

December 30, 2009

Prospectus

www.kineticsfunds.com

The Tactical Paradigm Fund (KPAYX)

A series of Kinetics Mutual Funds, Inc.



Kinetics Mutual Funds, Inc.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of the Prospectus. Any representation to the contrary is a criminal offense.

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This Prospectus discusses the Institutional Class of a series (the “Tactical Paradigm Fund” or the “Fund”) of Kinetics Mutual Funds, Inc. (the “Company”). Unlike many other investment companies which directly acquire and manage all of their own portfolios of securities, the Fund seeks its investment objective by investing generally all of its investable assets in a portfolio series, the Paradigm Portfolio (the “Paradigm Portfolio” or the “Portfolio”), of Kinetics Portfolios Trust (the “Trust”), a Delaware statutory trust. The Portfolio is an open-end, non-diversified investment company with investment objectives and strategies similar, but not identical, to those of the Fund. Investors should carefully consider this investment approach. For additional information regarding this investment structure, see “Unique Characteristics of the Fund Structure.”

Prospectus

This Prospectus provides vital information about the Fund. For your own benefit and protection, please read it before you invest, and keep it on hand for future reference.

Investment Adviser

Kinetics Asset Management, Inc.

Sub-Adviser

Broadmark Asset Management, LLC

Minimum Initial Investment

\$1,000,000

December 30, 2009

OVERVIEW

The Tactical Paradigm Fund is a non-diversified fund that seeks to provide long-term growth of capital while mitigating market risk through various hedging activities. The Fund will invest generally all of its investable assets in the Paradigm Portfolio, under normal market conditions, while also dynamically hedging market risk with futures, options and short sales of exchange-traded funds (“ETFs”). The Paradigm Portfolio invests primarily in the equity securities of U.S. and foreign companies that the Investment Adviser believes are undervalued, that have high returns on equity and that are well positioned to reduce their costs, extend the reach of their distribution channels and experience significant growth in assets or revenues. A fundamental principle is to regard the investments in the Paradigm Portfolio as representing fractional ownership in the underlying companies’ assets. The driver of appreciation for the classic value investor is a high return on equity, an intrinsic characteristic of the investment, not a reappraisal of the stock’s worth by the market, an external factor.

The Statement of Additional Information (the “SAI”) contains more information about the Fund and the types of securities in which it may invest.

Who May Want to Invest

The Tactical Paradigm Fund may be appropriate for investors who:

- ▶ wish to invest for the long-term;
- ▶ want to diversify their portfolios;
- ▶ want to allocate some portion of their long-term investments to equity investing;
- ▶ are willing to accept the volatility associated with equity investing; and
- ▶ are comfortable with the risks described herein.

Investment Objective, Principal Investment Strategies and Principal Risks*Investment Objective*

The investment objective of the Tactical Paradigm Fund is to provide long-term growth of capital while mitigating market risk through various hedging activities.

Principal Investment Strategies

The Tactical Paradigm Fund is a non-diversified fund that seeks to achieve its investment objective by investing generally all of its investable assets in the Paradigm Portfolio, under normal market conditions, while also dynamically hedging market risk with futures, options and short sales of ETFs. The Fund may purchase or write options in combination with each other (simultaneously writing call options and purchasing put options) to adjust market risk and return of its overall investment positions. For example, the Fund may purchase a put option and write a call option on the same underlying instrument, in order to synthesize a position similar to that which would be achieved by selling a futures contract. While the Tactical Paradigm Fund invests generally all of its investable assets in the Paradigm Portfolio, the Sub-Adviser may choose to invest more or less of the Fund's assets in the Paradigm Portfolio depending on market conditions. Under normal circumstances, the Paradigm Portfolio invests at least 65% of its net assets in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and International Depositary Receipts ("IDRs")) of U.S. and foreign companies, as well as investing directly in ETFs. The Paradigm Portfolio will invest in companies that the Investment Adviser believes are undervalued, that have high returns on equity and that are well positioned to reduce their costs, extend the reach of their distribution channels and experience significant growth in their assets or revenues. A fundamental principle is to regard the investments in the Paradigm Portfolio as representing fractional ownership in the underlying companies' assets. The driver of appreciation for the classic value investor is a high return on equity, an intrinsic characteristic of the investment, not a reappraisal of the stock's worth by the market, an external factor. The Paradigm Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Tactical Paradigm Fund's Sub-Adviser will attempt to reduce market risk through its hedging activities based upon a multi-factor process. This process assesses such factors as monetary policy, valuation, investor sentiment and momentum. Net exposure to equities will be adjusted based upon the overall assessment of risk and opportunity. When equity market risk is perceived to be high, and opportunity low, net exposure will be reduced by selling futures, option combos or short selling ETFs against the value of the Tactical Paradigm Fund's investment in the Portfolio. Conversely, when perceived risks are low and opportunities high, the Fund will have a low to zero exposure to hedging vehicles. There is no guarantee that the Sub-Adviser will accurately measure existing risk.

The Paradigm Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

Paradigm Portfolio securities will be selected by the Investment Adviser from companies that are engaged in various industries that will facilitate an increase in the growth of traditional business lines, entry into new distribution channels, an ability to leverage brand identity, and an improvement in the underlying cost/profitability dynamics of the business. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, these companies meet the Paradigm Portfolio's investment criteria. Accordingly, the Paradigm Portfolio seeks to invest in the equity securities of companies whose research and development efforts may result in higher stock values. Such companies include, but are not limited to, the following:

- ▶ *Retailers*: Companies that sell retail products and services through traditional stores, catalogues, telemarketing, and web-sites.
- ▶ *Media*: Companies that provide print, broadcast, cable, satellite and web-based information and entertainment content.
- ▶ *Financial Services*: Companies that engage in financial service transactions such as banking, credit cards and investment services.
- ▶ *Real Estate Development*: Companies that provide commercial real estate property and services.
- ▶ *Business Services*: Companies that provide business-to-business products and services.
- ▶ *Travel & Leisure*: Companies that provide transportation and recreational services.
- ▶ *Utilities*: Companies and industries such as gas, electric and telephone.

The Investment Adviser selects portfolio securities by evaluating a company's positioning and traditional business lines as well as its ability to expand its activities or achieve competitive advantage in cost/profitability and brand image leveraging. The Investment Adviser also considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends.

The Paradigm Portfolio may invest up to 35% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.*, U.S. Treasury obligations) and repurchase agreements.

Temporary Investments

To respond to adverse market, economic, political or other conditions, the Paradigm Portfolio and the Tactical Paradigm Fund may each invest up to 100% of their respective assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Paradigm Portfolio or the Tactical Paradigm Fund engages in a temporary defensive strategy, the Tactical Paradigm Fund may not achieve its investment objective.

Fund Structure

The Paradigm Portfolio's investment objective is long-term growth of capital. The Tactical Paradigm Fund may withdraw its investment from the Paradigm Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Tactical Paradigm Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing some or all of the Tactical Paradigm Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Tactical Paradigm Fund or having the Tactical Paradigm Fund's current Investment Adviser and Sub-Adviser, manage all of the Fund's assets directly.

Principal Risks of Investment

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Tactical Paradigm Fund, and indirectly the Paradigm Portfolio, are listed below and could adversely affect the NAV, total return and value of the Tactical Paradigm Fund, Paradigm Portfolio and your investment.

- ▶ *Stock Market Risks:* Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Tactical Paradigm Fund and the Paradigm Portfolio are likely to decline in value and you could lose money on your investment.
- ▶ *Stock Selection Risks:* The portfolio securities selected by the Investment Adviser or Sub-Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Paradigm Portfolio's and the Tactical Paradigm Fund's respective investment objectives.
- ▶ *Liquidity Risks:* The Investment Adviser or Sub-Adviser may not be able to sell portfolio securities at an optimal time or price.
- ▶ *Industry Emphasis Risks:* Mutual funds that invest a substantial portion of their assets in a particular industry carry a risk that a group of industry-related securities 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.
- ▶ *Small and Medium-Size Company Risks:* The Tactical Paradigm Fund and the Paradigm Portfolio 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 Paradigm Portfolio's assets.
- ▶ *Foreign Securities Risks:* The Tactical Paradigm Fund and the Paradigm Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

► *Non-Diversification Risks:* As a non-diversified investment company, the Tactical Paradigm Fund and the Paradigm Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Paradigm Portfolio's shares and therefore, the Tactical Paradigm Fund's shares, more than shares of a diversified mutual fund that holds more investments.

► *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser or Sub-Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Paradigm Portfolio and/or the Tactical Paradigm Fund give up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continue to bear the risk of declines in the value of their common stock portfolios. The Paradigm Portfolio and/or the Tactical Paradigm Fund will receive a premium from writing a covered call option that they retain whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

► *Short Sales Risks:* If the value of a security sold short increases, the Tactical Paradigm Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. The Tactical Paradigm Fund's loss on a short sale is potentially unlimited because there is no upward limit on the price a security could attain; by comparison, for a long position, the maximum loss is the price paid for the security plus transaction costs.

► *ETFs Risk:* An investment in an ETF generally presents the same primary risks as an investment in a conventional open-end fund that has the same investment objectives, strategies and policies. In addition, ETFs do not necessarily trade at the net asset value of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs. As a shareholder in an ETF, the Tactical Paradigm Fund will bear its pro rata portion of an ETF's expenses, including advisory fees, in addition to its own expenses.

► *Derivatives Risks:* The investments of each of the Paradigm Portfolio and Tactical Paradigm Fund in futures, options and other derivative instruments may result in loss. Derivative instruments may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses to the Paradigm Portfolio or Tactical Paradigm Fund. To the extent the Paradigm Portfolio or Tactical Paradigm Fund segregates assets to cover derivatives positions, the Paradigm Portfolio or Tactical Paradigm Fund may impair its ability to meet current obligations, to honor requests for redemption and to manage the Paradigm Portfolio or Tactical Paradigm Fund properly in a manner consistent with its stated investment.

► *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.*, junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

► *Management Risk:* There is no guarantee that the Tactical Paradigm Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Tactical Paradigm Fund, nor can it assure you that the market value of your investment will not decline.

► *New Fund Risk:* The Fund has no prior operating history. There can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board of Directors or the Investment Adviser may recommend that the Fund be liquidated.

Performance of the Tactical Paradigm Fund

Because the Tactical Paradigm Fund has not yet commenced operations, there is no performance information for the Fund.

Fees and Expenses of the Tactical Paradigm Fund

As an investor, you pay certain fees and expenses if you buy and hold shares of the Tactical Paradigm Fund. These fees and expenses are described in the table below and are further explained in the example that follows.

Fee Table

Shareholder Transaction Expenses (fees paid directly from your investment)	Institutional Class
Maximum Sales Charge (Load) Imposed on Purchases	None
Maximum Deferred Sales Charge (Load)	None
Maximum Sales Charge (Load) on Reinvested Dividends	None
Redemption Fee (as a percentage of amount redeemed on shares held 30 days or less, if applicable)	2.00%
Exchange Fee ⁽¹⁾	None
Maximum Account Fee ⁽²⁾	None
Annual Operating Expenses (expenses deducted from Fund assets)	Institutional Class
Management Fees	0.65%
Distribution (Rule 12b-1) Fees	None
Other Expenses ⁽³⁾	0.31%
Shareholder Servicing Fees	0.20%
Other Operating Expenses	0.11%
Acquired Fund Fees and Expenses ⁽⁴⁾	1.37%
Total Annual Fund Operating Expenses	2.33%
Less Expense Waiver and/or Reimbursement ⁽⁵⁾	0.15%
Net Annual Fund Operating Expenses⁽⁶⁾	2.18%

(1) The Transfer Agent charges a \$5 transaction fee to shareholder accounts for telephone exchanges between any two series of the Company. The Transfer Agent does not charge a transaction fee for written exchange requests.

(2) IRA accounts are assessed a \$15.00 annual fee.

(3) Because the Tactical Paradigm Fund is new, these expenses, which include custodian, transfer agency, and other customary Fund expenses, are based on estimated amounts for the Fund's current fiscal year.

(4) Acquired Fund Fees and Expenses ("AFFE") represents the pro rata expenses the Tactical Paradigm Fund expects to incur during the current fiscal year as a result of investing in other investment companies, including the Portfolio, that have their own expenses. Total Annual Fund Operating Expenses will not correlate to the ratio of expenses to average net assets before expense ratios, which will reflect the Tactical Paradigm Fund's operating expenses and does not include AFFE.

(5) The Investment Adviser has contractually agreed to waive and/or reimburse the portion of the shareholder servicing fee in excess of 0.05% of average daily net assets at until at least May 1, 2011.

(6) As of December 31, 2009, the Investment Adviser to the Tactical Paradigm Fund has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 2.29%. These waivers and reimbursements may be discontinued at any time.

Example

This Example is intended to help you compare the cost of investing in Institutional Class shares of the Tactical Paradigm Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in Institutional Class shares of the Tactical Paradigm Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% rate of return each year, that dividends and distributions are reinvested, and that the Tactical Paradigm Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Tactical Paradigm Fund would be:

	1 Year	3 Years
Institutional Class	\$221	\$713

Main Risks of Investing in the Fund

The principal risks of investing in the Tactical Paradigm Fund are described previously in this Prospectus. This section provides more detail about some of those risks, along with information on additional types of risks that may apply to the Tactical Paradigm Fund.

Investing in Mutual Funds

All mutual funds carry risks that may cause you to lose money on your investment in the Fund. The following describes the primary risks to the Fund by investing in the Portfolio due to the Portfolio's specific investment objective and strategies and by making direct investments. As all investment securities are subject to inherent market risks and fluctuations in value due to earnings, economic and political conditions and other factors, neither the Fund nor the Portfolio can give any assurance that its investment objective will be achieved.

Market Risk

The NAV of the Portfolio and of the Fund will fluctuate based on changes in the value of their respective underlying portfolios. The stock market is generally susceptible to volatile fluctuations in market price. Market prices of securities in which the Portfolio or the Fund invests may be adversely affected by an issuer's having experienced losses or lack of earnings, or by the issuer's failure to meet the market's expectations with respect to new products or services, or even by factors wholly unrelated to the value or condition of the issuer. The value of the securities held by the Portfolio and the Fund is also subject to the risk that a specific segment of the stock market may not perform as well as the overall market. Under any of these circumstances, the value of the Portfolio's and the Fund's shares and total return will fluctuate,

and your investment in the Fund may be worth more or less than your original cost when you redeem your shares.

Portfolio Turnover Risk

Under certain circumstances the Portfolio or the Fund may take advantage of short-term trading opportunities without regard to the length of time its securities have been held. This strategy often calls for frequent trading of the Portfolio's or the Fund's securities in order to take advantage of anticipated changes in market conditions. Frequent trading by the Portfolio or the Fund could increase the rate of its portfolio turnover, which would involve correspondingly greater expenses. Such expenses may include brokerage commissions or dealer mark-ups/mark-downs, as well as other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to shareholders. If the Portfolio or the Fund realizes capital gains when it sells its portfolio investments, it must generally pay those gains out to shareholders, increasing their taxable distributions. The trading costs and tax effects associated with such portfolio turnover may adversely affect the Portfolio's and the Fund's performance under these circumstances, and large movements of assets into and out of the Portfolio or the Fund may negatively impact the Portfolio's or the Fund's ability to achieve its investment objective or maintain its current level of operating expenses.

Securities Lending

The Portfolio may lend its portfolio securities to broker-dealers by entering directly into lending arrangements with such broker-dealers or indirectly through repurchase agreements, amounting to no more than 33⅓% of the total assets of the Portfolio (including any collateral posted) or 50% of the total assets of the Portfolio (excluding any collateral posted). Cash collateral may be invested by the Portfolio in short-term investments, including repurchase agreements and Rule 2a-7 money market funds. Repurchase transactions will be fully collateralized at all times with cash and/or short-term debt obligations. These transactions involve some risk to the Portfolio if the other party should default on its obligation and the Portfolio is delayed or prevented from recovering the collateral. In the event that the original seller defaults on its obligation to repurchase, the Portfolio will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, the Portfolio would suffer a loss if forced to sell such collateral in this manner. In addition, invested collateral will be subject to market depreciation or appreciation, and the Portfolio will be responsible for any loss that might result from its investment of the collateral.

Non-Diversification

The Portfolio and the Fund are non-diversified funds and therefore may be more susceptible to adverse financial, economic or other developments affecting any single issuer, and more susceptible to greater losses because of these developments.

Investment in Small and Medium-Size Companies

The Fund and the Portfolio may invest in small or medium-size companies. Accordingly, the Portfolio may be subject to the additional risks associated with investment in companies with

small or medium-size capital structures (generally a market capitalization of \$5 billion or less). The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger, more established companies. If the Portfolio is heavily invested in these securities and the value of these securities suddenly declines, the NAV of the Portfolio and your investment in the Fund will be more susceptible to significant losses.

Foreign Securities

Investing in foreign securities can carry higher returns than those generally associated with U.S. investments. However, foreign securities may be substantially riskier than U.S. investments. The economies of foreign countries may differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, and balance of payments position. Furthermore, the economies of developing countries generally are heavily dependent on international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protective measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade. The Fund and the Portfolio may be required to obtain prior governmental approval for foreign investments in some countries under certain circumstances. Governments may require approval to invest in certain issuers or industries deemed sensitive to national interests, and the extent of foreign investment in certain debt securities and companies may be subject to limitation. Individual companies may also limit foreign ownership to prevent, among other things, violation of foreign investment limitations.

Some foreign investments may risk being subject to repatriation controls that could render such securities illiquid. Other countries might undergo nationalization, expropriation, political changes, governmental regulation, social instability or diplomatic developments (including war) that could adversely affect the economies of such countries or the value of the investments in those countries. Additional risks include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

Portfolio Borrowing

Each of the Portfolio and the Fund may leverage its assets, subject to the provisions of the Investment Company Act of 1940, as amended (the "1940 Act"), to fund investment activities or to achieve higher returns. The Portfolio or the Fund may borrow money from banks for temporary or emergency purposes in order to meet redemption requests. To reduce its indebtedness, the Portfolio or the Fund may have to sell a portion of its investments at a time when it may be disadvantageous to do so. In addition, interest paid by the Portfolio on borrowed funds would decrease the net earnings of both the Portfolio and your investment in the Fund.

Derivatives Risk

Each of the Portfolio and the Fund may invest in derivatives such as options and futures. The successful use of these investment practices depends on the Investment Adviser or Sub-Adviser's ability to forecast stock price movements correctly. Should stock prices move unexpectedly, the Portfolio and/or the Fund may not achieve the anticipated benefits of the transactions, or may realize losses, and thus be in a worse position than if such strategies had not been used. Unlike many exchange-traded options, there are no daily price fluctuation limits for certain options, and adverse market movements could therefore continue for an unlimited extent over a period of time. In addition, the correlation between movements in the prices of options and movements in the prices of the securities hedged or used for cover will not be perfect and could produce unanticipated losses.

The Portfolio's and the Fund's ability to dispose of their positions in options, depends on the availability of liquid markets in such instruments. Markets in options with respect to a number of types of securities are relatively new and still developing. It is impossible to predict the amount of trading interest that may exist in various types of options. If a secondary market does not exist for an option purchased or written by the Portfolio or the Fund, it might not be possible to effect a closing transaction in the option (*i.e.*, dispose of the option), with the result that (1) an option purchased by the Portfolio or the Fund would have to be exercised in order for the Portfolio or the Fund to realize any profit and (2) the Portfolio or the Fund may not be able to sell portfolio securities covering an option written by the Portfolio or the Fund until the option expires or it delivers the underlying security, upon exercise. Therefore, no assurance can be given that either the Portfolio or the Fund will be able to utilize these instruments effectively. In addition, the ability to engage in options transactions may be limited by tax considerations and the use of certain hedging activities may adversely impact the characterization of income to the Portfolio and the Fund for U.S. federal income tax purposes.

The Portfolio and the Fund may enter into futures contracts in U.S. domestic markets or on exchanges located outside of the U.S. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the U.S. Foreign markets however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets, so that no common clearing facility exists and that an investor may look only to the broker or counter-party for the performance of the contract. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the Commodity Futures Trading Commission. The Fund may not be able to invest in certain foreign futures and option contracts that have not been approved for sale by U.S. persons.

The Fund may purchase and sell single stock futures, stock index futures contracts, interest rate futures contracts, currency futures and other commodity futures. A stock index future obligates the Fund to pay or receive an amount of cash based upon the value of a stock index at a specified date in the future, such as the Standard & Poor's 500 Composite Stock Price Index, NASDAQ High Technology Index, or similar foreign indices. An interest rate futures contract obligates the Fund to purchase or sell an amount of a specific debt security at a future date at a specified price. A currency futures contract obligates the Fund to purchase or sell an amount of a specific currency at a future date at a future price.

Futures Risk

There are risks associated with these activities, including the following: (1) the success of a hedging strategy may depend on an ability to predict movements in the prices of individual securities, fluctuations in markets and movements in interest rates; (2) there may be an imperfect or no correlation between the changes in market value of the securities held by the Paradigm Portfolio or Tactical Paradigm Fund and the prices of futures; (3) there may not be a liquid secondary market for a futures contract; (4) trading restrictions or limitations may be imposed by an exchange; and (5) government regulations may restrict trading in futures contracts.

Short Sales Risks

In a short sale, the Tactical Paradigm Fund sells a security it does not own, in anticipation that the price of the security will fall. When the Fund sells securities short, it must borrow securities to make delivery to the buyer of those securities, which incurs costs and expenses. When the Fund borrows securities, it uses other assets including long positions as collateral for the loan. If the value of a security sold short increases, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. The Fund's loss on a short sale is potentially unlimited because there is no upward limit on the price a security could attain; by comparison, for a long position, the maximum loss is the price paid for the security plus transaction costs. The Fund's use of short sales in combination with long positions in the Fund's portfolio may not be successful and may result in greater losses or lower positive returns than if the Fund held only long positions. It is possible that the Fund's long equity positions will decline in value at the same time that the value of the securities the Fund sold short increases, thereby increasing potential losses to the Fund. The Fund may not always be able to borrow a security it wants to sell short. The Fund also may be unable to close out an established short position at an acceptable price. In some instances, the Fund may have to sell long positions at a disadvantageous price in order to cover or close out short positions. Engaging in short sales is a form of leverage, which increases the Fund's assets through borrowing.

Investing in Investment Grade Debt Securities and Below Investment Grade Debt Securities

Investments in debt securities pose different risks than investments in equity securities. The value of fixed income securities generally will fall if interest rates rise. The value of these securities may also fall as a result of other factors such as the performance of the issuer, the market perception of the issuer or general economic conditions. These investments also involve a risk that the issuer may not be able to meet its principal and interest payment obligations. Fixed income securities having longer maturities involve greater risk of fluctuations in value.

Investments in debt securities rated below investment grade, *i.e.*, junk bonds, and unrated securities of comparable quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate or municipal developments, interest rate

sensitivity, negative perceptions of the junk bond markets generally and less secondary market liquidity.

Exchange-Traded Funds (ETFs)

The Portfolio may invest up to 5% of its assets in ETFs and the Fund may make additional investments in ETFs. ETFs are registered investment companies whose shares are listed and traded on U.S. stock exchanges or otherwise traded in the over-the-counter market. In general, ETFs seek to track a specified securities index or a basket of securities that an “index provider,” such as Standard & Poor’s, selects as representative of a market, market segment or industry sector. An ETF portfolio generally holds the same stocks or bonds as the index it tracks or it may hold a representative sample of such securities. Thus, an ETF is designed so that its performance will correspond closely with that of the index it tracks. As a shareholder in an ETF, the Portfolio will bear its pro rata portion of an ETF’s expenses, including advisory fees, in addition to its own expenses.

Other Investment Companies

Each of the Portfolio and the Fund may invest up to 10% of its respective total assets in the securities of other investment companies, including ETFs, not affiliated with the Investment Adviser or Sub-Adviser, but may not invest more than 5% of its total assets in the securities of any one investment company or acquire more than 3% of the voting securities of any other investment company. Among other things, the Portfolio or the Fund may invest in money market mutual funds for cash management purposes by “sweeping” excess cash balances into such funds until the cash is invested or otherwise utilized. The Portfolio or the Fund will indirectly bear its proportionate share of any management fees and other expenses paid by investment companies in which it invests in addition to the advisory and administration fees paid by the Portfolio or the Fund.

Portfolio Holdings Information

A description of the Portfolio’s and the Fund’s policies and procedures with respect to the disclosure of its portfolio securities is available in the Fund’s SAI. Currently, disclosure of the Portfolio’s and the Fund’s holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q (first and third quarters). The Annual and Semi-Annual Reports are available by contacting Kinetics Mutual Funds, Inc., c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling 1-800-930-3828. In addition, the Company may publish on its webpage (www.kineticsfunds.com) month-end (a) top fifteen portfolio holdings of the Portfolio or the Fund and the percentage that each holding represents of the Portfolio’s or the Fund’s, as applicable, total holdings, and (b) top five performing and bottom five performing portfolio holdings of the Portfolio or the Fund, in each case no earlier than twenty calendar days after the end of each calendar month. This information will be available on the website until the date on which the Fund files its next quarterly portfolio holdings report on Form N-CSR or Form N-Q with the SEC or until the next month in which portfolio holdings are posted in accordance with the above policy.

Investment Adviser

The investment adviser to the Portfolio and the Fund is Kinetics Asset Management, Inc. (“Investment Adviser”), 555 Taxter Road, Suite 175, Elmsford, New York 10523. Founded in 1996, the Investment Adviser provides investment advisory services to a family of ten mutual funds with discretionary management authority over approximately \$5.50 billion in assets as of September 30, 2009. The Investment Adviser has selected, and the Company’s Board of Directors has approved, Broadmark Asset Management, LLC (“Sub-Adviser” or “Broadmark”) as sub-adviser for the Fund. Broadmark, 12 East 52nd St., 3rd Floor, New York, New York, is a Delaware limited liability company that is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended. As of November 30, 2009, Broadmark had assets under management of approximately \$463 million.

The Investment Adviser will review, monitor and report to the Board of Trustees of the Trust on the performance and investment procedures of Broadmark and assist and consult with Broadmark in connection with the Fund’s investment program. Broadmark and the Investment Adviser will be responsible for the selection of broker-dealers, the negotiation of commission rates and the execution of transactions of the Fund. Broadmark, under the supervision of the Investment Adviser, is also responsible for decisions to buy and sell securities for the Fund that are not invested in the Paradigm Portfolio, and for determining the percentage of the Fund’s assets that are to be used for the hedged portion of the Fund. Payments to the Sub-Adviser for its services are made by the Investment Adviser, not the Fund. The Investment Adviser is entitled to receive an annual fee from the Portfolio for its services of 1.25% of the Portfolio’s average daily net assets and 0.65% of the Fund’s average daily net assets. For its services, Broadmark receives sub-advisory fees of 0.65% of the Fund’s average daily net assets from the Investment Adviser.

The Investment Adviser has entered into a Research Agreement with Horizon Asset Management, Inc. (“Horizon”), a New York based investment management and research firm, and is responsible for the payment of all fees owing to Horizon.

A discussion regarding the basis of the Board’s approval of the investment advisory agreement for the Portfolio is available in the Company’s semi-annual report to shareholders for the period ending June 30, 2009. A discussion regarding the basis of the Board’s approval of the investment advisory agreement and investment sub-advisory agreement for the Fund will be available in the Company’s first annual or semi-annual report to shareholders following the Fund’s commencement of operations.

Kinetics as the Investment Adviser to the Portfolio and the Fund, and Broadmark as Sub-Adviser to the Fund, are engaged in a broad range of portfolio management, portfolio advisory and other business activities. Their services are not exclusive to the Portfolio and the Fund and nothing prevents them, or any affiliates, from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies, or criteria are similar to those of the Portfolio or the Fund) or from engaging in other activities.

Investment Professional for the Sub-Adviser

The portfolio manager of the Fund is Christopher J. Guptill. Mr. Guptill is Chief Executive Officer and Chief Investment Officer of Broadmark and has been with the company since its inception in 1999. Mr. Guptill, a founding member of Broadmark, is responsible for the development of Broadmark's investment management programs and products. He is also responsible for the implementation of all portfolio management and execution. Mr. Guptill is a 1979 graduate of California State University, Chico with a BA in economics. Mr. Guptill has managed the Fund since its inception.

Members of the Investment Adviser's Investment Team

Peter B. Doyle is the Chief Investment Strategist for the Portfolio and generally oversees the management of the Portfolio through an investment team. Mr. Doyle, Murray Stahl and Paul Mampilly are co-portfolio managers of the Paradigm Portfolio, and are responsible for the Portfolio's day-to-day management.

Mr. Doyle is Chairman of the Board and President of the Company. He has been managing the Portfolio since its inception. In early 1996, Mr. Doyle co-founded the Investment Adviser and he also co-founded and currently serves as a Managing Director of Horizon. Mr. Stahl has been managing the Portfolio since its inception. He has served as Director of Research since 2000. Since 1994, Mr. Stahl has held the positions of Chairman and Chief Investment Officer of Horizon.

Mr. Mampilly has been part of the team since September 2006. He joined the Investment Adviser in 2006 and has over sixteen years experience as an investment professional. Prior to joining the Investment Adviser, Mr. Mampilly founded The Capuchin Group, distributor of a behavioral financial newsletter, for which he acted as author, editor and publisher from October 2003 through July 2006. From January 2002 through May 2003, Mr. Mampilly held employment with ING Funds as a senior research analyst and healthcare group head, responsible for managing a team of analysts covering healthcare related companies of all market capitalizations. Each team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Doyle and Mr. Stahl.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Fund.

Valuation of Fund Shares

Shares of the Fund's Institutional Class are sold at NAV per share, which is determined by the Fund as of the close of regular trading (generally 4:00 p.m. Eastern Time) on each day that the New York Stock Exchange (the "Exchange") is open for unrestricted business. Purchase and redemption requests are priced at the next NAV per share calculated after receipt and acceptance of a completed purchase or redemption request. The NAV for each Class of shares of the Fund is determined by dividing the value of the Fund's securities, cash and other assets attributable to that Class, minus all expenses and liabilities attributable to that Class, by the number of shares outstanding of that Class. The NAV for a Class of shares of the Fund takes

into account the expenses and fees of that Class, including management, administration, distribution and shareholder servicing fees, which are accrued daily. The NAV of the Portfolio is calculated at the same time and generally in the same manner (*i.e.*, assets-liabilities/ # of shares = NAV per share) as those of the Fund's Classes.

Equity securities are valued each day at the last quoted market sale price on the securities' principal exchange. If there is no sales price, a security is valued at the last reported bid price. Securities listed on the Nasdaq Stock Market, Inc., however, are valued using the Nasdaq Official Closing Price ("NOCP"), and if no NOCP is available, then at the last reported bid price. If market quotations are not readily available or if events occur that may significantly affect the value of a particular security between the time trading ends on a particular security and the close of regular trading on the Exchange, securities will be valued at their fair market value as determined in good faith in accordance with procedures approved by the Trust's Board of Trustees and the Company's Board of Directors. Situations involving significant events include, but are not limited to, those where: a security's trading has been halted or suspended; the security has been de-listed from a national exchange; or the security has not been traded for an extended period of time. In addition, the prices of foreign securities may be affected by events that occur after the close of a foreign market but before the Portfolio or the Fund prices its shares. See "Trading in Foreign Securities." The Portfolio and the Fund may use independent pricing services to assist in calculating the NAV per share of the Portfolio and the Fund.

Futures, options on futures and swap contracts that are listed or traded on a national securities exchange, commodities exchange, contract market or over-the-counter markets and that are freely transferable will be valued at their closing settlement price on the exchange on which they are primarily traded or based upon the current settlement price for a like instrument acquired on the day on which the option is being valued. Exchange traded options are valued at the last reported sale price on an exchange on which the option is traded. If no sales are reported on a particular day, the mean between the last bid and asked quotations at the close of the exchanges will be used. Non-exchange traded options also will be valued at the mean between the current bid and asked quotations. Securities which have no public market and all other assets of the Portfolio and the Fund are considered at such value as the Investment Adviser may determine in good faith, in accordance with valuation procedures as approved by the Trustee's Board of Trustees and the Company's Board of Directors.

Debt obligations that are investment grade and that have 60 days or less remaining until maturity are valued at amortized cost. Debt obligations (including convertible debt securities) (a) that are not investment grade or (b) that are investment grade and have more than 60 days remaining until maturity at purchase, will be valued as follows: Exchange-listed debt securities are valued at the last quoted sale price on the primary exchange on the valuation date. If there are no sales on that day, the debt security is generally valued at the mean of the current bid and asked prices. Non-exchange-listed debt securities and other securities which, in the judgment of the Investment Adviser, do not properly represent the value of a security will be valued at their fair market value as determined in good faith in accordance with procedures approved by the Trust's Board of Trustees and the Company's Board of Directors.

Fair valuation of securities introduces an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, the Investment Adviser compares the new market quotation to the fair value price to evaluate the effectiveness of the Portfolio's or the Fund's fair valuation procedures.

Trading in Foreign Securities

Trading in foreign securities may be completed at times when the Exchange is closed. In computing the NAV per share of the Fund and the Portfolio, the value of a foreign security is determined as of the close of trading on the foreign exchange on which it is principally traded or as of the scheduled close of trading on the Exchange, whichever is earlier, at the closing sales prices provided by approved pricing services or other alternate sources. In the absence of sales, the last available mean price between the closing bid and asked prices will be used. Foreign securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Trust's Board of Trustees and the Company's Board of Directors. Values of foreign securities are translated from the local currency into U.S. dollars on the basis of the foreign currency exchange rates, as provided by an independent pricing service or reporting agency, generally prior to the close of the Exchange. Occasionally, events affecting the value of foreign securities and such exchange rates occur between the time at which they are determined and the close of the Exchange, which events would not be reflected in the computation of the Portfolio's or Fund's NAV. If events materially affecting the value of such securities or currency exchange rates occur during such time period, the securities will be valued at their fair value as determined in good faith by or under the direction of the Trust's Board of Trustees and the Company's Board of Directors, as applicable.

How to Purchase Shares

In General

Institutional Class shares of the Fund are sold to institutions, such as banks, trust companies, thrift institutions, corporations and mutual funds, that are purchasing shares on their own behalf or on behalf of discretionary and non-discretionary accounts for which they may receive account level asset-based, management fees. If you are purchasing Institutional Class shares through a financial institution, you must follow the procedures established by your institution. Your financial institution is responsible for sending your purchase order and wiring payment to the Transfer Agent. Your financial institution holds the shares in your name and receives all confirmations of purchases and sales. Financial institutions placing orders for themselves or on behalf of their customers should call the Fund toll free at 1-800-930-3828, or follow the instructions below under "Investing by Telephone," "Purchase by Mail" and "Purchase by Wire."

Institutional Class shares of the Fund are sold at NAV, and will be credited to a shareholder's account at the NAV per share next computed after an order and payment is received. The minimum initial investment is \$1,000,000. The minimum subsequent investment for all types

of accounts is \$100,000. The Company reserves the right to vary or waive any minimum investment requirement. The Fund reserves the right to reject any purchase order if, in its opinion, it is in the Fund's best interest to do so. A service fee of \$25 will be deducted from a shareholder's Fund account for any purchases that do not clear. Your order will not be accepted until a completed New Account Application is received by the Fund or its Transfer Agent.

Investing by Telephone

If you have completed the Telephone and Internet Option — Purchase (EFT) Authorization section of the Institutional Class New Account Application (the "Application"), you may purchase additional shares by telephoning the Fund toll free at 1-800-930-3828. This option allows investors to move money from their bank account to their Fund account upon request. Only bank accounts held at domestic institutions that are Automated Clearing House ("ACH") members may be used for telephone transactions. Your purchase will take place at the NAV per share determined on the day your order is placed, provided that your order is received prior to 4:00 p.m. Eastern Time. During periods of high market activity, you may encounter higher than usual wait times. Please allow sufficient time to ensure that you will be able to complete your telephone transaction prior to market close. Once a telephone transaction has been placed, it cannot be canceled or modified.

The minimum telephone purchase is \$100,000. You may not make your initial purchase of the Fund's shares by telephone.

Automatic Investment Plan

Once an account has been established, you may purchase shares of the Fund through an Automatic Investment Plan ("AIP"). You can have money automatically transferred from your checking, savings or bank money market account on a monthly basis. In order to participate in the AIP, each purchase must be in the amount of \$100,000 or more.

To be eligible for the AIP, your bank must be a domestic institution that is an ACH member. If your bank rejects your payment, the Transfer Agent will charge a \$25 fee to your account. To begin participating in the AIP, please complete the AIP section on the Application or call the Transfer Agent at 1-800-930-3828. The first AIP purchase will take place no earlier than 15 days after the Transfer Agent has received your request. Any request to change or terminate your AIP should be submitted to the Transfer Agent 5 days prior to the desired effective date of such change or termination. The Fund may modify or terminate the AIP at any time.

Purchase By Mail

To purchase the Fund's shares by mail, simply complete and sign the enclosed Application and mail it, along with a check made payable to The Tactical Paradigm Fund, c/o Kinetics Mutual Funds, Inc., to:

Regular Mail

Kinetics Mutual Funds, Inc.
The Tactical Paradigm Fund
 c/o U.S. Bancorp Fund Services, LLC
 P.O. Box 701
 Milwaukee, WI 53201-0701

Overnight or Express Mail

Kinetics Mutual Funds, Inc.
The Tactical Paradigm Fund
 c/o U.S. Bancorp Fund Services, LLC
 615 East Michigan Street, 3rd Floor
 Milwaukee, WI 53202

All purchases by check must be in U.S. dollars drawn on a bank located within the United States. The Fund will not accept payment in cash or money orders. The Fund also does not accept cashier's checks in amounts of less than \$100,000. To prevent check fraud, the Fund will not accept third party checks, Treasury checks, credit card checks, traveler's checks or starter checks for the purchase of shares. The Fund is unable to accept post-dated checks, post-dated on-line bill pay checks, or any conditional order or payment.

Purchase By Wire

To open an account by wire, a completed Application is required before your wire can be accepted. You can mail or overnight deliver your Application to the Transfer Agent at the above address. Upon receipt of your completed Application, an account will be established for you. You will need to provide the assigned account number to your bank when instructing it to wire the funds. Your bank must include along with the wire the name of the Fund, the account number and your name so that monies can be correctly applied. To ensure proper application of wired funds, please call 1-800-930-3828 to notify the Fund that the wire is coming. The Fund is not responsible for delays resulting from the banking or Federal Reserve wire system. Please use the following wiring instructions:

Wire to:	U.S. Bank N.A.
▶ ABA Number:	075000022
▶ Credit:	U.S. Bancorp Fund Services, LLC
▶ Account:	112-952-137
▶ Further Credit:	Kinetics Mutual Funds, Inc. <i>The Tactical Paradigm Fund</i> (Shareholder Name/Account Registration) (Shareholder Account Number)

Subsequent Investments

You may add to your account at any time by purchasing shares by mail, by telephone, or by wire (minimum \$100,000). To purchase by mail, submit your check with the remittance form attached to your individual account statement. To purchase by telephone, call 1-800-930-3828 prior to 4:00 p. m. Eastern Time to place your order. To ensure proper application of wired funds, please call 1-800-930-3828 to notify the Fund that the wire is coming. All purchase requests must include your shareholder account number.

Individual Retirement Accounts

You may invest in the Fund by establishing a tax-sheltered IRA. The Fund offers Traditional IRA, Roth IRA, SEP IRA, SIMPLE IRA, and Coverdell Education Savings Accounts. For additional information on IRA options, please call 1-800-930-3828.

Investing Through Brokers or Agents

You may invest in the Fund through brokers or agents who have entered into selling agreements with the Fund's distributor. The broker or agent may set their own initial and subsequent investment minimums. You may be charged a fee if you use a broker or agent to buy or redeem shares of the Fund.

In General

Orders to sell or “redeem” Institutional Class shares should be placed with the same financial institution that placed the original purchase order in accordance with the procedures established by that institution. Your financial institution is responsible for sending your order to the Transfer Agent and for crediting your account with the proceeds.

You may redeem part or all of your shares of the Fund on any business day that the Fund calculates its NAV per share. To redeem shares, you must contact the Fund either by mail or by phone to place a redemption order. You should request your redemption prior to market close to obtain that day’s closing NAV. Redemption requests received after the close of the Exchange will be treated as though received on the next business day.

The Fund will generally send redemption proceeds the next business day and, in any event, no later than seven days after the receipt of a redemption request in “good order” (see below). Please note, however, that when a purchase order has been made by check, the Fund will not be able to send your redemption proceeds until the purchase check has cleared. This may take up to 12 days.

Redemption proceeds may be sent to the address of record, wired to a shareholder’s bank account of record, or sent via electronic funds transfer through the ACH network to the shareholder’s bank account of record. Wires are subject to a \$15 fee paid by the investor, but the investor does not incur any charge when proceeds are sent via the ACH system. If the redemption proceeds are requested to be sent to an address other than the address of record, or if the address of record has been changed within 15 days of the redemption request, the request must be in writing with your signature guaranteed. Signature guarantees can be obtained from banks and securities dealers, *but not from a notary public*. The Fund will not be responsible for interest lost on redemption amounts due to lost or misdirected mail.

A signature guarantee of each owner is required in the following situations:

- If ownership has changed on your account;
- When redemption proceeds are payable or sent to any person, address or bank account not on record;
- Written requests to wire redemption proceeds (if not previously authorized on the account);
- When establishing or modifying certain services on an account; and
- If a change of address request was received by the Transfer Agent within the last 15 days.

In addition to the situations described above, the Fund and/or the Transfer Agent reserve the right at their discretion to require a signature guarantee in other circumstances.

Written Redemption

You can execute most redemptions by furnishing an unconditional written request to the Fund to redeem your shares at the current NAV per share. Redemption requests in writing should be sent to the Transfer Agent at:

Regular Mail

Kinetics Mutual Funds, Inc.
The Tactical Paradigm Fund
 c/o U.S. Bancorp Fund Services, LLC
 P.O. Box 701
 Milwaukee, WI 53201-0701

Overnight or Express Mail

Kinetics Mutual Funds, Inc.
The Tactical Paradigm Fund
 c/o U.S. Bancorp Fund Services, LLC
 615 East Michigan Street, 3rd Floor
 Milwaukee, WI 53202

Requests for redemption in “good order” must:

- indicate the name of the Fund;
- be signed exactly as the shares are registered, including the signature of each owner (including a signature guarantee when required);
- specify the number of shares or dollar amount to be redeemed; and
- indicate your account registration number.

Telephone Redemption

If you are authorized to perform telephone transactions (either through your Application or by subsequent arrangement in writing with the Fund) you may redeem shares in any amount, but not less than \$10,000, by instructing the Fund by phone at 1-800-930-3828. A signature guarantee may be required of all shareholders in order to add or change telephone redemption privileges on an existing account.

Note: Neither the Fund nor any of its service providers will be liable for any loss or expense in acting upon instructions that are reasonably believed to be genuine. To confirm that all telephone instructions are genuine, the Fund will use reasonable procedures, such as requesting:

- your Fund account number;
- the name in which your account is registered;
- the social security or tax identification number under which the account is registered; and
- the address of the account holder, as stated in the Application.

During periods of high market activity, you may encounter higher than usual wait times. Please allow sufficient time to ensure that you will be able to complete your telephone transaction prior to market close. If you are unable to contact the Fund by telephone, you may make your redemption request in writing. Once a telephone transaction has been placed, it cannot be canceled or modified.

Wire Redemption

Wire transfers may be arranged to redeem shares. However, the Transfer Agent charges a \$15 fee per wire redemption against your account for this service. The minimum wire redemption amount is \$10,000.

Systematic Withdrawal Plan

If you own shares with a value of \$5,000,000 or more, you may participate in the Systematic Withdrawal Plan. The Systematic Withdrawal Plan allows you to make automatic withdrawals from your account at regular intervals (monthly, quarterly or annually). Proceeds can be mailed via check to the address of record, or sent via electronic funds transfer through the ACH system to your bank account if your bank is an ACH system member. If the date you select to have the withdrawal made is a weekend or holiday, the redemption will be made on the next business day. Money will be transferred from your Fund account to the account you chose at the interval you select on the Application. If you expect to purchase additional shares of the Fund, it may not be to your advantage to participate in the Systematic Withdrawal Plan because of the possible adverse tax consequences of making contemporaneous purchases and redemptions. The minimum systematic withdrawal amount is \$10,000.

The Fund's Right to Redeem an Account

The Fund reserves the right to redeem the shares of any shareholder, other than a shareholder who is an active participant in the AIP, whose account balance is less than \$100,000, other than as a result of a decline in the NAV of the Fund. The Fund will provide shareholders with written notice 30 days prior to redeeming the shareholder's account.

IRA Redemption

If you are an IRA shareholder, you must indicate on your redemption request whether or not to withhold federal income tax. Requests that do not indicate a preference will be subject to withholding.

Householding

By signing the Application, you acknowledge and consent to the householding (*i.e.*, consolidation of mailings) of regulatory documents such as prospectuses, shareholder reports, proxies, and other similar documents. In an effort to decrease costs, the Fund will reduce the number of duplicate prospectuses and annual and semi-annual reports you receive by sending only one copy of each to those addresses shared by two or more accounts. Call toll-free at 1-800-930-3828 to request individual copies of these documents. The Fund will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

Redemption Fees

The Fund is designed for long-term investors willing to accept the risks associated with a long-term investment. In accordance with policies and procedures adopted by the Board of Directors of the Company, frequent purchases and redemptions of Fund shares are not encouraged but are generally permitted by the Fund. Such purchases and redemptions may have an adverse effect on other Fund shareholders, including, without limitation, the possibility of disrupting

portfolio management strategies, increasing brokerage and administrative costs, harming Fund performance and possible dilution of the value of Fund shares held by long-term shareholders. The Company may, in its sole discretion, reject purchase orders when, in the judgment of management, such rejection is in the best interest of the Fund and its shareholders. The Fund assesses a 2.00% fee on the redemption or exchange of Fund shares held for 30 days or less from the date of purchase. These fees are paid to the Fund to help offset any potential transaction costs.

The Fund will use the first-in, first-out method to determine the 30-day holding period. Under this method, the date of the redemption or exchange will be compared to the earliest purchase date of shares held in the account. If this holding period is 30 days or less, the redemption fee will be assessed.

The redemption fee will not apply to any shares purchased through reinvested distributions (dividends and capital gains), or to redemptions made under the Fund's systematic programs, as these transactions are typically de minimis. This fee will also not be assessed to the participants in employer-sponsored retirement plans that are held at the Fund in an omnibus account (such as 401(k), 403(b), 457, Keogh, Profit Sharing Plans, and Money Purchase Pension Plans) or to accounts held under trust agreements at a trust institution held at the Fund in an omnibus account. The redemption fee will also not be assessed to accounts of the Investment Adviser or its affiliates used to capitalize the Fund as such accounts will be used specifically to control the volatility of shareholder subscriptions and redemptions to avoid adverse effects to the Fund. The redemption fee will also not be assessed to Institutional Class shares of the Fund held in an omnibus account by a financial intermediary that are redeemed for rebalancing under an asset allocation model.

The Fund reserves the right to modify or eliminate the redemption fees or waivers at any time and will give shareholders 60 days' prior written notice of any material changes, unless otherwise provided by law. The redemption fee policy may be modified or amended in the future to reflect, among other factors, regulatory requirements mandated by the SEC.

Currently, the Fund is limited in its ability to assess or collect the redemption fee on all shares redeemed by financial intermediaries on behalf of its customers. For example, where a financial intermediary is not able to determine if the redemption fee applies and/or is not able to assess or collect the fee, or does not collect the fee at the time of a redemption, the Fund will not receive the redemption fee. If Fund shares are redeemed by a financial intermediary at the direction of its customers, the Fund may not know whether a redemption fee is applicable or the identity of the customer who should be assessed the redemption fee. Due to operational differences, a financial intermediary's methods for tracking and calculating the redemption fee may differ in some respects from that of the Fund. If necessary, the Fund may prohibit additional purchases of Fund shares by a financial intermediary or by certain of the intermediaries' customers.

Notice of Customer Verification

In compliance with the USA PATRIOT Act of 2001, please note that the Transfer Agent will verify certain information on your Application as part of the Fund's Anti-Money Laundering Program. As requested on the Application, you should supply your full name, date of birth,

social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. Please contact the Transfer Agent at 1-800-930-3828 if you need additional assistance when completing your Application.

If we do not have a reasonable belief as to the identity of a shareholder, the account will be rejected or you will not be allowed to perform a transaction on the account until such information is received. The Fund also reserves the right to close the account within 5 business days if clarifying information/documentation is not received.

Exchange Privilege

If you have completed the Telephone and Internet Options — Exchange section of the Application, you can exchange your Institutional Class shares in the Fund for Institutional Class shares of any other fund offered by the Company and for shares of the Kinetics Government Money Market Fund. If the exchange is requested via telephone, a \$5 per exchange transaction cost will be assessed. You should carefully read the Prospectus of a fund before exchanging shares into that fund. Be advised that exercising the exchange privilege consists of two transactions: a sale of shares in the Fund and the purchase of shares in another fund. Therefore, an exchange of Fund shares held for 30 days or less may be subject to a 2.00% redemption fee. See “Redemption Fees” above. Further, exchanges may have certain tax consequences and you could realize short- or long-term capital gains or losses. Exchanges are generally made only between identically registered accounts unless you send written instructions with a signature guarantee requesting otherwise. You should request your exchange prior to market close to obtain that day’s closing NAV. Exchange requests received after the close of the Exchange will be treated as though received on the next business day.

Call 1-800-930-3828 to learn more about the other funds or classes offered by the Company and about exercising your exchange privilege.

Distributions and Taxes

Distributions

Distributions (whether treated for tax purposes as ordinary income or long-term capital gains) to shareholders of the Fund are generally paid in additional shares of the same Class of the Fund in which shareholders are already invested, with no sales charge, based on the NAV per share of that Class as of the close of business on the record date for such distributions. However, you may elect on the Application to receive distributions as follows:

Option 1: To receive income dividends and capital gain distributions in additional Fund shares, or

Option 2: To receive all income dividends and capital gain distributions in cash.

The Fund intends to pay any dividends from investment company taxable income and distributions representing capital gain at least annually, usually in December. The Fund will advise each shareholder annually of the amounts of dividends from investment company taxable income and of net capital gain distributions reinvested or paid in cash to the shareholder during the calendar year.

If you select Option 2 and the U.S. Postal Service cannot deliver your distribution checks, or if your distribution checks remain uncashed for six months, your distribution checks will be reinvested in your account at the then current NAV of the Fund and your election will be converted to the purchase of additional shares.

Taxes

The following is a summary of certain United States tax considerations relevant under current law, which may be subject to change in the future. Except where otherwise indicated, the summary assumes you are a U.S. citizen or resident or otherwise subject to U.S. federal income tax. You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

Fund Distributions

The Fund intends to qualify for federal tax purposes as a regulated investment company and to distribute substantially all of its investment company taxable income, including its net capital gain (the excess of net long-term capital gain over net short-term capital loss). Except as otherwise noted below, you will generally be subject to federal income tax on Fund distributions to you regardless whether they are paid in cash or reinvested in additional shares. Fund distributions attributable to short-term capital gains and net investment income will generally be taxable to you as ordinary income, except as discussed below.

Distributions attributable to the net capital gain of the Fund generally are taxable to you as long-term capital gain, regardless of how long you have held your shares. The maximum long-term capital gain rate applicable to individuals, estates and trusts is currently 15%.

Distributions of “qualifying dividends” will also generally be taxable to you at long-term capital gain rates, as long as certain requirements are met. In general, if 95% or more of the gross income of the Fund (other than net capital gain) consists of dividends received from domestic corporations or “qualified” foreign corporations (“qualifying dividends”), then all distributions paid by the Fund to individual shareholders will be taxed at long-term capital gains rates. But if less than 95% of the gross income of the Fund (other than net capital gain) consists of qualifying dividends, then distributions paid by the Fund to individual shareholders will be qualifying dividends only to the extent they are derived from qualifying dividends earned by the Fund. For the lower rates to apply, you must have owned your Fund shares for at least 61 days during the 121-day period beginning on the date that is 60 days before the Fund’s ex-dividend date (and the Fund will need to have met a similar holding period requirement with respect to the shares of the corporation paying the qualifying dividend). The amount of the Fund’s distributions that qualify for this favorable treatment may be reduced as a result of the Fund’s securities lending activities (if any), a high portfolio turnover rate or investments in debt securities or “non-qualified” foreign corporations.

Distributions from the Fund will generally be taxable to you in the taxable year in which they are paid, with one exception. Distributions declared by the Fund in October, November or December and paid in January of the following year are taxed as though they were paid on December 31.

A portion of distributions attributable to investments in U.S. corporations paid by the Fund to shareholders who are corporations may also qualify for the dividends-received deduction for corporations, subject to certain holding period requirements and debt financing limitations. The amount of such dividends qualifying for this deduction may, however, be reduced as a result of the Fund's securities lending activities, by a high portfolio turnover rate or by investments in debt securities or foreign corporations. You will be notified annually of the tax status of distributions to you.

You should note that if you purchase shares just before a distribution, the purchase price will reflect the amount of the upcoming distribution, but you will be taxed on the entire amount of the distribution received, even though, as an economic matter, the distribution simply constitutes a return of capital. This adverse tax result is known as "buying into a dividend."

Sales and Exchanges

You will generally recognize taxable gain or loss for federal income tax purposes on a sale, exchange or redemption of your shares in the Fund, including an exchange of shares pursuant to the Fund's exchange privilege, based on the difference between your tax basis in the shares and the amount you receive for them. Generally, you will recognize long-term capital gain or loss if you have held your Fund shares for over twelve months at the time you dispose of them. (To aid in computing your tax basis, you generally should retain your account statements for the periods during which you held shares.)

Any loss realized on shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends that were received on the shares. Additionally, any loss realized on a disposition of shares of the Fund may be disallowed under "wash sale" rules to the extent the shares disposed of are replaced with other shares of the same Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of the Fund. If disallowed, the loss will be reflected in an upward adjustment to the basis of the shares acquired.

IRAs and Other Tax-Qualified Plans

One major exception to the preceding tax principles is that distributions on, and sales, exchanges and redemptions of, shares held in an IRA (or other tax-qualified plan) will not be currently taxable.

Backup Withholding

On the Application, you will be asked to certify that your social security number or taxpayer identification number is correct and that you are not subject to backup withholding for failing to report income to the IRS. If you are subject to backup withholding or you did not certify your taxpayer identification number, or have failed to certify that you are an "exempt recipient," the IRS requires the Fund to withhold a percentage of any dividend and redemption or exchange proceeds. The Fund reserves the right to reject any application that does not include a certified social security or taxpayer identification number. The current withholding rate is 28%.

U.S. Tax Treatment of Foreign Shareholders

For nonresident aliens, foreign corporations and other foreign investors, fund distributions attributable to net long-term capital gains of the Fund will generally be exempt from U.S. tax, but all other Fund distributions will generally be subject to a 30% withholding tax. The withholding tax may, however, be reduced (and, in some cases, eliminated) under an applicable tax treaty between the United States and a shareholder's country of residence or incorporation, provided that the shareholder furnishes the Fund with a properly completed Form W-8BEN to establish entitlement for these treaty benefits.

Foreign shareholders will generally not be subject to U.S. tax on gains realized on sale, exchange or redemption of shares in a Fund.

Different U.S. tax rules may apply to a foreign shareholder, however, if the investment in the Fund is connected to a trade or business of the shareholder in the United States or the investor is present in the United States for 183 days or more in a year.

All foreign investors should consult their own tax advisors regarding the tax consequences in their country of residence of an investment in the Fund.

State and Local Taxes

You may also be subject to state and local taxes on distributions and redemptions. State income taxes may not apply, however, to any portions of the Fund's distributions, if any, that are attributable to interest on U.S. government securities or interest on securities of the particular state or localities within the state. You should consult your tax adviser regarding the tax status of distributions in your state and locality.

Sunset of Tax Provisions

Some of the tax provisions described above are subject to sunset provisions. Specifically, a sunset provision provides that the 15% long-term capital gain rate and the taxation of dividends at the long-term capital gain rate will change for taxable years after 2010.

More tax information relating to the Fund is provided in the SAI.

Distribution of Shares

Distributor

Kinetics Funds Distributor, Inc. ("KFD"), an affiliate of the Investment Adviser, 555 Taxter Road, Suite 175, Elmsford, New York 10523, is the distributor for the shares of the Fund. KFD is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. Shares of the Fund are offered on a continuous basis.

Shareholder Servicing Agents

The Investment Adviser has entered into shareholder servicing agreements under which the Investment Adviser may perform, or arrange for others to perform, certain shareholder functions. For these shareholder services, the Investment Adviser and/or shareholder servicing agents are entitled to receive an annual shareholder servicing fee in the amount of 0.20% of the average daily net assets attributable to the Institutional Class. The Investment Adviser has

contractually agreed to waive and/or reimburse the portion of the shareholder servicing fee with respect to the Institutional Class in excess of 0.05% of the average daily net assets attributable to the Institutional Class until at least May 1, 2010. The Investment Adviser and/or its affiliates may pay additional compensation from time to time, out of their assets and not as an additional charge to the Fund, to selected shareholder servicing agents and other persons in connection with providing services to the holders of the Fund's Institutional Class.

Arrangements with Certain Financial Institutions

The Investment Adviser and/or its affiliates may make payments to selected affiliated or unaffiliated broker-dealers and other financial institutions ("Financial Institutions") from time to time in connection with the sale, distribution, retention and/or servicing of shares of the Fund and other funds managed by the Investment Adviser or its affiliates. These payments are made out of the Investment Adviser's, and/or its affiliates', own assets and are not an additional charge to the Fund. The payments are in addition to the shareholder servicing fees described in this Prospectus. The amount of such payments may be significant in amount and the prospect of receiving any such payments may provide Financial Institutions or their employees with an incentive to favor sales of shares of the Fund over other investment options. You should contact your Financial Institution for more information about the payments it may receive and potential conflicts of interest.

Fund Administrator

U.S. Bancorp Fund Services, LLC ("USBFS") serves as administrator to the Fund and the Portfolio.

Custodian, Transfer Agent, Dividend Disbursing Agent and Fund Accountant

U.S. Bank N.A. serves as Custodian for the Fund's cash and securities. The Custodian does not assist in, and is not responsible for, investment decisions involving assets of the Fund. USBFS acts as the Fund's Transfer Agent, Dividend Disbursing Agent and Fund Accountant.

Unique Characteristics of the Fund Structure

Unlike other mutual funds that directly acquire and manage all of their own portfolio securities, the Fund invests generally all of its investable assets in the Portfolio that is a separately registered investment company. The Portfolio, in turn, invests in securities, using the strategies described in this Prospectus.

In addition to selling a beneficial interest to the Fund, the Portfolio could also sell beneficial interests to other mutual funds or institutional investors. Such investors would invest in the Portfolio on the same terms and conditions and would pay a proportionate share of the Portfolio's expenses. However, other investors in the Portfolio are not required to sell their shares at the same public offering price as the Fund, and might bear different levels of ongoing expenses than the Fund. Shareholders of the Fund should be aware that these differences would result in differences in returns experienced in the different funds that invest in the Portfolio. Such differences in return are also present in other mutual fund structures.

Smaller funds investing in the Portfolio could be materially affected by the actions of larger funds investing in the Portfolio. For example, if a large feeder fund were to withdraw from the Portfolio, the remaining funds might experience higher pro rata operating expenses, thereby producing lower returns. Additionally, the Portfolio could become less diverse, resulting in increased portfolio risk. However, that possibility also exists for traditionally structured funds that have large or institutional investors. Funds with a greater pro rata ownership in the Portfolio could have effective voting control of the Portfolio.

Certain changes in the Portfolio's objective, policies or restrictions might require the Company to withdraw the Fund's interest in the Portfolio. Any such withdrawal could result in a distribution in kind of portfolio securities (as opposed to a cash distribution from the Portfolio). The Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution in kind could result in a less diversified portfolio of investments or adversely affect the liquidity of the Fund.

The Company's Board of Directors retains its right to withdraw the Fund's investments from the Portfolio at any time if the Board of Directors determines that such withdrawal would be in the best interest of the Fund's shareholders. The Fund would then invest all of its assets directly in individual securities of other issuers or invest some or all of its assets in another portfolio of the Trust.

The SAI contains more information about the Fund and the Portfolio, the Master/Feeder Fund structure and the types of securities in which the Portfolio may invest.

Counsel and Independent Registered Public Accounting Firm

Legal matters in connection with the issuance of shares of common stock of the Fund are passed upon by Drinker Biddle & Reath LLP, One Logan Square, 18th and Cherry Streets, Philadelphia, PA 19103-6996. Tait, Weller & Baker LLP, 1818 Market Street, Suite 2400, Philadelphia, PA 19103, is the independent registered public accounting firm for the Fund.

Financial Highlights

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There are no financial highlights for the Fund because it commenced operations on or after the date of this Prospectus.

Kinetics Mutual Funds, Inc.

The Tactical Paradigm Fund

Investment Adviser
and Shareholder Servicing Agent

*Kinetics Asset Management, Inc.
555 Taxter Road, Suite 175
Elmsford, NY 10523*

Sub-Adviser

*Broadmark Asset Management, LLC
12 East 52nd St., 3rd Floor
New York, NY 10022*

Legal Counsel

*Drinker Biddle & Reath LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996*

Independent Registered Public
Accounting Firm

*Tait, Weller & Baker LLP
1818 Market Street, Suite 2400
Philadelphia, PA 19103*

Distributor

*Kinetics Funds Distributor, Inc.
555 Taxter Road, Suite 175
Elmsford, NY 10523*

Transfer Agent, Fund Accountant,
and Administrator

*U.S. Bancorp Fund Services, LLC
615 East Michigan Street
Milwaukee, WI 53202*

Custodian

*U.S. Bank N.A.
1555 N. River Center Drive, Suite 302
Milwaukee, WI 53212*

You may obtain the following and other information on the Fund free of charge:

Statement of Additional Information (SAI) dated December 30, 2009

The SAI of the Fund provides more details about the Fund's policies and management. The Fund's SAI is incorporated by reference into this Prospectus.

Annual and Semi-Annual Report

The annual and semi-annual reports for the Fund provide the most recent financial reports and portfolio listings. The annual report contains a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during the last fiscal year.

To receive any of these documents or the Fund's Prospectus, free of charge, to request additional information about the Company or to make shareholder inquiries, please contact us:

By Telephone:

1-800-930-3828

By Internet:

<http://www.kineticsfunds.com>

By Mail:

*Kinetics Mutual Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701*

Additionally, the foregoing Fund documents are available on the Fund's website listed above.

SEC:

Information about the Fund (including the SAI) can be reviewed and copied at the SEC Public Reference Room in Washington, D.C. Please call (202) 551-8090 for information relating to the operation of the Public Reference Room. Reports and other information about the Fund are available on the EDGAR Database on the SEC's Internet site at *<http://www.sec.gov>*. Copies of the information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: *publicinfo@sec.gov*, or by writing the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549-1520.