Kinetics Mutual Funds
First Quarter 2017 - Conference Call with Peter Doyle
April 4, 2017

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on April 4, 2017, Peter Doyle, Co-Founder of Kinetics and 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.

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Index Descriptions & 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 S&P® 600 Index measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. 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 cyclically adjusted price-to-earnings ratio, commonly known as CAPE or Shiller P/E is a valuation measure usually applied to the S&P 500 Index where component stock price is divided by the average of ten years of earnings, adjusted for inflation.

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Chris Bell: Good morning everyone. Thank you for joining today's call. I'll talk a little bit about performance, and then Peter has some notes on the top holdings, and then there will be a question and answer session, so please do hold and you'll have an opportunity to ask questions. Regarding performance, the performance for the first quarter lagged the benchmarks. The Paradigm Fund's (No-Load Class) return was positive at about 1.33% versus over 5% for the benchmark S&P 500 Index ("S&P 500") and the Small Cap Opportunities Fund (No-Load Class) was down about 1.5%. Again, we try not to get too disheartened by underperformance on a quarterly basis, preferring, like most of you listening, to look at long term returns. I'd also like to mention that we now have a redesigned the Horizon Kinetics website. You'll recall that we have 2 websites – www.horizonkinetics.com, which contains some of our research and information on our investment process, and www.kineticsfunds.com, which is specific to Kinetics Mutual Funds and has links to facts sheets, presentations, up-to-date performance, top holdings and other useful statistics. As always if you have any questions, please do not hesitate to contact us at 914-703-6950, we are here as a resource for you. Oh, by the way, we also have a Twitter account. If you follow us at @horizonkinetics, you'll be notified when we post research and you'll see links to third party articles that we find interesting. With that, I'd like to turn it over to Peter Doyle, Co-Founder and Senior Portfolio Manager.

Peter Doyle: Thank you, Chris; good morning to everyone, and thank you for joining us. I don't want to belabor the phenomenon that we've spoken about many times in the past, regarding the shift from active management into passive strategies. However, I think it requires some comment, because it's still a main factor in how asset prices are set in the marketplace right now. We believe that we're at a tipping point and that it's not going to be a very pleasant experience for a lot of people who have blindly allocated too heavy a portion of their investments to exchange-traded funds without regard to valuations. In fact, we believe this so strongly, that we're doing the mirror opposite of that.

We calculate that roughly 65 to 70% of the entire equity market capitalization of the United States is in index tracking products. Based on that size, it's effectively impossible for the large ETFs and their holdings' stock prices to rise, solely as a result of additional inflows of investor money (as we believe has been the case for quite some time). The bulk of that money is already in. So, that support of investor inflows is going to have less of an impact going forward.

What that means is that the business returns of the companies themselves are going to have to support (or not support) the valuations. And that's where the real problem is for passive strategies right now. Again, fundamentally, there's nothing wrong with passive investing. It becomes a problem when the vast majority of people practice it. It takes away the normal price discovery function, by eliminating value oriented active managers who expand considerable resources through intensive research in order to help set market prices. If everyone adopts passive strategies, who sets the market price based on fundamentals? The answer is no one.

That's the problem that the market's facing right now. To put things in perspective, the current cyclically adjusted P/E ratio of the S&P 500 stands at 28.85[1]. It has been higher twice in the history of the U.S. equity market: in 1929 and in 1999. The current dividend yield on the S&P 500 is 1.94%. So, if you're talking about an earnings yield of, let's say 3.5%, and a current yield of 1.9%, there's actually no margin of safety in the S&P 500. And if you look at how the top names in the S&P 500 are supporting that dividend, a lot of them have actually levered their balance sheet up fairly substantially over the last five years in order to support that payout. If you read any of Benjamin Graham's work, in general terms, you would note that he would be looking for an earnings yield of five percentage points above the risk-free rate, as measured by the 10-year Treasury.

Today, the 10-year Treasury rate is 2.4%; so there is no, "margin of safety," in broad terms. The low point for the 10-year Treasury was 1.5%, and that occurred in July of 2016. Based on all indications that the Fed has given in the recent past, the probability is that the yield is going to go higher and not lower, which means that you're not going to get asset price support from lower interest rates, and it doesn't appear that you're going to get multiple expansion, based on the current P/E multiple. Therefore, you need to have earnings growth. But when you look at the top holdings, the companies that largely drive the top indices, their earnings are actually flat to down, and in many cases the revenues are flat to down. Consequently, this is a situation where it's hard to envision a world based on passive strategies in large cap equities where you can make a meaningful return looking out over the next decade.

Now, we are not predicting a collapse because the diversification is so widespread that unless everyone decides to head for the exit at the same time, you're not going to have a collapse such as that of 2008. That

[1] http://www.econ.yale.edu/~shiller/data.htm

being said, you’re also not likely to make any money. Our belief is that the only way to make money in this type of environment is to be off the beaten path; you have to accept the fact that you need concentration because the opportunity set for undervalued securities is very limited. We have taken the position, and we’ve stressed it in the past, that we are an asset *management* firm. We are not an asset *gathering* firm. I can see, even internally, that that creates conflict. Because, obviously, our marketing staff would rather that we fit into boxes and be on platforms and in programs where assets comes in on a steady basis. But that’s just not how we operate as an investment firm. Meaning that we are investing somewhat cautiously, in some cases maintaining higher than normal levels of cash, and considering valuations *very* carefully. There is a subtle, yet profound decision being made here; one of attempting to isolate individual businesses at attractive valuations, allowing this to dictate our returns over the long-term. Conversely, those concerned with “asset gathering” seek merely exposure to equity as an asset class – with the vast majority of any gains or losses attributed to the asset class itself (beta). Caveat Emptor

Remember, the current price-to-book value on the S&P 500 is currently 3.1 times, and the price-to-sales is 2.06 times. The low point was in 2008, when the price-to-sales ratio was 0.8x, and the high point was probably about 3.5x, in early 2000. In broad terms, the probability of getting a robust rate of return from U.S. equities, or global equities for that matter, is, in our opinion, very slim. If you look at our portfolios, you can see that we’re actually not doing what the typical investment management firm is doing.

Let’s take a look at our top positions. One of our largest positions, and a top holding in most funds, is Texas Pacific Land Trust (NYSE Symbol: TPL), which ranges between 15 - 20% of some of our portfolios. Most people (perhaps without knowing about TPL), would look at that and say, well, that’s too high of a concentration and that’s irresponsible. But, we look at the fundamentals and believe differently, and let me tell you why.

Now, this is a stock that we’ve owned for 30-plus years), and we believe the fundamentals today are far more attractive than they were when we first made this investment. Nowadays, a lot of attention is being given to companies that are disrupting marketplaces by taking advantage of new technologies. Well, if you want to talk about developments in technology, look at what’s going on in the oil and gas industry. In the not-too-distant future, I would say within three years’ time, the U.S. is likely to be oil independent, or energy independent. That’s not going to bode well for other parts of the world, particularly the Middle

East. That dramatic shift is being made possible by the oil and gas industries' use of, and investments in, cutting edge technology.

To put things into perspective, in the year 2013, a company that was drilling in shale could use its rig maybe five times in a given year, and the average cost of using that rig might have been in excess of $14 million per well. Today, a typical company drilling for oil or gas in shale can now use that same rig 16 times a year. The cost of drilling a well is now below $5.5 million per well in many cases.

If you think about what that means for oil prices and gas prices, it means that most of the companies that are drilling in the Permian Basin can actually be very profitable with oil around $40 a barrel. And if you looked at Saudi Arabia today, Saudi Arabia needs around $70 a barrel in order to profitably extract oil while bringing their budget into balance.

So, the U.S. has a very strong competitive advantage, and in the not-too-distant future, we believe the U.S. is actually going to be exporting natural gas. Here in America, you're paying a little over $3 a cubic foot for natural gas; in Japan, they're paying over $10.

Getting back to Texas Pacific Land Trust, in the year ended 2016, TPL had 21% growth in oil and gas revenue year over year, and 9% growth in easement and sundry income year over year (adjusted for deferrals). TPL recently declared a $1 special dividend because of their cash flow. And it recently sold surface acreage in Reeves County, Texas, one of the counties in which it owns land, for approximately $19,000 an acre. If you take the remaining surface acreage (and only the surface acreage, effectively discounting all the oil and gas royalty interests to zero), and divide that remaining surface acreage by the number of shares outstanding, it works out to be that each share of TPL is worth $2,500.

Yes, it's a large position, but we believe it has a high margin of safety. The world is re-discovering the potential of that region in Texas, the technology is improving with respect to how to get the oil out of the ground, and major oil companies are now focusing their drilling activity in that area. ExxonMobil, Shell, and Chevron are investing over $10 billion in that area to extract or to buy companies. We also note that TPL is in a very inefficient tax structure right now. If the company benefitted from tax relief, either from changes in the tax code or through changes in their corporate structure, we believe that alone would likely trigger a substantially higher share price from the current value.

Another one of our top holdings, the second holding in the Paradigm Fund, is Howard Hughes Corporation (NYSE Symbol: HHC), which went from being solely a development company, to now being a development company that is also producing cash in a very substantial way. We believe it's likely that management splits HHC, in the not-too-distant future, into a REIT and a development company. If that occurs, we believe they're likely to unlock a lot of value.

Just to give you an update on what's occurred in the first quarter, HHC's cash flow from planned communities' revenue is up 176% in Bridgeland, Texas, and the increase in pricing accounted for about 44% of that. The run rate of net operating income on existing properties is now approaching $300 million a year. With respect to the South Street Seaport, where HHC has 11 acres of real estate that they're currently developing, the management team recently said that they believe that it will ultimately have a value (maybe three to five years from now) of several times HHC's cost. And the cost of that project is roughly $750 million. So, the South Street Seaport property alone could actually support a big chunk of the current valuation today. And as I mentioned earlier, the management team is very aware of what they have. They now have some income producing properties that they can spin off, and they still have some remaining development properties. The management team is actually hosting their first investor day on May 18th of this year, and I'm thinking that they're going to call attention to what's going on at the company because it's largely been ignored by Wall Street and the investment community.

Looking out over the next several years, we believe these two positions can provide us with a very adequate rate of return, and, we believe the return will be far in excess of what you're likely to get by investing in the broad market.

Let's look at another large holding, the third top holding in the Paradigm Fund, Icahn Enterprises, L.P. (NYSE Symbol: IEP). During the first quarter, IEP finalized its acquisition/tender offer for Federal-Mogul. The company raised over $600 million in a rights offering, as well as refinanced senior notes and upsized that offering to $295 million. During the quarter, IEP's net asset value grew by 34%, which was largely associated with the realization of value in American Rail Leasing, with the sale of that company. IEP had over $4.5 billion of liquidity at the end of 2016. We're talking about a company that provides you with over a 10% current yield, that's run by a very astute investor who is quite negative on the market. He has very good downside protection—the hedge fund that he operates on behalf of the investors of Icahn

Enterprises is about 128% net short. So, Icahn is seeing some of the same things I think we're seeing in terms of the valuation of the broader market, and he's positioned accordingly. And in spite of being short, the NAV rose very substantially in the first quarter.

Lastly, we'll talk about the fourth top holding in the Paradigm Fund, Brookfield Asset Management ("Brookfield" - NYSE Symbol: BAM). Brookfield is a similar story, a company that has made, and continues to make, investments in oil and gas, real estate and infrastructure products. Brookfield's funds from operations grew 27%, year over year, from 2015 to 2016. The company has fee-bearing capital that grew 16%, and had 44% growth in private funds. Brookfield has $22.2 billion of net invested capital on behalf of shareholders. And it has a management team that is excellent at execution and offers wide diversification.

So, just looking at those top four names, which represent a sizeable portion of most of our portfolios, we are very comfortable with where they're positioned, the business developments that are going on within those companies, and how they're currently valued. As Chris pointed out, we ask that investors take a longer term time horizon with us. While our one-year numbers were very good, our three- and five-year numbers aren't as great. But, we believe the catalyst for active management underperformance was substantial flows to passive strategies, which cannot be sustained.

Consequently, we're optimistic about the funds' positioning for the future and believe they will outperform the market in a very meaningful way. With that, I'm going to open it up for questions.

Chris Bell: Peter, while we're waiting for the question queue, would you mind just briefly outlining the investment in Fannie and Freddie, which is not in our mutual funds, and how we think it unfolds? Also, if you could speak to cash positioning in the mutual funds.

Peter Doyle: We're sitting on a sizable cash position in certain of our funds that's principally because we believe many companies are fully valued or, at least, only mildly undervalued.

With regard to Freddie and Fannie, something needs to be done with the structure. The government sweep, and the government taking all the profitability from those companies is not sustainable if they want to have a robust housing market.

We think that, at some point, the government will recapitalize them. They swept the money on March 31st, but there were a lot of people who were hoping that perhaps they would not sweep it, and would instead allow Fannie and Freddie to actually keep that, so as to recapitalize themselves. We think that, in order to get the market to invest in these companies, they're going to need to recapitalize. And if they do recapitalize, we believe the preferred shares will actually go up in value and be traded at par—many of them are currently trading at a third of their par value. So, the investment is really just a function of the need for a robust housing market, the recognition by the politicians of what needs to occur, and ultimately, the potential for recapitalization that would allow the preferred shares to get back to what we believe they deserve to be trading at, which is par. That said, we do not recommend investors allocate to these names without fully researching the opportunities as there is substantial risk associated with them.

Chris Bell: Peter, I did get a question the other day about the recent ETFs that have been denied for bitcoin. What are your thoughts are on that, and does that change our investment thesis at all?

Peter Doyle: We've heard feedback about the risk profile of bitcoin, and, again, it seems like we're off the beaten path and have lost our way by making an investment in bitcoin. There are two ways of looking at bitcoin, and I think you have to look at them both. One is from the financial standpoint. In success mode, it's easy to get giddy about the potential for bitcoin. If it becomes a leading store of value, or a global store of value, the market capitalization of bitcoin could go from where it is today, somewhere around $16 billion or so, to well into the trillions. I personally don't believe that's a long shot. I believe that's actually a reasonable possibility.

That being said, on the technological side, there are so many unknowns, and that's where the real risk is. And there is substantial risk. From that standpoint, you need to be cautious, which is why it is sized at a very modest position in our funds, such that if it went out of business, or bitcoin ultimately became worthless, it would be a rounding error in our annual performance numbers.

But in success mode, going from a $16 billion market capitalization to several trillion dollars, perhaps even much larger than that, it could actually drive our funds. What we believe is going to happen is that there's going to be a quantum leap. At some point in the future, there will be a shift, and people are going to recognize its potential value. You're starting to see it around the world—it doesn't have to happen here in the United States (although I hope it does, for our sake)—that people will want to use this as a store of value. You're seeing it in Mexico, you're seeing it in the United States, and you're seeing it in Venezuela, among other countries; it's becoming more accepted and, on a day-to-day basis, people are starting to invest in it.

What we continue to look at, and what we continue to be hopeful about, is that, on a daily basis, the number of digital wallets that open up will far outweigh the number of coins issued. And we believe that issuance is only going to decline in the future.

It's the ultimate supply-demand story. The demand continues to grow at rates far in excess of the supply, and ultimately there's a tipping point. If that continues to go into place, the price will reflect that, and you'll see quantum bursts in price. Hence, despite the setbacks that they've had, i.e., the SEC not allowing ETF or exchange-traded products on these in the recent past, the currency went down, but came back pretty fast.

There are likely to be futures listed on bitcoin, probably before the end of the summer of this year. And if that's, in fact, the case, those are cash-settled products, and then an ETF will be able to be started based on that. The underlying demand will cause bitcoin to go higher, in our opinion. Therefore, this is a long way of saying we sized it in a way that we were comfortable, so that if it went to zero it wasn't going to significantly affect the long-term performance of the funds. But in true success mode, it would have a very, very meaningful impact. I want to stress that what we're doing in our funds is radically different than what's going on in the rest of the world. And in each and every passing year, there seems to be fewer and fewer people like us out there, because they've either closed up shop, lost assets, or thrown in the towel and said, you know what, let me buy Amazon and the index tracking products.

My colleague, Murray Stahl, just came in about 15 minutes ago with a note on a piece of paper saying that Tesla has now surpassed Honda in market capitalization. That's just one example of insanity. Amazon is the third largest company in terms of market capitalization, or maybe possibly the fourth largest. And yet, it's never produced really meaningful earnings, and I don't know how long that can continue, but at the end of the day, earnings actually have to be produced in order to justify market capitalization. If they don't, it's real trouble. Consequently, you're going to have a lot of funds that own companies like that, that are going to get hit hard. And there are a lot of ETF products that have those types of companies, but they are at the extreme – the Coca-Colas of the world, the Procter & Gambles: they're overvalued, but there is some logic to them. They're dividend-paying companies in a low interest rate environment; they're, blue chip companies. You're not going to make money in those in our opinion, but you're likely to get hurt in the other names. And we're about as far away from that as you can possibly be.

Chris Bell: Peter, a point has been made to me recently that several of the holdings in our funds taken over last year or saw large price movements during a short period of time, can you speak to that?

Peter Doyle: What is really happening is that we're trying to find the companies that are off the beaten path, or not desired by most institutional investors and are out of favor for whatever reason. The return characteristics in those types of businesses tend to be very episodic. The market says we want nothing to do with, for example, DreamWorks, and then a strategic buyer comes along and is willing to pay substantially more than the market price, and you get all your return, in a day's time. That's the nature of what we do. It obviously doesn't always pan out like that, but that's the inherent role of an active manager. The pattern of our funds' returns is going to be lumpy, based on two things: one, the size of the positions that we have, and two, that most of our holdings aren't in traditional portfolios. So, they have a strategic value that we see and that we believe other people will ultimately see. If things play out like we envision, it is likely that returns will be generated very quickly and. I think bitcoin is just an example of that phenomenon, where we think we are going to see these quantum bursts.

Questioner 1: Hi, Peter. Thank you for a great call again. Just a couple of questions on Icahn Enterprises. Is there a net asset value that you'd like to share with us? And just wondering on the short positions, I remember the thesis was, it was short the market and interest rate so that if it was right it could be, and please correct me, two or three times the market price of the stock right now.

Peter Doyle: That's true. The net asset value is probably not far off from where the stock is trading, although I don't know the exact number right now. And then, you're absolutely right, the short position, that's what we were betting on. I mean, the night of the inauguration, the night of the election actually, he went back to his office and started covering his positions because he felt that there was going to be a Trump rally. Unlike most people in the investment community, he believed that something else was going to happen, and he covered that. So, he's still, I think, very acutely aware of the overvaluation and he's positioning himself to be very defensive. I don't personally see that it's going to occur that way unless you really have a spike up in interest rates, and based on comments that my colleague Murray Stahl has made in the recent past, the debt burden size of this country is so large that the economy cannot tolerate a significant rise in interest rates. It would choke off the economy very quickly.

Thus, we're talking about a relatively accommodative Federal Reserve looking out for a decade to 20 years, and we've been saying that since the financial crisis. Despite the fact that officials are likely to raise rates, they're not going to be able to raise them that dramatically. Carl Icahn may be seeing something a little bit differently than we are, but you're being paid to have that hedge in the portfolio.

Chris Bell: Peter, I had a follow-up from somebody on shippers; if you could just provide our outlook on the shipping industry.

Peter Doyle: During our investment committee meeting on Monday, Murray was talking about that. He said the only time that he's ever really had issues in his investment career was when he got caught up investing with the shipping crowd. He said that, right now, some of the names where the crowd has run away are in the shipping industry.

We believe there is opportunity in certain names in the shipping industry because shipping prices are so depressed that share prices have fallen quite low. Those companies actually have tremendously strong balance sheets. They're consolidating the industry, and when the shipping rates turn, which we believe they will because no one's building new ships, the turn may be very dramatic and the normalized earnings are at a fraction of what they could be over the next two to three years. Therefore, we believe you'll have an opportunity to make money there.

Chris Bell: That's a real boom-bust industry that potentially can boom because of the lack of ship building, right?

Peter Doyle: Yes, we're talking about shipping rates that can go up, literally, tenfold overnight. If there's demand and you need to ship something, you're willing to pay whatever the cost. And that's what it's shaping up to be. That's not going to unfold in the next year; maybe in two to three years it will unfold, but we believe you need to be there when it happens

Questioner 2: Hi, Peter. Thanks for taking my call. So, question for you. When we finally experience a material retreat in equity market valuations, or even a bear market, what are you going to expect from your fund?

Peter Doyle: Again, I don't really, or we don't really see a downdraft in the way that you had in 2008, although there are plenty of reasons to be concerned: the debt burden being one of them, which James talked about on the last call; there's the securitization of auto loans that was written up by Henry Kaufman this week in *Barron's*. That's becoming a real problem, and you can see that's going to cause a real crack, and it's going to hurt the economy.

However, given the diversification and the way people are invested right now, there's no real area for people to run to. Hence, you're going to have the blowups. You're going to have the Teslas or the Amazons or whatever the crazy names are, but those are relatively minor in terms of bringing down equity prices. Unless you have a really tremendous spike in interest rates, you're just going to have this situation, in our opinion, where you're going to go a decade and you're going to say, you know what? I own great companies, I just didn't make any returns. It could be IBM, it could be Proctor & Gamble, or it could be Coca-Cola. They're just priced in our opinion where your chances of getting a return are low.

In that type of environment, where I think those companies are likely to get a low single-digit, possibly slightly negative rate of return, our investment process is aimed at finding names could produce a double digit say, 15% annualized, rate of return.

Now, I can't predict the timing or pattern of our performance, but I'm largely indifferent as to whether I generate a smooth or lumpy return and whether it takes 3 years or 1 year because the end result is going to be, in my opinion, an attractive risk adjusted rate of return. To answer your question, I could see us having the type of outperformance that we had from 1999 to 2007. I can't guarantee that, but personally, that's how I believe it's going to shake out for us.

Questioner 2: A second question. What type of margin of safety do you see in the stock of Sears Holdings at $11.80 a share?

Peter Doyle: Not a lot, actually, not a lot. The problem there, and that was a mistake on our part, is that we were hoping Eddie Lampert was going to rationalize the real estate, and we thought the real estate value was more than enough to provide support. Instead, he's trying to turn it into a retailer, and that's not a winning strategy in our opinion. That's not the way the world's going. Most people don't even want to leave their homes anymore just to buy things. My children go to the mall just to socialize with friends, but most people are buying online and they're just not going to make that jump. In most of our portfolios, we've reduced Sears very substantially, and in a lot of them we're out of it already. I'm not that sanguine about the prospects, even at the current price.

Questioner 3: Thanks, Peter, appreciate the candid feedback you're providing and look forward to where the funds are headed.

Peter Doyle: You know, we're constantly scouring the landscape for other opportunities. There just aren't that many available that provide investors with a potential upside that's large and which have a margin of safety. And I think that's really where the returns are going to come from. So, that's the principal difference between us and how the rest of the world is currently invested.

Chris Bell: I think it's amazing to compare the margin of safety from Exxon to TPL, and look at the debt of Exxon and the fact that TPL has no debt. You can't compare the two.

Peter Doyle: There is no margin of safety in ExxonMobil. But that doesn't mean it's going to come down 50%. It pays a dividend. People view it as safe. It has liquidity. It's in all the ETFs. The ETFs are not going away. However, we believe the ability for them to influence prices the way they have in the recent past is no longer available to them. The money flows are going to have to slow down considerably. Then, what's going to drive the prices? You're really talking about fundamentals. And for most of those companies, we don't believe the fundamentals are very good.

I appreciate everyone's time and continued confidence in us. I can't stress enough just how optimistic we are about our current positioning. We think we've assessed it properly. We base our investments on the facts as we understand them. Sometimes we're wrong. But based on some of the characteristics associated with our top holdings, we feel the allocations we've made away from the crowd will ultimately benefit our shareholders.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of March 31, 2017	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**4.68%**	6.07%	9.82%
One Year *(annualized)*	**10.06%**	17.17%	21.39%
Three Year *(annualized)*	**1.84%**	10.37%	12.08%
Five Year *(annualized)*	**9.80%**	13.30%	13.84%
Ten Year *(annualized)*	**8.72%**	7.51%	9.34%
Since Inception*(annualized)*	**13.68%**	8.07%	7.96%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**3.98%**	6.07%	9.82%
One Year *(annualized)*	**9.08%**	17.17%	21.39%
Three Year *(annualized)*	**4.24%**	10.37%	12.08%
Five Year *(annualized)*	**12.67%**	13.30%	13.84%
Ten Year *(annualized)*	**8.67%**	7.51%	9.34%
Since Inception*(annualized)*	**9.19%**	5.56%	4.48%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**0.96%**	6.07%	6.91%
One Year *(annualized)*	**13.03%**	17.17%	15.04%
Three Year *(annualized)*	**-3.86%**	10.37%	5.08%
Five Year *(annualized)*	**4.02%**	13.30%	8.37%
Ten Year *(annualized)*	**1.90%**	7.51%	4.00%
Since Inception*(annualized)*	**-2.23%**	4.80%	3.54%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**1.41%**	6.07%	6.91%
One Year *(annualized)*	**22.43%**	17.17%	15.04%
Three Year *(annualized)*	**3.14%**	10.37%	5.08%
Five Year *(annualized)*	**10.95%**	13.30%	8.37%
Ten Year *(annualized)*	**4.30%**	7.51%	4.00%
Since Inception*(annualized)*	**8.69%**	4.80%	3.54%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	KSCOX (Net of Fees)	S&P 600 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**-1.28%**	1.06%	6.07%
One Year *(annualized)*	**20.65%**	24.59%	17.17%
Three Year *(annualized)*	**-0.17%**	9.45%	10.37%
Five Year *(annualized)*	**11.72%**	14.25%	13.30%
Ten Year *(annualized)*	**3.98%**	8.80%	7.51%
Since Inception*(annualized)*	**9.24%**	9.65%	4.90%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**-1.42%**	6.07%	7.25%
One Year *(annualized)*	**15.98%**	17.17%	11.67%
Three Year *(annualized)*	**1.00%**	10.37%	0.50%
Five Year *(annualized)*	**8.49%**	13.30%	5.83%
Ten Year *(annualized)*	**4.53%**	7.51%	1.05%
Since Inception*(annualized)*	**6.32%**	7.92%	2.90%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**0.79%**	0.82%	0.65%
One Year *(annualized)*	**4.11%**	0.44%	1.61%
Three Year *(annualized)*	**2.73%**	2.68%	1.42%
Five Year *(annualized)*	**3.39%**	2.34%	1.65%
Ten Year (annualized)	**-**	-	-
Since Fund Inception*(annualized)*	**0.28%**	4.44%	3.17%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**1.62%**	2.70%	0.82%
One Year *(annualized)*	**9.76%**	16.39%	0.44%
Three Year *(annualized)*	**3.42%**	4.56%	2.68%
Five Year *(annualized)*	**4.13%**	6.82%	2.34%
Ten Year (annualized)	**-**	-	-
Since Inception*(annualized)*	**4.91%**	8.59%	3.90%

Performance data quoted is as of March 31, 2017. 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 March 31, 2017**	
EchoStar Corporation - Class A	6.9%
Liberty SiriusXM Group - Class C	4.9%
CACI International, Inc. - Class A	3.0%
Alphabet, Inc. - Class A	3.0%
Alphabet, Inc. - Class C	2.9%
The Madison Square Garden Company - Class A	2.9%
Liberty Broadband Corporation - Series C	2.7%
PayPal Holdings, Inc.	2.4%
The Bitcoin Investment Trust	2.3%
Liberty Global plc - Series C	2.2%

Paradigm Fund **Top 10 Holdings (%) as of March 31, 2017**	
Texas Pacific Land Trust	21.0%
The Howard Hughes Corporation	10.4%
Icahn Enterprises LP	4.7%
Brookfield Asset Management Inc. - Class A	4.1%
Liberty SiriusXM Group - Class C	3.1%
Live Nation Entertainment, Inc.	2.7%
Onex Corporation	2.4%
Liberty Broadband Corporation - Series C	2.3%
EchoStar Corporation - Class A	2.2%
The Wendy's Company	2.1%

Medical Fund **Top 10 Holdings (%) as of March 31, 2017**	
Eli Lilly & Company	7.8%
Pfizer, Inc.	7.1%
Alkermes plc	7.1%
Bristol-Myers Squibb Company	6.3%
Sanofi - ADR	5.7%
Johnson & Johnson	5.4%
Shire plc - ADR	5.1%
Novartis AG - ADR	5.1%
Biogen Inc.	5.0%
GlaxoSmithKline plc - ADR	4.6%

Market Opportunities Fund **Top 10 Holdings (%) as of March 31, 2017**	
Texas Pacific Land Trust	19.7%
Icahn Enterprises LP	6.7%
The Howard Hughes Corporation	6.2%
Onex Corporation	6.0%
Tropicana Entertainment Inc.	5.8%
OTC Markets Group Inc. - Class A	4.3%
Dream Unlimited Corp. - Class A	3.3%
Associated Capital Group, Inc. - Class A	2.8%
Partners Value Investments LP	2.3%
Urbana Corporation - Class A	1.9%

Global Fund **Top 10 Holdings (%) as of March 31, 2017**	
Texas Pacific Land Trust	9.8%
Bollore SA	4.5%
Icahn Enterprises LP	3.9%
Fairfax Financial Holdings Limited	3.5%
Onex Corporation	3.4%
Siem Industries Inc.	2.8%
Brookfield Asset Management Inc. - Class A	2.7%
Clarke Inc.	2.6%
The Bitcoin Investment Trust	2.5%
Dream Unlimited Corp. - Class A	2.3%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of March 31, 2017**	
Texas Pacific Land Trust	22.5%
The Howard Hughes Corporation	9.1%
Icahn Enterprises LP	8.9%
Dream Unlimited Corp. - Class A	5.9%
The Wendy's Company	4.8%
Onex Corporation	4.3%
Tropicana Entertainment Inc.	4.2%
Live Nation Entertainment, Inc.	4.0%
Associated Capital Group, Inc. - Class A	3.1%
Rubis SCA	2.4%

Multi-Disciplinary Income Fund **Top 10 Fixed Income Holdings (%) as of March 31, 2017**	
Lamb Weston Holdings, Inc.	6.6%
Penske Automotive Group, Inc.	6.5%
Brookfield Residential Properties	6.0%
Ashland Inc.	5.5%
Icahn Enterprises	5.4%
Dish DBS Corp.	5.4%
TRI Pointe Holdings, Inc.	3.6%
Lennar Corporation	3.6%
The Howard Hughes Corporation	2.2%
Murphy Oil Corp.	2.1%

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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