Kinetics Mutual Funds
First Quarter 2018 Commentaries

The Global Fund

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Dear Fellow Shareholders,

The investment world is replete with adages and heuristics, some of which are quite sound, while others are severely lacking. One of our favorite adages, courtesy of Warren Buffett, is that it is wise to be "fearful when others are greedy, and greedy when others are fearful." It certainly feels as though there is a lot of greed in the markets today, although this has been the case for years now. Heuristics tend to be more dangerous, as they often focus solely upon historical observations, while omitting other considerations. For example, it is commonly advocated that investors have a diversified portfolio of stocks and bonds, because one asset class will do better while the other languishes. We assume that we need not remind you of the price returns in stocks and bonds over the past 9 year cycle. Logically, a future "offset" between these asset classes is not as valid as it once was.

The heuristic that pertains most to this Fund relates to emerging markets; specifically, that a weak dollar stimulates commodity demand, and hence, emerging market stocks. Investors have taken the dangerous leap of applying this concept to the relative value of emerging market stocks in the MSCI Emerging Markets ("EM") Index (the "Index" or "EM Index"), and advocate purchasing a product that tracks this index. At face value, this appears to be an intriguing proposition, with an aggregate EM Index P/E ratio of 13.5x earnings and a 1.7x P/B ratio—not immaterial discounts to developed markets. However, the current benchmark isn't a historically consistent emerging market index, nor are the U.S. Dollar and commodities sensitivities what they once were.

A cursory examination of the EM Index will reveal two notable developments: China is over 30% of the Index, and information technology is nearly 28%; both are not historically consistent with emerging market benchmarks (in fact, mainland Chinese shares are just being added to the index this year). Additionally, amongst the top ten holdings are Tencent Holdings Limited, Alibaba Group, Naspers Ltd. and Baidu Inc., all Chinese information technology companies (listed in Hong Kong or South Africa), with P/E ratios ranging from 28x to over 50x. However, also in the top ten are China Construction Bank, Industrial and Commercial Bank of China Limited and Ping An Insurance, all Chinese Financial Services companies, with the bank's P/E ratios at 7x and the insurance company's at 13x. The EM Index actually closely resembles a China weighted version of the S&P 500 Index, dominated by information technology and financial services companies. In reality, the optically low P/E ratio for the EM Index reflects the country and sector skew, as opposed to a relative pricing discount.

Suffice it to say, the Fund is not invested in any of these companies, but we recognize the need for a less U.S. oriented portfolio that is more reasonably priced than leading global benchmarks. We believe that this can be achieved, though only through a differentiated active approach. In addition to seeking distinguished global companies available for purchase at attractive valuations, the Fund is increasingly embracing cyclical growth opportunities. Despite the nearly ten year surge in the current business cycle, many industries and sub-industries have already contracted substantially, and are beginning to gradually emerge. While these companies will not be immune to a broader economic slowdown, we believe their pricing and margins should be far more resilient, while a continued recovery may result in a material upside. These include niche businesses within global shipping, port operating and logistics, insurance, oil and gas, and basic materials industries.

We continue to hold a historically high level of cash – referring back to the heuristic of stock and bond correlations; if they can rise together, they can decline together. We want to be prepared and look forward to allocating this capital at higher rates of return once available.

Global Fund **Top 10 Holdings (%) as of March 31, 2018**	
The Bitcoin Investment Trust	12.0%
Texas Pacific Land Trust	10.6%
Civeo Corporation	5.5%
Bollore SA	3.5%
GMO Internet, Inc.	2.8%
Siem Industries Inc.	2.5%
Fairfax Financial Holdings Limited	2.2%
Dream Unlimited Corp. - Class A	1.8%
Clarke Inc.	1.5%
Brookfield Asset Management Inc. - Class A	1.1%

Important Risk Disclosures

You should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a free copy of the most recent 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. Performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit http://kineticsfunds.com/ for the most recent month-end performance data.

Portfolio holdings information, if any, is subject to change at any time and is as of the date shown.

The opinions expressed are not intended to be a forecast of future events, or a guarantee of future results, or investment advice. Additionally, the views expressed herein may change at any time subsequent to the date of issue hereof.

International investing presents special risks, including currency exchange fluctuation, government regulations, and the potential for political and economic instability. Because smaller companies often have narrower markets and limited financial resources, they present more risk than larger, more well-established companies.

The Fund holds investments that provide exposure to bitcoin. The value of bitcoins is determined by the supply of and demand for bitcoins in the global market for the trading of bitcoins, which consists of transactions on electronic bitcoin exchanges ("Bitcoin Exchanges"). Pricing on Bitcoin Exchanges and other venues can be volatile and can adversely affect the value of the bitcoin. Currently, there is relatively small use of bitcoins in the retail and commercial marketplace in comparison to the relatively large use of bitcoins by speculators, thus contributing to price volatility that could adversely affect a portfolio's direct or indirect investments in bitcoin. Bitcoin transactions are irrevocable, and stolen or incorrectly transferred bitcoins may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect the value of a portfolio's direct or indirect investment in bitcoin. Only investors who can appreciate the risks associated with an investment should invest in cryptocurrencies or products that offer cryptocurrency exposure. As with all investments, investors should consult with their investment, legal and tax professionals before investing, as you may lose money.

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 Portfolios Trust. You will be charged a redemption fee of 2.0% of the net amount of the redemption if you redeem or exchange your shares 30 days or less after you purchase them.

Please refer to the Fund's prospectus for a complete list of risks and fees.

The Global Fund is a diversified fund. Diversification does not ensure a profit or protect against loss in a declining market.

The *S&P 500® Index* represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. S&P 500 returns assume that dividends are reinvested.

The *Bloomberg Barclays US Aggregate Bond Index* is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The *MSCI All Country World Index* is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Index returns do not include the effect of management fees or expenses. You cannot invest directly in an index.

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