Commentaries



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Dear Fellow Shareholders,

Our interpretation of “global” investing differs from that of many practitioners. While others look at the country of domicile, and deem anything domiciled outside of the United States to be global, we prefer to look at factors such as where revenues are generated in order to assess what exposure is really being attained. This allows us to identify investments with actual exposure to a variety of geographies. Bolloré S.A. is one example where the geographic exposure achieved is more diverse than one might think at first glance.

Bolloré S.A., based in Puteaux, France, is a holding company with truly diverse geographic businesses, and in some ways is more diverse itself than many “global” indexes. The company earns the majority of its revenues in the transportation and logistics and fuel distribution industries. Smaller contributions are generated from such businesses as advertising, media, telecommunications, electricity storage and solutions (capacitors and batteries and an electric car-sharing service), and plantations (primarily palm oil and rubber trees). Further, a significant portfolio of publicly-traded securities and privately-held entities adds to the company’s asset value and is an underappreciated aspect of this investment opportunity.

The value of the company’s portfolio of publicly-traded investments and ownership interests in private entities has long been underappreciated by the market. However, the current value of these investments, €13.7 billion, happens to exceed the entire €12 billion market capitalization of the company. Some of these investments represent businesses that are consolidated within Bolloré’s financials, although none of them are related to the company’s core businesses of Transportation and Logistics and Oil Logistics, which generated €753 million in EBITDA during a sluggish 2016. After factoring in the company’s €4.26 billion in net debt, the core operations are shown to be trading at a value of just €2.6 billion, implying that investors are able to purchase the stub company for just 3.5x 2016 EBITDA, while getting the remaining holding company’s operating assets (media, telecommunications, electricity storage and solutions, and agricultural assets) for free.

It should be further noted that the Transportation and Logistics segment has considerable growth potential, especially in the African Logistics business, where a number of new infrastructure projects are already underway. Operating income for the broader segment grew to €569 million in 2015 (before falling to €490 million in 2016), and had grown by an average of 10% per year since 2009 before the recent downturn. Bolloré Africa Logistics, which represents nearly 45% of this segment’s revenues, is the largest integrated logistics network in Africa and is poised to continue to expand along with this region of emerging economies; yet, the implied value of this business leads one to believe that no growth premium is being attached to these assets. If anything, this business is being discounted due to perceived emerging market risks, despite the fact that it is being managed by a



world-class, developed market company, led by Vincent Bolloré, one of the world’s most successful businessmen.

Lastly, Bolloré is an excellent example of how even quality mid-capitalization companies can be excluded from indexes for reasons such as limited float and the multi-industry/multi-geographical characteristics of its operations. It is likely because of these factors that the company represents only a negligible weighting (between 2–to-12 basis points) in a limited number of ETFs (indexes), representing, in total, well under 5% of the company’s shares outstanding. This is arguably the primary, non-fundamental reason for Bolloré’s discounted valuation.

To the extent that an investor seeks diversification from domestic and developed market returns, we believe that companies such as Bolloré serve this goal far better than the companies within indexes purporting to achieve this exposure. The Fund is populated with many securities that have similarities to Bolloré; hence, performance should be driven by these specific factors over full investment cycles.

Global Fund Top 10 Holdings (%) as of June 30, 2017	
Texas Pacific Land Trust	9.3%
The Bitcoin Investment Trust	7.5%
Bollore SA	4.8%
Siem Industries Inc.	3.8%
Icahn Enterprises LP	3.2%
Fairfax Financial Holdings Limited	3.0%
Brookfield Asset Management Inc. - Class A	2.6%
Clarke Inc.	2.5%
Dream Unlimited Corp. - Class A	2.3%
Onex Corporation	2.2%

Important Disclosures

You should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a free copy of the most recent Prospectus, which contains this and other information, visit our website at www.kineticsfunds.com or call 1-800-930-3828. You should read the Prospectus carefully before you invest. Performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit <http://kineticsfunds.com/> for the most recent month-end performance data.

Portfolio holdings information, if any, is subject to change at any time and is as of the date shown.



The opinions expressed are not intended to be a forecast of future events, or a guarantee of future results, or investment advice. Additionally, the views expressed herein may change at any time subsequent to the date of issue hereof.

International investing presents special risks, including currency exchange fluctuation, government regulations, and the potential for political and economic instability. Because smaller companies often have narrower markets and limited financial resources, they present more risk than larger, more well-established companies.

Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Funds pursue their investment objectives by investing all of their investable assets in a corresponding portfolio series of Kinetics Portfolios Trust.

The Global Fund is a diversified fund. Diversification does not ensure a profit or protect against loss in a declining market. You should consult the fund's prospectus for a complete list of risks associated with your investment.

The S&P 500 Index represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. S&P 500 returns assume that dividends are reinvested. The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Index returns do not include the effect of management fees or expenses. You cannot invest directly in an index. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. Bloomberg is a trademark and service mark of Bloomberg Finance L.P. Barclays indices are trademarks of Barclays Bank PLC.

You will be charged a redemption fee of 2.0% of the net amount of the redemption if you redeem or exchange your shares 30 days or less after you purchase them.

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