Kinetics Mutual Funds
Fourth Quarter 2023 Commentaries

The Market Opportunities Fund

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Dear Fellow Shareholders,

We consider ourselves to be steadfast stock pickers and value investors, which means our investment process is decidedly fundamentals-driven. However, markets are subject to various regimes which can vary in vigor and duration. These regimes are supportive of certain companies and industries while restrictive to others, both in terms of fundamentals and price support, and often endure if there is no catalyst for change. When an inflection point does occur, there can be outsized market losses—and returns.

One of the most profound historical inflection points was in late 1971, when President Richard Nixon enacted what is now known as the "Nixon Shock." The measures included price and wage controls, but more importantly, a termination of the convertibility of the U.S. Dollar into gold. This effectively transformed the Dollar from a physically backed currency to a fiat currency, which facilitated the growth of both the money supply and debts in the U.S.

This shock made the system vulnerable to major exogenous events, a pair of which occurred in the 1970s: first, the OPEC embargo, and later, the Iranian Revolution. This contributed to record inflation throughout the decade, prompting the Federal Reserve to raise interest rates to prohibitively high levels. That inflection point was critical in ending the previous market regime that supported the dominance of "Nifty Fifty" companies, which included American Express, Dow Chemical, McDonald's, Pfizer, and Walmart. These were considered "buy and hold" forever companies after rising dramatically in the prior decade. However, the regime change of 1971 ultimately led to a cumulative loss of over 50% in Nifty Fifty stocks between 1973 and 1974. In contrast, previously maligned companies—in energy, materials, industrials, and other hard asset markets—thrived.

The parallels to the current day are clear. The U.S. has run cumulative deficit north of $9 trillion since 2020. This amount is greater than the entire M2 Money Supply in 2007—just before large fiscal stimulus was permanently implemented in the financial system. It is no wonder that inflation surged in 2022. But just as the Nixon Shocks made the system vulnerable to higher prices in the 1970s, money supply growth and fiscal deficits did the same in the 2020s. The conflict in Ukraine was the first spark for inflation and price instability, and there is no shortage of potential additional events.

The sustained spending that began in 2008 represents a market inflection point, but the more extreme measures of 2020 catalyzed true change. The U.S. has recently implemented the Inflation Reduction Act and the CHIPS and Science Act, which are similar to Nixon's policies, and likely to support higher prices. Despite the enormous amount of money injected into the financial system, the U.S. plans to run 6% deficits ($2-$3 trillion per year) for the next decade.

The world has obviously changed on a secular basis compared to the pre-2020 regime. Still, it is worth comparing the state of today's "Magnificent Seven" technology stocks to the Nifty Fifty of the early 1970s, and the similarities are striking. To be clear, we aren't predicting a collapse of these tech giants, but we are highly skeptical of forecasts calling for continued astronomical gains. We feel much more positively toward the hard asset industries that led markets in the 1970s.

One additional new market regime feature must be recognized. Central banks around the world are generally focused on employment and price levels, yet there is a third unacknowledged mandate: financial stability. Central banks have become unwilling to accept market forces that disrupt credit market stability. This does not include equity prices. However, whenever credit markets have shown distress in the post-2008 world, central banks have acted decisively and promptly. Recent examples include the U.S. reverse repo market stress in 2019, the U.K. Gilt market stress in 2022, and the Silicon Valley Bank/regional banking stress in 2023. Governments and central banks immediately prevented contagion with large capital injections and market support.

While there has been a market regime inflection, financial stability should be universally supportive of all risk assets. But hard assets will be among the primary beneficiaries, as reflected in the Fund's significant exposure in royalty companies with underlying energy and metals commodities. The portfolio is populated with a variety of companies that can grow shareholder value against a variety of macro backdrops—and are particularly durable amid higher cost pressures and lower real growth levels. These businesses are less common than one may think, and are vastly under-represented in most asset allocation portfolios.

Market Opportunities Fund **Top 10 Holdings (%) as of December 31, 2023**	
Texas Pacific Land Corp	43.6%
Grayscale Bitcoin Trust	15.8%
Partners Value Investments LP /new	2.1%
Associated Capital Group, Inc. - Class A	2.1%
Permian Basin Royalty Trust	1.4%
Intercontinental Exchange Inc	1.3%
Franco-Nevada Corp	1.2%
Wheaton Precious Metals Corp	1.2%
CBOE Global Markets Inc.	1.1%
Urbana Corporation - Class A	1.0%

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 www.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.

In addition, investing in foreign securities involves more risk than just U.S. investments, including the risk of currency fluctuations, political and economic instability, and differences in financial reporting standards. There may also be heightened risks investing in non-investment grade debt securities and the use of options. There are also risks associated with investing in small and medium sized companies. Non-investment grade debt securities, i.e., junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities. Options contain special risks, including the imperfect correlation between the value of the option and the value of the underlying asset.

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.

As a non-diversified Fund, the value of its shares may fluctuate more than shares invested in a broader range of companies. 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 objective by investing all of its 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.*

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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 Bloomberg Barclays Global Aggregate Negative Yielding Debt Market Value Index measures the aggregate debt outstanding with a negative yield to maturity issued by governments, companies, and mortgage providers around the world which are members of the Bloomberg Barclays Global Aggregate Bond Index. Index returns assume that dividends are reinvested and do not include the effect of management fees or expenses.

CPI: The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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