Kinetics Mutual Funds
Second Quarter 2023 Commentaries

The Market Opportunities Fund

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Dear Fellow Shareholders,

Markets for precious metals—a term which primarily refers to gold, given its market size dominance—are unique in their qualitative nature. The metals themselves generate no cash flows but have been used for centuries as a form of currency. As a result, there is a substantial cohort of investors that invest in gold as a "store of value" for periods of inflation, but also for periods of economic instability. These investors range from central banks and sovereign wealth funds to retail coin collectors. This group is far more active in the physical gold market, whereas institutional investors are more active in the financial gold market.

The financial gold market primarily involves futures contracts that are settled in cash, i.e., without any physical gold changing hands. This market is more quantitative and is particularly sensitive to the level of the U.S. Dollar and real bond yields. The dollar is the settlement currency for most gold contracts, and the dominant global reserve/transactional currency. As a result, a higher dollar value (relative to other currencies) exerts pressure on gold prices because it makes gold more expensive in local terms for international buyers. Interest rates and bond yields impact all financial assets, which includes gold futures, because there is both a carrying cost to gold positions and a competitive "risk-free" rate that can be earned in bonds (whereas gold has no yield). However, bond yields are more relevant in real (inflation adjusted) terms, particularly as it pertains to gold as a store of value.

At the beginning of 1985, the real yield on the 10-Year Treasury was approximately 6%, and the ICE Dollar Index was approximately 150, which corresponded to a gold price of approximately $300/ounce. Gold prices did very little over the next 20 years, as real yields still averaged close to 3.5% over this period, even though the Dollar Index fell to an average of approximately 100 over this period. In 2005, the Dollar Index proceeded to decline into the low 70s, while real 10-Year bond yields fell to negative levels following the global financial crisis. This coincided with gold setting a record high of nearly $1,900 per ounce by 2011.

However, as the dollar retraced to around 100, and real yields became positive again, gold declined to nearly $1,000 per ounce in late 2015. The upward cycle started again with real yields falling back into negative territory and the dollar index falling below 80 during the pandemic, and gold exceeding the prior record of approximately $1,900 per ounce.

The most recent relationship between gold, the dollar, and real yields has not followed the basic inverse relationship. Gold is again pressing $2,000 per ounce, despite real yields at over 100 basis points and the dollar index comfortably above 100. This would suggest that there is a non-financial dynamic to the recent gold price action—perhaps related to geopolitical conflicts, global deficits, or any combination thereof.

These events could be consistent with future lower dollar index levels and lower real bond yields. We don't have a strong opinion regarding the proposed "BRICS" commodity backed currency system, but doubt that any currency, fiat or otherwise, will displace the dollar's dominance in global trade any time soon. This is not to say that there isn't merit for such a system, but that implementing it at scale is practically impossible.

Strong precious metals prices have supported hard asset prices and related companies despite the real yield and dollar headwinds. Precious metals can be positively or negatively correlated to the broader commodity complex, which makes them valuable in a diversified portfolio. Precious metal royalty companies are capital market oriented businesses with unique leverage to gold prices, yet efficient business models. We believe that precious metals will play a growing role in global capital markets, and choose to express this view via the precious metal royalty companies in this Fund.

Market Opportunities Fund **Top 10 Holdings (%) as of June 30, 2023**	
Texas Pacific Land Corp	41.2%
Grayscale Bitcoin Trust	9.9%
Permian Basin Royalty Trust	2.7%
Associated Capital Group, Inc. - Class A	2.3%
Partners Value Investments LP	2.1%
Franco-Nevada Corp	1.8%
Intercontinental Exchange Inc	1.3%
Wheaton Precious Metals Corp	1.1%
GAMCO Investors, Inc. - Class A	1.0%
Clarkson plc	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 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.

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.

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.

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