Kinetics Mutual Funds
Third Quarter 2017 Commentaries

The Internet Fund

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Dear Fellow Shareholders,

The concept of investing in the "growth of the Internet" has changed considerably since the launch of the Fund in 1996. At that time, we observed and invested in companies utilizing and facilitating the technology and connectivity of the Internet. The focus has long since shifted to the phenomenon of incumbent companies being displaced due to the technological shift. Print media was once thought to have a commanding physical presence that the Internet would take decades to displace. The same thoughts were held about traditional video media; however, increased connection speeds, both mobile and fixed line, have ushered in a very rapid shift towards the digital consumption of video media.

Until recently, such a transition was thought to be unlikely; as a result, the prospects of such a shift were minimally reflected in equity valuations. However, of late, the perception has shifted, as have valuations, and companies thought to have disruptive businesses are often priced as if the transitions will be rapid, smooth, and without margin compression. Meanwhile, the incumbent companies subject to the displacement are often priced to reflect an equally negative future for their businesses. This presents a very challenging investment environment, particularly under our business quality and strict value discipline. Thus, we strive to find truly innovative businesses with sustainable profitable business models. Many of the leading technology and communications companies fall into one of two categories: i.) highly valued, mature businesses without unique products or ii.) disruptive businesses taking market share from existing businesses, but with minimal profitability. Examples of the former include once-promising software companies engineering growth solely through competition for enterprise "cloud" server business. This growth driver appears to be maturing, as market size and competition limit future potential. Examples of the latter are far more common, and command more demanding valuations yet, and include digital media companies and e-commerce providers.

We seek to exploit the occasional opportunities to invest in nascent new technologies when the valuations provide us with reasonable upside potential, even in the event that the business success is less than optimal. More often, we allocate capital to high quality businesses that are available for purchase at reasonable or low prices. There are any number of reasons that such opportunities may exist, including public misperception, lack of index representation, company size (small capitalization), country of domicile, as well as others. The process for unearthing, defining and measuring these types of discounts is ever changing, but frequently provides ample investment opportunities over the course of a business cycle. Meanwhile, we are also willing to allocate a certain portion of capital to businesses that have a far higher risk, but whose return potential is extraordinary. Readers may be reminded of early stage internet companies in the mid-1990s, but may be sobered by the fact that most of these businesses failed.

In rare occasions, our investment process results in a rare opportunity to invest in a nascent technology or related business for "free." An example might be a company that is valued purely based upon its primary business, which obscures any value from a newly developing business. In this instance, the term "free" is quite subjective, as there is a market determined "fair value" for the existing business which may contradict our assessment of value. However, we have also identified yet rarer companies that have tangible balance sheet values in excess of the enterprise values of the companies. In a current example, there is a “stub” business being developed that has tremendous growth potential related to cryptography, with profound implications for the future of financial transactions and data sharing. In the event that this endeavor is unsuccessful, there is sufficient asset value and pre-existing business ventures to support the current purchase price. In the event that the business meets a small portion of the potential that we believe it has, the impact upon this small sized company could be profound. We prefer these investment terms greatly compared to participating in the broader market at current valuations. At a minimum, we believe that such a strategy would generate low correlations to the return of the increasingly concentrated Nasdaq 100 Index, which is currently concentrated to an extent that is anathema to the ideology of indexation and the modern portfolio theory upon which it is based.

Internet Fund **Top 10 Holdings (%) as of September 30, 2017**	
The Bitcoin Investment Trust	12.1%
EchoStar Corporation - Class A	5.1%
Liberty Media Corp.-Liberty SiriusXM - Class C	4.1%
CACI International, Inc. - Class A	3.1%
PayPal Holdings, Inc.	3.1%
Alphabet, Inc. - Class A	3.0%
Alphabet, Inc. - Class C	3.0%
The Madison Square Garden Company - Class A	2.7%
Liberty Broadband Corporation - Series C	2.6%
Visa, Inc. - Class A	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.

Because the Fund invests in a single industry, its shares do not represent a complete investment program. Internet stocks are subject to a rate of change in technology, obsolescence, and competition that is generally higher than that of other industries, and have experienced extreme price and volume fluctuations. International investing presents special risks including currency exchange fluctuation, government regulations, and the potential for political and economic instability.

The Internet Fund is classified as a non-diversified fund. Therefore, the value of its shares may fluctuate more than shares invested in a broader range of industries. In a non-diversified fund, more of the Fund's assets may be concentrated in the common stock of any single issuer, which may make the value of the Fund's shares more susceptible to certain risks than shares of a diversified mutual fund.

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

The fund holds investments that provide exposure to bitcoin. Bitcoin represents a relatively new asset class and its value can be volatile. There are number of unique characteristics associated with bitcoin, thus contributing to price volatility which could adversely affect the fund's investments. Additionally, certain of the bitcoin products in which the fund invests may trade at a premium or discount to net asset value. Therefore, it is possible that the bitcoin instruments held by the fund fluctuate more or less than the value of bitcoin itself. As always, investors should carefully read the fund's prospectus risks for a complete list of applicable risks.

The S&P 500® Index represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. Index returns assume that dividends are reinvested and do not include the effect of management fees or expenses. You cannot invest directly in an index. 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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