Kinetics Mutual Funds
Third Quarter 2014 - Conference Call with Peter Doyle
October 7, 2014

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on October 7, 2014, Peter Doyle, Chief Investment Strategist for Kinetics Mutual Funds, Inc. hosted a conference call to financial advisors. The transcript set forth below is intended to provide a summary of Mr. Doyle's remarks.

You should consider the investment objectives, risks, charges and expenses of the Kinetics Mutual Funds, Inc. (the "Funds") carefully before investing. For a free copy of the Funds' Prospectus, which contains this and other information, visit our website at www.kineticsfunds.com or call 1-800-930-3828. You should read the Prospectus carefully before you invest.

The opinions contained in this transcript are not intended to be a forecast of future events, or a guarantee of future results, or investment advice. The statements made in this transcript are based on information available to the public and no representation is made with regard to their accuracy or completeness. An investor's investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be higher or lower than the performance data quoted. The views expressed herein may change at any time subsequent to the date of issue hereof. This transcript is neither an offer nor a solicitation to buy or sell securities.

All expressions or opinions reflect the opinions of Kinetics, and no part of the researcher's compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views expressed by the researcher in this transcript. Kinetics and its affiliates may have positions in the securities of companies mentioned. Reproduction is strictly prohibited. As always, past performance does not guarantee future results. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares less than 30 days after you purchase them. As non-diversified Funds, the value of the Funds' shares may fluctuate more than shares invested in a broader range of companies. 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.

Options contain special risks, including the imperfect correlation between the value of the option and the value of the underlying asset. In addition, investing in foreign securities involves more risk than does investing in U.S. investments, including the risk of currency fluctuations, political and economic instability and differences in financial reporting standards. There may also be heightened risks investing in non-investment grade debt securities and the use of options. Also, there are risks associated with investing in small and medium size companies. Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Funds pursue their investment objectives by investing all of their investable assets in a corresponding portfolio series of Kinetics Portfolio Trust.

The S&P 500 Index represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. 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. 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. An investor cannot invest directly in an index.

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

Chris Bell: I'd like to thank everyone for spending a little time with us today on this quarter ending call with Peter Doyle, co-founder of Horizon Kinetics and president of Kinetics Mutual Funds. Joining us also is James Davolos, who is on the portfolio management team. I'd like to just make a few announcements. First of all, please note we have a new website. The new website has more tools for you and has more research and continues to link to a variety of other places. You can access that website at www.kineticsfunds.com. If you have any concerns or questions please email us or call 914-703-6950 and speak to Bob or Tom or Marc or me and hopefully we'll be able to help you.

In addition to the website announcement, I also wanted to mention that a significant distribution was made from the Multi-Disciplinary Income Fund—a little over 1% for the quarter, as we are attempting to have an annual distribution of around 4%.

At this time I'd like to turn it over to Peter who has some general comments, and then James is going to talk about some of the attribution during the quarter and year-to-date. So, take it away, Peter.

Peter Doyle: Thank you Chris, and good morning to everyone. As most of you know, we actually have very low turnover in all of our equity funds. The primary reason behind that is that investors are seeking to capture the underlying business returns of the companies that we own, and there are going to be periods of time when we outperform and periods of time when we underperform, but our basic belief is unchanged. We think that if we own companies that have a superior return on capital, that trade at more attractive valuations than the broader market, and have similar or better diversification, that with the passage of time we'll capture those business returns in the stock prices and we'll end up with better results. That's more or less what has happened across the various equity funds that we've had over an extended period of time.

2014 has been somewhat of a—I don't want to call it a difficult year because operationally our companies are actually flourishing—but in terms of stock performance, they're underperforming. We are not attached to any of the companies in our portfolio in the sense that we're looking at them as investment opportunities. They're not our children and if they don't live up to their expectations on an operational level we're happy to sell them. But that has not been the case.

What is the reason for this underperformance? A very big chunk of it has to do with the flows of money into indexation. You now have a generation plus of investors who have been educated to believe that if you buy the asset class, irrespective of valuation, you're going to catch the long-term return of that asset class. We think that on its surface that's just pure insanity, and as we dig deeper down we find even greater absurdities.

Think about buying a bond. If you were to buy a bond with a 5% coupon and you paid par for it you're going to get one return, but if you buy the same bond at $0.50 on the dollar you're going to get a very different return. Equities are very much the same way. You have to always be mindful of the price that you pay for something when gauging the expected returns that you hope to achieve; the marketplace is not doing that. The market is more or less on autopilot. Let's buy this ETF because it gets us exposure to this asset class irrespective of the price that's being paid. And as we calculate it, we estimate that here is over $8 trillion, that's with a "T", trillion in indexation. Think of the Vanguards of the world, the Barclays, PowerShares, BlackRock, to name but a few. The entire market capitalization of the U.S. equity markets is probably something on the order of $16-$17 trillion, which means the Vanguards and others listed above are probably past the halfway mark with respect to their assets under management relative to the entire market capitalization of the U.S. equity markets. The prices of securities are being driven by supply and demand from the indexes; at some point that's going to slow up and we think we're getting to that period right now. If you happened to read Barron's this weekend, they had two Fidelity managers interviewed who talked about the fact that the market is now buying securities irrespective of valuation, and if interest rates begin to rise and volatility comes back into the market, you'll actually see that active managers will do better in that environment.

We have long been proponents of the position that interest rates are going to remain low; accordingly, we don't necessarily subscribe exactly to what they're saying, but we will say that once you reach a tipping point, once you get beyond halfway, that supply-demand dynamic is going to go away. If you continue to funnel money into companies like IBM or McDonalds that really do not have topline growth, it's going to be very challenging for those companies to have bottom line growth, and you're not going to end up with a good return—and that's exactly what the market is doing on balance.

If you look at the structure of most ETFs, and I've spoken about this in the past, most are float adjusted market cap weighted. As an example, suppose that we, as an active manager, are forced to sell a company like Berkshire Hathaway because somebody is taking the money away from an active manager like Horizon Kinetics and they're moving it into an ETF. If I sell $1.00 worth of Berkshire Hathaway, to the extent that that ETF into which that dollar is moving has Berkshire Hathaway in it, the sponsor of that ETF will say well, Berkshire Hathaway might have a $300 billion market capitalization, but insiders, including Warren Buffett obviously, own roughly 50%; therefore, we have to treat that company as if it has $150 billion market capitalization.

To the extent that money goes back into Berkshire Hathaway, only $0.50 would be invested in Berkshire Hathaway. As a result, these companies that are dominated by insider owners, owner operators as we described them in the past, really have been and continue to be systematically underpriced or mispriced, in our opinion, yet the business operations of those companies are superior to those of the broader market. The valuations, we believe, as I mentioned, are cheaper and the long-term prospects actually look more attractive. These companies generally have the lowest cost of capital, they have managements that are considered to be more astute allocators of capital, and they trade at a massive discount.

That situation cannot long endure, and we think as the tipping point has been reached and as we close in to where the supply/demand is not going to drive stocks, active managers will actually come back into favor. Most people think active management is dead and that the shift to ETFs and indexation is the way to go. We actually think this is the bright spot and the golden age of active management. Now, we don't know how much longer we have to live through this anomaly, but we think it's coming to an end and we think we're well positioned to capitalize on those returns.

From a broad portfolio standpoint, not a lot has changed in terms of our holdings. If you look at the top holdings on our website, most of those names are still very much there and looking at those companies on an operational basis as the companies release quarterly numbers and annual numbers, we're very content to own them because operationally they're doing everything we had anticipated and then some. Hence, a long way of saying that this is somewhat of a winter period for us, but we think that's going to end, and, ultimately, business returns are going to dominate the return characteristics and our outperformance will start up again.

With that I will stop and let James jump in and touch on a couple of the names in the portfolios and then open it up to questions.

James Davolos: Thanks Peter. Before I go into the names that are driving our Funds right now, I want to reiterate the fact that we view investing as a social science that over the short and even intermediate term can be driven, and is driven, by human behavior. Therefore, unlike chemistry or physics or engineering where there's hard mathematics that can provide an absolute answer, at the end of the day there is no precise value for a security. Is it proper? What's the discount rate? What's the growth rate? That creates a huge opportunity for us in market inefficiencies, but it also provides for pockets of underperformance and frustrating security movements.

Within the context that a lot of people, emotions and behavior are what are driving markets, particularly with this bias towards passive investing, I'd like to highlight that as of the end of the quarter, the S&P 500 Index's ("S&P 500") year to date return was about 8.34% while the Russell 2000 Index was down 4.14% year to date. That is almost 1,250 basis points of difference between the returns of these two indices. Now, you can argue that there are different valuations for the constituents, but at the same time to have that large of a discrepancy of returns between the "smaller companies" in the United States and the larger companies, I think is a testament to the fact that investors are going into what I'll call perceived safe stocks, by which I mean a large blue chip company that has relatively predictable cash flows—and in a 2008 or in a crisis scenario that's probably a good place to keep your money.

Now, we're not viewing the S&P 500 as a huge crisis type of risk. We're viewing it as money that simply does not compound at acceptable rates for people that are looking for equity-like returns. As an example, a name that we've picked on in the past is Procter & Gamble, which is a phenomenal business, but it's trading at almost 20 times trailing earnings. It has 17% returns on equity and nearly a 20% unlevered cash flow margin. This is framed within the context that the company has only grown their revenue at a compound annual growth rate of about 1% over the past five years. Can you really expect an equity-like return from a company with these characteristics that is only yielding a 5% cash flow yield in terms of an inverted price-earnings ratio?

Obviously, investors like Procter & Gambles' 3% dividend yield, but I can name literally dozens of companies that are in the blue chip universe that are driving these large cap indices and I think that fund flows are really going into these companies blindly for perceived safety.

Moving on to our portfolio. On the last day of the quarter actually, Steven Bregman and I noticed an anomaly which I think really illustrates the irrationality of the market over the short-term. One of the largest holdings in the Funds is Icahn Enterprises L.P. ("Icahn Enterprises"), which is a diversified holding company with a variety of operating businesses in addition to about a $10 million investment portfolio. Within that portfolio, one of the largest positions that Carl Icahn has initiated this year and in which he has taken an activist stance is eBay Inc. ("eBay"). We woke up towards the end of the month and learned that eBay has announced the spin-off of PayPal Inc., which is something that Mr. Icahn has been agitating for in order to extract the value of PayPal Inc. at an independent multiple.

On that day, eBay shares rallied 7.5%, which had added about $122 million to the net asset value ("NAV") of Icahn Enterprises, based on publicly available information—we only have quarterly disclosure into his positions that are below 10%. Obviously people got excited about eBay, and they bid up Icahn shares about 1.5%, which is equivalent to about $175 million NAV gains. What the market ignored is that other constituents within Icahn Enterprises, namely Federal-Mogul Holdings Corp., Hertz Global Holdings, Inc. and American Railcar Industries, Inc., more than offset the entire gain of the eBay position, resulting in an NAV *loss* of closer to $60 million, which doesn't account for the minority interest within the hedge funds. Accordingly, because the market got excited about eBay announcing a spin-off, eBay shares rose 7.5%. You're talking about a divergence between reality and what the market did to Icahn shares of over $225 million.

I think this also speaks to the year-to-date performance of Icahn Enterprises: the company is down 1% year-to-date, you're getting a 6% dividend yield and the NAV of Icahn Enterprises is up $650 million as of the end of the quarter. This has been driven by very successful operating company investments—American Railcar Industries, Inc. and CVR Energy, Inc.—in addition to a passive investment portfolio investment in Apple Inc. I think that both of these examples illustrate that the market can be very irrational and emotional even when it's calculable what the difference is in terms of the impact on the stock.

Now, in talking about attribution and the drivers in the portfolio, I'd like to touch on a few of the names that we haven't spoken about in depth. First, though, just to mention two names we talk about a lot: Howard Hughes Corp. ("Howard Hughes") has continued to be the largest position in the Paradigm Fund and it is business as usual. They're producing unique assets that are going to have very attractive stabilized net operating income and we still think we're buying them at a very significant discount—even in spite of the strong year-to-date performance

Texas Pacific Land Trust is the same story as ever, where the energy royalty cash flow stream continues to play out. The stock might have gotten a little bit ahead of itself, but even when it was at $200, $220, $230 it was still well below our estimate of adjusted NAV based on oil revenue royalties in addition to the surface land.

One of the names that we haven't talked about in a while is AutoNation Inc. ("AutoNation"). AutoNation is the largest publicly-traded auto dealership in the United States. The company earns a very narrow margin on new vehicle sales, but what with the sales, they are setting themselves up for the parts and service and secondary markets where margins are much higher. AutoNation just announced that September new vehicle sales were up 16% year-over-year on a same-store sales basis at their properties. This is very encouraging data for us, as the next five year stream of revenues that are coming from the ancillary services that their dealerships offer are likely to provide a very stable higher margin business that investors are ignoring. After this volume announcement, the stock rose considerably, but is still well below what we think is the fair value, and the management team is continuing to allocate capital expeditiously, whether it's acquiring other dealerships where there are synergies or buying back stock.

Another name that we haven't talked about in much detail lately is DreamWorks Animation SKG, Inc. ("DreamWorks Animation"), which is pertinent this quarter and pertinent this year because its performance has been less than spectacular, but the fundamentals of the business we think are very strong in terms of the value of the original content, which is aimed and directed at a very attractive demographic (the children's market). In September there were rumors about SoftBank Corp., the large owner-operator in Japan that was making efforts to acquire DreamWorks Animation at $32 a share—the stock was trading in the low 20s at the time. Hence, the stock ran up on speculation and has since retreated as the talks between the parties cooled. But, just like the Time Warner Inc. bid that Twenty-First Century Fox, Inc. made last quarter, I think this makes it very obvious that content is where all of the owner-operators and where all of the industry titans want to be with their assets.

To that end, in the same industry is DISH Network Corp ("DISH Network"), which is run by Charlie Ergen. Mr. Ergen executed a transaction during the financial crisis that's arguably almost as attractive as what John Malone did with Sirius XM. Charlie Ergen bought out of bankruptcy 40 MHz of spectrum, nationwide wireless spectrum, the 2 GHz band. He bought this for about $3 billion all-in. There have been no SEC auctions that can give us an exact hard dollar on what this spectrum is worth per addressable subscriber, but right now if you were to value it at $1.00 per MHz pop, you're looking at about $20 billion of market value for a $3 billion cost basis.

There is an auction coming up on November 13 for the AWS-3 bandwidth spectrum and it's going to be three separate bands. We think this is going to provide a hard pricing floor for the spectrum, and ultimately I think it will give Charlie Ergen some flexibility in what he can do to monetize his spectrum. Ideally, we'd like to see somebody try to buy him out rather than have him partner and compete in the mobile telephone space, But again, one of the things that you're trying to get in a market like this, where there are no free lunches, is a good core business, which is the DISH Network satellite business at about five to six times cash flow and a free call option on the spectrum based off of indicative prices.

With that, I'll move into one more name which has been particularly active this year with a lot of different spin-offs, tracking stocks, split-offs, asset sales and asset combinations: Liberty Media Corp. ("Liberty Media"). Throughout Liberty Media there are many different entities and it's actually gotten even a little bit more complicated just this week with a few announced transactions. John Malone appears to be positioning himself to re-consolidate the cable industry in the United States and there are a lot of different drivers to that, one of which is that the cost of wiring incremental homes has come down dramatically and the leverage that he can provide by offering both internet and cable puts him in a unique position. He invested a lot of money in Charter Communications, which at the time was the fourth largest cable company in the United States. He has Tom Rutledge running the company, who is almost unanimously believed to be the best operator in the business besides Brian Roberts and Comcast Corp., and the company is positioned to pick up whatever subscribers Comcast and Time Warner would have to spin-off as a result of their combination.

John Malone is putting his positions in Charter Communications, Time Warner and some other broadband assets into a spin-off, in order to value those assets independently of the core SiriusXM business, Atlanta Braves baseball, and some other more esoteric private assets. He is doing exactly what we think owner-operators need to do and what many of them are doing in this environment where if you're not going to give these entities a proper multiple on their stock, they’re going to buy it back aggressively, they’re going to separate assets, and they’re going to do everything that they can to extract value.

A common retort is that John Malone is estimated to be worth somewhere between $6 and $8 billion. Does he really care about the next billion dollars on his paper net worth in stock? The short answer is yes. He’s still in empire building mode, and when he looks at his ability to go out and acquire new subscribers, wire new geographies, make the next kind of transformative company within the ever revolving Liberty companies, he has three options. He has cash, he has debt markets and he has his shares. He’s already issued a lot of long-term debt at fixed rates. He has a cash balance as a buffer, but ultimately he’s loathe to issue stock unless it is trading at what he thinks is close to fair value in terms of a cash flow yield. Therefore, he has every incentive from a business standpoint to get a fair multiple on his stock to the extent that it can enable him in his mergers and acquisitions activity. Again, I think he’s a case study in what needs to be done in a slow global growth environment to create value.

You can see these types of activities across any number of names in our portfolio, and this is very different from the way that a lot of American and multi-national corporations are being managed. While we don’t think that you’re going to lose your shirt in a lot of these larger indices, we don’t think that you’re going to earn an adequate equity return either; whereas if you look outside the box, look for inefficiencies in the market, good businesses with good operators, that’s the way to compound wealth in what’s not going to be the most accommodative environment for equities and businesses overall.

Chris Bell: Peter, I’d like you to just comment on the quality of the portfolio. I know in the past we’ve owned these owner operators, but do you want to talk about the quality of the portfolio and its relatively inexpensive nature?

Peter Doyle: Sure. Murray, Steven, James and I look at the holdings in the portfolio, and as James very articulately touched on a lot of the activity in the portfolio, never in our wildest dreams did we believe that we could own high quality companies that have among the lowest costs of capital, are considered to be very astute allocators of capital, really took creative, value enhancing action during the financial crisis, and trade at a discount to the market. Accordingly, it's seems hard to believe that over an extended period of time these companies will not outperform very significantly, and my own belief is that the historical numbers, as attractive as they are, in the long-term I believe are going to actually pale in comparison to what I think is going to unfold for us in the future.

Chris Bell: Okay, James, I'll just ask you if you can drill down a little farther into the recent swap of assets at Liberty. Obviously there's been a lot of it in the last, I'll say, month and even if you talk a little bit about TripAdvisor, Inc. ("TripAdvisor") too and what you think they're going to do there.

James Davolos: Liberty Interactive Corp. ("Liberty Interactive") (which to be distinguished from Liberty Media—they're all John Malone and Greg Maffei owned and managed companies, but they are separate companies in terms of ownership and corporate titles) has previously announced it's going to separate its ownership in QVC, Inc. ("QVC"), where it has 100% ownership, and its minority ownership in HSN, Inc. ("HSN"), which is Home Shopping Network, into its own company. The motivation for that is pretty simple: if you apply the multiple that the market is putting on HSN to QVC, you're already extracting a lot of value through this transaction. But then if you compare this to where QVC would be trading, which I would argue is a much better business with higher margins than HSN, and compare that to where a blend of bricks and mortar and e-retailers are traded, it is trading at a discount.

It is switching to digital. It's been switching to mobile. I think that over the next six months, once the deal is completed, you're going to see significant multiple expansion within QVC. Liberty Interactive actually changed its ticker today from LINTA to QVCA. On the other side of the business, instead of Liberty Interactive creating a separate entity for what it's calling its digital assets, which include a variety of smaller websites (Backcountry.com, Bodybuilding.com, etcetera)—instead of spinning that off into its own company, it made more sense for management to transfer those assets to another entity called Liberty Ventures Group ("Liberty Ventures"). They transferred those companies, in addition to about $900 million of cash, to Liberty Ventures in exchange for 67 million shares of Liberty Ventures.

Shareholders of Liberty Interactive are going to get compensated in the form of Liberty Ventures shares for these smaller, more development-stage assets while having an independent multiple put on QVC. The other interesting note that Chris commented on is TripAdvisor, which goes all the way back to John Malone and Barry Diller's relationship in IAC/Interactive. John Malone effectively had voting control of TripAdvisor, which was spun off from Expedia, Inc., through his super-voting B shares. TripAdvisor has been one of those extremely high growth businesses that are also phenomenal businesses. They're monetizing through a variety of channels, but at the end of the day there's no way you can justify the valuation from visible growth.

One of the things that we try to avoid, and I think one of the things that John Malone wants to avoid, is speculative growth where something transformational needs to happen to justify a valuation. Therefore, John Malone spun off the TripAdvisor stake in a tax free manner into Liberty TripAdvisor Holdings, Inc. ("Liberty TripAdvisor"). Liberty TripAdvisor is basically its own company that just owns an interest in TripAdvisor. One of the best ways to capitalize on the current valuation, which John Malone has done multiple times in his career, is to issue a very long-term convertible bond within Liberty TripAdvisor which will be secured by all of the shares he owned in TripAdvisor. A convertible bond is going to have a much lower interest rate than straight debt because of the embedded call option, and John Malone is going to have several billion dollars of cash at his disposal at an extremely low cost of capital. It wouldn't surprise us to see this transaction occur in the next three to six months. This is similar to how the current Liberty Ventures opportunity came about.

Once again, in all of his different pockets of assets, Mr. Malone is looking to extract value, take advantage of a low cost of capital, and generate high returns on equity; he is focused on building shareholder wealth.

Peter Doyle: Thank you, James. I'm just going to give a brief commercial for why I think people should be looking at our funds as a good investment opportunity. If you look at the holdings, we're really invested alongside a collection of the world's billionaires, and these are our partners. When you think about the implications of that, the operators of those businesses own a big chunk of their stock and in some cases we own a big chunk of the available float. If we're right about what we're saying, that ultimately you're going to capture the underlying business returns, and the returns of these companies are far superior to many of those in the broader market, companies like Vanguard, Barclays, PowerShares—any sizable asset management firm could not replicate what we own.

Therefore, we're really a uniquely positioned asset management firm that is in business with a collection of the world's billionaires and which no outside company of any scale could replicate. From that standpoint I think we offer an investment opportunity that's unmatched.

Question 1: I wonder if you can speak about one of your newer positions, Par Petroleum Corp. ("Par Petroleum").

James Davolos: Sure. I think that stock is a good example of how our investment process works. We have analysts that cover all the owner-operators, and one of the owner-operators we follow is Sam Zell, who has been a very successful real estate investor, cashing out Equity Office Properties before the subsequent real estate bust. We have a small holding in one of his companies, called Equity Lifestyle Properties Inc., in some of the Funds, and we noticed in SEC filings for the quarter that he made a $200 million equity injection into Par Petroleum. When we dug in a little bit at Par Petroleum, we found that the primary asset there is the larger of only two hydrocarbon refineries in Hawaii and that there are a few dozen retail locations for gasoline and a variety of transportation assets along with the accompanying real estate.

Tesoro Corp. sold this refinery because it was operating well below capacity and at low crack spreads (the difference between refined product market prices and crude oil costs). If Sam Zell can capitalize this company, and if it can find new sources of distribution for its different fuels and maybe repurpose the refinery to crack different types of hydrocarbons, we think a lot of value can be extracted from that asset alone. Basically, that would give us a free interest in a variety of retail gas stations and distribution on the island of Hawaii.

The stock retreated a bit this quarter as a function of losing a contract for low sulfur gas oil, which is not one of their higher margin fuels. The market reacted, I think, very strongly towards the negative side, but if you look at it fundamentally, the story isn't about a quarter or a year producing, I think it was 8% of their overall production at a very low crack spread. That's absolutely an opportunity in our minds, and we're looking forward to seeing them continue to try to consolidate, find attractive channels to distribute fuels and find the right fuels to crack.

This one is a little difficult—I can't just outline a catalyst for cash flow for you, but it's an instance where we see well capitalized, well managed, absolutely irreplaceable assets that we think we're getting at a discount to even liquidation value.

Peter Doyle: It's also one more example of the small subset of investors that are willing take on projects that require a longer time horizon. With that longer time horizon, you're much more likely to capture higher rates of return. If you have companies that are spinning off dormant real estate because it's just assets on their books on which they are "not getting a return", then the analytical community, to the extent there is an analytical community these days, doesn't find that desirable. But then you have a group of investors who are willing to buy these assets, in some cases consolidating industries, in a way that's going to become very attractive for them. I think Par Petroleum is one of those examples. I think Sam Zell saw something there. This is a company that has a tremendous amount of revenues given the market capitalization of the company, and we believe that if he can get the margins up just slightly, earnings can follow very rapidly to the bottom line.

Question 2: You had alluded earlier to the trend toward passive investing and passively managed ETFs as reaching a tipping point. I'm trying to think through what the effect on the overall market going forward would be as people start to realize that this isn't the way to go and that active management is the way to go. Is that going to result in a tremendous unloading of ETFs with a huge depressing effect on the market, perhaps dragging down not only the components of the ETFs, but also the owner operators?

Peter Doyle: We don't see it unfolding like that. What we really see is that the ETF market has effectively become the stock market, and even though we think there is a bubble now, as in what James touched on with people putting money blindly into companies like Procter & Gamble or IBM or McDonalds at these levels, there's always going to be some subset of the ETF market that is doing well. And people will rotate the way they rotated out of the auto groups into the transportation group, etcetera. That's really more of what we think we're going to see. Unlike a traditional bubble where something is pumped up in valuation that cannot be supported and then it implodes, we don't see it unfolding like that. We also are of the belief that interest rates are going to remain low even from this date for perhaps several decades. That's probably going to keep financial assets propped up to a certain extent.

Asset prices are set at the margin, and if we're right about what we're saying, once we hit this tipping point and the bulk of the people are in, and the supply/demand doesn't have the same impact on the prices of securities, fundamental analysts are going to be the ones that are setting the prices of securities. If the bulk of the investor base does not trade on a given day, it's actually a very small minority of investors, they'll start setting the prices and then they'll be looking for where the real value is. That's how we see it unfolding. That's where we think we're positioned.

Question 3: Yes. Hello Peter. Just a very general question. Is there anything out there that would have you change your mind as far as your allocation is concerned and raise a lot more cash in the portfolio?

Peter Doyle: Well, we're always on the lookout for something like that. But as we speak right now that's not the case. Again, it's hard to say that we will see something new arise when I'm describing that right now is probably the best portfolio that we've ever had in our careers. There are always threats and we can always be wrong about certain individual securities, but as a whole I would say that what we're talking about today is going to be something similar to what we're talking about two or three years from now.

Question 3(b): Okay, the reason I ask is in my mind, and my client's mind, 2008 was not all that long ago. I speak for myself as well. I'm getting too old to stick around that long to wait for it to come all the way back again. You watch the news and everything is just so negative, which of course could be a good thing, but that's why I ask. My client asked me the same thing—what would it take to raise 30% cash, 40%, 50% or whatever.

Peter Doyle: Obviously we had a very difficult 2008 in terms of stock performance, and with the benefit of hindsight, the analytical work that we actually did on the overwhelming majority of the companies that were in the portfolio at that time was actually pretty good. Most of those companies, particularly the financial exchanges, are earning more today than they did in 2007 and 2008 and yet, the stock prices haven't come back.

One of the really frustrating things was that the managements running those companies didn't take actions that were consistent with how we wish they had acted. As an example, the New York Stock Exchange falls from 100 to 14 which is plenty painful and I understand your client's concern, but at 14 the stock is really trading at three times normalized earnings, and it's an unlevered balance sheet. The management at that time should have been aggressively buying back their shares. Instead, they suspended a share repurchase program and they were talking about cutting their dividend when there was no basis in reality for having that type of discussion.

The owner-operators, the portfolio we're in now, did the mirror opposite. They went out and acquired great assets at distressed prices. Therefore, they did what we would have hoped we could have done if people weren't taking money away from us. The liquidity crisis of 2008 really was driven by the leverage that's in the system, and we've gone through six years plus now of deleveraging. It's hard to envision that we're going to have that type of sell off because there's just not that type of leverage in the system. Accordingly, it's very unlikely that we're going to have another 2008 any time soon.

Chris Bell: I'd just like to close by thanking Peter and James for outlining why we think the portfolio looks good, but I'd also like to mention that the Paradigm Fund, which is our $1.4 billion mutual fund, still has a $700 million tax loss carry forward, and the Small Cap Opportunities Fund, which is a $424 million fund, still has over a $200 million tax loss carry forward. Please keep in mind we also have separately managed accounts that mirror most of our mutual funds.

I'd like to remind everyone to go to our new website, www.KineticsFunds.com. It links also to our Horizon Kinetics website, www.horizonkinetics.com, where you'll see various announcements regarding upcoming events. With that I'd like to thank you for your time and have a nice day.

PERFORMANCE AND HOLDINGS INFORMATION

The Kinetics Internet Fund

	WWWFX	S&P 500 TR Index
Year-To-Date	- 3.64%	8.34%
One Year	8.61%	19.73%
Three Years	22.89%	22.99%
Five Years	15.84%	15.70%
Ten Years	11.16%	8.11%
Since Inception	15.40%	7.83%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWWFX is October 21, 1996. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.84%. Kinetics Asset Management LLC, the Investment Adviser to the Internet Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.89% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Medical Fund

	MEDRX	S&P 500 TR Index
Year-To-Date	9.82%	8.34%
One Year	18.63 %	19.73%
Three Years	24.26 %	22.99%
Five Years	14.27 %	15.70%
Ten Years	10.61%	8.11%
Since Inception	10.23%	4.87%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for MEDRX is September 30, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.09%. Kinetics Asset Management LLC, the Investment Adviser to the Medical Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.39% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Global Fund

	WWWEX	S&P 500 TR Index
Year-To-Date	-4.30%	8.34%
One Year	2.41%	19.73%
Three Years	16.46%	22.99%
Five Years	10.36%	15.70%
Ten Years	6.01%	8.11%
Since Inception	-2.03%	3.98%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWWEX is December 31, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.84%. Kinetics Asset Management LLC, the Investment Adviser to the Global Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.39% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Paradigm Fund

	WWNPX	S&P 500 TR Index
Year-To-Date	2.33%	8.34%
One Year	11.99%	19.73%
Three Years	23.73%	22.99%
Five Years	13.22%	15.70%
Ten Years	9.35%	8.11%
Since Inception	9.62%	3.98%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWNPX is December 31, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.72%. Kinetics Asset Management LLC, the Investment Adviser to the Paradigm Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Small Cap Opportunities Fund

	KSCOX	Russell 2000 Index
Year-To-Date	-0.12%	-4.41%
One Year	11.96%	3.93%
Three Years	29.04%	21.26%
Five Years	16.02%	14.29%
Ten Years	10.08%	8.19%
Since Inception	10.91%	6.31%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KSCOX is March 20, 2000. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.73%. Kinetics Asset Management LLC, the Investment Adviser to the Small Cap Opportunities Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Market Opportunities Fund

	KMKNX	S&P 500 TR Index
Year-To-Date	-1.25%	8.34%
One Year	12.35%	19.73%
Three Years	21.01%	22.99%
Five Years	12.02%	15.70%
Since Inception	7.82%	7.38%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KMKNX is January 31, 2006. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.88%. Kinetics Asset Management LLC, the Investment Adviser to the Market Opportunities Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Alternative Income Fund (formerly The Water Infrastructure Fund)

	KWINX	Barclays 1-3 Year Credit Index
Year-To-Date	2.42%	0.99%
One Year	4.09%	1.48%
Three Years	8.55%	2.16%
Five Years	2.06%	2.67%
Since Inception	-0.54%	3.75%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KWINX is June 29, 2007. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.27%. Kinetics Asset Management LLC, the Investment Adviser to the Alternative Income Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 0.95% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

The Kinetics Multi-Disciplinary Income Fund

	KMDNX	Barclays U.S. Aggregate Bond Index
Year-To-Date	2.06%	4.10%
One Year	2.74%	3.96%
Three Years	9.66%	2.43%
Five Years	7.95%	4.12%
Since Inception	5.27%	4.49%

Performance data quoted is as of September 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KMDNX is February 11, 2008. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.88%. Kinetics Asset Management LLC, the Investment Adviser to the Multi-Disciplinary Income Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.49% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

(Holdings begin on next page)

Internet Fund
Top 10 as of September 30, 2014

Liberty Media Corporation - Class C	7.0%
EchoStar Corporation - Class A	6.6%
Liberty Interactive Corporation - Class A	6.6%
DISH Network Corp. - Class A	5.8%
Scripps Networks Interactive - Class A	3.8%
IAC/InterActiveCorp	3.7%
Liberty Global plc - Series C	3.7%
Time Warner, Inc.	3.6%
Liberty Media Corporation - Class A	3.5%
Viacom Inc. - Class B	3.5%

Paradigm Fund
Top 10 as of September 30, 2014

The Howard Hughes Corporation	11.2%
Icahn Enterprises LP	7.9%
Texas Pacific Land Trust	6.8%
Liberty Media Corporation - Class C	4.6%
DreamWorks Animation SKG, Inc. - Class A	3.9%
Brookfield Asset Management Inc. - Class A	3.8%
AutoNation, Inc.	3.7%
Live Nation Entertainment, Inc.	3.7%
DISH Network Corp. - Class A	3.6%
CBOE Holdings Inc.	3.1%

Medical Fund
Top 10 as of September 30, 2014

Biogen Idec, Inc.	9.3%
Bristol-Myers Squibb Company	6.7%
Novartis AG - ADR	6.5%
Cubist Pharmaceuticals, Inc.	6.1%
Shire plc - ADR	6.0%
Johnson & Johnson	5.8%
Eli Lilly & Company	5.8%
Sanofi - ADR	5.7%
Pfizer, Inc.	5.3%
Albany Molecular Research, Inc.	4.8%

Market Opportunities Fund
Top 10 as of September 30, 2014

Icahn Enterprises LP	10.7%
Texas Pacific Land Trust	9.6%
The Howard Hughes Corporation	6.8%
Onex Corporation	5.1%
Dundee Corporation - Class A	4.8%
Dream Unlimited Corp. - Class A	4.7%
Brookfield Asset Management Inc. - Class A	4.0%
CBOE Holdings Inc.	3.7%
Leucadia National Corporation	2.7%
Visa, Inc. - Class A	2.4%

Global Fund
Top 10 as of September 30, 2014

Icahn Enterprises LP	6.6%
The Howard Hughes Corporation	6.1%
Siem Industries Inc.	5.9%
Dream Unlimited Corp. - Class A	5.8%
Dundee Corporation - Class A	5.5%
Bollore SA	5.4%
Texas Pacific Land Trust	5.3%
Liberty Interactive Corporation - Class A	4.4%
The Wendy's Company	4.2%
Onex Corporation	4.0%

Small Cap Opportunities Fund
Top 10 as of September 30, 2014

Texas Pacific Land Trust	10.5%
The Howard Hughes Corporation	10.0%
Icahn Enterprises LP	8.6%
Jarden Corporation	6.8%
Dream Unlimited Corp. - Class A	6.3%
The Wendy's Company	5.9%
DreamWorks Animation SKG, Inc. - Class A	4.9%
Onex Corporation	4.6%
Live Nation Entertainment, Inc.	3.8%
Dundee Corporation - Class A	3.3%

Multi-Disciplinary Income Fund
Top 10 as of September 30, 2014

Icahn Enterprises/Finance	4.3%
Chesapeake Energy Corporation	4.0%
Owens-Brockway Glass Container	3.8%
Post Holdings, Inc.	3.7%
The Howard Hughes Corporation	3.7%
Royal Gold, Inc.	3.6%
IAC/InterActiveCorp	3.3%
Lennar Corp.	3.2%
Ashland Inc.	3.1%
Dish DBS Corp.	3.0%

The information contained in these charts is updated at the discretion of Kinetics Asset Management LLC and is only representative of each Fund's portfolio on the date specified. Additionally, position size may not be indicative of actual market position due to the use of call and put options.

-END-