Kinetics Mutual Funds
Fourth Quarter 2015 - Conference Call with Peter Doyle
January 7, 2016

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on January 7, 2016, 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. Thank you for joining us today. I'd like to take a quick moment to take care of some business. First of all, please note that we have a lot of new research on our website, www.HorizonKinetics.com, and a copy or a transcript of this call will be available within a week or so on the www.KineticsFunds.com website.

In addition, we have a new Compendium book, which is focused mostly on indexation. If you'd like a copy of that, please call Bob Uly or email Bob Uly. Bob can be reached at 914-703-6907, or buly@horizonkinetics.com.

Just one word about performance: we've been lagging significantly for the last two years. We were 900 basis points below the S&P 500 Index ("S&P 500") last year. We were about 1400 basis points below the S&P 500 the previous year. Peter and James will answer some questions, and hopefully provide the right framework for you to talk to your clients about what we see in the future. With that, I'd like to turn it over to Peter.

Peter Doyle: Happy New Year to everyone. We appreciate you being on the call today. Starting off the New Year, I'm reminded of a scene from one of my wife's favorite movies, *All About Eve*. Bette Davis is going up a staircase, and there was some intrigue going on at the party she was attending. And she turns around to the crowd and she says, "Fasten your seatbelts; we're in for a bumpy ride." And really, the reason I'm saying that is that I believe we're in the process of the unfolding of indexation—it has gone on for the last decade, and the extremes at which the valuations have arrived as a result of the move to passive strategies are about to implode, in our opinion. I'll walk through some examples of why I say that.

The 15 largest companies in the S&P 500 account for roughly $4.7 trillion in market capitalization. That's where the bulk of the money is. They have the greatest liquidity. And the business operations, in our opinion, clearly do not justify that type of valuation. Those 15 companies are actually similar in market capitalization to the bottom 346 companies in the S&P 500.

Taking it a step further: in terms of performance, look at the 15 highest contributing stocks in the year 2015 in the S&P 500. They accounted for 280% of the S&P 500's return, meaning that the other 485 companies actually had a negative return. We think that the extremes are reaching a boiling point.

Just two quick examples in that regard: Netflix trades at a P/E multiple of 317x, while Amazon trades at a P/E multiple of 903x. That's without precedent. Even during the Nifty Fifty era in the early '70s, you had companies like Avon, Xerox; they might have traded at 60x earnings. They were legitimately growing companies, as are, perhaps, Netflix and Amazon. But in order for Netflix to appreciate by 100% from here, it would probably need to add another $2.5 billion of earnings. It currently has about $250 million of earnings. Thus, its earnings would have to go from $266 million to $5 billion in earnings over the next five years. And if you put an end P/E multiple on those earnings of 146, you would actually still end up not making money in Netflix stock.

Let me just say that again. If Netflix were to grow its earnings according to the analyst estimates over the next five years, and, at the end of those five years, you put a P/E multiple of 146x on those earnings, which is unprecedented, really, you would not make money. If Netflix did anything less than that, you would actually lose money in Netflix. For Amazon, you could make a similar case.

It's just astounding what they've done to the market. And it's no wonder that we've underperformed. The exchange-traded funds (ETFs) that have momentum stocks in them have acted as a suction pump, which has taken away money from value-oriented active managers, and has inflated valuations to levels that we've never seen in our lifetime.

Why do we think that scenario is going to unfold, and ultimately correct itself? First, because the ETFs are now the market. Who do you sell to after everyone's in? And the answer is there is no one to sell to. When it starts to unwind, we'll see that the people who were buying didn't really believe in the fundamentals; they were in the trade because the stock was going higher. They'll be the first to sell. Second, because the ETF industry itself is going through tremendous price compression.

The direction the pricing of the ETFs is heading strikes me as very problematic for the sponsors of the ETFs. The iShares Total Return ETF, the symbol ITOT, which purports to include every possible subset that is viable in the stock market, just lowered its expense ratio to three basis points. That's 0.03%—

three one-hundredths of a percent. We think this is a seminal moment in indexation, because the profitability is being squeezed out of the ETF industry.

Part of the reason for that is that, as a client-owned owned company, Vanguard charges fees just high enough to cover its costs, rather than seeking to generate a profit from management fees[1]. Therefore, Vanguard is offering products at two, three basis points. So, if you're a competitor of Vanguard, you're PowerShares, you're Blackrock, etc., how are you going to compete with a company that is effectively a not-for-profit? Although they pay their employees handsomely at Vanguard, ultimately, they're not reliant upon providing a return to shareholders. You can't compete against that. The fee compression is a race to zero.

If you're Blackrock, and you own or you have control over $4.5 trillion of assets, that's very problematic for you. What do you do if your margins keep getting squeezed? You look for alternatives. I just happened to go onto the Blackrock website today, and looked at their top five portfolio ideas of 2016. This coincides with why I believe that a reversal of the ETF industry is starting to take place. The chief global investment strategist, Russ Koesterich, comes up with five ideas. He writes: "What to consider in 2016: given currently high valuations, U.S. stocks may well face substantial headwinds in the coming year. In contrast, outside the United States, prices look more attractive. I particularly like Europe and Japan."

Here's the crux of why I think this phenomenon is important. The number one consideration you should have, he writes, is: "Be more active. With equity returns to moderate and volatility set to rise, investors face a difficult choice: accept lower returns or take on greater risk. I believe investors could benefit from looking to active managers to source some of their returns."

Now, that's a pretty bold statement for someone who sits on probably the largest ETF business. And the reason he is saying that is that Blackrock is pricing their products at two basis points; they aren't going to make money. Therefore, they need to move assets back out into active management. And as they do that, all of the ETFs that were based on momentum are going to start collapsing. And that's the first top idea. The second top idea also tells you to go further into active management. So, you have valuations

[1] https://about.vanguard.com/what-sets-vanguard-apart/why-ownership-matters/

that are just astronomical, that cannot be justified in any way, shape, or form. And you have the players in the industry being squeezed on profitability, causing them to have a desire to move out of this situation.

That's a long way of saying that where we're positioned right now, based on fundamental analysis, things that have been avoided, the underperformance that we've had over the last several years, ultimately that's going to come back around and we think our funds are going to outperform in a very dramatic fashion. With that, I'm going to let James share some comments, and then we'll open it up for questions.

James Davolos: Thanks, Peter. And thank you, everyone, for joining. I have a lot of topics to address today. But I think the first, and it might be the foremost on most people's minds, is: how are we positioning the funds, and why are we doing it that way? In short, what we're doing is maintaining very high cash balances, and not shedding our core positions.

Before I get into the rationale for what we're doing, I just want to reiterate that the companies in which we're maintaining an ownership position and the cash balance all are the result of bottom-up fundamental analysis. This is not a market call. We've had several people question us and say, "Well, you guys are business analysts; you guys are stock analysts; why are you making a market call?" And I think that there's a subtle difference between a market call and a fundamental, reasoned basis for not buying equities. We're not buying most equities.

A market call is where you're using market variables and using aggregate valuations of the index. So, you might be looking at gross domestic product figures, purchases manufacturing index figures, and inflation rates and employment numbers, and then relating that to earnings yields on the market overall. If I were to rank those criteria on a list of one to 10 in terms of what we care about, they'd be 10 if not 11.

What we're doing is looking in the areas that have historically created substantial alpha for us: spinoffs, owner-operators, dormant assets, divestitures, any number of areas where companies tend to be mispriced. And we look at these candidates, and we infer the future return potential relative to what we believe are the risks. And very infrequently do we find attractive opportunities in what we believe to be

a small net that we cast. If we expand that net to the market at large, the opportunities become even more scarce. We'll get into that a little bit later.

Now, you might be asking why, if we are so cautious on the market, would we not be selling our core positions? And the basic answer is that we believe that there is a very, very high likelihood that these positions will increase shareholder value considerably over the next three years. Now, the valuations may ebb and flow. But to try to take off your core positions simply because you think the market is at risk, that's a market call. We are extremely confident in these names, but we recognize that there will almost inevitably be volatility associated with the overall markets. Managing volatility is something that very few people do well, and even the people that do it well almost invariably incur net costs by doing it.

Going back to the overall market—and, again, this is the wide net that we cast, not our companies—when we look at a basic valuation framework for these companies, most of them are priced for perfection. And they're valued for perfection despite what I consider to be very ominous idiosyncratic risks to each business. For example, if you were to look at two names right off the top of my head that we've talked about on this call before, McDonald's and Coca-Cola, these companies have tremendous competitive threats from new entrants into the market. They're almost fully saturated geographically. McDonald's is facing rising labor and input costs. And as to Coca-Cola, their core business is coming up against the fact that people are realizing it's probably not good to consume 60 grams of sugar with lunch.

Notwithstanding those idiosyncratic risks, I think that there's a pretty big, dark shadow right behind these companies where, if things go bad, they could get bad very quickly. Yet, they're trading at over 20x P/E multiples, with even the most ambitious analysts estimating growth well below 5%. Let's just say that the market continues to love these companies and continues to place an over-20 P/E on these stocks, and that they meet these ambitious expectations of—let's call it 3-5% growth. You're looking at a 3-5% return before dividends, if everything goes right. But what if something goes wrong, and the market decides to put a low-growth or terminal multiple on these stocks? Let's just say the downside is considerable. And we'll actually go into an example at the end of the call, with a Benjamin Graham framework.

I can't reiterate enough that you cannot expect to have a successful investment experience if you're not paying attention to price. At the end of the day, the valuation and the price you pay for something is not the sole determinant, but it is a profound variable in how your investments will play out. There are a lot of different ways of valuing the market—it is an art more than a science.

For years, I have been following Credit Suisse's valuation framework, which I believe is very objective. They blend, for the overall S&P 500, the price-to-book, price-to-sales, and price-to-earnings ex–negative earnings, both on a trailing and a forward basis. Based on these variables, the index is over 1.1 standard deviations above the 30-year average. This implies a very low single-digit return going forward, simply based on a valuation perspective. And I just really don't think that these prospective returns are commensurate with the risk profile.

One other thing I'd like to add is that, as a value investor, I think there's a very different risk that you incur in terms of decline in stock price relative to that of a high-flying growth company. For example, let's just use a value company where—let's say it's trading at a small premium to book value and a single-digit cash flow multiple. This business might not have a robust growth profile, but, simply based on the company's ability to reinvest capital and the fact that they do have assets which can be liquidated, they have cash flows which can be returned to shareholders, if that stock goes down to what would be a preposterous valuation, as many such stocks did in 2008-2009, there is a very high probability that that company is going to recover, because ultimately those assets have value. And those cash flows are sustainable.

Now compare that to buying a very high-valued company with what may be low or high growth. This ranges from everything from a Procter & Gamble at 20x earnings to an Amazon at 900x earnings. If that company disappoints in its growth or its profit conversion, and the P/E multiple, let's say, goes down 30%, and I think it could go down much, much more than that for these companies, what is the chance of the market rewarding that company in the future with a higher multiple in the event that their expectations of growth have permanently altered? There is a risk of the permanent erosion of capital where the company literally needs to grow into those X number of turns of valuation multiples in order to ever recoup the investor's costs. In some cases, it's extremely unlikely.

That's why we're not panicking when our value investments are down. And I'll go into some reasons why we think that they went down. But before we get into that, let's talk about what drove the market up 1.4% in 2015. That's including dividends.

There's no need to rehash the high-flying, "FANG[2]" stocks that everybody's read about and everybody's familiar with. I think that there are always going to be fad stocks that capture the imagination of investors with robust growth and that are going to have what seem to be completely unsustainable valuation frameworks. That's not concerning to us.

Going back to Credit Suisse, they bought a division out of Boston Consulting Group a number of years ago, called Holt. And Holt is basically a framework for assigning quantitative variables and then translating those into qualitative descriptions of securities. Their number-one performing category over the past two years is what they call, "quality at any price." Now, they define this as a company with three variables: "high quality," which simply means high profitability, high return on equity (ROE), high return on invested capital (ROIC), "high momentum," which just means it's going up, and we'll touch on that again in a few minutes, and "high price," meaning it's richly valued relative to the market, the industry, peers, and other criteria.

In other words, investors are readily and admittedly buying excellent businesses, which we're not going to contest. They're great businesses. But they're paying any price, with no regard for fundamental value. Over the long term, price invariably matters. I'll refer you to a study that was done by GMO out of Boston in their third-quarter letter. There are two sections to the letter but, in one section, they compare developed markets and emerging market returns simply by the earnings yield at which you purchase the stocks. This analysis looks at the markets in aggregate and ignores stock selection, but it basically says that, if you buy the market in aggregate, you're more or less going to earn the earnings yield at which you bought the index over the long term. So, price matters.

Another strategy that ignores price is momentum. Momentum is now an accepted investment strategy. Both academics and industry professionals are now agreeing that this is a valid investment strategy. At Horizon Kinetics, Murray, Steve, Peter, and I have all done research on the strategy, and it really goes

[2] Facebook, Amazon, Netflix, and Google (now Alphabet)

back to Carhart's Momentum Factor, which expanded upon the Fama-French Three-Factor Model. The Fama-French Three-Factor Model identified three variables to predict stock returns or outperformance.

The first variable is beta; the model suggests that you can't escape beta. We'll talk about beta again in a minute, but no matter how idiosyncratic your business is, the model says there's a beta factor that's going to cause stock price changes, regardless of fundamentals. Second, they showed that small companies tend to outperform large companies over the long term, which I think has to do with two things: one, there's less price discovery in smaller companies, and, two, there's a higher growth profile for smaller companies. Third, they showed that value outperforms growth. They define this as basically low price-to-book relative to high price-to-book. Buying high asset value relative to price outperforms over the long term. Those are three things that have really contributed to the outperformance of Horizon Kinetics over the years; however, over the past three to five years, we have been at the very bottom of performance tables.

Now, Carhart expanded upon this model with what he called the Momentum Factor. Without getting into what is unnecessarily complicated math, Carhart's model basically says: buy what's going up the most and sell what's going down the most. He backtested this hypothesis, and the backtest looks as if this is the most remarkable investment strategy ever found. But I think there's a very critical flaw to that backtest, which is that, when he backtested it, there was nobody investing based on momentum. This was done in the 1990s. Going all the way back into the '40s, '50s, '60s, there was nobody with an algorithm saying, "Let's just buy what's going up."

To the extent that there are now probably hundreds of billions of dollars investing in momentum or momentum-based or momentum-influenced strategies, there's substantial capital that's going into and out of stocks with absolutely no regard for fundamentals, but, when you have cash flows of this scale influencing prices, you alter the historical return profile and alter the opportunity. I would argue that not only are the future returns vastly subdued, due to the fact that there are more people practicing this methodology, but also because the downside will overshoot very severely. I think that, most recently, we've seen the upside overshoot very significantly, when people are piling into stocks that are going up indefinitely, it seems, with really nothing fundamentally justifying their actions.

Moving on from momentum, beta is another variable that I think is widely misunderstood but more or less universally accepted in academic and financial circles as the quantitative barometer of risk. And, again, look at what beta is. Beta is, effectively, a correlation to an underlying benchmark. Therefore, if the benchmark goes up 1, you go up 1.2; your beta is 1.2. By definition, that would imply that you're more at risk because you're going to go up more than the index or down more than the index.

Not only is beta backward-looking, but it's also shortsighted in that it really isn't risk. There are many variables that can make a stock move differently relative to a market. Beta used to just be a statistic that people used to understand the market sensitivity of a stock or portfolio. Now it's a four-letter word. You cannot gather substantial assets with a beta above 1. I refer people to the Horizon Kinetics website, to read my colleague's essays in the "Under the Hood" series, which basically ask: What's in your Index? The essays address topics such as low-beta indices in frontier markets and momentum indices and factors that are inherently volatile and risky. But because the statistics say these ETFs tracking these indices have low betas, these ETFs have tens of billions of dollars in them.

Now, if you take the other side of that, there have been any number of high-beta contrarian and Benjamin Graham–based value ETFs that, by the nature of their investment process, accept beta and accept volatility in exchange for much higher potential returns. All of these ETFs that we're aware of have closed due to lack of demand, because their betas were above 1.

In addition to that, you can also look at the different types of sub-indices. When people are deciding where they're going to allocate capital, over the last year, they've seen tremendous outperformance of mega-cap stocks. You can argue that that was a flight to safety, but you can also look at that as an example of having a lower beta. And then, when you look at areas that we tend to invest in, which are value stocks and small caps, whether you're looking at the Russell Value 1000 or the Russell Value 2000, those have a higher beta. These investors are not looking at fundamentals and are just pressing a button on a computer screen looking for stocks; they're selling what we're buying cheaply because it doesn't screen well. Over time, we think this will almost certainly correct.

I mentioned that there were a series of Benjamin Graham–based value ETFs that have since closed. Benjamin Graham is considered the father of value investing. The way that he originally practiced value investing probably isn't very practical today, because things just aren't that inefficiently priced. And

things will never get quite as cheap as they were in the 1940s, ’50s, and ’60s. However, he provided a basic framework for valuing a stock, which I think is very practical.

I applied this basic formula to the S&P 500: he takes the trailing earnings-per-share, and then multiplies that by what he believed to be the appropriate no-growth P/E multiple for a stock. He said 8.5x is the right multiple for a stock that’s not growing; I would argue that’s well-reasoned because, if you invert an 8.5 P/E, that’s about a 12% earnings yield. I would accept a 12% earnings yield on a no-growth company, certainly in this environment. Then he adjusts the no-growth P/E to add to that 2x the growth rate, which I would argue is somewhat ambitious, but we’ll just stick with it. And then, to adjust for interest rate levels, he multiplies that by the 1962 20-year AAA corporate bond yield, which was 4.4% when he created the framework. And then you divide that by the current 20-year AAA corporate bond rate, which right now is about 3.75%.

Now, if we plug all those in for the S&P 500, we have an expected earnings-per-share for 2015 of about $106. We take the P/E of 8.5x. The long-term growth rate, and I think this is a very generous assumption, is 4%. With GDP growth well below that, and a lot of earnings numbers and a lot of revenue numbers turning flat to negative, I think that’s a very ambitious number. And then, we plug into that the current yield on 20-year corporate bonds, 3.75%. You basically get to an S&P 500 fair value of 2,000, which is effectively the current level. If everything goes right, the S&P 500 is fairly valued, and your rate of return going forward will be commensurate with earnings growth, which we’re saying, probably ambitiously, is going to be 4%.

Now, what if (and we don’t think this is very likely—we don’t think interest rates are going to move much higher) the 20-year corporate bond spread expands by 100 basis points due to credit quality concerns or something of that ilk, and the yield goes from 3.75% to 4.75%. If you plug that into the formula, you get an S&P 500 level of 1,629, about 20% lower than where we are.

Now let’s go back to the original framework, and keep the current bond yield where it is, but change growth to 3%. If growth goes from 4% to 3%, which is probably much more likely, you’re looking at an 1,800-level S&P 500, which is more than 10% lower than the current level.

Once the formula spits out a value, you should divide that by the current price. And if you get anything above 0.8, meaning a 20% margin of safety, he does not recommend buying. Therefore, even if the market's fairly valued and everything goes perfectly, we have growth rates that I think are unreasonable. But if you add two relatively well-recognized stressors to that model, you have anywhere from 10-30% declines, assuming that it stays within the current framework.

One last thing that I want to touch on is what the market is favoring right now. And this is more of a behavioral finance variable that is a little bit harder to quantify. But if you look at owner-operators, which comprise the majority of our portfolios, these individuals are not necessarily concerned with cash bonuses or restricted stock, and they're doing something very different from the average CEO, which is that they're reinvesting in their businesses. They're saying, "I can either buy back my stock, I can pay a cash dividend, or I can reinvest in my business." They're saying, "What is going to create the greatest long-term shareholder value?"

Now, I think everybody agrees that, if you have attractive long-term investment opportunities, it makes a lot of sense to invest in them. But if you just read a couple of proxy statements for the top S&P 500 companies, their corporate executives are paid on two primary variables: earnings per share, and share price. The easiest way to increase earnings-per-share is by buying back stock. If you reduce the shares outstanding but earnings stay flat, your earnings go up. But if you reinvest in your business, you're going to have amortization related to that capex, which is going to eat into your earnings going forward. That's really sacrificing the window dressing in the short term in exchange for benefits down the road.

That's basically what owner-operators are doing. However, the market is overly concerned with shorter-term phenomena that we really do not think are going to build shareholder value over the long term. If the average S&P 500 company is buying back stock with their free cash flow at a 18-20 earnings multiple, the pretax return on invested capital is 4-4.5%, and those are not the types of returns on invested capital that, on a pretax basis especially, that we think justify, a) a 20x P/E, and, b), even an equity investment, unless the stock is inordinately cheap.

The last thing I want to say is that, over the long term, stocks are financial assets. And whether it's an office building or a bond or any type of financial asset, it can be evaluated based on future cash flows and/or the terminal cash flow, if it's something where there's not incremental cash flows and just a

bundle payoff at the end. Then you just apply discount rates, which obviously can vary substantially on that asset. But ultimately, every financial asset must be reconciled to this basic framework.

We can justify everything that we own using this framework. But the assumptions required to make this framework work for the market, let alone the excesses of the market, just do not—do not reconcile with reality. That's what we're seeing. That's the root of our confidence, but it's also the root of our caution.

Chris Bell: Peter and James, I've had some questions from the field; I'd just like to ask a couple of them. First of all, given what we're doing in the marketplace and the cash that we've built up in the funds and our strategies, what kind of signs are you looking for that might convince you to start purchasing small amounts, if not greater amounts, of companies that we tend to like and maybe are staying away from now, given the overall market conditions?

James Davolos: I think that we're not looking for signs, per se, in terms of a top-down basis. What we're looking for is: can valuations of good businesses get to the point where you can expect a reasonable, safe return? There are companies out there right now that are good businesses with very stable cash flows that are growing. But they're just not priced commensurate with what we believe to be an acceptable equity rate of return.

We have any number of companies that we are monitoring for a better price. And when you look for a better price, within the Benjamin Graham framework, you need a margin of safety, because things almost always go wrong. We want stocks to get to a price where we believe we can expect a double-digit rate of return going forward, with a reasonable amount of safety. Embedded in that safety is the discount in price—I've mentioned many times on this call that investing is incredibly price-sensitive. That seems to be lost on almost everyone out there, with the exception of a very small and rapidly shrinking pool of value investors.

Questioner 1: Good morning, and thank you for the call. Here's my question, with just a little background before the question, because I love numbers, naturally. And when I look at 1995-1999, in those five years, you averaged about 19.5%. And, of course, we would kill for those numbers now. But the S&P did almost 30% per year. And it was explained that it was because you avoided the dot-com bubble, which turned out to be a wonderful move, because, now, when I look at the next eight years,

from 2000-2007, you did almost 20% per year, where the S&P only did a little more than 2% per year for eight years.

Here's the question: naturally, for the last eight years, things are not going very well. And it's probably a time for more patience than money. But you've explained it—the reason is because of ETFs and how that will eventually change. But a client yesterday asked me—they said, "Well, if half the money in this—or rather half the companies in America offer retirement plans, and those retirement plans usually have a few indexes or a few ETFs, what would ever change the picture?" Because there's almost $5 trillion in these plans. How is it going to leave and have the individual stock pickers like you get back to the performance you did after the year 2000?

Peter Doyle: Part of why we believe it's going to change is the fee compression that I talked about at the start of the conversation. When you're Blackrock or PowerShares, you're competing against Vanguard. And Vanguard, as I mentioned, is effectively a not-for-profit company. And even though you're Blackrock and you're sitting on $4.5 trillion worth of assets, if you're unable to charge on those assets in any meaningful way, you're not very happy. And the investors or the people running Blackrock undoubtedly are aware of that. So, their recommendations, if you go to their website today and look at their top recommendations, three of the top five are, effectively: start moving money to active management. And the reason they're trying to do that is that they don't want to be charging two basis points. They want to be charging 50 basis points or 100 basis points on those assets. There's self-interest at play that's going to change the way people invest.

In addition to that, as James outlined in detail, the companies themselves are priced in the ETFs in a way that you're not likely to make a satisfactory rate of return. People will move money elsewhere. All of the momentum ETFs that have gained assets, and where the performance has really occurred, are not really investing. They're buying pieces of paper that happen to be moving. And the minute they stop moving, because now the ETF really is the market, and it reverses itself, they'll get out of those as fast as they possibly can.

It takes a long time for a bubble to pump up. It takes only a very short period of time for people to move out of it. And we believe that there will be a movement out of it. And we believe that it will be driven by the self-interest, largely of the financial community, to move out of it.

Questioner 1: Well, let's hope it happens soon.

James Davolos: I really hope it happens soon as well. But I think another thing that people don't necessarily appreciate is, when we talk about the fact that these stocks have a very high probability of going down, and they say, "Well, who are the sellers going to be? I mean, at what point are people going to give up on buying Amazon?" And I don't think it requires a huge seller. It really just requires a lack of buyers, because there's always going to be a degree of selling. There's always someone willing to sell at a price. And there's always someone willing to buy at a price. But to the extent that these artificial factors towards buying subside or even go away, that in and of itself is enough for a pretty dramatic correction in most of these stocks.

Peter Doyle: Even though the Paradigm Fund, as an example, was down roughly 9% in 2015, I can assure you that the underlying business returns of the companies that comprise the Paradigm Fund was not down 9%. There's a real disconnect within the active value–oriented managers, such as ourselves, where the underlying companies continue to do well. They continue to flourish. But the stock prices continue to decline or not go anywhere. And at some point, you have to believe, if you believe in fundamental investing, that's going to correct itself.

And the extreme to which they have now taken either computer-driven ETFs or momentum ETFs or rules-based ETFs—they've taken it to a level unlike anything we've ever seen. As to the 1999 period of time avoiding the tech companies, this is a bubble far in excess of that. Without question, we believe this is a bubble far in excess of that. And the unwinding of it is going to be very painful for a lot of people. Hopefully, even though it seems like it's the winter for us, it is a dark period for us, in reality—that is the moment when we're likely to shine. I wish I could tell you that we're in the midst of the correction; maybe it reverses itself and they start to rally again. I personally believe that this is the end of the current bubble, but I can't guarantee it.

Questioner 1: Right, right. Well, like I mentioned, from 1995-1999, I'm sure people might have felt the same way and thought, "What do I need Kinetics for? You know, the S&P outperformed." But then, the next eight years certainly proved everything you said.

Peter Doyle: We had very similar conversations in 1999. "We missed the boat; we didn't understand what was going on when you guys kept us out of technology that's really where the growth is, and the world has changed." We heard all of the arguments. And we just said, "Listen—the valuations are insane. We think we understand. We can quantify it as a bubble. You'd be better served listening to us. But it's your money; you have to do what you want to do with it." But I can tell you that we believe that we're really at the same inflection point. Except the bubble here is far greater and more widespread.

Questioner 1: Well, if I could just add, really, I don't think you missed the boat, because that boat sank.

Peter Doyle: Well, that's what they were telling us at the time, in the same way that, there's a limit to people's patience or understanding. If you're not doing this every day, and all you see is the stock prices, and you don't make the connection between the underlying fundamentals and the stock prices, you're likely to accuse us of not knowing what we're doing. But we're pretty clear that we understand what's going on. And we think we're well situated, and we're going to come out of this just fine.

Questioner 2: Hi, you guys. Thanks for the good performance, up until just recently. You guys ever use stop-losses as a hedge on the downside?

Peter Doyle: We do not.

James Davolos: I think it's more of an analysis of: have the fundamentals changed relative to our original thinking? And with a value strategy, you're naturally somewhat contrarian. And you have to be prepared for the market to go against you. And I think to have an arbitrary stop-loss at a certain percentage would probably do more harm than good, to the extent that we're able to accurately analyze the root of the declines and understand if the fundamentals have in fact changed.

Peter Doyle: The other thing is that, if your analysis is correct, and the price declines, the margin of safety hasn't shrunk. The margin of safety has actually gotten wider for you. Therefore, it's the absolutely wrong time to be selling. To answer your question, we do not. We do try to limit the risk. We go a long way to limit financial risk, not stock fluctuation risk. We do it principally two ways: 1), the sizing of the position at time of purchase, and then, 2), by making what we would call idiosyncratic

investments, where they really are unlinked to any other investment, such that, if we make a mistake in Company A, it's not likely to have any impact on Companies B through Z in the portfolio. And I think that's something that we do uniquely and very well. That's really how we try to control the financial risk in the portfolios.

Questioner 2: Right. So, you're focused on more of a fundamental analysis than on a technical analysis, is that right?

Peter Doyle: Absolutely. If you're investing with us because you think we're following technical analysis, you're in the wrong funds. We're fundamentally driven.

Chris Bell: And bottoms-up, not top-down.

Questioner 2: And you don't think a technical analysis enters into it at all? Would there be any kind of any kind of technical analysis?

Peter Doyle: I believe that supply and demand is definitely a factor, and that's what you're seeing in the market. But ultimately, Benjamin Graham, whom James has quoted a lot here today, said: *In the short term, the stock market's a voting machine. In the long term, it's a weighing machine*. And people are making votes right now that really don't coincide with the fundamentals. And the weighing machine is going to rear its head again. That's what we're basing our decisions on.

Chris Bell: I've had a question from someone concerning Howard Hughes Corporation and Platform Specialty Products Corp. James, I don't know if you want to answer questions about what our—what our views are, if it's changed at all given the fact that they've sold off so much.

James Davolos: They both have some idiosyncratic things that I'd like to address. With Platform, it's a lot easier to understand the market reaction. With Howard Hughes, I really think that it's overblown, and it's probably a function of hedge funds liquidating throughout the year where it was not by design. We were in before pretty much everybody else, but it became a popular hedge fund position. And, as many people have read, hedge funds have had an absolutely atrocious experience, particularly this year. But going back all the way to the crisis, the alpha on long-short indices is highly negative.

There's been that factor, but then there's another factor, which is that there's a sensitivity to oil, which I think is vastly exaggerated. The gem assets at Howard Hughes are really the South Street Seaport in Manhattan, the Ward Village in Hawaii, on Oahu. If those are the king assets, I'd call the prince assets: a large corporate development in Houston, where Exxon Mobil is the lead tenant, and also a large corporate development in Columbia, Maryland, and Summerlin, Nevada. And then there's the third tier, which is not as sexy, but I think is attractive for good reason.They have three large master planned communities: one in Texas, one in Maryland, and one in Nevada.

This stock has no Wall Street coverage except for one, maybe two analysts. And you don't have the squawk box that you have on other stocks where there are a lot of people weighing in on why the stock is moving. But I think people are grossly exaggerating the impact that low oil is going to have on the Houston market, especially given the tenant base at Hughes Landing, which is basically a brand new, state-of-the-art, beautiful, Class-A office, restaurant, and hotel complex. And then, on top of that, you have the housing assets in the Woodlands and Bridgeland, which is one of the most successful master community projects ever conceived.

There's short-term pressure on all of the housing assets because housing starts have not recovered to anywhere near what people would estimate to be the natural rate of housing creation, less the attrition of houses that are torn down or damaged or whatever. So, what we're seeing is a much slower housing recovery. And this goes back for seven years now, but obviously we had to eat through some inventory. People needed to recapitalize their personal balance sheets. Ultimately, I think that there will be demand for high-quality housing in desirable metropolitan areas. So, I think that's a shortsighted variable.

But, at the same time, you're seeing growing housing products companies trading at just silly multiples, whether it's Mohawk or other types of companies like that. It's really hard to pinpoint exactly what's happening with Howard Hughes, but while I can pinpoint these idiosyncratic events one by one, at the end of the day it really boils down to there being no catalyst and people getting impatient. But we do see a catalyst pending—our investment thesis was that, as the cash flow materialized, people would realize that gradually and start discounting that at lower and lower rates. And that's going to start happening in the very near future.

With Platform, it's a much more understandable situation. Martin Franklin is what I would call one of the preeminent business combiners of his generation, if not history—he turned Jarden Brands from a ball jar company into a $20 billion enterprise. And he realized that there's a lot of value to be added from corporate rollup strategies where they have a competitive edge versus other buyers, mainly private equity, because they have a longer time period, which, in even private equity, at 5-7 years, would seem long, but they have synergies that they can realize that independent operators can't. He goes into businesses and rolls them up, realizes synergies, and uses debt to accomplish this.

Most recently, he did this with MacDermid, a specialty chemical company. And, on top of that, he started rolling up what started off as agricultural chemical companies, and then he re-diversified back into specialty chemicals. But the agricultural side is where the real problems are. On the agricultural side, there's pricing pressure in end markets, which is related to a twofold effect. One is that high crop yields are leading to low crop prices. Hence, the farmers are not only pushing out their purchases of these necessary chemicals, but are canceling them where feasible. The other aspect is that there's a very high international exposure, particularly in countries like Brazil, which produces a lot of soybeans. And there are currency issues there, where the currencies are making U.S. manufactured products almost insufferably expensive.

I think what surprised us, and what surprised Mr. Franklin, is that while, obviously, any commodity business is cyclical, we thought that the agricultural chemical sector was going to be a lot less cyclical and manageable in terms of the leverage required to run the business model that Mr. Franklin runs. It turned out to be more cyclical than anybody had imagined. And then people got scared about the debt.

I think that they're normalizing their earnings right now. They're realizing some synergies. They're in business operation mode instead of acquisition mode. And perhaps most positively, which the market didn't really pay attention to, is that they got a new CEO, which I think was important. Dan Leever, who was the incumbent at MacDermid, is a great operator, but not necessarily a business combiner. They brought in a guy who had a lot of experience in actually overseeing both internal M&A and then ultimately the sale of his company for tens of billions of dollars, which I think is an incremental positive.

But the real positive is that you saw Martin Franklin come in, since Jarden is under agreement right now to be purchased by Newell Rubbermaid. To the extent that Mr. Franklin effectively gives up his day-to-

day responsibilities at Jarden (I'm sure he'll stay on the board at the combined company), he basically has said he's going to spend the predominance of his time at Platform. If there's anybody in the world that I would want running a company that is over-levered, going into what might be a difficult period in the cycle, it is Martin Franklin.

I think the number-one word for Platform is patience, because these people are going to figure it out. They have good businesses, with indispensable products, and with great management. They're synergizing the businesses, but over the short term, there are going to be lumps. People panic over smaller things in other companies, so, for somebody that can stomach some volatility and have patience, I think Platform is a phenomenal long-term investment.

Questioner 3: Yeah, I had a question—looking at your statistics, it looks like your turnover is like 2%. You know, I don't want to be pejorative, but, you know, buy-and-hold turns into kind of buy-and-forget. And I'm wondering, with all the volatility that there is, you know, how you guys aren't taking advantage of buying perhaps better companies with better asymmetric risk characteristics and collapsing into higher conviction ideas. You know, truly, your whole style has been orphaned and neglected. You know, why can't you, maybe give us some examples of new, fresh ideas that are working their way in the portfolio. It just, to me, it feels like it's almost too low-turnover.

Peter Doyle: I can assure you it's not buy-and-neglect. It's buy and frequently keep fact-checking and testing the investment thesis that we originally had. And that's really what our job is. We like to say that we practice intelligent inactivity. But I can assure you that we know what's going on. You just heard James speaking fairly in depth about two companies that we own that haven't performed well but are likely to be great investments. We're not going to be shaken out of a stock because it has gone down, especially if the fundamentals support what we're saying, and particularly support what we're saying based on the global trends that we have seen in the equity markets and the flows into passive strategies.

I don't want to speak directly about what we're doing in terms of names. I don't think we're even allowed to do that. But I can assure you that, as we raise cash, we have concentrated the portfolio even further, and there are certain names that we find where it's hard to envision that we're not going to get a good rate of return, perhaps even an extraordinary rate of return. And we're buying those names. But it's literally down to a handful of companies right now.

James Davolos: If I can just comment very briefly on the new idea generation, if you look at a lot of the chief strategists at big banks like UBS, I think a lot of these analysts realize that the setup is not great for equity returns going forward. And a lot of those analysts are saying, "Well, just go into defensive mode. Go into telecom, go into utilities, and go into these state havens." And I like that idea a lot. The problem is that the "defensives" are expensive. Therefore, the area that I'm focusing my personal time on is trying to find noncyclical businesses that can execute on their businesses and compound value even in a difficult economy.

No business can escape a bad economy. But to the extent that companies are able to better weather that and have the assets in place to create value, then that should be a very good opportunity. I think (and this isn't really our wheelhouse, and there's a lot of excess valuation) that's why you've seen such a strong M&A cycle this year and part of last year in healthcare and pharma, where these are historically very low cyclical companies that are not discretionary purchases. If they can effectively reinvest their capital, these are good companies in a bad environment, and I think that that's why you've seen people flock to them. Unfortunately, they got a little bit too pricey, with the exception of one or two names that we're looking at.

Questioner 3: But if you were to apply that same macro characteristic—where you said the market could be 10-30% too expensive—to your portfolio, how inexpensive is your portfolio? How attractive is it? If your portfolio were one stock, what is the characteristic of that, if I were to frame this?

James Davolos: Going into the Benjamin Graham framework, we wouldn't have bought anything in this portfolio if we didn't have that 20% discount, which is pre-organic earnings growth. If we get back to fair value, then we're still growing in line with earnings growth, which, in some cases, is low single digits; in other cases, it's high single digits, low double digits. That was 10-12% higher than where we are now, and in almost every case, the fundamentals of the businesses have not changed radically. Again, this is an oversimplification because it's pertaining to a wide portfolio of securities, But if you have 20-30% of reversion to what we think a fair multiple is, and then the organic growth on top of the fair value, you're looking at a pretty attractive discount.

The one thing that I want to reiterate is that we are not blind to the fact that things could, and probably will, get cheaper. It would be foolish for us to say, "Well, our companies are so good, and so cheap, that Amazon can go down 60% while we're flat or up." It's just the nature of markets, and going back to Fama-French, nobody can escape beta, and if you do want to hedge it out, you're probably giving away all of your returns. In a nutshell, that's how we view our portfolio right now.

Chris Bell: I'd like to thank everyone for joining the call today. I'd just like to remind you to visit the website for research, either at www.HorizonKinetics.com or the www.KineticsFunds.com. And feel free to call our main helpline at 914-703-6950 if you have any further questions. Have a nice day.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of December 31, 2015	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-5.42%**	1.38%	5.73%
One Year *(annualized)*	**-5.42%**	1.38%	5.73%
Three Year *(annualized)*	**10.86%**	15.13%	18.37%
Five Year *(annualized)*	**10.48%**	12.57%	13.55%
Ten Year *(annualized)*	**9.72%**	7.31%	8.55%
Since Inception *(annualized)*	**14.21%**	7.64%	7.56%

Performance data quoted is as of December 31, 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 December 31, 2015	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**6.59%**	1.38%	5.73%
One Year *(annualized)*	**6.59%**	1.38%	5.73%
Three Year *(annualized)*	**22.81%**	15.13%	18.37%
Five Year *(annualized)*	**16.21%**	12.57%	13.55%
Ten Year *(annualized)*	**11.25%**	7.31%	8.55%
Since Inception *(annualized)*	**10.23%**	4.89%	3.77%

Performance data quoted is as of December 31, 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 December 31, 2015	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-13.83%**	1.38%	-2.36%
One Year *(annualized)*	**-13.83%**	1.38%	-2.36%
Three Year *(annualized)*	**-0.80%**	15.13%	7.69%
Five Year *(annualized)*	**0.34%**	12.57%	6.09%
Ten Year *(annualized)*	**2.06%**	7.31%	4.75%
Since Inception *(annualized)*	**-3.28%**	4.06%	2.90%

Performance data quoted is as of December 31, 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 December 31, 2015	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-8.33%**	1.38%	-2.36%
One Year *(annualized)*	**-8.33%**	1.38%	-2.36%
Three Year *(annualized)*	**9.43%**	15.13%	7.69%
Five Year *(annualized)*	**6.47%**	12.57%	6.09%
Ten Year *(annualized)*	**5.08%**	7.31%	4.75%
Since Inception *(annualized)*	**8.04%**	4.06%	2.90%

Performance data quoted is as of December 31, 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 December 31, 2015	KSCOX (Net of Fees)	Russell 2000 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**-12.26%**	-4.41%	1.38%
One Year *(annualized)*	**-12.26%**	-4.41%	1.38%
Three Year *(annualized)*	**9.05%**	11.65%	15.13%
Five Year *(annualized)*	**7.25%**	9.19%	12.57%
Ten Year *(annualized)*	**5.16%**	6.80%	7.31%
Since Inception *(annualized)*	**8.58%**	6.11%	4.16%

Performance data quoted is as of December 31, 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 December 31, 2015	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**-9.11%**	1.38%	-0.81%
One Year *(annualized)*	**-9.11%**	1.38%	-0.81%
Three Year *(annualized)*	**8.00%**	15.13%	5.01%
Five Year *(annualized)*	**6.41%**	12.57%	3.60%
Since Inception *(annualized)*	**5.30%**	7.09%	2.44%

Performance data quoted is as of December 31, 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 December 31, 2015	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**2.94%**	0.85%	0.55%
One Year *(annualized)*	**2.94%**	0.85%	0.55%
Three Year *(annualized)*	**3.21%**	1.14%	1.44%
Five Year *(annualized)*	**2.82%**	1.77%	3.25%
Since Fund Inception *(annualized)*	**-0.23%**	3.31%	4.68%

Performance data quoted is as of December 31, 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 December 31, 2015	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**-2.17%**	0.55%	-4.47%
One Year *(annualized)*	**-2.17%**	0.55%	-4.47%
Three Year *(annualized)*	**1.49%**	1.44%	1.69%
Five Year *(annualized)*	**3.87%**	3.25%	5.04%
Since Inception *(annualized)*	**4.18%**	4.07%	7.47%

Performance data quoted is as of December 31, 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 December 31, 2015**	
EchoStar Corporation - Class A	5.9%
Liberty Ventures	5.1%
DISH Network Corp. – Class A	4.9%
Liberty Interactive Corp. – Class A	4.8%
Liberty Media Corporation - Class C	4.7%
Alphabet, Inc. – Class A	3.7%
Alphabet, Inc. – Class C	3.6%
Liberty Global plc	3.2%
Liberty Media Corporation – Class A	3.1%
Starz – Class A	2.6%

Paradigm Fund **Top 10 Holdings (%) as of December 31, 2015**	
The Howard Hughes Corporation	11.1%
Texas Pacific Land Trust	9.4%
Icahn Enterprises LP	6.1%
AutoNation, Inc.	4.5%
Brookfield Asset Management Inc. – Class A	4.1%
Liberty Media Corporation – Class C	3.5%
CBOE Holdings Inc.	3.5%
Jarden Corporation	3.4%
Live Nation Entertainment, Inc.	3.3%
DreamWorks Animation SKG, Inc. – Class A	3.0%

Medical Fund **Top 10 Holdings (%) as of December 31, 2015**	
Bristol-Myers Squibb Company	8.0%
Biogen Inc.	7.1%
Alkermes plc	6.8%
Eli Lilly & Company	6.6%
Novartis AG - ADR	5.3%
Johnson & Johnson	5.3%
Pfizer, Inc.	5.1%
Shire plc - ADR	4.2%
Sanofi	3.9%
Albany Molecular Research, Inc.	3.8%

Market Opportunities Fund **Top 10 Holdings (%) as of December 31, 2015**	
Texas Pacific Land Trust	9.3%
Icahn Enterprises LP	8.2%
The Howard Hughes Corporation	6.5%
Onex Corporation	5.9%
CBOE Holdings Inc.	4.8%
Visa, Inc. - Class A	4.0%
Dream Unlimited Corp. - Class A	3.4%
OTC Markets Group Inc. – Class A	3.3%
Tropicana Entertainment Inc.	3.2%
Partners Value Investments Inc.	2.3%

Global Fund **Top 10 Holdings (%) as of December 31, 2015**	
Bollore SA	6.4%
Onex Corporation	6.4%
Texas Pacific Land Trust	5.5%
Icahn Enterprises LP	5.4%
Fairfax Financial Holdings Limited	5.0%
Siem Industries Inc.	4.9%
The Howard Hughes Corporation	4.8%
Liberty Ventures – Series A	4.3%
Silver Wheaton Corporation	4.2%
Clarke Inc.	3.5%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of December 31, 2015**	
Texas Pacific Land Trust	11.5%
Icahn Enterprises LP	9.3%
Jarden Corporation	8.6%
The Howard Hughes Corporation	8.1%
The Wendy's Company	5.5%
Dream Unlimited Corp. – Class A	5.3%
DreamWorks Animation SKG, Inc. – Class A	4.8%
Onex Corporation	4.0%
Live Nation Entertainment, Inc.	3.4%
Tropicana Entertainment Inc.	2.0%

Multi-Disciplinary Income Fund **Top 10 Holdings (%) as of December 31, 2015**	
Brookfield Residential Properties	6.7%
Lennar Corporation	5.7%
The Howard Hughes Corporation	5.5%
Post Holdings, Inc.	5.5%
Sotheby's	4.5%
Ashland Inc.	4.1%
Penske Automotive Group Inc.	4.0%
IAC/Interactive Corp.	3.9%
TRI Pointe Holdings, Inc.	3.6%
Wynn Las Vegas LLC	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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