



## Kinetics Mutual Funds Second Quarter 2018 Commentaries



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Dear Fellow Shareholders,

A global investment mandate is tasked with selecting the best risk adjusted investment opportunities across sector, geographies and asset classes. The complexity of this analysis is difficult to overstate, between currency risk, divergent central bank policies, different regulatory regimes and now, perhaps, increasing trade tariffs. A thoughtful analysis might be completely accurate on all variables but one, but that one mistake might invalidate an entire investment thesis. We approach this task largely by eliminating investments that require complex interconnected assumptions in order to come to fruition. More simply, we also distinguish companies that conceptually benefit from, and rely upon, the current global growth, low interest rate, and minimal risk premium regime. Specifically, at this stage in the economic and market cycle, we seek to invest in companies that are driven by opposing dynamics.

There are specific industries that have benefitted considerably from various regulatory, geopolitical and structural trends over the past decade; however, energy, shipping and real estate companies are not at the top of that list, as reflected in the shareholder returns. These industries collectively represent approximately 10% of the MSCI All Country World Index. The Fund maintains significant weightings in companies involved in these industries, but in selected business models that we believe can endure continued headwinds, and that may benefit asymmetrically in an eventual recovery in underlying markets.

The companies are, by virtue of the nature of their businesses, generally very capital and asset intensive. This presents a distinct problem for companies that require additional working capital in order to grow or sustain substantial maintenance capital expenditure requirements. The Fund focuses on businesses that mitigate these industry dynamics, either due to their business model or asset base. Fund holdings include Texas Pacific Land Trust, Civeo Corporation and Dream Unlimited – each company with an existing asset base that can accommodate decades of growth from current levels. In other instances, companies with multiple business lines have the ability to effectively reallocate capital between segments in order to optimize returns on invested capital. Fund holdings Bollore SA, Fairfax Financial and Icahn Enterprises not only have various businesses from which to allocate capital, but have the benefit of individuals that we consider amongst the best business capital allocators in the world (Vincent Bollore, Prem Watsa and Carl Icahn).

While this differentiated approach, along with our robust cash balance, which has resulted in a drag on trailing performance, we are satisfied with our absolute returns over the past cycle, and believe that the cash will turn into a boon once the cycle completes.



Global Fund Top 10 Holdings (%) as of June 30, 2018	
Texas Pacific Land Trust	14.2%
The Bitcoin Investment Trust	9.3%
Civeo Corporation	6.2%
GMO Internet, Inc.	3.1%
Bollere SA	3.0%
Fairfax Financial Holdings Limited	2.4%
Siem Industries Inc.	2.4%
Dream Unlimited Corp. - Class A	1.8%
Clarke Inc.	1.6%
Liberty Media Corp.-Liberty SiriusXM - Class C	1.2%

### 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](http://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<sup>®</sup> 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.

*Distributor:* Kinetics Funds Distributor LLC is an affiliate of Kinetics Asset Management LLC, and is not an affiliate of Kinetics Mutual Funds, Inc.