Kinetics Mutual Funds
Third Quarter 2016 - Conference Call with Peter Doyle
October 5, 2016

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on October 5, 2016, Peter Doyle, Senior Portfolio Manager for Kinetics Mutual Funds, Inc. hosted a conference call to financial advisors. The transcript set forth below is intended to provide a summary of Mr. Doyle's remarks.

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

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

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

All expressions or opinions reflect the opinions of the presenter at the time they were made and are subject to change. Kinetics and its affiliates may have positions in the securities of companies mentioned. Reproduction is strictly prohibited. As always, past performance does not guarantee future results. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares less than 30 days after you purchase them. As most are non-diversified Funds, the value of the Funds' shares may fluctuate more than shares invested in a broader range of companies. Non-investment grade debt securities, i.e., junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

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

Index & Benchmark Definitions:
The S&P 500 Index represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The iShares MSCI ACWI Index seeks to measure the performance of both the MSCI World Index and MSCI Emerging Markets Index. The iShares EAFE Index measures international equity performance across large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Barclays 1-3 U.S. Credit Bond Index is composed of investment grade U.S. credit securities with a maturity between one and three years. The Barclays U.S. Aggregate Bond Index is composed of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, and includes securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million. An investor cannot invest directly in an index.

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

Chris Bell: Hello, everyone, and welcome to today's call. I'd like to remind everyone that all of our presentations and mutual fund factsheets are available on www.kineticsfunds.com, and you can also see samples of our research and white papers at www.horizonkinetics.com.
It's always nice to have a quarterly call when performance is strong. Year-to-date through September 30, 2016, our flagship Paradigm Fund (no-load shares) has returned 13.19%, compared to 7.84% for the S&P 500 Index, while the Small Cap Opportunities Fund (no-load shares) has returned 14.74%, compared to 11.46% for the Russell 2000 Index.

The Paradigm Fund (No-Load Class) has outperformed the S&P 500 thirteen times over the last seventeen years, underperforming in 2008, 2011, 2014, and 2015. While our one-, three-, and five-year performance numbers don't look very good, our numbers since inception are approximately 400 basis points above the S&P 500 (by clicking on the website list above, you can access the standardized performance figures for each fund). In the last few years, we haven't owned REITs or utilities, because we believed they were pricey, and we didn't own any of the bank stocks or pharmaceutical stocks in the Paradigm or the Small Cap Opportunities portfolios.

I'd like to turn it over to Peter, who has some market comments. Peter is a founder of Horizon Kinetics and Kinetics Funds, and President of the Kinetics Funds. Peter, please take it away.

Peter Doyle: Thank you, Chris, and good morning to everyone. Chris gets a little bit more excited about recent performance than I do. James and I tend to look at what we hold and how the business operations are going for those companies, rather than at short-term stock returns. So, I'm going to repeat what I've probably said 50 times in the past on these calls.

Our success or failure as investors is going to be predicated on the business operations of the companies that we own. With the passage of time, and in efficient markets, we believe that, if we own companies that have high returns on capital, and we have bought those companies at similar valuations or more attractive valuations than the overall market, it logically follows that we will outperform by that margin. That's really what has happened since inception, with the exception of those four years of underperformance (in 2008, 2011, 2014, and 2015) mentioned above..

In fact, even in the years where we underperformed, the underlying businesses that we owned were actually performing better (with respect to business results) than the broader markets. It's just that the stock prices weren't keeping pace with the underlying businesses:—they got behind. We tend to ignore that, and we tend to have the fortitude and the patience to let that play out for us. That's been our philosophy from Day One, and it will be our philosophy going forward.

The reason, we believe that our funds, going forward, are likely to get back to their historical outperformance—I can't guarantee it, but I believe that it will play out this way for us—is that we've had, really going back now four or five decades, a trend of lower corporate taxes. You've had global markets that opened for companies to exploit. You've had tremendous fiscal stimulus, and you've had monetary stimulus, particularly in the last seven or eight years, where you've had central banks that have increased the size of their debt by $16 trillion.

All of those things have benefited global stocks and large-cap multinational companies to a great degree. It's hard to envision how that's going to be replicated in the future. As a result, we think the return characteristics of those large multinational companies, where the bulk of people have their money invested in equities, are going to be far lower than what they have been historically.

We're doing the mirror opposite of that. We're off the beaten path. We own esoteric, eclectic type names. And we think that's the way to get returns going forward. It's starting to play out in our funds, at least for this current calendar quarter. But we think it's going to play out well into the future.

It's clear to us that the global markets are betting on interest rates, and taking risk on or risk off. And now you have the Bank of Japan, the European Central Bank, where they have over $15 trillion of negative sovereign debt—that obviously has an effect on the pricing of assets. The market environment is pushing people into riskier assets, and people are looking at high yielding equities, companies like McDonald's or Procter & Gamble, as fixed income substitutes. Those stocks are being priced accordingly, based on the low interest rates and the alternatives that they can get in other fixed income investments. We think that's a very dangerous game. James is going to elaborate on what could happen just by minor shifts: either a rise in interest rates or a change in some other variable within the model that he's looking at.

The funds have been very defensive this year. We're still carrying a fairly large amount of cash in most of the funds, despite our outperformance. The reason for that is the opportunity set is not really that attractive. We're just waiting for opportunities to arise. That's essentially how we've positioned our funds across the board.

With that, I will let James step in here to discuss what could happen if interest rates were to rise slightly, and to talk about some of the individual names.

James Davolos: Thanks, Peter. Just to reiterate something that Peter mentioned: our success or failure is going to be predicated on the operations of the businesses, in conjunction with the price that we pay for those businesses. Unfortunately, the price element of these companies has not been very accommodative. We think that an immense portion of that is related to interest rates being low, and remaining low.

I don't think that it's an overstatement to say that risk-bearing assets worldwide are almost universally, and in a very highly correlated way, going short interest rates. And by "short interest rates," I mean that a lot of investments and a lot of valuations are predicated on the continuation of low rates, or even *lower* rates than are currently in the marketplace. That's not a risk to which we want to expose our portfolios. We want to have a highly idiosyncratic portfolio that isn't necessarily embracing this same element of risk as the broader markets.

Before I go into our portfolios and a specific name or two, and how these are so idiosyncratic, and why we believe that they aren't as sensitive to the global economy as a lot of the indices are, I'll talk about a name that we've liked to pick on for a while now: McDonald's. It's a good company: it's a franchise model, generates a lot of cash flow. But, again, you need to look at every business within the context of share price relative to the earnings power of the business. I think this is really going to illustrate how profound of a risk people are embracing when they invest in a company purely based on a dividend.

I think anyone can agree that McDonald's is a very mature company. There are not many expansion opportunities geographically. There aren't many more menu options. There's just not a lot to do for that company to grow. If you put it in an academic framework, you would probably justify using some form of a modified Gordon growth model to value the company. Basically, I'll take next year's dividend expectation, which is probably a little bit generous, and then divide that by the long-term cost of capital or required rate of return, less the long-term growth rate. In order to justify the current share price of about $115, you need roughly a 6% long-term weighted average cost of capital and a sustained perpetual growth rate in the dividend of 3%.

Now, bear in mind that 3% dividend growth has been achieved recently. But it's also been accompanied by a 16% compound annual growth rate in the company's debt over the past five years, while sales have grown at 1.1% compounded over those five years—there's effectively been a swapping of equity for debt in order to grow and maintain this dividend. Again, I think I'm being very generous to assume they can grow a dividend at 3% forever while growing revenue at 1%, and I won't even get into my opinion about 6% being a wholly inadequate discount rate, and also below their cost of capital.

In Scenario A, if we increase their cost of capital—whether investors get upset about the increasing leverage, or the cost of equity goes up, you're looking at a -14% return. Scenario B would be—let's say the dividend only grows 2.5% a year into perpetuity. Again, a 14% negative return. Scenario C would be where both the growth of the dividend disappoints and the cost of capital increases; in that case, you could have a 24% decline in stock price.

Let's say that they are actually able to achieve 3% long-term dividend growth, but the company's weighted average cost of capital or the investors' required rate of return for equity risk is 10%, which I think is probably justified and certainly historically justifiable. Then you're losing over half of your money. So, with relatively minor sensitivity to the current framework, you're looking at anywhere from a 14% to a 54% decline in value, all in exchange for a 3% forward current dividend yield.

But (and I'll go into this a little bit later) McDonald's has been a massive beneficiary of the "automatic bid" of the indexation universe, where they've been fortunate enough to fall into a minimum volatility ETF as well as a high income ETF, both of which have been beneficiaries of tremendous inflows of capital supporting the stocks of their constituents.

<u>Peter Doyle:</u> I'm just going to jump in here. More current news that came out today: Blackrock actually cut fees on 15 of their core ETFs, a lot of those are equity ETFs. That's about $220 billion of assets under management. They're trying to anticipate rules that are coming into place in 2018 that will shift more money to passive strategies and put people into names like McDonald's. We don't really have a problem with ETFs per se; we have a problem with people blindly buying ETFs without any regard for the price that they're paying for the underlying assets. It's just one more example of the craziness going on in the marketplace that, in our opinion, is not going to end well for most of the investors.

James Davolos: That's a good segue into how we look at risk versus how the market looks at risk. In a world that's now dominated by "tactical asset allocation" and the desire to quantify every risk, even those that aren't quantifiable, your typical ETF fact sheet will highlight geographical or sector diversification criteria, in addition to Sharpe ratio and standard deviation figures. These are backward-looking, but they're also misleading. Just going through five of the top positions in the Paradigm Fund—and many of these are also held in the Small Cap Opportunities Fund, I'll just go through the GICS sector that these companies are held in, and briefly describe how these companies are highly idiosyncratic and, I would argue, have dramatically different return profiles compared to the broader universe within their sector.

The largest position is Texas Pacific Land Trust. You could argue that it should fall under the Energy sector. I'm going to go into that in a lot more detail later, but, needless to say, it is very, very different from buying an Exxon or a Chevron.

The next company is Howard Hughes Corporation, which is a reasonably sizeable, although still a mid-capitalization, real estate company. But Howard Hughes is a development company: they're actually building the net asset value of their company. They have a long pipeline of future projects. They have an absolutely exceptional project coming online in New York City in less than a year now. But, because they don't pay a dividend, they are completely overlooked by the vast majority of real estate investors.

Brookfield Asset Management is one of the best asset management franchises in the world. Peter has mentioned that Blackrock is cutting fees, and a lot of the asset management industry has been under that same pressure. But when you buy a share of Brookfield, you're getting a very considerable investment alongside outside capital within a variety of vehicles that Brookfield manages. So, there's a considerable tangible book value component to that investment, which, in our opinion, is going to grow in value over time, in addition to the incremental value that you own as, effectively, the general partner of the asset management business. On top of that, Brookfield has an incredible advantage in what they call "real asset investing." So, infrastructure, renewable energy, and real estate are their three core areas of operations, and they also have a growing private equity business. But this company manages hundreds of billions of dollars on multiple continents, and they have incredible competitive advantages in operating these assets. Their fees aren't under pressure because they own and they have an expertise in the assets that the entire world wants right now.

Live Nation is, by far, the largest concert and music festival promoter in the world, in addition to owning and operating Ticketmaster, the ticketing agency. The ticketing business is mature but generates very high cash flow. However, the concert and festival business is really exceptional. Everyone who is investing in media stocks is worried about the disintermediation of different types of content, whether it be through people viewing content over the internet, where ad dollars are getting hurt, or where cable sub-fees are getting hurt by people not paying for the full cable bundle. A lot of the media space has been dramatically altered in even the past 12 months. But if you look at the economics of recording artists these days, it's absolutely dominated by and highly dependent on the success of their tours and festivals and merchandise. Live Nation is an entity controlled by John Malone, within the Liberty Media complex. This is how these people are going to make money going forward. They're monetizing these rights dramatically. It's a very, very different dynamic than what's plaguing a lot of the other conventional media companies.

Just to stay on the same track with media companies, one of the many entities within the John Malone Liberty empire is Liberty Sirius. This is the company that owns a majority interest in Sirius XM. With Sirius XM, you might see similar concerns to cord-cutting and the cable industry, where they're churning a lot of subscribers and getting a lot of pressure on their ad dollars. But the churn of Sirius is incredibly low; it's an incredibly high cash flow business, and it's being pre-installed on more and more vehicles.

And they don't have commoditized content. So, the fear was that people could plug in Pandora or Spotify in their cars and pull up a playlist. But the vast majority of Sirius subscribers are there for the live sports, the live entertainment, and the talk radio. And that's not commoditized; that's something people are willing to pay for. It has a very different dynamic, compared to the rest of the media landscape.

So, these few names just really show you how misleading a GICS analysis of our portfolios is. But, again, that's how most people look at asset allocation.

I'm going to quickly talk about Texas Pacific Land Trust, just to go through one company that is highly, highly idiosyncratic and why it's not correlated with oil. Just to give you some quick numbers, Texas Pacific's one-, three-, and five-year correlation with West Texas Intermediate Crude is 0.31, 0.23, and 0.24; thus, extremely low correlation to crude. Just to give you a comparison, the NYSE Arca Index for oil and gas integrated companies over that same period has anywhere from 2-3x higher correlations to crude.

Why is this company not as highly correlated to crude? It really has to do with where its assets are. But, instead of focusing simply on the revenue line that you would pull up online or in the Form 10-K, I want you to ignore the land sales, because the land sales are not something that's that predictable. You can look at the values for references, but the recurring revenue from oil and gas royalties and easement revenue is what you really need to focus on. If you look at that over the last five years, royalty revenue has increased at a compound annual growth rate of nearly 12%, and easement revenue has grown at a compound annual growth rate of nearly 37%. So, this equates to a 1.7 and a 4.8 multiple on 2011 revenues for these respective businesses.

Meanwhile, West Texas Intermediate has gone from nearly $100 a barrel in 2011 to around $50 today, in October 2016. Natural gas has stayed around $3 per million British Thermal Units (MMBtu). So, you've basically seen tremendous high-margin growth in Texas Pacific's businesses despite the energy complex.

How are they achieving this? There are two ways. The royalties are related to nonparticipating perpetual royalty interests in oil and gas minerals in West Texas. Texas Pacific has effectively no cost for doing this; they get a royalty, and this is effectively almost a 100% gross margin business. It's purely tied to production multiplied by spot prices, so, obviously, production has offset the price decline.

Perhaps more interesting and higher-growth has been the easement revenue. A lot of their acreage is in two specific parts of the Permian Basin in Western Texas, the Delaware Basin and the Midland Basin.

The Midland Basin has been known as one of the most prolific oil and gas resources in North America, if not the world, for quite a while now. It's actually extensively built and drilled. But there's still plenty of opportunity with new technology. In the Delaware Basin, the infrastructure is not nearly as developed as it needs to be.

In order for the oil and gas producers to do anything from run a pipeline, run a road, run any type of access to get the infrastructure and processing and different types of necessary requirements into the Southern Delaware Basin, they need to pay easement fees to the landowners. As a function of that, Texas Pacific has grown their easement revenue, primarily from pipelines, but also from other types of access to their properties, at 37% for five years running now.

If anyone wants to understand the level of opportunity we're talking about here, just simply punch in a Google search on the Delaware Basin. And you will see just incredible activity in the Delaware Basin in terms of the level of transactions and the results that are coming out of wells where we knew there was potential, but we really had no idea until pretty recently how prolific this formation is.

So, just to give you an idea, five counties in the core Delaware Basin are Reeves County, Loving County, Culberson County, Winkler County, and Pecos County. Across these Delaware Basin counties, Texas Pacific owns over 600,000 surface acres and nearly 300,000 gross royalty acres. Then you can look at the Midland, which everybody has already known was phenomenal, with Midland, Glasscock, Upton, Ector, and Howard Counties, where they respectively own about 80,000 surface and 50,000 gross royalty acres.

So, obviously, the acreage is very different from every single parcel. But, if you want to look at reference transactions, there's a company called Silver Run Acquisition, another called Parsley Energy, others called Diamondback Energy, PDC Energy, and Apache Energy, that have all reported well results and transactions in this Delaware Basin within the last six months. If you look at the share price of Texas Pacific, the recovery in oil prices has helped, but, if you really want to understand the dynamics of what's been happening, look at those five companies, and some of the results that they've been reporting. I think that will give you a much better idea.

I'm going to wrap up there and see if we can get into the Q&A.

Chris Bell: I'd like to ask you a couple of questions that have come from the field. First of all, what is our general level of cash? And are you waiting for a pullback? Or are you just waiting for specific opportunities? And, second, we have held large positions in the emerging markets, China for one, and others. What are we seeing in the emerging markets given their valuations versus the U.S. markets and other markets?

Peter Doyle: Cash positions have ranged anywhere from, say, 15% to a high, I think, of close to 25% in various funds. It's really a function of just waiting for opportunities where there's an attractive risk reward profile of which to take advantage. Those opportunities come around periodically, and, when they do, we'll be fast to act. We're not seeing tremendous amounts of opportunity, either here in the United States or in the rest of the world. So, the cash is not burning a hole in our pockets, and we intend to sit still until we see opportunities that we really desire.

Chris Bell: Thank you, Peter. One other question that comes up frequently around this time of year is whether we'll be distributing any capital gains or any income. I would just like to remind everyone of our tax loss carry forward in the Paradigm Fund. It's still over 50% of the value of the fund. And, in the Small Cap Opportunities, it's still over 50% of the value of the fund. So, we do not anticipate paying any distribution of capital gains or income. As that relates to people's planning for year-end and for taxes, consult your accountant, of course. But that's sort of how the fund has been positioned. We haven't paid any capital gains in either fund for over five years.

Questioner 1: Thanks for taking the call. Your commentary on Texas Pacific was very compelling. I was just curious: how big do you think that position can get in the portfolio?

Peter Doyle: As you know, a '40 Act fund must adhere to a variety of investment limitations, and while there are exceptions, that generally means no more than two positions can be greater than 24.99% of a fund's assets. Suffice to say, we're aware of the size, and, will ensure the fund is managed consistent with any applicable restrictions.

James Davolos: I just wanted to add to that. Typically, when you see a strong-performing stock, there has been a catalyst that has caused the realization in the value of the stock or a development that has actually increased the value. I think that in the case of Texas Pacific, it's far more a case of the latter, where the fundamental improvement in what has transpired over the past 6-12 months vastly outstrips the move that you've seen in the stock.

When we look at risk, we look at what we believe is a reasonable downside scenario, relative to what we believe is a reasonable upside scenario. Needless to say, we believe the asymmetry is skewed heavily towards the upside potential.

Questioner 1: Thank you.

Questioner 2: Thank you for the call, fellas, and for a nice year so far. Two questions; one you've kind of addressed, but I hear it so much from clients, I always promise I'll ask. The cash position: when we went into 2008, there was about 2-3% in cash. And now there's approximately 20%. What would change your mind? For instance, if earnings come out better than expected, and the S&P continues to make new highs, anything change your mind?

And the second question is—I know, you know, market timing is a fool's game. But I look at a couple of the positions, like Howard Hughes, in 2012 it was $40; a couple years later, it goes to $160, and then back down to $80. Icahn, in 2012, it was $40; two years later, it goes to $146, and now it's back to the $40s. Any type of plan to capture some of this amazing growth when it happens in such a short period of time, rather than watch them, you know, come back down to perhaps where we entered in the first place? Thanks.

Peter Doyle: I think one of the fair criticisms of us really was in the year 2008. We were heavily invested in the financial services sector, principally through the exchanges. At that time, the valuations probably became a little bit more stretched than we should have been comfortable with, and we didn't take as much off the table as we should have. I don't think that's going to happen in the future.

I think James gave the answer prior to my commenting on that: we're constantly looking at the risk/reward of any investment that we have in the portfolio. The price appreciation of a security doesn't necessarily mean it needs to trigger a sale, because the opportunity set in front of it still may be very attractive, and the downside risk is limited. So, we're constantly mindful of that. I think, now that we're more aligned with owner-operators in many of our funds, if they're really selling, that's a trigger for us now, also, that we never had in the past, and something that we'll be looking for. We have sold things that have gone up in price, if we thought that the opportunity set was no longer there.

But, Dennis, we view our responsibility, once we make the investment, as constantly looking at the investment thesis that we have in place and making sure that the data supports it and the pricing of the asset is such that we're going to make a good return for our investors going forward. I'm not going to tell you that we're going to trade in and out of things just because something goes up, because that's not who we are. But we're definitely mindful of getting an adequate return on capital. If something goes up and we don't believe that the return is going to be there in the future, we're going to sell it.

With regard to the cash position that you mentioned, you know, the cash is there just based on the opportunity set that we're seeing out there. It's not designed to be there long-term. It could change tomorrow. If something happens and there's an opportunity, the cash allocation could go down very quickly. So, that's how we intend to act.

As to the return characteristics, if you look at most securities, really, returns come in very discrete bursts. You have to be around, and you have to be invested for those, or you have to be sitting on the sideline waiting for something that happens on the downside to take advantage once it gets washed out.

James Davolos: And, Dennis, I'm sure you've seen those figures from American Funds: if you were out of the top 10 days of any year over the last 20 years, you went from a 16% return to 12% annualized return. You know, those numbers are pretty staggering. The key is to just stay invested.

Questioner 2: Yes, I have seen them. Yes.

Questioner 3: Hey, guys. Quick question—we talked a lot about, you know, the market and the reason for the defensive stance, and I think it's pretty clear. And you guys aren't alone in that area. A lot of other well-known investors—Carl Icahn, Bill Gross—have been taking a similar stance. Peter, in your mind, do you foresee this as a large correction coming, or just a market that might trade sideways for a long period of time? I'm just kind of curious to get more insight into how you think this is all going to play out.

And then I have a question about something totally different about yield. We didn't really talk about, you know, income or yield. And I know you guys have a fund that concentrates on that area. Are there any opportunities there? Is that a strategy that you'd be shifting money away from equities and into at this point in time?

Peter Doyle: With regard to your first question, you know, the downside risk, as James pointed out, with just minor changes in some of those input variables, is quite large. I don't know whether or when that's going to come, and I'm not willing to make that bet on behalf of investors.

But I can tell you that something tends to pop up, from time to time, that causes markets to decline, whether it's the default of Deutsche Bank or some Italian bank that's having problems right now. There are enough things that could actually go wrong and cause people to head to the exit very quickly. I'm not suggesting that's going to happen, and unless rates rise dramatically, I don't see a broad sell-off in the market. But there's always some exogenous event that could cause that to happen. Many securities are priced in a way that they would not handle that very well. So, it wouldn't shock me, but that's not our prediction.

I'm going to let Chris give the answer regarding the yield products that we have here.

Chris Bell: I think you're referring to the Multi-Disciplinary Income Fund, symbol KMDNX (No-Load Class). Just to quote some of the stats, it's got an average maturity of less than three years and a duration of even less. That portfolio is getting shorter and shorter on a daily basis. It is ready for any kind of exogenous risk in the marketplace, because it is not currently short any puts. That fund can sell puts to add to income. We'd be selling 15-20% out-of-the-money puts, 6-12 month puts, on names for which we would be long the stock in some of our long equity portfolios.

That fund has very good cash flow as of late, and is sitting just under $100 million in net assets, and is performing well this year. The stated yield is 5.25% right now, and it's paying out 1% quarterly in the form of distributions. So, I hope that answers your question.

Peter Doyle: I can also add that Murray Stahl, who runs that fund on a day-to-day basis, is very optimistic about the fund, and he thinks there are really attractive opportunities for people who have cash and want a higher yield on it. The volatility in that fund is very low, and the yield that you get is attractive relative to the Barclays Aggregate Bond Index. So, Murray is very positive.

Chris Bell: Okay. I'd like to thank everyone for being on the call today and, again, remind you that you can go to www.kineticsfunds or www.horizonkinetics.com to see our information, our published white papers, and the mutual fund fact sheets.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of September 30, 2016	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**0.41%**	7.84%	6.08%
One Year *(annualized)*	**4.49%**	15.43%	14.97%
Three Year *(annualized)*	**2.24%**	11.16%	12.09%
Five Year *(annualized)*	**12.80%**	16.37%	17.07%
Ten Year *(annualized)*	**8.85%**	7.24%	8.93%
Since Inception*(annualized)*	**13.67%**	7.75%	7.58%

Performance data quoted is as of September 30, 2016. 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 1.87%. 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, 2016	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-6.21%**	7.84%	6.08%
One Year *(annualized)*	**1.16%**	15.43%	14.97%
Three Year *(annualized)*	**7.94%**	11.16%	12.09%
Five Year *(annualized)*	**15.26%**	16.37%	17.07%
Ten Year *(annualized)*	**9.48%**	7.24%	8.93%
Since Inception*(annualized)*	**9.34%**	5.13%	3.96%

Performance data quoted is as of September 30, 2016. 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 1.62%. 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, 2016	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**12.85%**	7.84%	6.60%
One Year *(annualized)*	**9.58%**	15.43%	11.96%
Three Year *(annualized)*	**-2.85 %**	11.16%	5.17%
Five Year *(annualized)*	**7.18%**	16.37%	10.63%
Ten Year *(annualized)*	**2.48%**	7.24%	4.34%
Since Inception*(annualized)*	**-2.43%**	4.34%	3.16%

Performance data quoted is as of September 30, 2016. 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 1.90%. 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, 2016	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**13.19%**	7.84%	6.60%
One Year *(annualized)*	**14.25%**	15.43%	11.96%
Three Year *(annualized)*	**4.05%**	11.16%	5.17%
Five Year *(annualized)*	**13.76%**	16.37%	10.63%
Ten Year *(annualized)*	**5.01%**	7.24%	4.34%
Since Inception*(annualized)*	**8.47%**	4.34%	3.16%

Performance data quoted is as of September 30, 2016. 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, 2016	KSCOX (Net of Fees)	Russell 2000 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**14.74%**	11.46%	7.84%
One Year *(annualized)*	**14.39%**	15.47%	15.43%
Three Year *(annualized)*	**1.52%**	6.71%	11.16%
Five Year *(annualized)*	**14.96%**	15.82%	16.37%
Ten Year *(annualized)*	**5.25%**	7.07%	7.24%
Since Inception*(annualized)*	**9.08%**	6.52%	4.44%

Performance data quoted is as of September 30, 2016. 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 1.67%. 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, 2016	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**10.82 %**	7.84%	1.73%
One Year *(annualized)*	**8.32%**	15.43%	6.52%
Three Year *(annualized)*	**2.67%**	11.16%	0.48%
Five Year *(annualized)*	**11.28%**	16.37%	7.39%
Ten Year *(annualized)*	**5.95%**	7.24%	1.82%
Since Inception*(annualized)*	**5.94%**	7.33%	2.43%

Performance data quoted is as of September 30, 2016. 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 1.76%. 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, 2016	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**3.06%**	2.39%	5.80%
One Year *(annualized)*	**5.60%**	2.18%	5.19%
Three Year *(annualized)*	**3.06%**	1.61%	4.03%
Five Year *(annualized)*	**6.11%**	1.97%	3.08%
Ten Year (annualized)	**-**	3.39%	4.79%
Since Fund Inception*(annualized)*	**0.11%**	3.30%	4.93%

Performance data quoted is as of September 30, 2016. 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 1.20%. Kinetics Asset Management LLC, the Investment Adviser to the Alternative Income Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 0.95% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Multi-Disciplinary Income Fund

As of September 30, 2016	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**10.22%**	5.80%	15.11%
One Year *(annualized)*	**10.22%**	5.19%	12.73%
Three Year *(annualized)*	**3.61%**	4.03%	5.28%
Five Year *(annualized)*	**7.38%**	3.08%	8.34%
Ten Year (annualized)	**-**	4.79%	7.71%
Since Inception*(annualized)*	**4.99%**	4.39%	8.55%

Performance data quoted is as of September 30, 2016. 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 1.60%. Kinetics Asset Management LLC, the Investment Adviser to the Multi-Disciplinary Income Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.49% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

(Holdings begin on next page)

Internet Fund **Top 10 Holdings (%) as of September 30, 2016**	
EchoStar Corporation - Class A	5.9%
Alphabet, Inc. - Class A	4.2%
Liberty SiriusXM Group - Class C	4.2%
Alphabet, Inc. - Class C	4.1%
CACI International, Inc. - Class A	2.6%
The Madison Square Garden Company - Class A	2.4%
PayPal Holdings, Inc.	2.3%
Liberty Broadband Corporation - Series C	2.2%
Starz - Class A	2.2%
Liberty Global plc - Series C	2.1%

Paradigm Fund **Top 10 Holdings (%) as of September 30, 2016**	
Texas Pacific Land Trust	19.4%
The Howard Hughes Corporation	11.1%
Icahn Enterprises LP	4.9%
Brookfield Asset Management Inc. - Class A	4.3%
CBOE Holdings Inc.	3.1%
Liberty SiriusXM Group - Class C	2.9%
AutoNation, Inc.	2.8%
Live Nation Entertainment, Inc.	2.8%
Onex Corporation	2.4%
Franco-Nevada Corporation	2.2%

Medical Fund **Top 10 Holdings (%) as of September 30, 2016**	
Biogen Inc.	9.0%
Eli Lilly & Company	7.6%
Bristol-Myers Squibb Company	7.4%
Johnson & Johnson	7.1%
Pfizer, Inc.	6.4%
Novartis AG - ADR	6.1%
Alkermes plc	5.0%
Shire plc - ADR	5.0%
Lonza Group AG	4.9%
GlaxoSmithKline plc - ADR	4.6%

Market Opportunities Fund **Top 10 Holdings (%) as of September 30, 2016**	
Texas Pacific Land Trust	17.6%
Icahn Enterprises LP	7.1%
The Howard Hughes Corporation	6.6%
Onex Corporation	6.4%
Tropicana Entertainment Inc.	4.6%
Visa, Inc. - Class A	3.9%
OTC Markets Group Inc. - Class A	3.9%
Dream Unlimited Corp. - Class A	3.8%
CBOE Holdings Inc.	3.2%
Partners Value Investments LP	2.1%

Global Fund **Top 10 Holdings (%) as of September 30, 2016**	
Texas Pacific Land Trust	9.0%
Fairfax Financial Holdings Limited	5.6%
Siem Industries Inc.	4.8%
Onex Corporation	4.6%
The Howard Hughes Corporation	4.4%
Bollore SA	4.3%
Icahn Enterprises LP	4.0%
Clarke Inc.	3.1%
Dream Unlimited Corp. - Class A	3.0%
Brookfield Asset Management Inc. - Class A	2.7%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of September 30, 2016**	
Texas Pacific Land Trust	22.9%
The Howard Hughes Corporation	8.7%
Icahn Enterprises LP	8.6%
Dream Unlimited Corp. - Class A	6.2%
The Wendy's Company	4.8%
Onex Corporation	3.8%
Live Nation Entertainment, Inc.	3.5%
Tropicana Entertainment Inc.	3.1%
Dundee Corporation - Class A	2.2%
Newell Brands, Inc.	2.1%

Multi-Disciplinary Income Fund **Top 10 Fixed Income Holdings (%) as of September 30, 2016**	
Brookfield Residential Properties	7.4%
Post Holdings, Inc.	5.3%
Sotheby's.	4.7%
IAC/InterActiveCorp	4.4%
Royal Gold, Inc.	4.4%
Ashland Inc.	4.2%
Penske Automotive Group Inc.	3.9%
The Howard Hughes Corporation	3.8%
TRI Pointe Holdings, Inc.	3.6%
Icahn Enterprises	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.

-END-