



## Kinetics Mutual Funds Fourth Quarter 2023 Commentaries



### The Multi-Disciplinary Income Fund

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Dear Fellow Shareholders,

During the fourth quarter, we continued to allocate capital to Collateralized Loan Obligation (CLO) investments. By the end of 2023, the Fund’s capital was mostly deployed. The strategy of investing in AAA and AA rated CLO debt tranches fits the Fund’s goal of generating current income while mitigating interest rate risk.

CLO debt is primarily floating rate, and based off of the three-month SOFR.<sup>1</sup> The AAA and AA debt tranches are initially sold in the primary market to investors at a price of 100% of par.<sup>2</sup> The coupon rate resets every three months, based on the then-prevailing three-month SOFR. This provides a hedge against interest rate risk. The coupon rate of a CLO debt tranche is a combination of the three-month SOFR plus a credit spread. As of December 31, 2023, the three-month SOFR was 5.33%.

In the primary market, as of year-end 2023, the average credit spread for recently issued AAA rated CLO debt tranches was about 160 basis points.<sup>3</sup> For AA rated CLO debt tranches, it was about 210 basis points. This resulted in a coupon rate of about 6.95% for AAA debt and about 7.45% for AA debt. The interest due is paid quarterly to CLO investors.

There’s also an active secondary market to buy and sell CLO debt. Since older vintages may have lower credit spreads than today’s, CLO debt in the secondary market may be bought and sold at a slight discount to par. At the end of 2023, the price range was approximately 99% to 100% of par for AAA debt and about 97% to 100% of par for AA debt.

We continue to see an appetite among institutional and retail investors for CLO debt tranches for a number of reasons—including the risk-adjusted returns, the steady income stream, and the floating interest rate structures. As a result, we think this is an excellent time to invest in AAA and AA rated CLO debt tranches.

Multi-Disciplinary Income Fund Top Fixed Income Holdings (%) as of December 31, 2023	
Cash and Cash Equivalents	4.6%
Collateralized Loan Obligations	95.4%

<sup>1</sup> The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

<sup>2</sup> Par value is the nominal value of a bond, share of stock, or a coupon as indicated in writing on the document or specified by charter.

<sup>3</sup> Basis points: Basis points are a common unit of measure for percentages in finance. One basis point equals 1/100th of 1%.



## 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.*

*The Fund may invest in options and other derivative instruments, which are specialized activities and entail greater than ordinary investment risks, including that they may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses. Additionally, the Fund invests in debt securities. Investments in debt securities rated below investment grade are subject to increased risks. International investing also presents special risks including currency exchange fluctuation, government regulations, and the potential for political and economic instability. Non-investment grade debt securities are subject to greater credit risk, price volatility and risk of loss than are investment grade securities. Further, options contain special risks, including the imperfect correlation between the value of the option and the value of the underlying asset.*

*The Kinetics Multi-Disciplinary Income Fund is classified as a diversified fund. Diversification does not ensure a profit or protect against loss in a declining market. You should consult the Fund's prospectus for a complete list of risks associated with your investment.*

*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.*

*Index returns assume that dividends are reinvested and do not include management fees or expenses. You cannot invest directly in an index.*

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