



Kinetics Mutual Funds, Inc.  
We Do Our Research



# The **Alternative Income Fund**

---

**APRIL 2014**

*The Alternative Income Fund (formerly The Water Infrastructure Fund) began pursuing a new investment objective and implementing a new investment strategy as of December 31, 2012.*

Distributor: Kinetics Funds Distributor LLC is not an affiliate of Kinetics Mutual Funds, Inc.



## The Challenge for Bond Investors

*Okay, now what?*

*If interest rates*

*Rise: bond investors lose capital.*

*Fall: bond investors lose income.*



As of 3/31/2014 Source: Barclays PLC

<sup>1</sup> For illustrative purposes only, does not reflect actual or historical yield of the Barclays 1-3 U.S. Credit Index or the Alternative Income Fund. You cannot invest in an index. Index performance does not include transaction costs, fees or expenses.

*Example: 80 basis points in annual yield on \$1,000,000, will generate \$8,000 per year.<sup>1</sup>*

*This graph depicts the Barclays 1-3 U.S. Credit Index from January 1980 to December 2013.*



*The Fund Seeks to Build a Bridge to...*

*Generate  
Income*





## Fund Overview

### The Alternative Income Fund seeks to:

Provide an **alternative source of income** that is relatively uncorrelated to traditional income oriented investments.

**Avoid the duration risk** associated with longer-term bond investments.

**Limit equity exposure risk** by writing deep-out-of-the-money equity options.

**Monetize volatility** through the collection of put option premiums.

As of March 31, 2014	KWINX (Net of Fees)	Barclays 1-3Y U.S. Credit	Barclays U.S. Aggregate
<i>The Fund's investment strategy changed as of 12/31/2012.</i>			
<b>TOTAL RETURN</b>			
Year-to-Date	<b>1.01%</b>	0.47%	1.84%
One Year	<b>4.04%</b>	1.50%	<b>-0.10%</b>
Three Year (annualized)	<b>2.25%</b>	2.26%	3.75%
Five Year (annualized)	<b>6.46%</b>	4.29%	4.80%
Since Inception (annualized)	<b>-0.79%</b>	3.95%	5.23%
Since Inception (cumulative)	<b>-5.39%</b>	29.93%	41.10%
<b>RISK</b>			
Annualized Volatility (Daily, Since 12/31/2012)	<b>2.12%</b>	0.60%	3.23%

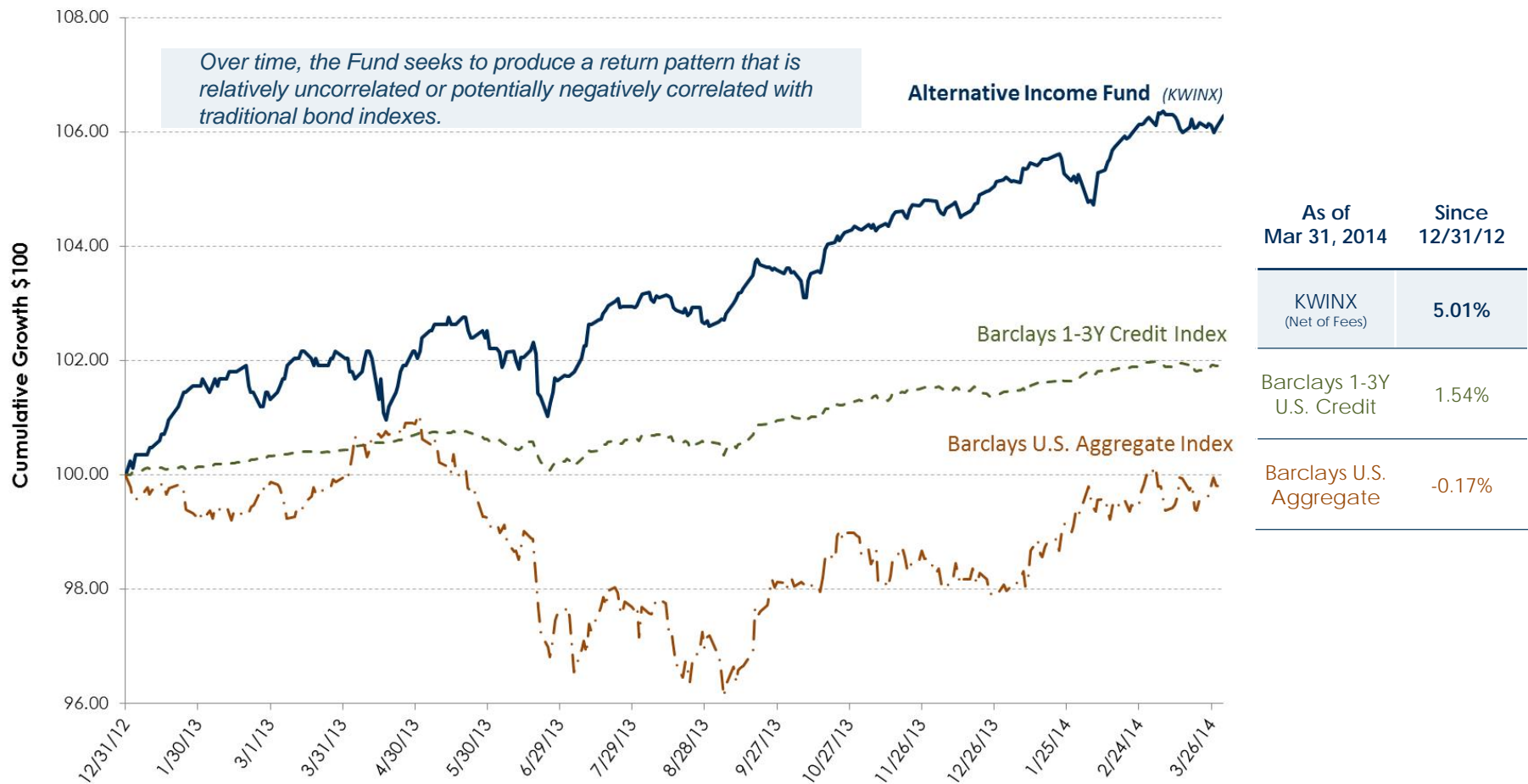
The past performance data quoted is as of **March 31, 2014**. Performance data quoted represents past performance and does not guarantee future results. Investment return and principal value will vary, and shares may be worth more or less at redemption than at original purchase. Current performance may be lower or higher than the performance data quoted. Visit us at [www.kineticsfunds.com](http://www.kineticsfunds.com) or call 1-800-930-3828 for the most recent month-end performance data. 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.

The gross expense ratio for KWINX is 2.12%; however, the Investment Adviser has agreed to voluntarily waive fees and reimburse expenses so that the total expense ratio does not exceed 0.95%. These waivers and reimbursements may discontinue at any time.

One-Year, Three-Year, Since Inception and Volatility figures are annualized, except where otherwise noted. The Alternative Income Fund No Load Class inception date is 7/02/2007; however, the Fund began pursuing a new investment objective through a new investment strategy as of 12/31/2012. Figures include changes in principal value, reinvested dividends and capital gains distributions. Certain statistics that rely on Fund data prior to January 1, 2013 will reflect the Fund's prior investment objective and restrictions and may not be indicative of the Fund's current positioning or prospective results. See disclosure page for definitions.



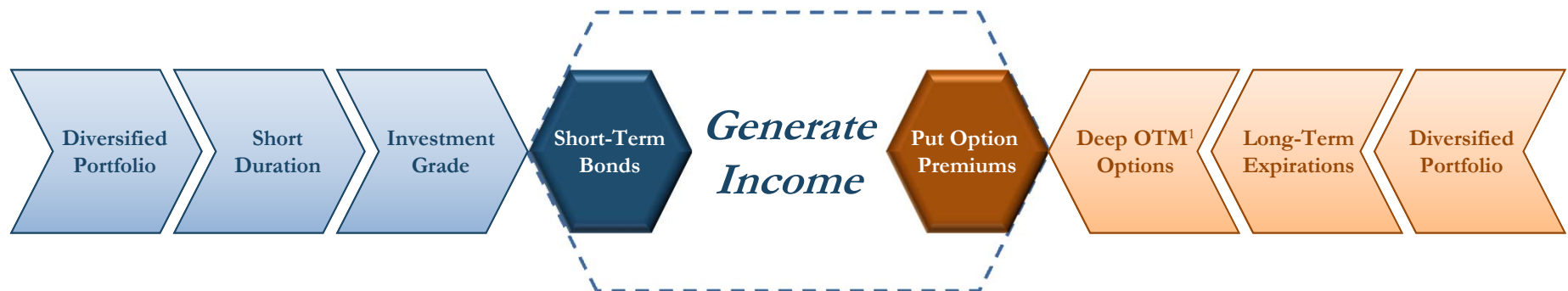
## Cumulative Performance Chart (Daily)



The chart assumes a hypothetical \$100 investment made in KWINX, the Barclays 1-3 Year U.S. Credit Index and the Barclays U.S. Aggregate Index on January 1, 2013. All return data is calculated using a daily net asset value (NAV). Index and Fund return data calculations include the reinvestment of income, capital gains and dividends. The Fund performance includes fees and expenses, whereas returns for the indices do not. The inception date for KWINX is 7/02/2007; however, the Fund began pursuing a new investment objective and implementing a new investment strategy as of 12/31/2012. Slide 4 contains standardized performance data. This chart is not intended to imply any future performance.



The Alternative Income Fund  
*Short-term interest + Option premium decay*



<sup>1</sup> Deep OTM refers to out-of-the-money options whose strikes prices are significantly below their underlying stocks' market prices. While the Fund seeks to generate income, there is no guarantee that it will be successful in achieving its stated investment objective.



## Bond Strategy: Overview

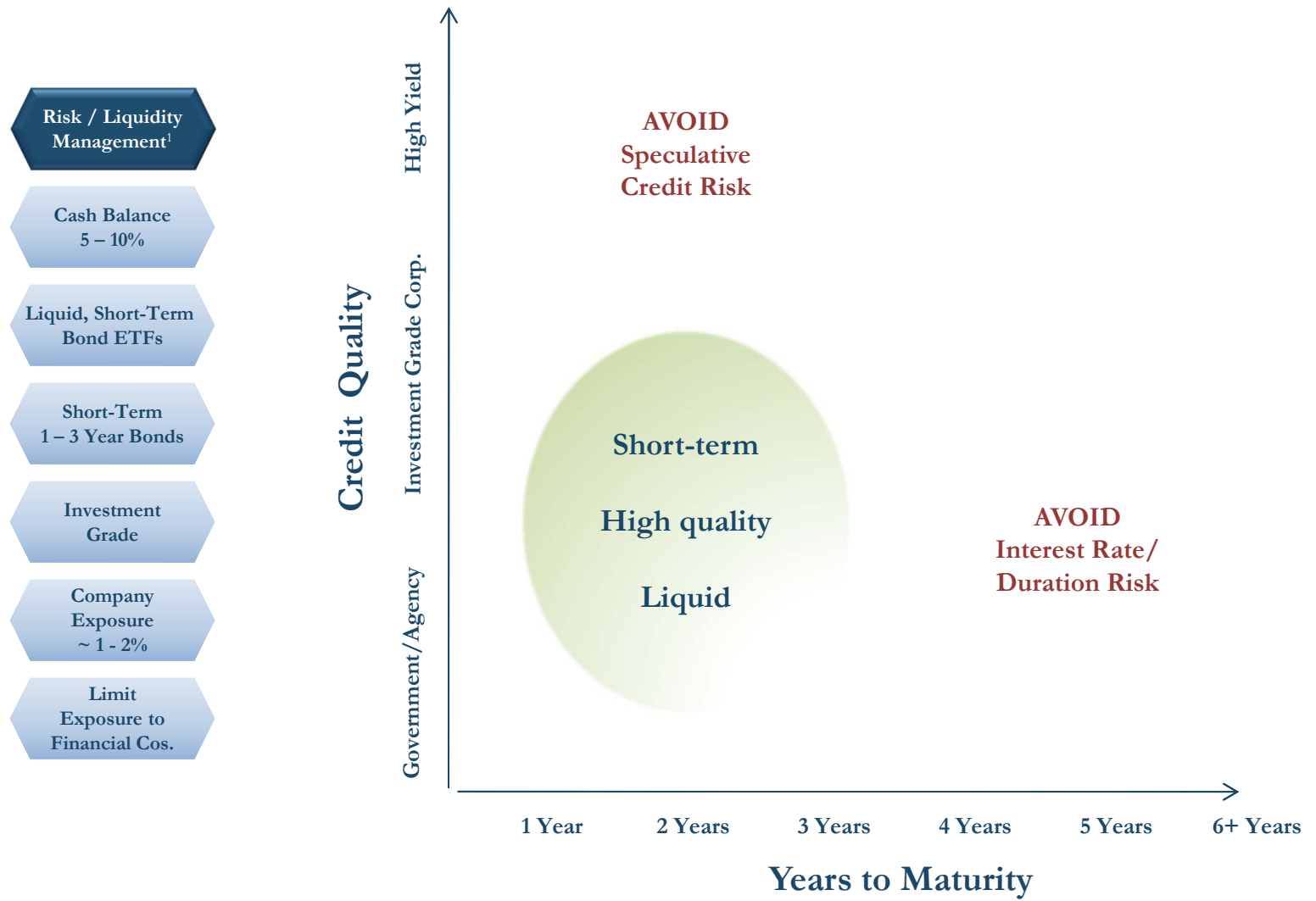
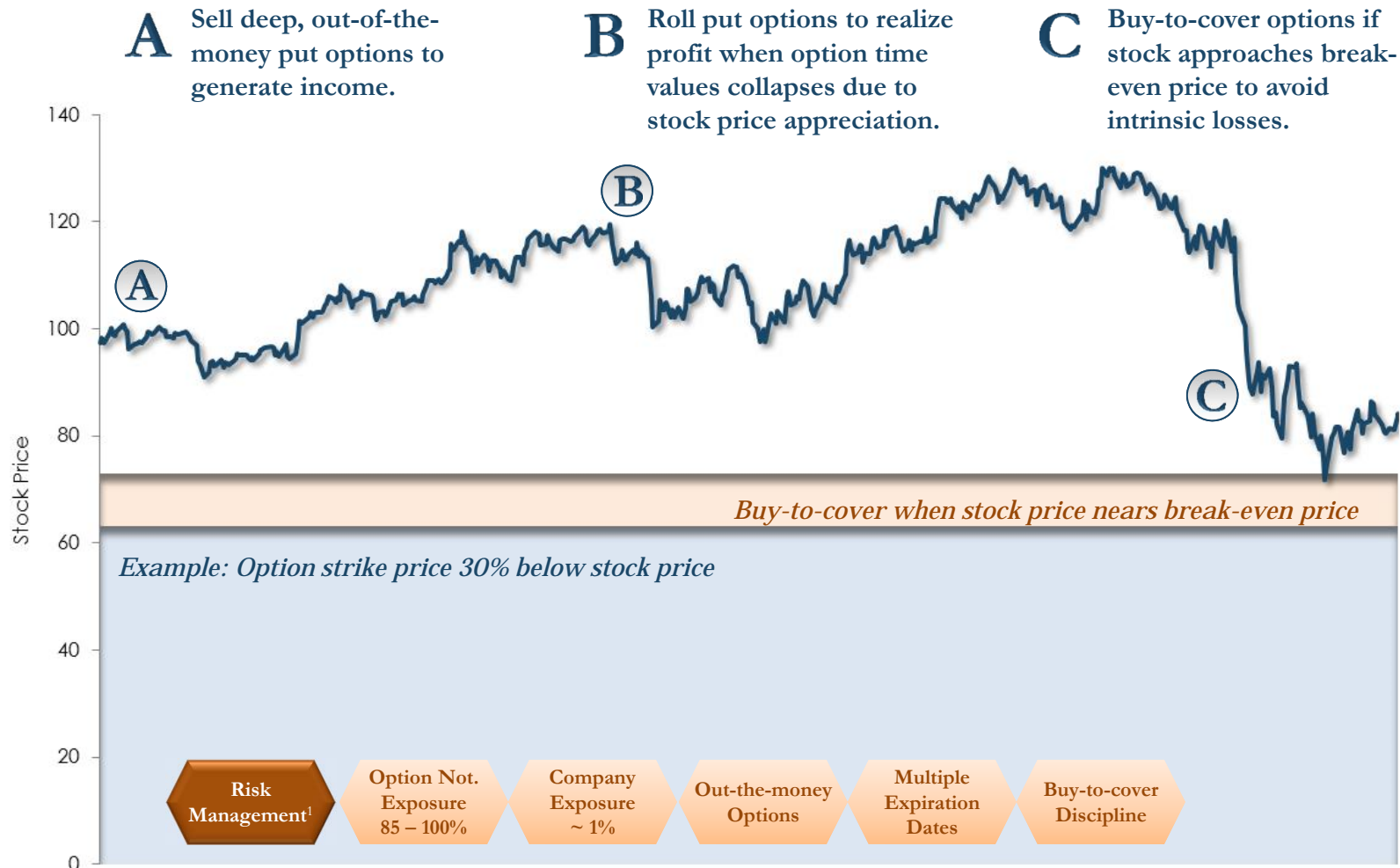


Chart for illustrative purposes only.

<sup>1</sup> Details are provided as a general description of the Fund's investment strategy, please refer to the Fund's prospectus for more details on the Fund's investment strategy, restrictions and risks.



## Option Premium Strategy: Overview



The line chart above reflects the performance of a hypothetical stock during a hypothetical period of time. Categories A, B and C above the chart serve to illustrate how the Fund's option strategy may be utilized when stock prices fluctuate, such that at purchase date, (A), the Fund may sell deep, out-of-the money put options to generate income. Once the stock price has risen, (B) the Fund may roll put options in order to realize profit when the option time value collapses from the stock's appreciation, and upon the stock price decreasing (C), the Fund may buy-to-cover options if the stock approaches the option strike price, in an effort to avoid intrinsic losses. Of course, the Fund may be unable to accurately time these events, and there is no guarantee the Fund will be successful in its endeavors. The strategy boxes under the chart above reflect some of the guidelines that the Fund attempts to adhere to in carrying out its option strategy. In normal times, the Fund will seek to maintain an option notional exposure which is between 85-100% of the Fund's net asset value ("NAV"). Each option position is generally equal to approximately 1% of the Fund's NAV. The Fund will utilize out-of-the money options with multiple differing expiration dates, and it will attempt to instill a buy-to-cover discipline as stated above. Please refer to the last slide of this presentation for additional risks.





## General Disclosures

---

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.

The Barclays U.S. Aggregate Bond Index is composed of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, and includes securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million. The Barclays 1-3 U.S. Credit Bond Index is composed of investment grade United States credit securities with a maturity between one and three years. Both Barclays indices are trademarks of Barclays Bank PLC. An investor cannot invest directly in an index.

Annualized Volatility is the standard deviation of periodic returns multiplied by the square root of the number of periods in one year, e.g., the standard deviation of daily returns multiplied by the square root of 250 trading days per year.

The Fund may invest in debt securities that are traded below investment grade (junk) bonds. Generally, non-investment grade debt securities are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

This Fund invests in options and bonds, which carry special risks further discussed in the Fund's Prospectus. Any 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. The successful use of options depends in part on the ability of Kinetics to manage future price fluctuations and the degree of correlation between the options and securities markets. Options contain special risks including the imperfect correlation between the value of the option and the value of the underlying asset. Further, there are specific risks associated with PutWrite and BuyWrite strategies, which include, among other things, the possibility of the complete loss of capital as stock prices approach zero. By writing put options on equity securities, the Fund may give up the opportunity to benefit from potential increases in the value of the common stocks above the exercise price of the written put options, but the Fund will continue to bear the risk of declines in the value of its common stock portfolio.

The Fund may also invest in exchange traded funds ("ETFs"), that seek to track a specified securities index or a basket of securities. As a shareholder in an ETF, the Fund will bear its pro rata portion of an ETF's expenses, including advisory fees, in addition to its own expenses. 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.

The information contained herein should not be construed to be a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions or holdings referenced herein have been or will prove to be profitable or that future investment decisions will be profitable or will equal or exceed the past investment performance of the securities listed.

No part of this material may be: a) copied, photocopied, or duplicated in any form, by any means; or b) redistributed without the prior written consent of Horizon Kinetics.  
2014 © Horizon Kinetics®