



**Kinetics Mutual Funds  
Second Quarter 2017 Commentaries**



**The Medical Fund**

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Dear Fellow Shareholders,

The Medical Fund is pleased to report appreciation of 10.3% in the first half of 2017, compared to 11.9% for the S&P 500 Index. Further, The Medical Fund has produced annualized returns of over 9.4% since its inception in 1999. Over these 17+ years, many revolutionary therapeutics have come to market. Yet, this juggernaut of innovation shows no signs of abating. In fact, a long-awaited treatment is finally nearing viability: immune therapy. Novartis AG recently received a recommendation approval from the FDA advisory panel for a new class of treatments for a subset of blood-borne cancer patients (FDA advisory panel recommendations are not binding, but are generally indicative of marketing approval decisions). The new treatments have been called *living drugs*. T cells are removed from the patient, frozen and sent to Novartis. The T cells are then reprogrammed on the genetic level via a viral vector. Once reprogrammed, they are re-injected into the patient, where they begin an attack on the cancer cells. In addition, once reintroduced, the T cells will multiply as would any other T cell. It is estimated that one single T cell can destroy 100,000 cancer cells!

This treatment is only in its earliest phase, and has only been approved for a small subset of blood cancers. However, as with all great discoveries, Novartis and the entire medical community are working to utilize this phenomenon to treat many other cancers. Thus far, both the survival and remission rates have been incredible.

The Medical Fund has been anticipating this breakthrough for years. It should be noted that the Fund has owned Novartis for many years and has observed and participated in the returns from their premium R&D effort. This holding further substantiates our investment thesis of patience. Drug development is a lengthy process, but the rewards can be great.

Sincerely,

The Kinetics Investment Team

Medical Fund Top 10 Holdings (%) as of June 30, 2017	
Eli Lilly & Company	7.5%
Pfizer, Inc.	6.9%
Bristol-Myers Squibb Company	6.4%



Alkermes plc	6.1%
Albany Molecular Research, Inc.	5.8%
Sanofi - ADR	5.7%
Johnson & Johnson	5.7%
Novartis AG - ADR	5.6%
Biogen Inc.	4.9%
GlaxoSmithKline plc - ADR	4.7%

### 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](http://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 [www.kineticsfunds.com](http://www.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 Medical Fund invests in a single industry, its shares do not represent a complete investment program. Medical and biotechnology 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. Because smaller companies often have narrower markets and limited financial resources, they present more risk than larger, more well-established companies.

The Medical 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 its investable assets in a corresponding portfolio series of Kinetics Portfolios Trust.

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.



# Kinetics Mutual Funds, Inc.

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