Kinetics Mutual Funds
First Quarter 2018 Commentaries

The Internet Fund

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Dear Fellow Shareholders,

Global technology investors are approaching a euphoric state, as even the bouts of volatility that marred February and March returns have yet to materially impair gains to technology shares. The S&P 500 Information Technology Index ("Information Technology Index") and the Nasdaq Composite Index ("Nasdaq Composite") gained approximately 3% in the first quarter, despite January gains of 7.5% and 8.8%, respectively. This compares to modest losses for the year across most developed markets and sectors. The current iteration of technological innovation that promises investors the possibility of infinite profits, as the internet did twenty years ago, is the transition to software services and cloud computing. The beneficiaries of this shift include virtually every sub-industry within the computing supply chain; even the incumbents are benefitting.

History doesn't repeat itself, but it often rhymes. This quote is often associated with Mark Twain, and over 100 years later, this rings true today. There are important distinctions between the technology markets in 1998 and today; however, twenty years ago the Nasdaq Composite was at approximately 2,000, on its way back to 1,100 in 2002, but not before testing 5,000 a few years prior. An investment in the Nasdaq Composite in 1998, held through the peak and decline, would not break even until 2004, until again dropping into negative territory and regaining positive territory in 2009. Even more recently, an investment at the peak in early 2000 would have just returned to initial investment levels in late 2015.

Unlike the technology market surge in the late 1990s, the companies today are generally very profitable (although significant exceptions include some of the largest companies in the index today). Although there are secular growth dynamics for certain companies, their aggregate profitability and growth is currently supported by a transition from physical computer hardware and installed software to enterprise services and web supported software. This equates to record growth for software companies, and margin expansion, while web hosting companies are building out "cloud" capacity as fast as they can source materials. In turn, semiconductor and component companies are reaching peak profits by supplying this build-out effort. Long-term earnings estimates for all of these companies fail to consider what happens when this build-out phase matures. Further, what happens to pricing as information technology behemoths battle for market share? To be sure, the current Information Technology Index level price to earnings ratio of approximately 30x discounts an extended period of growth and profitability.

Rather than join the crowd in cheering this industry paradigm shift, we remain skeptical. As a result, we choose to populate the portfolio with less intriguing technology and service companies, albeit, with far more sustainable revenues and at much more attractive prices. These include companies engaged in satellite communications, payments, defense, and music. While the latter three businesses are commonly understood and widely recognized to be indispensable parts of our economy and society, satellite communications are evolving to develop more solutions, more efficiently and at lower costs, as mobile and fixed line data consumption continues to grow. We look forward to finding new opportunities as this dynamic continues, although the tipping point at which satellite connectivity is truly compulsory remains distant.

Alas, the dearth of reasonably priced equity investments is perhaps more pronounced in debt markets. The short-term negative carry of holding U.S. Dollars is palatable compared to capital losses incurred by compromising in terms of duration or credit quality in debt, or ambitious valuations in equity. We look forward to what we believe will be better opportunities to allocate this capital in the future.

Internet Fund
Top 10 Holdings (%) as of March 31, 2018

The Bitcoin Investment Trust	14.8%
PayPal Holdings, Inc.	3.3%
Liberty Media Corp.-Liberty SiriusXM - Class C	3.3%
EchoStar Corporation - Class A	3.1%
CACI International, Inc. - Class A	3.1%
The Madison Square Garden Company - Class A	2.8%
Copart, Inc.	2.5%
Alphabet, Inc. - Class A	2.3%
Alphabet, Inc. - Class C	2.3%
OTC Markets Group Inc. - Class A	2.2%

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 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.

Because the Fund invests in a single industry, its shares do not represent a complete investment program. Internet stocks are subject to a rate of change in technology, obsolescence, and competition that is generally higher than that of other industries, and have experienced extreme price and volume fluctuations. International investing presents special risks including currency exchange fluctuation, government regulations, and the potential for political and economic instability.

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.

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

The Internet Fund is classified as a non-diversified fund. Therefore, the value of its shares may fluctuate more than shares invested in a broader range of industries. In a non-diversified fund, more of the Fund's assets may be concentrated in the common stock of any single issuer, which may make the value of the Fund's shares more susceptible to certain risks than shares of a diversified mutual fund.

Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Fund pursues its 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.

The S&P 500® Information Technology Index comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital 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. Index returns assume that dividends are reinvested and do not include the effect of management fees or expenses. You cannot invest directly in an index.

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