Kinetics Mutual Funds
Second Quarter 2014 - Conference Call with James Davolos
July 8, 2014

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on July 8, 2014, James Davolos, Portfolio Manager for certain of the portfolios comprising Kinetics Mutual Funds, Inc. hosted a conference call to financial advisors. The transcript set forth below is intended to provide a summary of Mr. Davolos' remarks.

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Chris Bell: Thank you, everyone, for joining us on the call today. We know your time is precious, and we appreciate the few minutes. On today's call, we have James Davolos. James has been with us since 2006 and is on the investment team as well as being the co-portfolio manager of the Internet Fund.

I would like to just go over a little bit of housekeeping. The Multi-Disciplinary Fund is now known as the Multi-Disciplinary Income Fund, and we expect to see a yield of 4%, paid out quarterly; therefore, we envision that you will get about one percent quarterly on that fund, as well as the true-up by year-end based on the profit or losses from the options. Of course, that may fluctuate, but it's what the Fund is seeking to achieve.

I would like to talk a little bit about performance, and James will cover performance and attribution analysis in his portion. The Paradigm Fund (No-Load Class) was up, through the end of the second quarter, 4.66%, compared to 7.14% for the S&P 500 Index. Over the same period, the Small Cap Opportunities Fund (No-Load Class) was up 3.81% versus the Russell 2000 Index, which was up 3.19%.

The Multi-Disciplinary Income Fund (No-Load Class), which is, as you know, more closely correlated to bonds, was up 4.90% over the first half of the year, and the Alternative Income Fund (No-Load Class), which is more closely correlated to stocks, was up 2.67%. As you know, there are no guarantees, but as a reminder, the Multi-Disciplinary Income Fund seeks to outperform opportunistic fixed income while providing you with about an 8-10% return and about 8-12% volatility, and the Alternative Income Fund seeks to generate about a 4-6% return with about 4-6% volatility, with the objective of outperforming the Barclays U.S. Aggregate Bond Index.

Other announcements: the Multi-Disciplinary Income Fund paid a $0.12 distribution in the most recent quarter, and we are going to try and maintain that on a regular basis. With that, I would like to turn it over to James, who will talk about attribution. Then we will have a question-and-answer period. James?

James Davolos: Thanks, Chris. Thanks, everybody, for joining in today. I am going to start this call a little bit differently from what you might expect: we are going to go over some of the more conventional ways that people look at asset allocation within equity markets, and then tie that into our portfolio. At the end of the day, we believe that the fundamentals of each business in the portfolio are going to dictate your return. But, over any shorter time period, which could be anywhere from a day to as long as a year, there are going to be some 'artificial' market forces that are going to drive prices.

In 2013, we had a very strong market, and it was led by the Russell 2000 Index ("Russell 2000"), where the Russell 2000 substantially outperformed the S&P 500 Index ("S&P"). While this is not a blanket statement for all of the companies in the Russell 2000, typically this was what more conventional allocators would call a beta trade or a "risk-on" trade. Then you fast-forward to this year, and the S&P has outperformed the Russell 2000; it was more pronounced in the first quarter, but the same trend has followed in the second quarter.

While most of our names are not in the Russell 2000, many of them are in this mid-cap to the lower range of the large-cap area. Accordingly, I think that we have been subject to some of these fund flows that have had impact on the marginal valuations of our names beyond some of the underlying fundamentals.

In addition, we have a very large allocation to what is conventionally called the consumer discretionary sector. Hence, even though the S&P was up over 700 basis points in the first half of the year, the consumer discretionary subsector was only up 60 basis points. And, unfortunately, a lot of our names are grouped into the consumer discretionary subsector. In the Paradigm Fund, it is close to 50%. In other funds, it ranges from anywhere from about 20% to upwards of 60%.

But if you look at the actual underlying drivers of these businesses, we would argue that they are not necessarily consumer discretionary in the conventional sense. Many of these companies have a much more sustainable, subscription-based revenue stream, or advertising-based revenue stream, or, in the case of one of the largest positions, Icahn Enterprises L.P. ("Icahn Enterprises"), it is not even remotely a consumer discretionary company. But that is how it is labeled, somewhat arbitrarily, by the data providers.

If you were to drill down a little bit further into consumer discretionary, to the retail sector (an area to which we do not have very much exposure), you would see that the retail sector was down almost 500 basis points during the first half of 2014, compared to the S&P being up over 700 basis points—that is an enormous amount of underperformance for the retail sector. And that might seem somewhat paradoxical, considering that we keep hearing about the strengthening economy. But when we look at what is going on in the actual, real retail environment, Target and TJ Maxx and even Amazon, which was once untouchable, are all down substantially on an absolute basis, but then even more pronounced versus the S&P. Just recently, Wal-Mart's CEO made comments to the effect that for their consumers, the economy has not improved, but it has also not gotten worse. These are some of the factors that we consider, and are the reason we really want to invest in companies that are able to protect their revenue and their capital by being active in an environment that is not discretionary-driven. If you look at many of the names in our funds that are categorized as consumer discretionary, whether it is Dish Network Corp. ("Dish Network") or Liberty Media Corp. ("Liberty Media"), both of those companies have very low churn rates and high renewal rates for subscription-based businesses, which is historically a much stickier and much more resilient type of revenue than you are going to see in 'retail.'

The only classic retail name that we have in the portfolio is Liberty Interactive Corp. ("Liberty Interactive"), as a result of its exposure to QVC and HSN. I will use this opportunity to delve into what is going on with the Liberty companies, as all of the Liberty companies are either flat or down for the year, with the exception of Liberty Ventures. This is one of the rare opportunities where you have an owner-operator with an identifiable catalyst for value recognition at various arms of their business.

We will start with Liberty Media, which is the parent company. Liberty Media was under some scrutiny earlier this year when they conducted a stock tender offer to buy the minority stake in Sirius XM Holdings Inc. ("Sirius XM") that they did not already own. They eventually decided to rescind that offer, but what they are going to do instead is create a dual tracking stock structure, which is very common for owner-operator John Malone to do and has created tremendous value for Liberty shareholders going back more than 20 years.

They are going to separate Liberty Broadband, which will predominantly be comprised of their stake in Charter Communications Inc. as well as Time Warner Cable Inc. This is basically the arm of the company that is fighting to play its part and get its fair share of the consolidation of the American cable industry. They are separating that from the two main assets of the legacy Liberty Media: Sirius XM and Live Nation Entertainment Inc. I think this transaction will give shareholders a much clearer picture of what they are owning and remove, to some extent, the conglomerate discount for which some people will argue.

Similarly, at Liberty Interactive, for which the primary asset is QVC, they are also creating a dual tracking stock structure, creating the QVC Group, which will own 100% of QVC and a 38% interest in HSN, which is the Home Shopping Network. QVC has a much larger subscriber or active user base. It also has higher margins and comparable growth. If QVC gets a market multiple similar to what HSN currently receives in the marketplace, you are going to see a substantial gain in short order after this tracking stock transaction closes. HSN is trading at about 10x adjusted EBITDA[1], while QVC is trading in the 8-8.5 times range. So, right there alone, we think they are going to create value.

The other tracking stock will be Liberty Digital, which is going to have a variety of young and growing websites, including evite.com, Backcountry.com, Bodybuilding.com, and other types of niche areas.

Finally, we arrive at Liberty Ventures, which has been one of the strongest performing companies within the Liberty family, not only this year but going back several years now. They have a 22% economic stake and a 57% voting stake via super voting shares in TripAdvisor Inc ("TripAdvisor"). If you remember, TripAdvisor itself was a spin-off from Expedia Inc. ("Expedia), and Expedia came out of IAC/InterActiveCorp. Hence, this is a business that they have known very well for a long time. And, through Expedia, they know the travel industry very well. But TripAdvisor has come to dominate the share price of Liberty Ventures, with over $10 billion of gains in market capitalization going back to 2013. Therefore, Liberty Ventures is separating that asset through a tax-free spin-off into Liberty TripAdvisor Holdings Inc. And then, in the legacy business, you are going to have Expedia and a variety of other media assets.

Right here you have two Liberty businesses—Liberty Media and Liberty Interactive—that have underperformed the S&P considerably. I think we have identified why there is pressure on them, and also identified ways for this to be corrected, not over the long term but actually in the short term. In the case of Liberty Ventures, we think that there is a unique opportunity set within the legacy Liberty Ventures, and then people that want to own TripAdvisor can own that as a proxy via Liberty Ventures.

While we are on the topic of these media companies, there was a significant event on June 25 of this year, when the Supreme Court ruled 6-3 against a product known as Aereo. Aereo was taking the broadcast signals of the broadcasters, the CBS/ABC/Fox/NBCs of the world, and then using micro-antennas and distributing this content to people's set-top boxes. And it was widely speculated that this constituted a loophole in retransmission copyright laws. However, the Supreme Court shot this theory down. The reason this is significant, other than the fact that we own some of these broadcasters, is the

[1] Earnings before interest, taxes, depreciation and amortization

fact that the government is going to protect content. This is particularly important in the Internet Fund, but it can be expressed across all the portfolios, where we really want to emphasize content ownership and the fact that what is going to drive subscribers and "eyeballs" going forward is becoming more and more competitive. I think this is a really significant landmark decision that was only really reflected in the share price of CBS Corp. ("CBS"), which is probably the only direct exposure to a broadcaster that is publicly traded.

CBS, for that matter, even after the stock moved up following the Aereo decision, is still down over 6% for the year, even though they are creating value. Not only are they buying back shares, but they also spun off their CBS Outdoor Americas Inc., which is their billboard and outdoor advertising business. Other companies in that industry have gotten preapproval to convert to a REIT[2] structure, where you have seen a lot of value created in the billboard and outdoor advertising space.

One last area that we should comment on, as it has had a large impact on everyone's portfolio, is the low market volatility this year. We have done a great deal of research on the CBOE Volatility Index ("VIX") and market volatility, and it closed this quarter at 11.57, which is historically below where its median range has been. As you know, we look at how well companies are capitalized, we look at the liquidity of the marketplace, and we look at the sustainability of earnings, and we do not believe that it is based on complacency, the way that some people have argued. Rather, we think that we are in an area where there is relatively predictable activity, at least from a business standpoint. And that is why we are willing to sit tight, fully invested, and wait for the business returns to drive our portfolio.

Last quarter, we went through a lot more of the granular details on a name-by-name basis, which we can do on a one-on-one basis. But I believe that our names are performing at least in line with our base case expectations, and stand to drive shareholder value going forward, particularly those names that have underperformed for what I term artificial or structural reasons so far this year.

Chris Bell: James, would you like to just comment a little bit on your belief that holding on to the gains was important and, from last year, given how extreme they were, and how many extra years of returns we gave people last year?

James Davolos: After a year of such strong performance, there is always a risk of giving that performance back. All of these funds have had positive absolute performance year to date, which is obviously a huge plus after such a strong year. But one of the attributes that we have always emphasized, particularly over this prolonged recovery from 2008 and early 2009, is owner-operators. There was a huge value dislocation in owner-operators in 2011, where you saw even Berkshire Hathaway underperform dramatically, to the point where Warren Buffett aggressively bought back stock.

I think that 2013 was only the beginning of a recognition of the value that these companies reflect, particularly relative to the market. These owner-operators have done many things, and set up a host of activities, to create shareholder value going forward. Consequently, we are not worried about valuations, particularly in these names.

[2] Real estate investment trust

Going back to some of the more retail-oriented names that I mentioned earlier that are driving the S&P, there are only so many places to which the TJ Maxxs and Wal-Marts and Targets can expand. And to the extent that their organic growth is GDP-linked, there are not many more places that can sustain a bunch of big-box retailers. They are at multi-year high margins, and they are trading at what we think are pretty ambitious forward multiples. And, again, I think the same can be said about many of the companies in the S&P.

We believe that we are now in a good niche, and we want to remain in areas where you can have secular growth within a business or a sub-segment of the economy and not rely on the overall economy. Thus, even though it is nice to have the market moving in the right direction for us, we still think that the businesses are going to drive the returns, not the economy and not necessarily the return of any relative equity index.

Chris Bell: James, as always, I am getting questions from the field. First of all, any new names in the portfolio, anything you want to talk about that is creeping in—or any new themes?

James Davolos: There is a widely-held belief that really the only inflation hedges, and the most effective inflation hedges in an equity portfolio are real estate or gold. And, for the most part, you have seen real estate rally to the point where REITs that pay a dividend are at very low cap rates, i.e., a very low cash flow yield. Accordingly that is an area where there is not much opportunity, especially for fully lease-saturated markets, such as Tier One office space or Class A malls.

And gold is just so hard to analyze, because it is an asset, undeniably, but there is no cash flow related to that asset. Therefore, a commodity, or even a company that extracts that commodity, that is so highly exposed to that commodity price, does not really make that much sense to us as an inflation hedge.

But one thing that we have identified is a subset of about four or five companies that own very large tracts of raw land, in North America in particular. And these companies are very opportunistic about deploying that land, whether they are going to sell it as acreage, whether they are going to develop it into lots for individual homebuilders, or, in some cases, even build and develop the property themselves. This is a unique and overlooked type of inflation hedge that has not really rallied the way that MLPs[3] or REITs or other types of yielding investments have.

Consequently, that is an area that we are gradually bringing into the portfolio on the margin. And then, again, there have been some special types of situations in terms of spin-offs and other types of companies that are expanding and rolling up industries, where we think there can be a great deal of long-term value, just as long as we are careful about where we buy them and how much we buy.

Chris Bell: Thanks, James. Anything particular that any owner-operator did during the quarter, other than John Malone, who you talked about already? Anybody else do anything noteworthy?

James Davolos: Just looking at the first name in the portfolios, Icahn Enterprises—it is a difficult name if you are going to look at it every day, because people seem to trade it as if it has a one-to-one sensitivity with Mr. Icahn's investment portfolio. He makes a lot of headlines with his investments,

[3] Master limited partnership

whether it is Apple or Netflix or Herbalife; the stock whips around on a daily basis relative to what his investment portfolio does. But, as we always like to remind our investors, there are many operating businesses, to the tune of billions of dollars, within Icahn Enterprises.

Going back to Mr. Icahn's investment portfolio, he just recently took a large stake in Family Dollar Stores Inc., which is, again, in the retail industry but targeted to that discount consumer where I think that they are ultimately going to have a threat from the Wal-Marts of the world. However, he sees an under-levered business that is trading at a reasonable multiple, and pushes for a sale, and gets a huge move in the stock.

Charlie Ergen is another name that comes to mind: he is the chairman and majority owner of Dish Network, where he is still really pushing to get his wireless spectrum monetized. The New York *Post* wrote an article, which was contested, about Verizon partnering with him to utilize his spectrum. It makes the most sense for Dish Network to bring in a partner, because it is going to be very expensive. And Ergen, having billions of dollars of his own money in the company, is probably going to do what is best for shareholders, which is bring on a partner, at least a financial partner, so as to not put all of the risk onto Dish Network's balance sheet.

Chris Bell: I noticed there was an article in *Barron's* about Dish Network, mentioning Charlie Ergen, and actually valuing his spectrum based on what they think the spectrum licenses, the new licenses, are going to sell for in November, putting the value of the spectrum alone at $35-40 billion. That is a huge number compared to the market cap of the company.

James Davolos: That is not going to drive our investment case. Again, we think that the cash flow of the cable business can basically sustain the current valuation when you are valuing the current spectrum at cost. And, at cost, I am talking about a number that is 10% of the numbers that Chris just quoted. It is a dormant asset with an owner-operator, and there is a catalyst, although there is no finite time horizon for the catalyst.

Questioner 1: Hey. Thanks for the call. I had a couple questions regarding the Howard Hughes Corp. ("Howard Hughes") position. I know it was a spin-off from General Growth Properties, and I think it was in late 2010. Is that correct?

James Davolos: Yes, General Growth Properties spun it off. It is one of our dormant asset plays.

Questioner 1: I do not know what percent of the fund it was in—when it spun off, but it has now grown to be, it looks like, over 10%, as of 3/31. And if you look at Horizon Kinetics as the whole company, you know, all the other, you know, separately managed accounts and mutual funds, Horizon Kinetics owns almost 14% of the entire outstanding shares. I just wanted to get your thoughts on the company, as well as REITs. You said it was a dormant position. I know Horizon Kinetics historically can hold positions and let them get very large. But in the case of this fund, 10% in one position, where I think the fund has about 80 individual positions, I just want to get your thoughts on that. Thank you.

James Davolos: We received Howard Hughes as a spin-off from General Growth Properties. And then, once we realized what we had here, we added to it pretty aggressively. Typically, you are not going to see us initiate positions over 5-6%. Thus, a lot of that 11%, 10% position is driven by appreciation. It is actually fairly liquid for its size, and the way we view it is this is a premier global asset, and we are among the few people that can sit tight and hold onto this asset. For incremental buyers that want exposure to this company, they have to buy it from a lower and lower amount of float.

Howard Hughes is one of the examples where you can actually look at projected net operating income, and then also look at different levels of acreage and sales for what their—what some of their developments are pre-selling for, and come to at least a ballpark net asset value that is substantially higher than where it is currently trading. Hence, in the case of Howard Hughes, it is a dual function of an irreplaceable asset that people are going to want to own, especially once the company has a yield. It has also appreciated greatly, hence, the position size. But the fact that we are continuing to hold it and not trimming it is a reflection of our very high conviction in this name.

Questioner 1: Is there a price—I mean, considering it is, you know, 10% of the fund, and Horizon owns 14% of the actual company, is there a price where you guys would trim it?

James Davolos: Yes, absolutely. I mean, we never have a hard target. Rather, we look at a range. And this range changes over time, which is why we don't give precise numbers. However, looking at the current valuation, if it was perhaps 40-50% higher, we might be looking to trim. Again, I probably would have said that a year or two ago, but a lot of things have changed since then—now we are seeing lot sales in Las Vegas and in Houston, and then also the net operating income projections coming out of Houston, the presales in Hawaii, which have all happened in the last 12-16 months, which has changed our net asset value assumption. That is why we hate giving hard targets, A) because it is not precise—valuation is not a precise art; and, B) a number of factors can change our valuation. But, needless to say, given the fundamentals right now, we are very comfortable holding it, even a good amount higher than its current price.

Questioner 1: Okay, great. Thank you.

Questioner 2: Yes, thank you, James. I wonder if you can just touch on a recent purchase, Platform Specialty Products Corp ("Platform"). I see the stock has doubled since going on the New York Stock Exchange earlier in the year. And, in keeping with your theme of owner-operators, how much of a stake does their CEO, Mr. Leever, have in the company, and what you are expecting of it? It seems like it is mainly an acquisition company.

James Davolos: I would say the way to understand what is going on at Platform is to look at Jarden Corp (ticker: JAH). The managers that transformed Jarden, Ian Ashken and Martin Franklin, set up a special purpose acquisition vehicle in London. And that ultimately ended up purchasing a company in the specialty chemical industry called MacDermid Group Inc ("MacDermid"). Hence, I really view Martin Franklin and Ian Ashken as the owner-operators, even though the incumbent management of MacDermid rolled all of their equity into Platform acquisition stock. Now you have a highly vested team from bottom-up, top-down.

Basically what Jarden did is look at the consumer products industry, which had undergone a decent amount of consolidation over the years. They saw synergies in mature brands that were boring, low-growth, for which they could increase margins through synergies and distribution, and they could also extract value in other ways—it is almost like a public leveraged buyout vehicle. Consequently, this is what they have done over the past several years, going back over 10 years now. And the returns have been absolutely exceptional.

With this special purpose acquisition vehicle, they said, "Well, if we can set up this platform the way we set up a platform at Jarden, to roll up a mature industry, let us go out there and see if there is an industry that fits the bill." And they identified that in the specialty chemicals industry. Specialty chemicals represent a very, very small portion of the cost of goods sold that go into a product but provide a very high value-add. One example is a gel compound that goes between the screen and the cells in an LED or projection screen in a smartphone. Their reasoning is as follows: "Well, I can buy this company on a fair multiple of 10x EBITDA, and then I can use that cash flow, along with my stock and debt, to buy other companies that complement this portfolio."

And one of the unique things about the stock is that the specialty chemical industry is far more fragmented than the consumer products industry ever was. As you know, we are always very slow to buy things, unless it is just a huge, huge dislocation. As we gradually bought it, it ran away from us a bit. But we are continuing to monitor it. And, they have already made another acquisition in agricultural chemicals. We are going to continue to look at where we think the cash flows are, wait a few quarters, and see where they report some of these synergies and their guidance. This is one of those special situations that a lot of people were not paying attention to, and then it just really ran on them.

Questioner 3: Yeah, hi, guys, how are you? In the past, you have spoken about the DreamWorks Animation SKG Inc. position and, you know, long-term, what you see for it. In light of the developments during the last few months and how the stock is doing, I was just curious if you could touch on it and give your thoughts.

James Davolos: The investment thesis there is that they have a library of very valuable content. The cash flow from that is being monetized through different channels, which CEO Jeff Katzenberg is exploiting, and he knows very well from his time at Disney Animation that it can finance a less stable, more cyclical type of cash flow stream in the film production business. They have not had a huge, successful film since 2010, when they had *How to Train Your Dragon*, and the sequel just came out earlier in June. And while it had wide critical acclaim, it underperformed in the box office. Therefore, the reason you are seeing so much pressure on the stock is that a prior release was less than profitable than had been expected, and then this film is also performing below expectations.

But, while it is somewhat of a concern that these films, which are a success from an artistic standpoint, are not converting into cash flow success, the fact is that you are not going to create a *Shrek* franchise every year. Fortunately, they have cash flow from their existing businesses, and these films are profitable. You are taking a huge depreciation on your production cost because you have to—because the finite life is expected to be so short, with the box office and then the secondary market. But then you still have cash flow from these fully depreciated or nearly depreciated assets, which can continue to fund production. They are making money; they are just not making as much money as we would have thought and we would have hoped.

It is still one of those situations where we believe in the management team. They have been aggressive in buying back their shares. We believe in the product. And we think that eventually they are going to create a lot of value for their shareholders. It just has not come as quickly as we had hoped, and perhaps as quickly as the market had hoped; hence, you are seeing the stock selling off pretty sharply, not only this year but also this month in response to the sequel to *How to Train Your Dragon*.

Questioner 3: So, in terms of the long-term thesis, you still think that is intact, which is building the value, you know, of their library, which is obviously going to be worth money over time, and they keep getting other contracts on the side?

James Davolos: Yes. They are monetizing through TV deals. They have a deal with Netflix. They have a deal—they bought a company called AwesomenessTV. TV is kind of the Holy Grail, where you are looking at many of these companies, where that TV contract is worth a tremendous amount of money to a network that needs original content. And they also have theme parks and a joint venture in Asia, which who knows if they are ever going to be successful, but, if they can fund them through incremental movies, then that is another shot on goal for us.

Questioner 4: I wanted to touch a little bit on Leucadia National Corp. I know Ian stepped down entirely, and Joseph, I think, has stepped aside a little bit. So, the guys who have been running it for the past three or four decades are no longer running it. What are you guys' thoughts on still keeping it at such a large position?

James Davolos: We have reduced our position. It became clear to us that Ian Cumming was on his way out. We thought that Joe Steinberg was still going to run the investment portfolio pretty actively and dynamically. But, from conversations with management, and from the way that they have been running the businesses, we are basically getting an investment bank that has an investment portfolio, and not the other way around.

And if you look at particularly where the fixed income and currency revenues are at Wall Street banks, with trading volumes down, I do not know if Jefferies is a core business we want to be in, especially without those gentlemen running the investment portfolio the way that they used to. It is trading at book value; therefore, it is not something that we think is wildly overvalued, but it is a question of whether we want to have a lot of our assets tied up in an investment bank. These banks do trade at book value, with good reason. If you are going to look at your required rate of return for taking a considerable amount of risk, and then compare it to the actual returns on book value, i.e., return on equity, they match up pretty closely. Therefore, maybe it is justified that that business trades at book.

And if they are not doing much in the investment portfolio, and they are not really doing anything to grow that the way that they have grown it historically, with different transformative acquisitions and partnerships, then can you really justify paying a book value premium for this company?

Chris Bell: Just a few concluding comments. You can go to the parent company's website for research at www.horizonkinetics.com. And there will soon be a new website for the mutual funds. It should be effective some time in the third quarter. Therefore, I hope you will go to www.kineticsfunds.com to see that.

With that, I would like to thank you very much for attending the call, and have a successful trading day.

PERFORMANCE AND HOLDINGS INFORMATION

The Kinetics Internet Fund

	WWWFX	S&P 500 TR Index
Year-To-Date	-2.38%	7.14%
One Year	21.81%	24.61%
Three Years	15.30%	16.58%
Five Years	20.93%	18.83%
Ten Years	11.26%	7.78%
Since Inception	15.72%	7.87%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWWFX is October 21, 1996. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.84%. Kinetics Asset Management LLC, the Investment Adviser to the Internet Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.89% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Medical Fund

	MEDRX	S&P 500 TR Index
Year-To-Date	9.67%	7.14%
One Year	31.09%	24.61%
Three Years	17.38%	16.58%
Five Years	17.03%	18.83%
Ten Years	10.46%	7.78%
Since Inception	10.40%	4.88%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for MEDRX is September 30, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.09%. Kinetics Asset Management LLC, the Investment Adviser to the Medical Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.39% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Global Fund

	WWWEX	S&P 500 TR Index
Year-To-Date	2.81%	7.14%
One Year	20.90%	24.61%
Three Years	11.98%	16.58%
Five Years	14.68%	18.83%
Ten Years	6.26%	7.78%
Since Inception	-1.58%	3.97%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWWEX is December 31, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.84%. Kinetics Asset Management LLC, the Investment Adviser to the Global Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.39% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Paradigm Fund

	WWNPX	S&P 500 TR Index
Year-To-Date	4.66%	7.14%
One Year	25.08%	24.61%
Three Years	15.77%	16.58%
Five Years	17.11%	18.83%
Ten Years	10.02%	7.78%
Since Inception	9.97%	3.97%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for WWNPX is December 31, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.72%. Kinetics Asset Management LLC, the Investment Adviser to the Paradigm Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Small Cap Opportunities Fund

	KSCOX	S&P 500 TR Index
Year-To-Date	3.81%	7.14%
One Year	28.95%	24.61%
Three Years	22.15%	16.58%
Five Years	19.63%	18.83%
Ten Years	10.43%	7.78%
Since Inception	11.41%	4.07%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KSCOX is March 20, 2000. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.73%. Kinetics Asset Management LLC, the Investment Adviser to the Small Cap Opportunities Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Market Opportunities Fund

	KMKNX	S&P 500 TR Index
Year-To-Date	0.51%	7.14%
One Year	20.62%	24.61%
Three Years	15.76%	16.58%
Five Years	15.52%	18.83%
Since Inception	8.29%	7.47%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KMKNX is January 31, 2006. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.88%. Kinetics Asset Management LLC, the Investment Adviser to the Market Opportunities Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Alternative Income Fund (formerly The Water Infrastructure Fund)

	KWINX	Barclays 1-3 Year Credit Index
Year-To-Date	2.67%	0.95%
One Year	6.26%	2.16%
Three Years	3.28%	2.06%
Five Years	3.34%	3.28%
Since Inception	-0.53%	3.88%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KWINX is June 29, 2007. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.27%. Kinetics Asset Management LLC, the Investment Adviser to the Alternative Income Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 0.95% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

The Kinetics Multi-Disciplinary Fund

	KMDNX	S&P 500 TR Index
Year-To-Date	4.90%	7.14%
One Year	8.70%	24.61%
Three Years	5.91%	16.58%
Five Years	9.93%	18.83%
Since Inception	5.94%	8.52%

Performance data quoted is as of June 30, 2014. All figures are annualized. Past performance does not guarantee future results. The inception date for KMDNX is February 11, 2008. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 1.88%. Kinetics Asset Management LLC, the Investment Adviser to the Multi-Disciplinary Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.49% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

(Holdings begin on next page)

Internet Fund
Top 10 as of June 30, 2014

Liberty Media Corporation	9.66%
EchoStar Coropration	6.86%
Liberty Interactive Corporation	6.42%
DISH Network Corp.	5.65%
Viacom Inc.	5.61%
Liberty Ventures	5.00%
Discovery Communications, Inc.	4.49%
IAC/InterActiveCorp	4.12%
Scripps Networks Interactive	3.72%
Liberty Global plc	3.62%

Paradigm Fund
Top 10 as of June 30, 2014

The Howard Hughes Corporation	11.18%
Icahn Enterprises LP	6.86%
Liberty Media Corporation	6.30%
Texas Pacific Land Trust	4.86%
AutoNation, Inc.	4.19%
Live Nation Entertainment, Inc.	3.59%
Brookfield Asset Management Inc.	3.53%
DISH Network Corp.	3.41%
DreamWorks Animation SKG, Inc.	3.18%
CBOE Holdings Inc.	2.83%

Medical Fund
Top 10 as of June 30, 2014

Biogen Idec, Inc.	8.52%
Cubist Pharmaceuticals, Inc.	6.25%
Bristol-Myers Squibb Company	6.15%
Novartis AG	6.08%
Johnson & Johnson	5.46%
Eli Lilly & Company	5.33%
Shire plc	5.27%
Sanofi	5.16%
Pfizer, Inc.	5.09%
Alkermes plc	4.69%

Market Opportunities Fund
Top 10 as of June 30, 2014

Icahn Enterprises LP	9.53%
Texas Pacific Land Trust	7.65%
The Howard Hughes Corporation	6.87%
Onex Corporation	5.84%
Dream Unlimited Corp.	5.18%
Dundee Corporation	4.93%
Brookfield Asset Management Inc.	3.74%
Oaktree Capital Group LLC	3.52%
CBOE Holdings Inc.	3.51%
Leucadia National Corporation	3.30%

Global Fund
Top 10 as of June 30, 2014

Dream Unlimited Corp.	6.56%
The Howard Hughes Corporation	5.82%
Siem Industries Inc.	5.72%
Bollore SA	5.53%
Icahn Enterprises LP	5.51%
Dundee Corporation	5.36%
The Wendy's Company	4.72%
Onex Corporation	4.57%
Liberty Media Corporation	4.54%
Liberty Interactive Corporation	4.06%

Small Cap Opportunities Fund
Top 10 as of June 30, 2014

The Howard Hughes Corporation	10.29%
Texas Pacific Land Trust	8.48%
Icahn Enterprises LP	7.79%
Dream Unlimited Corp.	7.63%
Jarden Corporation	6.61%
The Wendy’s Company	5.95%
Onex Corporation	5.53%
DreamWorks Animation SKG, Inc.	4.07%
Live Nation Entertainment, Inc.	3.77%
Dundee Corporation	3.37%

Multi-Disciplinary Fund
Top 10 as of March 31, 2014

Owens-Brockway Glass Container	4.73%
WebMD Health Corporation	4.58%
Electronic Arts, Inc.	4.24%
Chesapeake Energy Corporation	4.17%
Royal Gold, Inc.	4.09%
Post Holdings, Inc.	3.71%
Sungard Data Systems, Inc.	3.42%
The Howard Hughes Corporation	3.35%
Lennar Corporation	3.26%
Ashland Inc.	3.19%

The information contained in these charts is updated at the discretion of Kinetics Asset Management LLC and is only representative of each Fund’s portfolio on the date specified. Additionally, position size may not be indicative of actual market position due to the use of call and put options.

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