



## Kinetics Small Cap Opportunities Fund

(KSCOX, KSOAX, KSOCX, KSCYX)

2<sup>nd</sup> Quarter 2017

**You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. For a free copy of the fund's 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.**

Past performance does not guarantee future results. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares less than 30 days after you purchase them. As a non-diversified fund, the value of its shares may fluctuate more than shares invested in a broader range of companies.

Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Fund pursues its investment objective by investing all of its investable assets in a corresponding portfolio series of Kinetics Portfolio Trust The Standard & Poor's SmallCap 600 Index ("S&P SmallCap 600") represents an unmanaged, broad-based basket of stocks It is typically used as a proxy for overall market performance. S&P SmallCap 600 returns assume that dividends are reinvested. You cannot invest directly in the S&P SmallCap 600 Index. This presentation is for informational purposes only, is not a solicitation to purchase shares, does not constitute investment or tax advice and is not a public or private offering or recommendation of any kind. This document and its content are the property of Horizon Kinetics LLC ("Horizon Kinetics") and cannot be reproduced or transmitted to any person in any form or by any means in whole or part without prior written consent from Horizon Kinetics. Mutual Funds, including the Kinetics Small Cap Opportunities Fund, are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Fund is likely to decline in value and you could lose money on your investment.

This Fund may invest in options and bonds, which carry special risks further discussed in the Fund's Prospectus. Concentrated portfolios that invest a substantial portion of their assets in a particular industry carry a risk that a group of industry-related stocks will decline in price due to industry specific developments. Companies in the same or similar industries may share common characteristics and are more likely to react comparably to industry specific market or economic developments. The Fund may invest in the equity securities of small and medium size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Fund's assets.

The Fund may invest in foreign securities, which can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investments in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets. 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. Portfolio holdings information is subject to change at any time and is as of the date shown. For more information, you may visit [www.kineticsfunds.com](http://www.kineticsfunds.com).

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# Firm Overview

# Firm Overview



## At a Glance

### Horizon Kinetics LLC

- Independent, employee owned, serving clients since 1994.
- \$5.0 billion in firm-wide assets under management<sup>1</sup>.
- 76 employees.
- Offices in New York City, White Plains, NY and Summit, NJ.

### Stable, tenured investment team

- Co-Founders investing together for over 30 years.
  - **Murray Stahl** – Chairman, CEO, and CIO
  - **Steven Bregman** – President, Senior Portfolio Manager and Director of Research
  - **Peter Doyle** – President of Kinetics Mutual Funds, Inc. and Senior Portfolio Manager
- 17 Investment Professionals with an average tenure of 14 years with the firm and 24 years in the industry.

### Dedicated Culture

- Committed exclusively to investment research and portfolio management across the capital structure.
- Independent publisher of research for institutional investment community since 1995.
- Adhering to a research-intensive, time-tested fundamental investment philosophy.
- Institutional quality client service and operations infrastructure.

### Investment Approach

- Independent Thinking
  - Primary source data driven process.
  - Research analysts culturally guided to overcome confirmation biases and data availability errors.
- Opportunity
  - Seek above market returns with reduced chances of loss by capturing high discount rates associated with the “Equity Yield Curve.”
  - Earn returns of underlying fundamental business and potential narrowing of discount rate.
- Focus
  - Research team and process organized around attributes associated with long-term excess returns.
  - Seek to avoid the permanent loss of capital.
- Differentiated
  - Philosophy and process lead us to explore lesser researched and less frequently trafficked investments.
  - High active share<sup>2</sup> by design.
- Discipline
  - Portfolio Managers and Research Analysts must write logical, clear and understandable investment theses that withstand internal and external scrutiny.
- Patience
  - Capturing long-term excess returns requires commitment.

<sup>1</sup> As of June 30, 2017

<sup>2</sup> Active share is a measure of the percentage of holdings in a portfolio that differ from a benchmark index. It is calculated by taking the sum of the differences of the weight of each holding in the portfolio and the weight of each holding in the benchmark index and dividing by two. Active share is measured against the strategy's primary benchmark.

### Background:

Our co-founders created Horizon Asset Management LLC in 1994 and Kinetics Asset Management LLC in 1996, in answer to the extraordinary structural changes that were occurring in the personalized investment management industry. The firm is dedicated to “long-horizon” investing and to providing solutions away from mass-market, asset allocation driven approaches to investing which we believe can be higher risk, higher cost, and tax-inefficient to most investors.

### Guiding Principles:

- We are committed to long-horizon, value driven investing and building long-term, continuous relationships with influencers of external permanent capital.
- We are contrarian investors and our vision is diametrically opposed to the movement of the crowd.
- Our investment approach stresses absolute returns, blending a combination of fundamental research, discipline and patience with the goal of long-term preservation and compounding of capital.
- We measure our success based on the net economic basis we can deliver to our clients, after allowance of applicable taxes, inflation and fees.
- We measure risk as an impairment of capital. Temporary price variability is not synonymous with risk. Returns can be increased by extension of the investment horizon rather than by extension of risk.
- Our strategies are driven by fundamental research and opportunity, not capacity for asset gathering.
- We invest alongside our clients and believe that a skin in the game approach is critical to aligning interests.

# Firm Overview



## Strategy and Client Type Overview

**Firmwide Assets Under Management<sup>1</sup>** **\$5.0 B**

**Separately Managed Accounts<sup>2</sup>** **\$3.5 B**

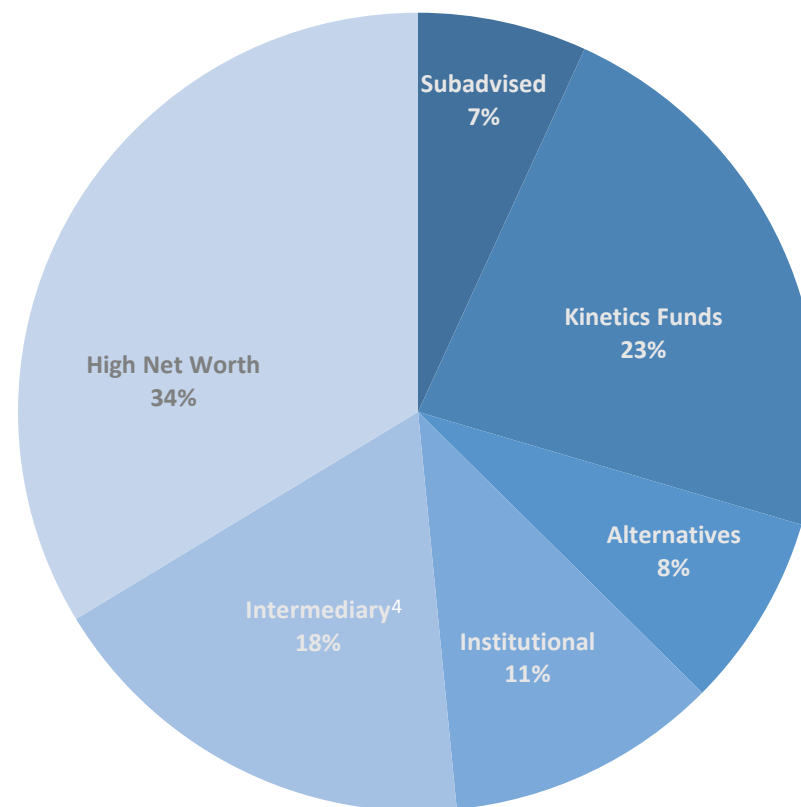
- Equities
- High-Yield
- Income-Related
- Opportunistic Investments, i.e. Distressed Debt

**Kinetics Mutual Funds<sup>3</sup>** **\$1.1 B**

- Broad Markets
- Specialty Markets
- Income-Related

**Alternative Investments\*** **\$0.4 B**

**Client Assets by Type<sup>1</sup>**



\*Additional information available upon request for qualified investors.

<sup>1</sup>AUM and client type as of 06/30/2017.

<sup>2</sup>Includes assets in customized portfolios, other strategies developed for intermediaries, and sub-advised assets.

<sup>3</sup>Kinetics Mutual Funds, Inc. ("Kinetics Funds") are distributed by Kinetics Funds Distributor LLC ("KFD"), an affiliate of Horizon Kinetics LLC. KFD is not affiliated with the Kinetics Funds.

<sup>4</sup>Includes individual client accounts through intermediaries.

You should consider the investment objectives, risks, charges and expenses of the mutual funds carefully before investing. For a free copy of the mutual funds' 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.

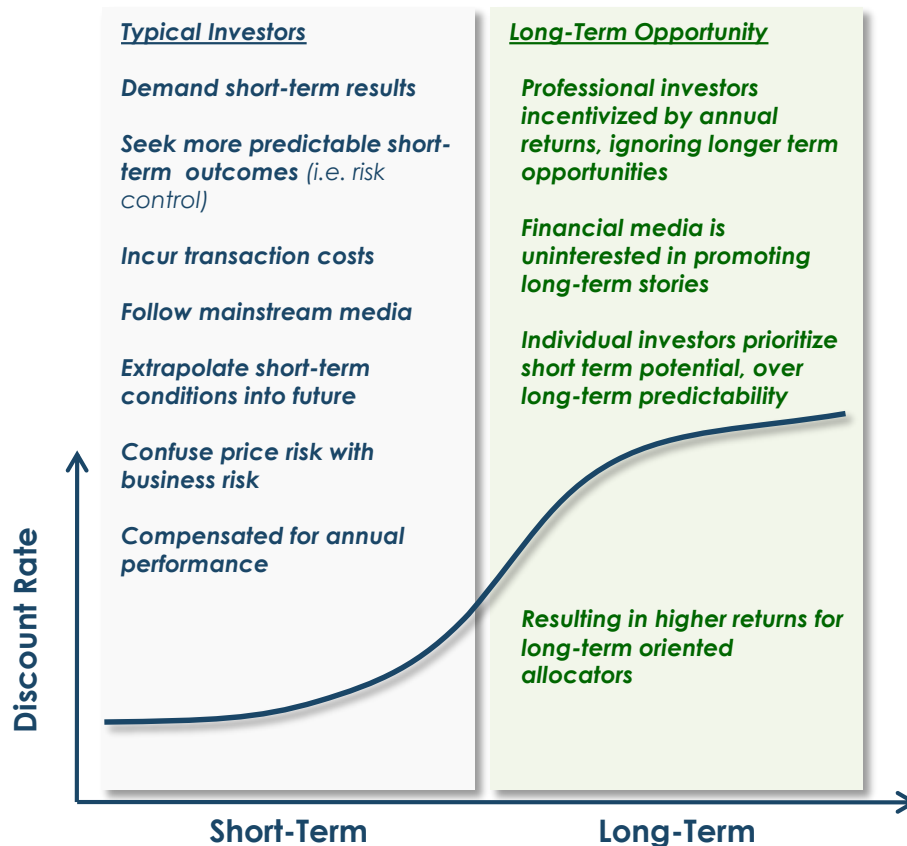
# Investment Philosophy & Process



## The Equity Yield Curve

Investors' short-term interests can create significant mispricing of long-term investments. We believe a long-term investment horizon is essential to reducing chance of loss and earning excess return.

### Equity Yield Curve



### Return Dynamics

- Investors tend to overly discount future value creation that is likely, but for which the timing is unknown. As the timing risk decreases, so does the valuation discount.
- At a minimum, we expect to earn the underlying businesses' return on capital over time.
- Purchasing investments at substantial discounts to our assessment of future value reduces the likelihood and magnitude of capital losses
- Valuation multiple expansion often accompanies fundamental improvement or greater visibility into value recognition. Often, the market price will fully reflect future value, driving returns for existing shareholders, but muting future return potential.

## Idea Generation

*Dynamic, unconventional thinking is required in order to consistently find successful long-term investments over the course of a full business cycle.*

*Investment team avoids relying solely on conventional descriptive attributes and places greater emphasis on attributes that are verifiable but not always readily quantifiable.*

*Confirmation and availability biases refer to an investor's tendency to assign greater importance to information that is readily available, easily organized, and consistent with pre-conceived views.*

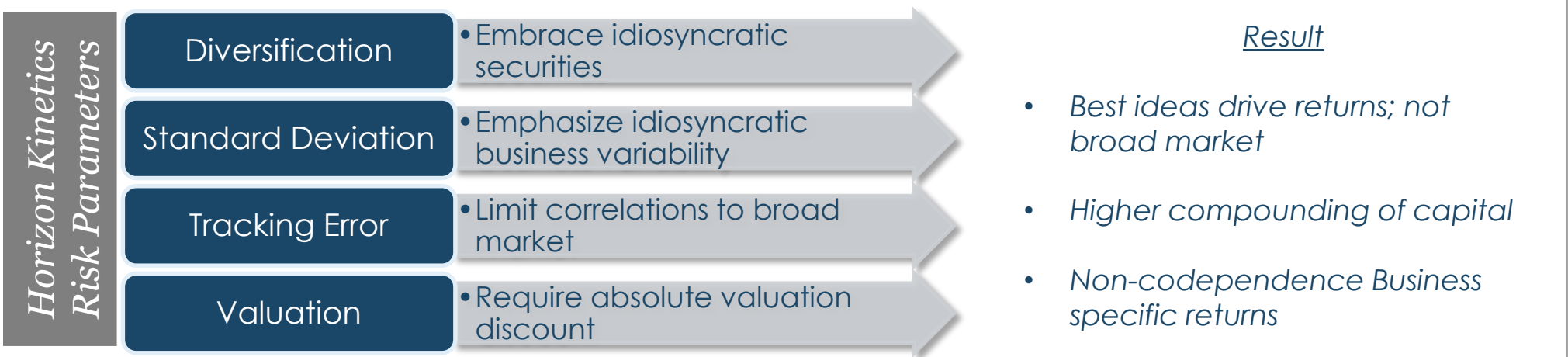
*Opportunity sets of value investments gyrate with market cycles, requiring flexibility to adjust for prevailing investment environment*

IDEA GENERATION	
Conventional Screens (Mainstream Investors)	Unconventional Attributes (Horizon Kinetics)
Style (Growth, Core, Value)	Owner-Operators
Sector / Industry	Bits and Pieces
Market Capitalization (small, mid, large)	Dormant Assets
Geography (Country, Region)	Scalability
Momentum (Price, Earnings)	Terms-of-Trade
Price Risk (Volatility)	Product Lifecycle
Valuation (P/B, P/E, P/S)	Spin-Off
	Liquidation

<b>Time Diversification</b>	Avoid attempting to time the market, and instead average into and out of positions over time.
<b>Initial Position Sizing</b>	Positions are sized by portfolio managers' judgment of discount rate magnitude along with an assessment of unconventional business attributes.
<b>Concentration</b>	Positions are sized by portfolio managers' judgment of discount rate magnitude along with an assessment of unconventional business attributes.
<b>Multi-Security Positions</b>	Multi-security positions are used when we have a high degree of conviction regarding a group of related businesses or a theme.
<b>Rebalancing</b>	Limit rebalancing to maximize returns and reduce transaction costs.
<b>Cash Allocation</b>	Cash allocation is a function of the attractiveness of investment opportunities at any given point in time.

# Fundamental Risk Management

## Quantifiable Risk versus Actual Risk



# Investment Team



## Portfolio Management and Research Team

### Investment Oversight Committee

**Steven Bregman**  
 President  
 (32 years of Industry Experience)

**Murray Stahl**  
 CEO, CIO  
 (39 years of Industry Experience)

**Peter Doyle**  
 President, Kinetics Mutual Funds, Inc.  
 (32 years of Industry Experience)

#### Strategies

**Core Value  
 Research Select**

**Large Cap  
 Small Cap  
 Spin-Off  
 Strategic Value**

**Global  
 Asia**

**Income  
 Investing**

**Mutual Funds  
 Alternatives**

#### Portfolio Managers

Steven Bregman

Murray Stahl

Murray Stahl  
 Aya Weissman

Murray Stahl  
 Steven Bregman

Murray Stahl  
 Peter Doyle  
 Steven Bregman  
 Matt Houk  
 James Davolos  
 Paul Abel  
 Steven Tuen

#### Research Team

Paul Abel  
 Rich Begun  
 Steven Bregman

Therese Byars  
 Ryan Casey  
 James Davolos

Andrea DeMichele  
 Peter Doyle  
 Matt Houk

Utako Kojima  
 Eric Sites  
 Murray Stahl

Fredrik Tjernstrom  
 Steven Tuen  
 Aya Weissman

Certain research team members may also serve as co-portfolio managers on various strategies and funds.



# Kinetics Small Cap Opportunities Fund Performance & Strategy Update

# Historical Performance Results

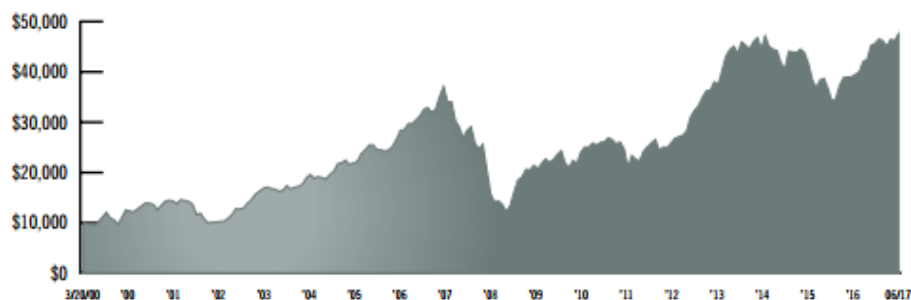


## The Small Cap Opportunities Fund – KSCOX

- Kinetics Asset Management LLC is the investment adviser to Kinetics Mutual Funds, Inc., a series of U.S. registered investment companies, which includes The Kinetics Small Cap Opportunities Fund.
- U.S. focused global small-cap fund seeking to invest in fundamentally undervalued companies with market capitalizations at or below the highest market capitalization of a component security within the S&P SmallCap 600 Index.
- Investments are concentrated in companies that have a small capitalization with the potential to expand to higher valuations either through revaluation, growth or a combination thereof.
- Fund targets companies with substantial barriers to entry, long product life cycles and sound capital structures; on occasion companies may be less mature companies and in the process of developing a superior product or market niche.

As of 6/30/2017

Growth of \$10,000 Returns Since Inception



As of 6/30/2017	Annualized Returns (%)				Since Inception (Net %)	
	1 Year	3 Year	5 Year	10 Year	Return % Ann.	Volatility % Ann.
<b>Small Cap Fund</b>	21.72	0.49	13.65	3.75	9.43	19.73
S&P SmallCap 600 Index	22.47	9.32	15.47	8.44	9.61	18.43
<i>Excess Return</i>	-0.75	-8.84	-1.83	-4.69	-0.18	

### Rolling 5-Year Performance Small Cap Opportunities Fund (Net) vs. the S&P SmallCap 600 Index

As of 6/30/2017	Inception Date	# of 5-Year Periods	Total Return > Index	Total Return >0%	Total Return >10%
<b>Small Cap Fund</b>	3/20/2000	148	41%	84%	52%

Performance shown is that of the Kinetics Small Cap Opportunities Fund (No-Load Class). Gross expense ratios listed for the No-Load Class and Institutional Class are as of 12/31/2016 as reported in the 5/1/2017 prospectus. Gross expense ratios listed for Advisor Class A and Advisor Class C are as of 12/31/2016 as reported in the 4/28/2017 prospectus. The Fund's adviser has voluntarily agreed to waive management fees and reimburse fund expenses so that net annual fund operating expenses do not exceed certain levels, not including acquired fund fees and expenses (AFFE), through May 1, 2018 and may be discontinued at any time by the Fund's adviser after May 1, 2018. The net assets in the Fund as of June 30, 2017 were approximately \$164.0 million. The inception date is March 20, 2000. Performance includes the reinvestment of dividends. Past performance is no guarantee of future results and an investment can lose money. Performance does not reflect the deduction of a sales load or fee, which, if included, would reduce the performance quoted. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares 30 days or less after you purchase them. An investor's investment return and principal value of an investment will 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. You should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. Investors may visit our website at [www.kineticsfunds.com](http://www.kineticsfunds.com) or call us at 1-800-930-3828 for performance data current to the most recent month-end and for a copy of the most recent Prospectus. You should read the prospectus before you invest.

Rolling 5-Year Performance and Volatility statistics begin with first complete month of performance.

The Growth of \$10,000 chart illustrates the performance of a hypothetical \$10,000 investment made in No Load Class shares commencement of operations (3/20/00). It assumes reinvestment of capital gains and dividends. This chart is not intended to imply any future performance.

# Kinetics Small Cap Opportunities Fund



## The Small Cap Opportunities Fund - Fund Information

Class	Assets* (MM)	Inception Date	Ticker	CUSIP	12b-1 fee	Expense Ratios	
						Gross	Net
Advisor A	12.3	Dec-01	KSOAX	494613839	0.25%	2.03%	1.91%
Advisor C	8.0	Feb-07	KSOCX	494613748	1.00%	2.53%	2.41%
Institutional	24.5	Aug-05	KSCYX	494613813	---	1.73%	1.46%
No Load	119.2	Mar-00	KSCOX	494613706	---	1.78%	1.66%

### Monthly Performance

<u>Small Cap Fund</u> <u>(No Load)</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>YTD</u>	<u>S&amp;P SmallCap</u> <u>600 Index</u>
<b>2017</b>	2.0	-0.8	-2.5	3.2	-0.7	2.8							4.1	2.8
<b>2016</b>	-7.0	1.6	7.7	4.2	0.2	0.1	1.2	1.3	5.2	0.8	6.7	0.8	24.4	12.0
<b>2015</b>	-3.3	9.0	-0.3	-0.3	1.6	-1.5	-4.8	-7.8	-4.3	4.4	0.8	-5.2	-12.3	1.4
<b>2014</b>	-3.1	5.2	-1.4	-1.6	3.2	1.8	-4.8	5.8	-4.4	-1.1	-0.7	-5.4	-7.3	13.7
<b>2013</b>	9.9	4.2	2.7	5.0	3.7	0.2	4.7	-1.5	7.4	7.3	3.0	1.5	59.4	32.4
<b>2012</b>	8.8	3.4	3.1	2.6	-8.2	2.8	-0.3	3.5	3.8	1.1	1.0	3.2	26.7	16.0
<b>2011</b>	-1.7	2.2	0.5	3.1	-1.4	-3.2	1.5	-5.1	-15.2	11.5	-3.1	-1.4	-13.6	2.1
<b>2010</b>	-3.1	2.7	4.4	3.2	-10.3	-3.6	6.5	-2.7	10.3	4.2	-0.2	3.3	13.9	15.1
<b>2009</b>	-5.1	-10.6	10.5	20.3	14.5	3.0	8.0	-0.9	4.8	-3.2	4.9	4.3	58.2	26.5
<b>2008</b>	-11.1	-4.3	-7.4	5.8	2.4	-11.3	-4.4	3.9	-20.0	-23.2	-10.4	1.9	-57.9	-37.0
<b>2007</b>	4.3	-0.1	2.7	2.7	4.2	0.8	-3.0	2.3	7.6	5.5	-8.1	0.2	19.7	5.5
<b>2006</b>	7.0	3.2	3.9	0.2	-3.8	-0.2	-0.9	1.0	3.0	5.6	6.6	0.3	28.4	15.8
<b>2005</b>	-3.6	1.6	-1.0	-1.4	4.9	3.2	7.5	0.9	2.4	-4.1	1.6	1.3	13.2	4.9
<b>2004</b>	1.6	-1.8	-0.7	-2.4	0.9	5.6	-3.7	2.0	1.1	2.7	7.0	3.6	16.4	10.9
<b>2003</b>	1.9	-0.2	6.2	6.2	10.3	-0.3	1.7	7.2	5.1	7.6	3.5	3.6	66.5	28.7
<b>2002</b>	-1.2	-3.6	5.8	-1.2	-1.3	-3.9	-15.0	2.4	-9.9	-7.4	2.0	-0.3	-30.3	-22.1
<b>2001</b>	13.3	-2.1	-1.1	5.0	4.5	4.3	-0.4	-1.7	-7.6	6.6	6.3	1.5	30.6	-11.9
<b>2000</b>				-1.6	-2.5	7.5	9.1	8.2	-9.0	-3.6	-8.2	14.3	12.1	-11.14

\*Assets as of 6/30/2017. Gross expense ratios listed for the No-Load Class and Institutional Class are as of 12/31/2016 as reported in the 5/1/2017 prospectus. Gross expense ratios listed for Advisor Class A and Advisor Class C are as of 12/31/2016 as reported in the 4/28/2017 prospectus. The Fund's adviser has voluntarily agreed to waive management fees and reimburse fund expenses so that net annual fund operating expenses do not exceed certain levels, not including acquired fund fees and expenses (AFFE), through May 1, 2018 and may be discontinued at any time by the Fund's adviser after May 1, 2018.

Performance returns include the deduction of management and other operating expenses. Monthly Performance Chart begins with the first full month of performance.



# Portfolio Top 10 Holdings



## The Small Cap Opportunities Fund – June 30, 2017

Name	% of Portfolio	Horizon Kinetics' Perspective
Texas Pacific Land Trust	21.8	Texas Pacific Land Trust is a gradual self-liquidating real estate trust, which generates cash flow via periodic land sales and oil royalties from owned land in Texas. The discount rate applied to the land value is usually very high, likely due to the lack of an immediate realization of value, which ultimately creates more shareholder value than would an accelerated liquidation of the Trust's assets at current prices.
Icahn Enterprises LP	10.2	Carl Icahn is a consummate activist investor as well as an owner-operator. IEP's current trading price appears low relative to the company's intrinsic value. Mr. Icahn acts as a special advisor to President Trump on regulatory matters; this may signal a more accommodative regulatory environment in the future.
Dream Unlimited Corp. - Class A	7.6	DREAM is a diversified real estate investment and asset management company that was spun off from Dundee Corp. in mid 2013. The operating model combines the recurring cash flow of the asset management business with real estate and energy infrastructure balance sheet assets.
The Howard Hughes Corporation	7.6	Howard Hughes Corp. was spun off from General Growth Properties during that company's restructuring following the financial crisis. Howard Hughes is in the process of developing several valuable properties, including the South Street Seaport in New York City, Ward Centers in Hawaii, and The Woodlands in Texas.
Tropicana Entertainment Inc.	6.7	Tropicana is a gaming and resort operator based in Las Vegas, Nevada. Carl Icahn acts as Chairman of the Board of Directors, and controls 73% of the shares.
The Wendy's Company	5.1	Wendy's is in the midst of a turnaround initiative intended to increase its international presence, add healthy options to the menu, reduce the number of company-owned stores in favor of franchises, and re-image its restaurants.
Onex Corporation	4.5	Private equity and asset management firm based in Toronto, Canada, and managed by owner-operator and founder Gerald Schwartz. The stock trades at an attractive valuation despite a history of substantial growth in book value and significant share repurchases.
Live Nation Entertainment, Inc	3.7	Live Nation is an entertainment and ecommerce company that produces, markets and sells tickets for live concerts globally. John Malone's Liberty Media acts as an owner-operator.
Associated Capital Group, Inc. - Class A	3.4	Associated Capital was spun-off from GAMCO Investors, Inc. ("GAMCO") in the fourth quarter of 2015, effectively separating the institutional research and alternative investment businesses from the traditional investment management business. Owner operator Mario Gabelli structured the transaction such that Associated Capital could largely cover its current operating losses through interest and investment income generated from a robust balance sheet. We believe the shares are currently traded at a discount to adjusted economic book value, and, in our opinion, have considerable additional upside potential for the core investment management business.
Rubis SCA	3.3	Rubis specializes in the distribution and storage of oil and chemical products. The company has shown improving financial and operational results, in spite of a challenging environment for energy and commodity-related businesses.

Holdings information is presented for illustrative purposes only, portfolio holdings are subject to change without notice and it should not be assumed that the holdings were or will prove to be profitable. Holdings are expressed as a percentage of the total net investment and may vary over time. Equity holdings are subject to change, and may not be indicative of actual market position due to the use of call and put options.

# Portfolio Statistics



## The Small Cap Opportunities Fund – June 30, 2017

### Fund Characteristics

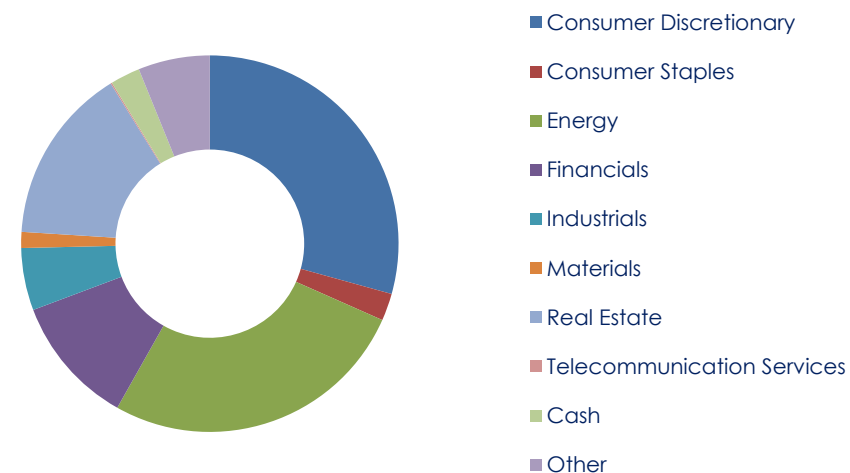
Total Net Assets	\$164.0 MM
Total Number of Positions*	43
Turnover Ratio	8%
Investment Style	Global Equity
Market Cap Focus	Small Cap
Minimum Purchase <sup>(1)</sup>	\$2,500
Inception Date	3/20/00

\* Calculated such that all securities issued by one issuer are counted as one position

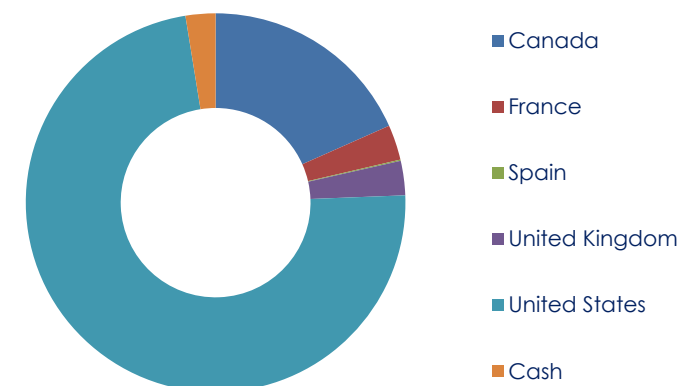
### Strategy Statistics

	Fund	S&P SmallCap 600 Index
Beta	0.88	1.00
Standard Deviation	19.73	18.43
Up Market Capture Ratio	0.86	
Down Market Capture Ratio	0.78	
Sharpe Ratio	0.40	0.43
Weighted Avg. Mkt. Cap. <sup>(2)(3)</sup>	\$3,204	\$1,767
Median Market Capitalization <sup>(2)(3)</sup>	\$757	\$1,142
Price to Book <sup>(3)</sup>	1.71	2.15
Price to Earnings <sup>(3)</sup>	20.99	23.56
Return on Equity <sup>(3)</sup>	20.95%	9.80%
Active Share <sup>(3)</sup>	99.35%	

### Sector Allocation, %



### Country Allocation, %



<sup>1</sup> Relates to No-Load, A-Class and C-Class shares only. Institutional class has a \$1 MM minimum.

<sup>2</sup> In Millions

<sup>3</sup> Where stated, statistics that would generally be representative for the S&P SmallCap 600 Index are instead calculated and depicted based on the iShares Core S&P Small-Cap ETF, an investable product that seeks to track the S&P SmallCap 600 Index. Strategy Statistics begin with first complete month of performance. Source: FactSet, Fund Admin, Bloomberg

# Kinetics Small Cap Opportunities Fund



## Investment Examples

### Icahn Enterprises LP (Ticker: IEP)



- Investment holding company of activist investor Carl Icahn. The company has operating interests in a variety of small cap companies including Tropicana Entertainment (gaming), American Rail Car Industries, Inc. (ARII), CVR Energy, and many others.
- IEP also has assets invested in Carl Icahn's private investment fund, which has produced exceptional returns historically. Therefore, by purchasing IEP shares, investors gain exposure to Mr. Icahn's hedge fund returns.
- IEP also holds short/swap positions that would benefit if credit spreads expand, the stock market falls, and/or interest rates rise.
- IEP pays a \$6 annual distribution, which was equivalent to a nearly 12% yield as of June 30, 2017.

### Texas Pacific Land Trust (Ticker: TPL)



- TPL is a land trust that was created in 1888 as a result of the bankruptcy of the Texas and Pacific Railway Company. The Trust currently owns approximately 878,000 surface acres and 373,000 gross royalty acres in western Texas, much of which is located in the Delaware and Midland Basins within the Permian Basin.
- TPL currently derives its operating revenue from the management of the land, primarily from oil and gas mineral royalties, grazing leases, and easements. This cash flow has historically been combined with proceeds from land sales to fund the repurchase of shares in the Trust. Even as oil prices fell 41% in the four years through year-end 2016, the Trust experienced a 120% increase in revenues from oil royalties and oil-related land leases.
- Recent advances in drilling technology have facilitated elevated exploration and drilling activity in the Permian Basin, which has yielded higher well yields and lower cost curves than previously thought to be feasible. Furthermore, in September of 2016, a major integrated oil and gas company reported a major discovery on land adjacent to and overlapping TPL's surface and royalty interest acreage. Subsequently, land sales and leases in the region have been plentiful, with prices surpassing all previous peaks, despite current oil and gas prices.
- TPL has a net cash balance and operates at over a 90% pre-tax margin. We believe that the company has a vastly underappreciated asset base, and has a multitude of avenues available for asset monetization, but with a de-risked business model.
- In 2Q17, the Trust filed a two-paragraph announcement. It has created a subsidiary called Texas Pacific Water Resources LLC. The intent is to provide water-related services to companies engaged in oil drilling activities in the Permian Basin. These would include water sourcing, treatment and recycling, as well as associated infrastructure construction, disposal and even well testing services.

The Fund held these securities as of June 30, 2017. Please see slide 17 for the top holdings of the Fund. Specific holdings may change at any time without notice.

# Appendix

## **Murray Stahl**

*Chairman, Chief Executive Officer, Chief Investment Officer*

Murray is Chief Executive Officer, Chairman of the Board of Horizon Kinetics and is a co-founder of the Firm. He has over thirty years of investing experience and is responsible for overseeing the Firm's proprietary research. Murray serves as the Firm's Chief Investment Officer, and chairs the Firm's Investment Committee, which is responsible for portfolio management decisions across the entire Firm. He is also the Co-Portfolio Manager for a number of registered investment companies, private funds, and institutional separate accounts. Additionally, Murray is the Chairman and Chief Executive Officer of FRMO Corp. He is also a member of the Board of Directors of the Bermuda Stock Exchange, the Minneapolis Grain Exchange, Winland Electronics, Inc., and IL&FS Securities Services Limited. Prior to co-founding the Firm, Murray spent 16 years at Bankers Trust Company (1978-1994) as a senior portfolio manager and research analyst. As a senior fund manager, he was responsible for investing the Utility Mutual Fund, along with three of the bank's Common Trust Funds: The Special Opportunity Fund, The Utility Fund, and The Tangible Assets Fund. He was also a member of the Equity Strategy Group and the Investment Strategy Group, which established asset allocation guidelines for the Private Bank. Murray received a Bachelor of Arts in 1976, a Masters of Arts in 1980 from Brooklyn College, and an MBA from Pace University in 1985.

## **Peter Doyle**

*Managing Director, President of Kinetics Mutual Funds, Inc.*

Peter is a Managing Director and co-founder of the Firm. He is a senior member of the research team, and a member of the Investment Committee and the Board. Peter is a Co-Portfolio Manager for several registered investment companies, private funds, and institutional separate accounts. He is also responsible for oversight of the Firm's marketing and sales activities and is the Vice President of FRMO Corp. Previously, Peter was with Bankers Trust Company (1985-1994) as a Senior Investment Officer, where he also served on the Finance, Utility and REIT Research sub-group teams. Peter received a BS from St. John's University and an MBA from Fordham University.

## **Steven Bregman**

*President*

Steven is the President of Horizon Kinetics and is a co-founder of the Firm. He is a senior member of the Firm's research team, a member of the Investment Committee and Board, and supervises all research reports produced by the Firm. As one of the largest independent research firms, Horizon focuses on structurally inefficient market sectors, including domestic spin-offs, global spin-offs (The Spin-Off Report and (Global Spin-Off Report), distressed debt (Contrarian Fixed Income) and short sale candidates (Devil's Advocate), among others. Horizon Kinetics has also taken an interest in creating functionally improved indexes, such as the Spin-Off Indexes and the Wealth Indexes (which incorporate the owner-operator return variable). Steve is also the President and CFO of FRMO Corp., a publicly traded company with interests in Horizon Kinetics. He received a BA from Hunter College, and his CFA® Charter in 1989. Steve has authored a variety of papers, notably "Spin-offs Revisited: A Review of a Structural Pricing Anomaly" (1996) and "Equity Strategies and Inflation" (2012).

## **Thomas Ewing**

*Managing Director*

Tom joined the Firm in 1996 and is a member of both the Board and the Investment Committee. Tom oversees Horizon's North Carolina office and is instrumental in the creation of new Horizon Kinetics investment strategies. Previously, Tom was a Marketing Director with Smith Barney's Capital Management Division (1989-1991) and then a Financial Consultant at Wheat First Butcher Singer (1991-1996). Tom received a BA from Washington & Lee University.

## **Hugh Ross**

*Chief Operating Officer*

Hugh joined the Firm in 2009 and is responsible for overseeing all non-investment functions for Horizon Kinetics. He is also a member of the Board. Previously, Hugh served as the Chief Operating Officer of the Global Manager Strategies Group within Goldman Sachs Asset Management (GSAM), and immediately prior to this, he served as a compliance officer for both GSAM and Goldman's Private Wealth Management business. Prior to joining Goldman Sachs, Hugh served as an Associate Counsel for ChaseMellon Shareholder Services and also worked as an attorney with a securities industry boutique law firm whose practice focused on broker/dealer and investment adviser regulatory matters. Hugh received a BBA from Emory University and a JD from New York Law School.

## **Russ Grimaldi**

*Chief Compliance Officer, Associate General Counsel*

Russ joined the Firm in 2005 and currently serves as the Chief Compliance Officer and Associate General Counsel. He oversees the Firm's compliance program and supports all legal and regulatory functions. Russ has substantial experience with the rules and regulations governing the investment management industry and is a member of several of the Firm's operating committees. Russ holds a BA in Legal Studies from Quinnipiac University (cum laude) and a JD from Albany Law School.

## **Jay Kesslen**

*General Counsel*

Jay joined the Firm in 1999 and currently serves as General Counsel, Managing Director, and is a member of the Board. He oversees all aspects of the Firm's legal affairs, advises on all material compliance matters, and is responsible for the Firm's corporate governance. Jay is the Firm's Anti-Money Laundering Officer and also serves as a Director for several private funds managed by subsidiaries of the Firm. He is also Vice President and Assistant Secretary for Kinetics Mutual Funds, Inc., a series of U.S. mutual funds managed by Kinetics Asset Management LLC, a subsidiary of the Firm. Jay also serves as the General Counsel of FRMO Corp., a publicly traded company. Jay holds a BA in Economics from the State University of New York at Plattsburgh (cum laude) and a JD from Albany Law School.

# Written Research



## At The Foundation of Our Process

### Horizon Kinetics Research Reports

#### Contrarian Research Report

Established April 1995

#### The Spin-Off Report

Est. February 1996

#### The European Spin-off and Restructuring Report\*

Est. March 2010

#### The Fixed Income Contrarian Report

Est. October 2000

#### The Devil's Advocate Report

Est. August 2000

#### The Stahl Report

Est. March 2004

#### The European Contrarian Report\*\*

Est. April 2008

\*Formerly known as the Global Spin-Off report

\*\*Formerly known as the Global Contrarian Report

### Horizon Kinetics White Papers

#### The Equity Yield Curve

- *The Equity Yield Curve*, 2012

#### Spin-Offs

- *Spin-Offs Revisited: A Review of a Structural Pricing Anomaly*, 1996
- *The Spin-Off Report: A Study of Spin-Off Performance*, 2010
- *Predictive Attribute Update: Spin-Offs*, 2012
- *A Study of Spin-Off Performance Over a Ten-Year Time Frame*, 2013
- *Spin-Offs: A Global Predictive Attribute*, 2014
- *Tax-Free Spin-Offs - An Overview of Internal Revenue Code 355 & Tax Implications of Subsequent Transactions*, 2017

#### Owner Operators

- *Intangible Asset Report*, 1998
- *Owner-Operators*, 2012

#### Small Cap Investing

- *Russell 2000® Index Construction: When Small Caps Became a Big Problem*, 2013
- *The Changing Dynamic of Small Cap Investing*, 2014
- *Can an Index Underperform its Benchmark?: The Curious Case of Small Cap Equity Performance*, 2014

#### The Yield Famine

- *Bond Market Panic*, 2012
- *What Might Happen if Interest Rates Do Not Rise*, 2012
- *Equity as a Bond Substitute*, 2015
- *5000 Years of Interest Rates - Part I & II*, 2016

#### Opportunistic Income Investing

- *Income Approach to Investing*, 2016
- *The Paradox (and Opportunity) of High Yield Indexation*, 2016

#### Utilities

- *Electric Utilities: Perhaps not the Investment One Expects*, 2014

#### Under the Hood Index Series

- *Not Your Grandfather's S&P*
- *International Diversification - Bet You Don't Know How Much You've Got*
- *Your Bond Index - Part of the ETF Bubble*
- *How to NOT Invest in the Dynamism of Emerging Markets: Through Your Emerging Markets ETF*
- *How Liquid is YOUR ETF, or What Does This Have to Do With Me?*
- *The Beta Game - Part I & II*
- *What's in Your Index? A New Bubble Indicator; Is One of Your Stocks In a Momentum ETF?*
- *The Robo-Adviser, Part I & II*
- *How Indexation is Creating New Opportunities for Short-Sellers, And Why This Should Alarm Ordinary Buyers of Stock and Bond ETFs*
- *Why Utility Stocks Should Concern Income Oriented Investors*
- *The Exxon Conundrum*
- *The Value of Cash*

#### Cryptocurrencies

- *Cryptocurrencies: An Emerging Asset Class*, 2015
- *Interest Rates, Hedge Funds and the Rise of the Artificial Asset Class*, 2016
- *True Contingency Investing and Bitcoin*, 2016
- *Cryptocurrency versus Fiat Money*, 2017
- *Systematic Short Sale and Cryptocurrency*, 2017

# Contact Information

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**Beta:** A statistic that measures the volatility of the fund, as compared to that of the overall market. The market's beta is set at 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile. The Beta has been calculated using data since the fund's inception.

**Standard Deviation:** A statistical measure of portfolio risk used to measure variability of total return around an average, over a specified period of time. The greater the standard deviation over the period, the wider the variability or range of returns and hence, the greater the fund's volatility. The standard deviation has been calculated since inception.

**Up Market Capture Ratio:** A statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. The up-market capture ratio has been calculated since inception.

**Down Market Capture Ratio:** A statistical measure of an investment manager's overall performance in down-markets. The down-market capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. The down-market capture ratio has been calculated since inception.

**Sharpe Ratio:** A statistical measure that uses standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio implies a better historical risk-adjusted performance. The Sharpe ratio has been calculated since inception using the 3-month treasury bill for the risk-free rate of return.

**Weighted Avg. Mkt. Cap:** The mean market capitalization (value of outstanding shares) of a basket of stocks, taking into account the relative weight of each investment.

**Median Market Capitalization:** The median market capitalization (value of outstanding shares) of a basket of stocks.

**Price to Book Ratio:** The harmonic weighted average of the price/book (P/B) ratios of the equity securities referenced. The ratio calculated by dividing the current price of the stock by the company's book value per share (assets minus liabilities).

**Price to Earnings Ratio:** The harmonic weighted average of the price/earnings (P/E) ratios of the equity securities referenced. The P/E ratio is calculated by dividing the current price of the stock by the trailing one year earnings.

**Return on Equity:** The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

**Turnover Ratio:** A measure of how frequently assets within a fund are bought and sold by the managers represented over a one year period.