



Kinetics Mutual Funds Fourth Quarter 2023 Commentaries

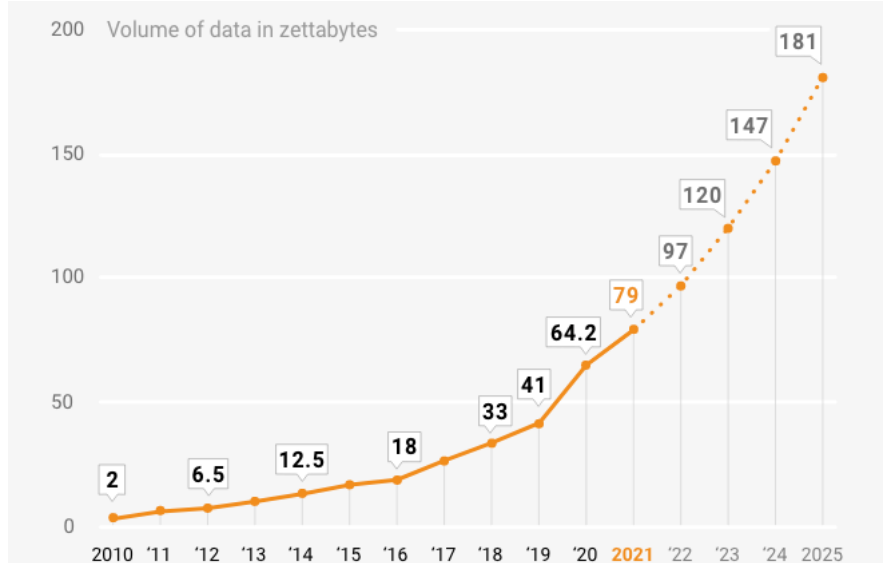
The Spin-Off and Corporate Restructuring Fund

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Dear Fellow Shareholders,

It’s no secret that the large technology companies in the U.S. have expanded rapidly in the past two decades. To enable this growth—and to accommodate the incredible amount of data required to store pictures, movies, and vast amounts of other information in the cloud—enormous data centers have been built all over the world. The amount of data created each year has increased from 2 zettabytes¹ in 2010 to 64 zettabytes in 2020 (roughly enough to fill 64 billion standard-issue MacBooks). And the number is forecasted to expand further.

Assuming these prognostications are correct, by 2025 the world will create more than 90 times as much data annually as it did in 2010. Today, it is estimated that there are over 8,000 data centers in the world. They require immense quantities of electric power, often at least 100 megawatts (MW) for each center, making power consumption one of the best ways to measure total market size. The largest data center is in northern Virginia; it consumes 2.55 gigawatts (GW), comparable to the output of several nuclear reactors.



Source: IDC, & Statista. (June 7, 2021). Volume of data/information created, captured, copied, and consumed worldwide from 2010 to 2020, with forecasts from 2021 to 2025 (in zettabytes).

Combined, the 50 largest data centers in the world consume 18.7 GW. To put that figure into perspective, if these data centers were to run 24 hours a day, 365 days per year, the total energy demanded would be 164 terawatt-hours (TWh). Global electricity demand is around 25,000 TWh, so the data centers alone would account for 0.66% of the demand. Viewed through another lens, 164 TWh is almost exactly half of the electricity consumed in the U.K. in 2021.

¹ A zettabyte is a measure of digital storage capacity. A zettabyte is read as the 2 to the 70th power bytes. It is equal to a thousand exabytes, a billion terabytes or a trillion gigabytes.



This figure could almost triple by 2025, so unless electricity supply increases, the data centers would consume around 2% at that point. Should that demand continue to double every 2-3 years, there will be a significant problem satisfying those energy needs.

The wider adoption of artificial intelligence has changed where internet data is flowing. And, with increasing digital demands, the amount of energy needed to power these centers also increases. AI-powered search via GPU (graphics processing units) requires even more power than on a CPU (central processing unit). As this becomes more widely adopted, data centers will require copious amounts of incremental power, which would almost certainly result in considerably higher grid prices due to limited supply and spiking demand.

This raises an important question: Where is that energy going to come from? It is unlikely to be largely from alternatives, such as solar or wind, because of a variety of issues—including cost, power generation intermittency (datacenters need to run constantly), and inadequate energy storage options. Natural gas, in contrast, is easily the least expensive form of energy, when full system costs are considered.

Though we are optimistic that continued technological developments are reducing—and will continue to reduce—emissions, we do not believe demand for oil or natural gas will decrease any time soon. To the contrary, there are many sources for increased demand, including the burgeoning use of AI as described above. The portfolio’s primary exposure to the energy sector is via oil and natural gas royalty businesses, which we believe are well-positioned as we look ahead.

Energy and power companies are conveniently among the limited group of businesses that actively seek to maximize shareholder value through spin-off and restructuring activity. This is a logical response to structurally low share prices and investor apathy. Fortunately for shareholders, value can be enhanced through these activities. When combined with depressed valuations, this can generate strong returns.

**Spin-Off and Corporate Restructuring Fund
Top 10 Holdings (%) as of December 31, 2023**

Texas Pacific Land Corp	59.7%
CSW Industrials, Inc.	8.3%
Associated Capital Group, Inc. - Class A	5.4%
GAMCO Investors, Inc. - Class A	3.5%
Civeo Corp.	2.5%
Capital Southwest Corporation	1.6%
PrairieSky Royalty Ltd	0.9%
Liberty Media Corp-Liberty Formula One	0.9%
DREAM Unlimited Corp.	0.8%
Howard Hughes Holdings, Inc.	0.8%



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.

The Spin-Off and Corporate Restructuring Fund (the "Fund") underwent a proxy where shareholders voted to approve Kinetics Asset Management LLC ("KAM") as investment adviser to the Fund, effective December 8, 2017. Previously, Horizon Asset Management LLC ("HAM"), an affiliate of KAM, was the Fund's sub-adviser. The portfolio managers of the fund prior to the restructuring are the same portfolio managers that manage the fund post-restructuring. In April 2019, KAM and Kinetics Advisers, LLC ("KA") reorganized into HAM, following which HAM was renamed Horizon Kinetics Asset Management LLC ("HKAM"). KAM, HAM and KA were all wholly owned subsidiaries of Horizon Kinetics LLC, and HKAM will remain a wholly-owned subsidiary. As such, the Fund's investment objective and investment strategy have not changed.

The 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 companies. 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 report standards. There may also be heightened risks investing in spin-off companies. Such companies are generally newly formed and may not have a track record upon which to evaluate management's experience or historical balance sheet information upon which to evaluate its financial strength. There are also risks associated with investing in small and medium sized companies whose share values may fluctuate more than larger companies. You should consult the Fund's prospectus for a complete list of risks associated with your investment.

Murray Stahl is a member of the Board of Directors of Texas Pacific Land Corporation ("TPL"), a large holding in certain client accounts and funds managed by Horizon Kinetics Asset Management LLC ("HKAM"). Officers, directors, and employees may also hold substantial amounts of TPL, both directly and indirectly, in their personal accounts. HKAM seeks to address potential conflicts of interest through the adoption of various policies and procedures, which include both electronic and physical safeguards. All personal and proprietary trading is also subject to HKAM's Code of Ethics and is monitored by the firm's Legal and Compliance Department.

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 S&P 500[®] 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.

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.

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