Kinetics Mutual Funds
Fourth Quarter 2023 Commentaries

The Global Fund

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Dear Fellow Shareholders,

We are generally comfortable having exposure that varies significantly from major indexes. Yet there are certain years in which this philosophy feels particularly challenging, both in terms of relative and absolute performance. Though 2023 came with its share of difficulties, we believe the market forces that acted as headwinds to our strategy are now shifting to tailwinds.

An underappreciated variable in recent hard asset prices is the U.S. Dollar. The ICE U.S. Dollar Index rallied a full 25% from its nadir in 2021 to its peak in 2022, which corresponds—with a lag—to U.S. leadership in the global rate-hiking cycle. Despite recent challenges to its global hegemon status, the dollar remains the transactional currency for an overwhelming amount of global commerce. The rising dollar makes commodity prices more expensive for foreign buyers in local currency. This dynamic hasn't impeded demand growth, but appears to have been effective in suppressing commodity prices—for now.

But will this dynamic continue to suppress price levels and inflation? While there is no definitive answer, the Dollar Index fell 2.5% in two weeks following December's dovish Federal Reserve meeting, perhaps indicating an inflection. Indeed, we expect the Dollar headwind shifting to a tailwind in 2024 as real bond yields fall (with short-term rates) and the U.S. continues to issue large amounts of debt.

We also witnessed a significant inventory destocking in 2023, spanning most types of raw materials and categories of goods. This is logical behavior for many reasons. As interest rates rose, so did the cost to finance working capital of inventories. And experts were in near unanimous agreement that the global economy would fall into recession at some point in 2023, which would surely impact demand (price) at the margin.

One less-recognized driver of destocking has been deregulation, or pseudo-deregulation. The U.S. (and other western nations) technically have trade restrictions on raw materials sourced from Russia, Iran, Venezuela, and others. Yet these countries were all able to get large quantities of stockpiled products (namely oil) onto global markets last year, largely unabetted. As we analyze the likelihood of further destocking, deregulation, and "de-greening" (a retreat from ESG), these variables all appear to be unrepeatable and suggestive of an inflection.

Fundamentals can change rapidly, particularly in commodity markets. Not long ago, many market pundits theorized a "commodity supercycle," an ambiguous term that refers to a protracted upward demand/price movement relative to previous cycles. If we use oil as a proxy for this thesis, there have been two profound developments (in addition to those mentioned above) impacting the market balance: the withdrawal of approximately 300 million barrels (46%) of oil from the U.S. Strategic Petroleum Reserve (SPR) since 2020, and a lackluster economic recovery in China.

The former added substantial—albeit unsustainable—supply to global markets, preventing commercial inventories from reaching critically low levels. The latter reduced global demand, though the precise extent is not quite clear due to poor data availability from China.

The narrative has completely flipped as we enter 2024, with nary a word on the commodity supercycle, and near record-low investor exposure to commodities as an asset class. Recall, however, that demand remains at or near record highs across nearly the entire commodity complex, and short-term supply measures have not remedied longer-term insufficiencies.

We believe that the "three Ds" of 2023—dollar strength, destocking, and deregulation—are unsustainable, and likely to reverse into supporting trends. Critically, the market continues to price high quality, hard asset companies as if there is no improvement potential. We seek to capitalize on this valuation discrepancy in the years to come.

Global Fund **Top 10 Holdings (%) as of December 31, 2023**	
Grayscale Bitcoin Trust	29.8%
Texas Pacific Land Corp	25.4%
Permian Basin Royalty Trust	3.3%
GAMCO Investors, Inc. - Class A	2.9%
Sandstorm Gold Ltd.	2.8%
Associated Capital Group, Inc. - Class A	2.7%
Mesabi Trust	2.4%
Wheaton Precious Metals Corp	2.2%
PrairieSky Royalty Ltd	2.2%
Clarkson plc	2.0%

Important Risk Disclosures

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

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The Fund holds investments that provide exposure to bitcoin. The value of bitcoin is determined by the supply of and demand for bitcoin in the global market for the trading of bitcoin, 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 bitcoin 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.

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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 iShares MSCI ACWI ETF seeks to track the investment results of an index composed of large and mid-capitalization developed and emerging market equities. The iShares MSCI ACWI ex U.S. ETF seeks to track the investment results of an index composed of large- and mid-capitalization non-U.S. equities. iShares is property of BlackRock.

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 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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