Kinetics Mutual Funds
Second Quarter 2018 Commentaries

The Medical Fund

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Dear Fellow Shareholders,

Many investors view the Health Care sector as a short-term investment. Though we certainly acknowledge that stock prices for pharmaceutical and biotechnology companies are frequently driven by news flow—the latest trial results or FDA guidance, for example—the process of drug development is a long term one. Regulation also has the potential to affect the profitability of drug development companies; these headlines are compelling, and it is certainly incumbent upon investors in the space to be up to speed on the latest regulatory action. However, these news items seldom reference the underlying growth of companies operating in the sector, or their prospective cash flow generation. Many of these companies have been, and likely will continue to be, successful in a variety of regulatory settings, and their development is measured in years, not just since the most recent headlines.

Celgene is just one example of a profitable, yet growing, biotech firm. In the first quarter of 2018, Celgene expanded its revenues by 20%. Growth was driven by all of the therapeutics in its marketed portfolio. In addition, Celgene continues to fund its R&D program with roughly $4 billion a year. This is an established and growing company; yet, it trades at a price to earnings ratio of approximately 10x, a price one would consider a value, even for a company with minimal revenue growth.

In 2017, 14 new cancer drugs were approved by the FDA, as were therapeutics for a panoply of conditions, including several in the nascent fields of immunology, metabolic disease and targeted treatments. 2018 appears poised to top last year’s remarkable growth in new treatment options, as regulatory entities increasingly appreciate the need for expedited therapy research and approval. Nevertheless, current market conditions have left these companies trading at discounts, despite their fundamental strength. As we exercise our characteristic patience, The Medical Fund is positioned to participate in the anticipated period of growth and innovation.

Sincerely,

The Kinetics Investment Team

Medical Fund **Top 10 Holdings (%) as of June 30, 2018**	
Eli Lilly & Company	8.4%
Pfizer, Inc.	8.2%
AbbVie Inc.	7.1%
Bristol-Myers Squibb Company	7.1%
Johnson & Johnson	6.5%
Biogen Inc.	6.5%
Novartis AG - ADR	6.3%
Sanofi - ADR	5.9%
GlaxoSmithKline plc - ADR	5.4%
AstraZeneca plc - ADR	5.4%

Important 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.

Because the Medical Fund invests in a single industry, its shares do not represent a complete investment program. Medical and biotechnology stocks are subject to a rate of change in technology, obsolescence, and competition that is generally higher than that of other industries, and have experienced extreme price and volume fluctuations. 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 Medical 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 industries. 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 objectives 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.

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