



**Kinetics Mutual Funds
Third Quarter 2023 Commentaries**



The Market Opportunities Fund

[Click Here for Standardized Performance](#)

Dear Fellow Shareholders,

Financial markets continue to be dominated primarily by macroeconomic drivers, which leaves little room for individual company fundamentals to influence prices. This is not necessarily an abnormal occurrence, but we believe that it is magnified in the current cycle due to the heightened sensitivity to economic data—and its impact on monetary policy—as well as by the ever-increasing impact upon ‘the marginal trade’ by index funds.

We still believe that expansive fiscal policy and sustained federal budget deficits are largely offsetting monetary policy’s impact on underlying economic conditions. However, the Fed Reserve’s higher interest rates are directly impacting the valuations of financial assets that are sensitive to funding costs. This explains part of the dichotomy between resilient economic data and weak broad equity market performance.

More perplexing is that many of the most richly valued technology stocks—which experienced steep losses in 2022—have rebounded so sharply this year, and are leading indexes higher. Various market valuation measures indicate that investors expect a gradual reversion to the pre-2020 market backdrop (low interest rates, low inflation, and low volatility), which could explain the technology stock renaissance this year.

We remain skeptics, given our view that we have entered a “new normal” environment that will more closely resemble the decades prior to the 1990s than after. Such an environment is supportive of hard asset allocations, which remain the focus of the Fund. It is not yet understood that the past two decades’ experience—of uniquely beneficial interest rate, commodity price, and labor cost trends—were actually, for a time, the “new”, but not permanent, “normal.”

The market action in the third quarter was decidedly “risk-off,” as longer-term interest rates continued to climb, driving strength in the U.S. Dollar, but losses in fixed income portfolios. The hard asset exposure in the Fund is negatively impacted by rising (real) interest rates and appreciation in the U.S. Dollar, as these variables should exert pressure on asset prices. While this was true for gold and silver—which shifted -3.7% and -2.6%, respectively, for the quarter—crude oil rose approximately +28.5% as global inventories continued to draw to historically low seasonal levels.

Despite the pervasive macro headwinds for many hard asset prices, bitcoin has posted gains of nearly 70% for the year. There has been recent excitement regarding a potential listing of a “spot” market bitcoin ETF, as opposed to the futures-based offerings available today. Part of the optimism for an ETF listing is related to a Supreme Court ruling which vacated an earlier SEC decision to reject a spot market ETF, deeming it “arbitrary and capricious” in nature. We are skeptical as to whether a spot ETF will actually drive physical bitcoin demand directly, but we recognize that this is an important step towards greater market adoption. All of these ‘technical’ issues are ultimately driven by the increasing acceptance of bitcoin as a legitimate asset class. The degree to which this is occurring is



perhaps most easily measured by indicators of institutional involvement, whether by the appearance and trading of Bitcoin futures instruments on the CME, or the establishment of pricing, trading and custody faculties by other regulated securities exchanges as well as by established banks and investment firms.

Markets continue to fluctuate based on the latest datapoints and speculation regarding the paths of interest rates and CPI inflation. We see little merit in trying to predict what are ultimately short-term factors, and simply embrace “scarcity” as a long-term investment theme. We believe that the scarce hard assets to which the Fund has exposure, particularly oil, which is the keystone commodity in every economy, and fixed-issuance cryptocurrency (the first ‘scarce,’ non-debasable money in history—call it digital scarcity), will be the premier investment allocations by the time that this cycle concludes.

Market Opportunities Fund Top 10 Holdings (%) as of September 30, 2023	
Texas Pacific Land Corp	50.9%
Grayscale Bitcoin Trust	8.8%
Associated Capital Group, Inc. - Class A	2.2%
Permian Basin Royalty Trust	2.1%
Partners Value Investments LP	1.6%
Franco-Nevada Corp	1.5%
Intercontinental Exchange Inc	1.1%
Urbana Corporation - Class A	1.0%
Wheaton Precious Metals Corp	1.0%
GAMCO Investors, Inc. - Class A	0.9%



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 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.

Murray Stahl is 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.

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.

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