Kinetics Mutual Funds
Third Quarter 2015 - Conference Call with Peter Doyle
October 8, 2015

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on October 8, 2015, 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.

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CHRIS BELL: Good morning, everyone, and thank you for attending the call. This is the third quarter update with Peter Doyle, the Chief Investment Officer and President of Kinetics Mutual Funds, and co-founder of Horizon Kinetics, and James Davolos, Portfolio Manager. I'd like to remind everyone this call is being recorded and a replay will be available today at 2 p.m., and a transcript will be available as soon as possible.

I'd like to point everyone to our mutual fund website, www.kineticsfunds.com, where you'll see information, including fact sheets and presentations on the individual mutual funds. We also have a website for our firm, www.horizonkinetics.com, which contains many of our research reports that form the basis for our investment decisions. If you have any questions, feel free to call me, Bob, or Tom, Mark, or Jim, or your HRC representative. You can reach us through our main number: 914-703-6950. There will be a live question and answer period afterwards, so please prepare your questions. With that, I'd like to turn it over to Peter.

PETER DOYLE: Thank you, Chris, and good morning to everyone. If you visit the website you'll see that the Paradigm Fund, our flagship fund, is underperforming the market by, roughly 3.9% year to date (as of 9/30/15). That does not unnerve me, although it may unnerve some of our investors. The reason I make such a statement is that we have always maintained that investors ultimately achieve or get the business returns of the companies that they own. And in our opinion, investors are currently confusing stock returns with actual business operations, and that's something that we do not do here. We're not confusing stock returns with business operations. There are many examples, and some are very egregious, where the stock returns have no correlation, no connection to the underlying business operations.

We are now at approximately the 75th month of basically zero interest rates, and that has led to tremendous financial speculation. We lived through the technology internet bubble, and in our opinion, the speculation that's going on right now is much more widespread than it was back then. At least during the tech bubble, the speculation was confined to a single industry; today it is across the board, and in our opinion it's virtually impossible to find an area where securities are *not* mispriced.

Eventually, that's going to come out. And if you believe, as we do, that, ultimately, the stock market is a weighing machine, not a near-term voting machine, you should be very careful in today's environment.

I just want to point out a couple of observations that lead us to believe that there's tremendous speculation. Consider the NASDAQ Biotechnology Index, which was up more than 17% year to date through September 15, 2015, and has averaged, roughly, over 30% per annum for the last three years. If you look at the iShares Nasdaq Biotechnology ETF[1], which tracks the aforementioned index, the beta of the ETF was actually 0.79 as of June 30, 2015and the P/E multiple was 31x.

Why would you be interested in those statistics? First, you're not going to be able to sell a product that has a beta that's high relative to the S&P 500 Index ("S&P 500"). No one wants volatility coming out of the financial crisis. And, second, you don't want to pay a high price for an investment. If you look more closely, there are roughly 143 names in that index, and in the trailing 12 month period, those companies earned $21 billion combined. About $15 billion of that came from one company called Gilead Sciences, Inc., which recently launched a new hepatitis drug. If you think about it, even with the $21 billion in earnings, the iShares Nasdaq Biotechnology ETF trades at more like 42x earnings, not 31x earnings. And if you back out the $15 billion in earnings from that single company, it would trade at about 150x earnings. Now, more recently the index has fallen, but it's still up year to date as of today, and if you did not have exposure to that ETF, you would run the risk of underperforming, as we did.

We're not going to buy into that. There's certainly a place in people's portfolios for biotechnology and the advances that are going on in science, and if you view it as speculation, it makes some sense. But we believe that index could probably come down somewhere from 50% to 70% and still be overvalued—and yet people are investing in index ETFs based on information that has no connection to the reality of the business risk. We're not making that mistake. When we look around, it is hard to find a single ETF from any provider that has a beta above that of the S&P 500. My colleague Murray Stahl pointed this out in a meeting the other day and I thought he was joking, but he wasn't. If you look at the iShares MSCI Frontier 100 ETF[2], symbol FM, which has 26% invested in Kuwait, 13% in Nigeria, and 12+% in Argentina—all of which are fairly volatile nations and certainly not without their risk. The beta on that ETF at quarter-end, according to the fact sheet, was 0.6, 40% less than what it is in the S&P 500. And if

[1] The iShares Nasdaq Biotechnology ETF is a product of BlackRock, Inc.
[2] The iShares MSCI Frontier 100 ETF is a product of BlackRock, Inc.

you look at the growth funds, the value funds, they all hover around or are below the beta of the S&P 500. Therefore, it seems to us that, somehow, the numbers don't coincide with reality, and the risk there is quite large. That's why we're seeing this phenomenon across the board—we're seeing it in ETFs that are value funds, growth funds, and emerging market funds. The metrics just don't coincide with reality when you actually look underneath the hood.

With that, I'm going to turn it over to James to speak more broadly about some of the trends that we've seen in the S&P 500 and why we're sticking to our knitting. If you look at the turnover in the funds, it's very low and we think we own great businesses, and we think those businesses are being mispriced because they're largely avoided by ETFs, and they're not caught up in the mania that's going on right now. But ultimately, I believe that we're going to be proven successful, simply by showing some fortitude. James?

JAMES: Thanks, Peter. I'm going to do something a little bit different on this call. Typically, we do a lot of the nuts and bolts and bottom-up explanations for many of our companies—and we'll get into that a bit later. However, many investors that we've been speaking with—those shareholders and peers have challenged our stance as to why we're so negative. It comes from what we view as a fundamental overvaluation—the market might not appear to be extremely overvalued, but when you look at what is embedded in the valuations, through a lot of the estimates and different types of forward forecasts, whether it's guidance or expected earnings—although those numbers are all coming down, we still think that they're all too high.

Hence, we're going to go into a little bit of macro data, just to back up what we're seeing, because it really coincides with what we're seeing in most of these companies' results. Just to start off, the manufacturing numbers in the United States have been absolutely horrible. The Markit Purchasing Managers' Index ("PMI") for September was down almost 8% year-over-year, and the Institute for Supply Management PMI was down almost 10% year-over-year. Industrial production in August was up less than 1% year-over-year. Capacity utilization was down to 77.6%. Now, while this is only down about 70 basis points year-over-year, bear in mind that the economy was operating at 81% capacity in December of 2007. Factory orders were down 1.7% month-over-month in August; durable goods were down 2.29% month-over-month in August. U.S. exports were also down nearly 2% in August. I think all of this relates to the fact that we're in a much weaker economy than people are assuming and are reflecting in the valuation multiples that are put on companies.

One of the Federal Reserve's key measures is the unemployment data. The Fed has a dual mandate: they look at inflation—anybody can argue that there is very little inflation, but the Fed continues to have confidence that we're going to ultimately experience their target inflation because the Fed believes that we're somewhere near full employment. The U3 number, which is the headline unemployment number, is about 5.1% at the most recent release. And based on those measures, that's full employment. But if you look at the U6, which includes underemployed people or people who are temporarily unemployed, that number goes up to 10% and that's still about 200 basis points higher than where it would be in a healthy employment environment.

Another ratio that's not widely considered is the prime-age employment per population ratio. That number is at 77.2% versus, historically, over 80% in healthy environments. And probably most importantly, hourly wage growth has been stubborn at about 2% per year dating back to the end of the recession. These numbers came down very sharply and have barely kept up with the cost of living increases over the past seven years.

At this time, we'll move on to what we're seeing in actual companies, now that we've set a backdrop for why we believe the economy is weak. The after-tax profits in the United States for the second quarter were up 2.6% over the previous three months. Now, bear in mind, while this might seem to be a reasonably strong number—obviously not overwhelmingly strong, this is following a second quarter decline of nearly 8%. So you're coming off of a very low base and only growing 2.6%.

Moving on to the S&P 500, in the third quarter, earnings are expected to be down 5.1% relative to the year ago period, and sales are expected to be down 3.5% year-over-year. Again, looking at these numbers, you certainly question companies trading at multiples nearing 20x, sometimes over 20x earnings. I'll go into it in a few minutes, but the headline number where people are quoting anywhere from 15-17x expected earnings, that number is skewed by companies that are absolutely not growing, and you can really question what the appropriate multiple is for those companies.

Just two more quick points on the U.S. economy. We don't really have a strong opinion as to whether or not the Fed is going to raise interest rates in the next three months or the next 12 months, but we have seen credit conditions tightening already. The high-yield spread is over 700 basis points right now, and even the investment-grade spread, the BAA spread, is over 250 basis points. Furthermore, the 30-year Treasury Inflation-Protected Securities breakeven is implying 30-year inflation of 1.65%. Again, markets are tightening, and they're indicating very little expectation of future inflation, which is critical to the Fed's mandate.

One other area that we're extremely concerned about is China. China has been driving most of the growth in East Asia, which is absolutely critical for any number of S&P 500 constituents. China has been engaged in some very dangerous balance sheet inversion. Michael Pettis[3], one of the most respected economists on China argues that in a developing economy, an inverted balance sheet occurs when the assets and liabilities are inversely correlated. Thus, think of an activity such as asset-backed lending, where, as asset quality declines, the funding costs increase.

Hence, in China you have the government stockpiling commodities, intervening in the stock market, lending based on infrastructure, and then also intervening in the currency markets. Therefore, all of these types of assets that are coming onto the balance sheet are inversely correlated to liabilities. In up markets that works extremely well, where you're basically levered to the upside; but then on the downside, you're also levered to the downside.

Moving on to companies—and this is consistent with our fears concerning China—Yum! Brands, Inc., which is mainly a franchise company that operates and franchises out Taco Bell, KFC, and Pizza Hut—is extremely dependent on China's growth. And two days ago, after the close, they reported 2%same store sales growth in China versus a 9.6% estimated growth. Obviously, that was a very large disappointment, and the stock declined yesterday by about 20%. Earnings estimates have not gone down yet because analysts have yet to revise their numbers—the stock is still trading at 20x expected 2015 earnings, and estimated sales are only expected to go up 2.5% next year. Therefore, I have really questioned why people are comfortable putting a 20x multiple on this type of company in this type of environment when all the fundamentals indicate that this company should not be trading at this level.

[3] http://blog.mpettis.com/

Going back to something that Peter mentioned in client meetings recently: what type of upside do people realistically expect in a company with slow to no growth, which is trading at 20x earnings? In the best case scenario, maybe you're able to earn a low single-digit rate of return consistent with sales and earnings growth, but the downside is that people realize this company's not growing and maybe they think that a 16x multiple on the company, or maybe even a 14x multiple, is more appropriate than the current valuation. That would be a very severe correction in stock price. Consequently, the risk-return asymmetry is now skewed to the downside for many of these companies.

I'll go into one other company that's a blue chip U.S. company that's also relatively heavily dependent on international growth: The Coca-Cola Company. Its 2015 sales are expected to decline by almost 3%, its operating income is expected to go down by 1.5%, and recurring earnings per share are expected to increase about 3%, largely based on stock buybacks. Accordingly, given all this fundamental data, I ask you: what type of multiple are you going to put on this company? Investors are currently assigning a 21x multiple to 2015 expected earnings. And, again, I really question what upside you can reasonably expect relative to the potential downside?

Some of the dysfunction we've seen in valuations stems from low-growth companies that are driving down the stated P/E multiple of the S&P 500, making it appear less expensive. If you look across the entire industrial complex, any number of these companies, which are much further upstream in the supply chain in the U.S. economy have been reporting absolutely horrendous results.

If you look at Deere & Co., which is obviously a very large agricultural and commercial equipment company, their sales for 2015 are expected to decline by almost 30%, their operating earnings are expected to decline by 60%, and their earnings per share are expected to decline by 58%, again, slightly buoyed relative to operating income due to share buybacks. The company right now is trading at 14.5x 2015 earnings estimates. Between declining earnings, and consistently very high capital expenditures, there is very little free cash flow. And from what cash flow that is generated, a lot of it has to go back into research and development, developing the next products as new technology emerges.

What is the right multiple for a company with earnings declining almost 60% this year? I would argue that the only reason that the stock's not even cheaper is that it has a 3% dividend yield. Sales are expected to fall further in 2016 and potentially stabilize in 2017. Based on these figures, investors are looking at 14.5x a base case 2017 earnings per share estimate, assuming everything goes right. Therefore, it's cyclical industrials such as Deere & Co. that are driving down the aggregate P/E of the S&P 500. If you were to strip out these companies, which, again, you can even argue are overvalued at 15x earnings—then the P/E of the S&P 500 is much closer to 20x.

I actually came upon an interesting statistic one day when I was looking at McDonald's Corp. ("McDonald's"). McDonald's has been one of those stocks to which people have been willing to assign an extremely high multiple for years, largely due to people's infatuation with the franchise model. The franchise model is very attractive, but similar to Coca-Cola and Yum! Brands, McDonald's is not growing. Same store sales have been negative, and the company is trading at 21x expected forward earnings. Analysts actually had an earnings call where they basically promoted McDonald's stock at a very reputable Wall Street bank and, literally, they stated as their reason for being positive on McDonald's that McDonald's is going to introduce all-day breakfast menus. That's not something that gets me excited enough to pay 21x forward earnings when earnings are going down. Going further, we looked at the sustainability of the company's current financial model, and what we looked at was operating cash flow, less capital expenditures, less dividends, less stock buybacks, and that is very negative at McDonald's. And at Deere & Co., in fact, it's actually negative to the tune of $2.5 billion on a one-year basis, and the aggregate negative net cash flow over ten years is close to $12 billion.

I was wondering, if McDonald's and Deere & Co. are doing this, how many other companies are financing their dividend and stock buybacks through debt or, less frequently, equity issuance? I ran the numbers for the last year, meaning 2014: 225 of the 500 constituents of the S&P 500 have negative cash flow (free cash flow, less dividends, less stock buybacks). I expanded this and looked at 10 years: 160 of the S&P 500 companies that had been in the index for 10 years have negative 10-year net cash flow.

It's been very obvious and very quantifiable that companies were cutting capital expenditures, were laying off employees, and were basically doing anything they could to improve margins coming out of the 2008 financial crisis. I think it's much less recognized that these companies are essentially levering up to return capital to shareholders, simply to have a stable shareholder base, in order to pay their dividend and buy back their stock, so as to inflate earnings per share.

I think that this has provided both a macro and then a micro bottom-up explanation of why we're so negative on the S&P 500 and the markets in aggregate. One thing that I will mention is that we do believe that our portfolios, without any type of robust economic recovery—if our companies simply execute on what their plans are and what management has relayed to us over the next three to five years, are going to annualize well into the double-digit rates of return. But, obviously, we're cognizant that a severe market correction is going to drag down our names as well.

Therefore, in part to defend our portfolios and more importantly, in order to have capital ready to deploy as valuations become more attractive, we're viewing cash as a very strategic allocation, and we're above 10% cash in most of our products. In addition to this, we also have been exploring put options on the S&P 500, only on very small scale so far, again, to try to limit the volatility in the event that the S&P 500 declines sharply. And depending on where implied volatility is and depending on how far out of the money you go, we are able to spend about 20 basis points in order to achieve about 15% portfolio protection going 5% out of the money and going out 30 days to maturity.

<u>PETER DOYLE</u>: Thank you, James. Just to add some additional input. We really think we have arrived at this situation right now, primarily as a result of a very loose monetary policy and the advent of the rise of the ETF phenomenon—there is really no buyer that is discriminating based on valuation. We think it's going to come to a bad end for a lot of people and a lot of investment products, and we just want to avoid that result. And we think we own companies that really have great business operations potential and will execute on that, but even our portfolios are not immune from the risk that, if this really turns into a correction, our stocks will get hit; consequently, we're becoming much more defensive. With that, I'm going to open it up for questions.

<u>CHRIS BELL</u>: Peter, I've gotten a question from a number of people about what we're calling the misallocation of capital. Can you and James address prior times when you've had an egregious misallocation of capital like you have now and what the results were?

<u>PETER DOYLE</u>: Obviously, what comes to mind are the housing market collapse and the technology internet bubble, and we lived through both. In fact, in I believe 1999 to early 2000, it was confined to one sector. It was really technology. You could have avoided that sector, and the sector ultimately grew to about 35% of the S&P 500. If you didn't have exposure to that as it was working, you

were underperforming, which we were at the time. But we could quantify why it was a bubble and why it was likely to implode upon itself, which it ultimately did.

Here, the speculation is so much broader. It's really across every sector, every investment product that's out there. And the low cost of money and the quantitative easing really didn't go into the real economy; it went into financial assets. And the financial asset valuations are now being dictated by products that really have no relation to the true valuations. We believe they are being dictated by supply and demand for the ETFs—the more demand, the higher the index goes, without regard to valuation. That's a recipe for disaster. We can see it in the NASDAQ Biotechnology Index that I pointed out earlier, which is just one very egregious example but it's not that out of the norm.

JAMES: Just to add to that, I was researching what happened to the high-growth, high-tech companies that were the darlings during the tech bubble. I think that, as Peter mentioned earlier, it was pretty easy to identify the tech bubble because it was isolated in one area. But if you looked at the high-flying and more stable— the blue chips that actually had great business models that were sustainable—companies like Cisco, and Microsoft, and IBM, and different companies of that ilk; —their businesses held up much better. But ultimately, by the time that the entire market had flushed out the overvaluation, even these high-flying, "great businesses" had declined well in excess of the rest of the S&P 500.

When I look at certain companies right now that are growing but are probably overvalued unless they're able to meet really tremendous earnings assumptions—you look at examples such as Amazon and Tesla, and then even companies that are very profitable, such as Facebook—I think these are great businesses but it's always a question of valuation. And if these events transpire, the multiple compression as revenue starts to stabilize or flat line can be extremely painful.

QUESTIONER 1: A quick question. I understand why you're so bearish and I have a lot of assets in the Paradigm Fund and similar separate account strategies. If I wanted to be as defensive as possible in your stable of funds, which fund would be the best possessor of value in which to ride this out?

PETER DOYLE: Chris came up with the Multi-Disciplinary Income Fund, but that's not really an equity exposure fund. And he's right there. But I would say in terms of the equity products, we're really raising cash in all of the products and becoming defensive in buying put options across the board.

Therefore, I really couldn't say that one would hold up better than the other. However, I'm not touching any of mine, and I have the bulk of my money in the Paradigm Fund.

QUESTIONER 1: Have you given any thought on how we can hedge in the separate account strategies?

PETER DOYLE: We have been starting to buy put options, and that's just starting in earnest. I don't know that we can hedge to a great extent, other than raising cash. It's probably not going to be much more in terms of option buying.

QUESTIONER 2: You mentioned the year 2000, and prior to that not getting caught in the dot.com bubble, and of those three years, 2000 through 2002, I think the market was down better than 40%, maybe 42%. You were up actually in those three years about 17%. But if I remember, you were around 60% cash and very short-term bonds. Would you consider going to that level of cash again in view of what you were just talking about, being defensive and being quite bearish on the market in general?

PETER DOYLE: I think we were at one point as high as 30% cash; we never got up to 60% cash. But, there you could quantify it and you could be in very sensible investments. You might recall that Berkshire Hathaway, which we owned at the time, declined by, roughly, 50% in value over a six-month period of time from the middle of 1999 to late 1999. And it was just crazy. The business operations were flourishing and the stock was being treated like it was going to go out of business if the suction pump that were the technology-internet companies lasted another six months. Thus, those names and names like Washington Post, that we owned at the time, Cognizant Technology Solutions, those names were actually just mispriced and very cheap, and we could see them going back and we could see money flowing from technology into those names, which is what really happened and why we had good performance.

Here, the selloff could be broad enough that even though we own great things, that doesn't mean in the near term that those couldn't get hurt if the market really starts to sell off. I believe that Texas Pacific Land Trust and Howard Hughes Corporation are great stocks—I believe we're going to make a great deal of money in those names over time. But it's become a casino. You can see it: when the employment numbers were weak last week, the Dow Jones Industrial Average reversed itself very dramatically, as did the S&P 500. And really what market participants were saying was, "Okay, the Fed is going to be accommodative. They're not going to raise in September, they're not going to raise in October." Now, the money market is priced where it's less than 50% certain that they'll raise in March.

And, in our view, if you look at the true economic numbers, they're not going to raise at all. That's going to be pushed out a long, long time. The real economy's not really growing. The inventories are rising, the employment numbers are not good. The real median household income is the same as it was in 1990. Thus, the only thing that's really been inflated is financial assets, and it's getting to the point where even those aren't going up much anymore, and you have a real problem here. The typical pension plan has to make out a payment of, roughly, 5% per annum, and the S&P 500 has been flat for the last year, down slightly even, and bonds haven't provided you with a rate of return. Now, you have actuaries that are going to say, "Listen, you said you're going to get an 8% rate of return, but you basically haven't gotten any return in the last year; plus, you have to add some more money to this pension plan" and they don't have the money. And instead of being offensive and hoping for better returns, they might start being sellers. And you have sovereign banks that were inflating their balance sheets, buying assets, and taking similar actions. They could be sellers as well.

Consequently, the whole thing could run in reverse and, really, the fundamentals suggest that it will run in reverse. And that doesn't mean we're going to be exempt from a downturn, although I believe that our names are going to go down a heck of a lot less, and I think they'll come back, and I think the people that run our businesses will take advantage of the opportunities that arise; and we also may have numbers that I think are far, far superior than what the S&P 500 posts—but it could be, even for us, in the near term, a little bit unpleasant.

<u>QUESTIONER 3</u>: Just had a quick question on Dream Unlimited Corp. ("Dream"). I know that the company is extremely cheap and so far it's been a disappointment—but management has stated repeatedly that they think that the current conditions for their business are excellent. Yet everywhere I read, it seems to indicate that the Canadian economy, and specifically real estate, is going to struggle and that prices are inflated there due to, you know, what's gone on in the market and because of the price of oil and minerals, and that having such a large impact on their GDP, that that's going to bring real estate prices down anywhere from 30-50%. What are your thoughts on this, and do you think it's going to have any impact on the future for Dream?

PETER DOYLE: We've heard that argument plenty of times, and there are actually a lot of people speculating that there's a housing crisis akin to what happened in the United States brewing in Canada. And the main variable that people are not taking into account is that the housing finance system in Canada is dramatically different from that in the United States, where mortgages are full recourse. While, in the U.S., where people are putting zero down and buying a house as a speculative investment where they can just walk away from it, in Canada the lenders can come after you for that. Therefore, the excesses are not anywhere near what they were in the United States or what they could potentially be in the United States.

On top of that, you know, we talk of management very constructively and there are a lot of projects that they have going that are basically already approved, already permitted, and there are supply-constrained markets that are experiencing a fair amount of population growth from immigration and a fair amount of diversification in the economy, trying to expand beyond simply the energy, and metals, and mining dependents. Accordingly, I believe that there are many more secular trends that are supporting prices in the major markets, particularly in Saskatchewan, where the major markets are not nearly as sensitive to energy prices as they are in Alberta.

And then, finally, I don't think people are appreciating the potential for their urban development between different projects in Ottawa and Toronto. The company has a very sensible, very achievable plan, which is seeking to grow the book value of the company at 20% per year for the next 15-20 years. We've looked at their assumptions and we believe there's nothing heroic in those assumptions. It's basically continuing to develop at a measured pace, growing book value at a measured pace, taking advantage of opportunities as they present themselves.

A great example which could be a billion-dollar boon to net asset value is a deal they've signed with Canada Pacific Railway Ltd., the large railway, to develop land that they own adjacent to their rail tracks. Again, this is similar to a lot of other companies in our portfolios where if these managers just execute with very base-case assumptions, nothing heroic, nothing based on great economic performance—if they can just execute, we believe that the cash flows and net asset values of the preponderance of the companies in this portfolio will compound well into the double digits. In sum, we believe that the fears are way overdone and we also believe that it's misunderstood, and that the company has a very high likelihood of simply executing and delivering phenomenal net asset value growth.

CHRIS BELL: I'd like to remind everyone to go to our mutual fund website to look for updated information on the funds, fact sheets, and various PowerPoint presentations. Again, that's www.kineticsfunds.com. Or you can find research on our firm web page at www.horizonkinetics.com, as well as future call information. Thank you very much. I hope you'll have a nice day.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of September 30, 2015	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-9.11%**	-5.29%	-2.45%
One Year *(annualized)*	**-5.83%**	-0.61%	2.82%
Three Year *(annualized)*	**10.52%**	12.40%	14.03%
Five Year *(annualized)*	**11.40%**	13.34%	14.30%
Ten Year *(annualized)*	**9.50%**	6.80%	7.94%
Since Inception*(annualized)*	**14.17%**	7.36%	7.21%

Performance data quoted is as of September 30, 2015. 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 1.78%. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Medical Fund

As of September 30, 2015	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-1.17%**	-5.29%	-2.45%
One Year *(annualized)*	**4.79%**	-0.61%	2.82%
Three Year *(annualized)*	**18.33%**	12.40%	14.03%
Five Year *(annualized)*	**14.64%**	13.34%	14.30%
Ten Year *(annualized)*	**10.44%**	6.80%	7.94%
Since Inception*(annualized)*	**9.88%**	4.52%	3.30%

Performance data quoted is as of September 30, 2015. 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 2.02%. 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.

Global Fund

As of September 30, 2015	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-11.26%**	-5.29%	-7.04%
One Year *(annualized)*	**-18.30%**	-0.61%	-6.66%
Three Year *(annualized)*	**2.56%**	12.40%	6.95%
Five Year *(annualized)*	**2.76%**	13.34%	6.82%
Ten Year *(annualized)*	**2.41%**	6.80%	4.58%
Since Inception*(annualized)*	**-3.15%**	3.68%	2.62%

Performance data quoted is as of September 30, 2015. 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 2.61%. 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.

Paradigm Fund

As of September 30, 2015	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-9.18%**	-5.29%	-7.04%
One Year *(annualized)*	**-11.95%**	-0.61%	-6.66%
Three Year *(annualized)*	**9.84%**	12.40%	6.95%
Five Year *(annualized)*	**8.79%**	13.34%	6.82%
Ten Year *(annualized)*	**4.80%**	6.80%	4.58%
Since Inception*(annualized)*	**8.11%**	3.68%	2.62%

Performance data quoted is as of September 30, 2015. 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 1.68%. 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.

Small Cap Opportunities Fund

As of September 30, 2015	KSCOX (Net of Fees)	Russell 2000 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**-11.99%**	-7.73%	-5.29%
One Year *(annualized)*	**-18.29%**	1.25%	-0.61%
Three Year *(annualized)*	**11.11%**	11.02%	12.40%
Five Year *(annualized)*	**8.87%**	11.73%	13.34%
Ten Year *(annualized)*	**5.06%**	6.55%	6.80%
Since Inception*(annualized)*	**8.75%**	5.97%	3.77%

Performance data quoted is as of September 30, 2015. 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 1.71%. 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.

Market Opportunities Fund

As of September 30, 2015	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**-7.01%**	-5.29%	-5.28%
One Year *(annualized)*	**-11.07%**	-0.61%	-8.66%
Three Year *(annualized)*	**10.82%**	12.40%	5.63%
Five Year *(annualized)*	**9.33%**	13.34%	3.98%
Since Inception*(annualized)*	**5.69%**	6.53%	2.02%

Performance data quoted is as of September 30, 2015. 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 1.86%. 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.

Alternative Income Fund (formerly The Water Infrastructure Fund)

As of September 30, 2015	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**0.47%**	1.06%	1.13%
One Year *(annualized)*	**-0.42%**	1.18%	2.94%
Three Year *(annualized)*	**2.46%**	1.35%	1.71%
Five Year *(annualized)*	**3.00%**	1.83%	3.10%
Since Fund Inception*(annualized)*	**-0.53%**	3.43%	4.90%

Performance data quoted is as of September 30, 2015. 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 1.84%. 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 0.99% 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.

Multi-Disciplinary Income Fund

As of September 30, 2015	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**-2.17%**	1.13%	-2.45%
One Year *(annualized)*	**-1.79%**	2.94%	-3.43%
Three Year *(annualized)*	**2.64%**	1.71%	3.51%
Five Year *(annualized)*	**4.84%**	3.10%	6.15%
Since Inception*(annualized)*	**4.32%**	4.29%	8.02%

Performance data quoted is as of September 30, 2015. 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 1.95%. 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 1.65% 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 Holdings (%) as of September 30, 2015**	
EchoStar Corporation - Class A	6.7%
DISH Network Corp. - Class A	5.5%
Liberty Interactive Corporation - Class A	5.1%
Liberty Ventures - Series A	4.5%
Liberty Media Corporation - Class C	4.2%
Liberty Global plc - Series C	3.2%
Starz - Class A	3.2%
Google Inc. - Class A	3.0%
Google Inc. - Class C	2.9%
The Madison Square Garden Company - Class A	2.8%

Paradigm Fund **Top 10 Holdings (%) as of September 30, 2015**	
The Howard Hughes Corporation	10.9%
Texas Pacific Land Trust	9.2%
Icahn Enterprises LP	6.5%
AutoNation, Inc.	4.5%
CBOE Holdings Inc.	4.3%
Brookfield Asset Management Inc. - Class A	4.3%
Live Nation Entertainment, Inc.	3.4%
Jarden Corporation	3.3%
DISH Network Corp. - Class A	3.3%
Liberty Media Corporation - Class C	3.2%

Medical Fund **Top 10 Holdings (%) as of September 30 , 2015**	
Bristol-Myers Squibb Company	7.3%
Biogen Inc.	7.1%
Eli Lilly & Company	7.0%
Novartis AG	6.0%
Alkermes plc	5.3%
Pfizer, Inc.	5.2%
Johnson & Johnson	5.1%
Sanofi	4.6%
Shire plc	4.4%
Albany Molecular Research, Inc.	3.5%

Market Opportunities Fund **Top 10 Holdings (%) as of September 30, 2015**	
Texas Pacific Land Trust	9.5%
Icahn Enterprises LP	8.6%
The Howard Hughes Corporation	6.6%
CBOE Holdings Inc.	5.4%
Onex Corporation	5.4%
Visa, Inc. - Class A	3.5%
Dream Unlimited Corp. - Class A	3.2%
Emergent Cap, Inc.	3.2%
Tropicana Entertainment Inc.	2.8%
OTC Markets Group Inc. - Class A	2.7%

Global Fund **Top 10 Holdings (%) as of September 30, 2015**	
The Howard Hughes Corporation	6.1%
Bollore SA	6.0%
Onex Corporation	5.4%
Texas Pacific Land Trust	5.3%
Icahn Enterprises LP	5.3%
Siem Industries Inc.	5.3%
Dream Unlimited Corp. - Class A	3.9%
Liberty Ventures - Series A	3.5%
Clarke Inc.	3.3%
Dundee Corporation - Class A	3.1%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of September 30, 2015**	
Texas Pacific Land Trust	10.7%
Icahn Enterprises LP	8.8%
Jarden Corporation	8.0%
The Howard Hughes Corporation	7.1%
Dream Unlimited Corp. - Class A	4.6%
The Wendy's Company	4.4%
Onex Corporation	3.2%
Live Nation Entertainment, Inc.	3.1%
DreamWorks Animation SKG, Inc. - Class A	2.9%
Dundee Corporation - Class A	2.2%

Multi-Disciplinary Income Fund **Top 10 Holdings (%) as of September 30, 2015**	
Brookfield Residential Properties	6.2%
Lennar Corporation	5.0%
The Howard Hughes Corporation	4.9%
Post Holdings, Inc.	4.8%
SunGard Data Systems, Inc.	4.1%
Royal Gold, Inc.	4.1%
Sotheby's	4.0%
IAC/Interactive Corp.	3.9%
Penske Automotive Group Inc.	3.5%
Ashland Inc.	3.5%

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.

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