Kinetics Mutual Funds, Inc.

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Kinetics Mutual Funds
Fourth Quarter 2014 - Conference Call with Peter Doyle
January 8, 2015

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on January 8, 2015, Peter Doyle, Chief Investment Strategist for Kinetics Mutual Funds, Inc. hosted a conference call to financial advisors. The transcript set forth below is intended to provide a summary of Mr. Doyle's remarks.

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Chris Bell: Thank you everyone for attending today's call. I'd like to remind everyone that there's a lot of information available on our two websites: www.kineticsfunds.com, where you can find presentations on the Paradigm Fund, the Small Cap Opportunities Fund, the Medical Fund, and our Owner-Operators theme. Also, if you go to www.HorizonKinetics.com you can find a variety of different research pieces and presentations on various strategies we manage.

During the quarter we published two very interesting research pieces that are making their way around from Bob, Tom, Marc, and me. The first piece has to do with what's going on with the Russell 2000® Index. It's titled *Can an Index Underperform its Benchmark?* and discusses the vagaries pertaining to the indexes.

The other piece is about utilities and whether or not you're going to get the return that you're expecting over time. It's a very interesting piece. It's one of the most provocative white papers we've done in quite some time. If you're interested in getting it, please call or email Bob, Tom, Mark or me or your HRC representative and we'll ensure you receive a copy.

With that I'd like to turn it over to Peter Doyle, President of Kinetics Mutual Funds, Inc., who will provide us with a market overview and some return information. Then, James Davolos, one of our Portfolio Managers, will add a little attribution analysis and will elucidate a few of our holdings. So, take it away Peter.

Peter Doyle: Thank you, Chris and good morning to everyone and thank you for participating on the call. I'll start off with the performance numbers, understanding that many people are dissatisfied with 2014 returns. The Paradigm Fund returned -0.79% for 2014. That compares to the S&P 500 Index (the "S&P 500"), which was up 13.69%. The Small Cap Opportunities Fund was down 7.28% compared to the Russell 2000 Index ("Russell 2000"), which was up 4.89% for 2014.

Now if you looked at our 2013 numbers, the S&P 500 was up 32% versus the Paradigm Fund, which was up 44%, while the Small Cap Opportunities Fund was up 58% versus the Russell 2000 that was up roughly 38.5%. So, the two year numbers actually look reasonably competitive and I think in Small Cap Opportunities Fund's case we actually modestly outperformed the Russell 2000 during the 2013-2014 period.

Click here to view standardized performance for the funds mentioned above.

Now, at the end of 2013, we just had two solid years—2012 and 2013—and the underlying businesses that we owned, as high quality as they were, were not growing at the rate of their stock prices. There's a certain channel of return that we expect in a given period of time based on the business returns and we were running ahead of that at the end of 2013.

2014 is another story. The Paradigm Fund is down slightly, while the underlying businesses themselves have actually grown fairly substantially; thus, I believe that as we sit here today, 2015 is very possibly a good year for us and I think from a return characteristics or valuation characteristics perspective, we actually sit in a much stronger position relative to the overall benchmarks.

As we have spoken about extensively in the past, the index business has gone from a benchmarking business to an investment business. I'm going to share some numbers with you regarding exchange traded fund (“ETF”) flows versus active management flows over the last seven years. From January 1, 2008 through year-end 2014, active managers of mutual funds lost more than $328 billion due to outflows. ETFs, on the other hand, from January 1, 2008 through November 30, 2014, took in $844 billion. If we had data through the end of 2014 it would probably have been well over $900 billion.

That's a swing of roughly $1.2 trillion. As you all know, equity prices are set at the margin, and if active managers are having assets flow out, and those assets had been invested in securities that are deemed as not appropriate for indexes, the prices of those securities are going to be pushed down. Conversely, if securities that are desirable by ETFs because such securities have liquidity, they're going to be pushed up in price. That's really we believe has transpired over the last several years and 2014 was just a continuation of that.

Let’s look at some of the bigger names. The Coca-Cola Company (“Coca-Cola”) is a great company and I would never discourage anyone from going there to find employment. However, as an investor I would be very concerned about putting my money in that stock. The stock trades today at roughly $43.00 a share. It trades at close to 21 times next year's estimated earnings and if you look at the recent history of Coca-Cola, in 2013 and 2014, they actually had declining revenues and they had declining earnings.

Now, trading at 21 times earnings and not growing your earnings is very disconcerting. Look back at the history of Coca-Cola: it experienced other periods of time where the valuations became very stretched, such as the early 1970s. In 1972, Coca-Cola was trading at roughly 41 times earnings. By the end of 1978 it was trading at 13.5 times earnings. Obviously, that multiple compression is very dramatic. However there was at least a saving grace during that period of time. The earnings of Coca-Cola during that period actually grew by close to 12% per annum and in some years there was close to 20% earnings growth.

Consequently, the closing price of Coca-Cola (split-adjusted) in 1972 was $1.54. In 1978 it was $0.91 and that's with growing earnings. That's more than doubling your earnings over that period of time. It's hard to envision, if we're now looking back from the year, say, 2021, how Coca-Cola is going to grow their earnings in any dramatic fashion. Anyone that wants to buy a Coca-Cola product can buy a Coca-Cola product and the demand for it is just not going to grow in the way that it has historically and the opportunity set for the company is not what it once was.

Buying a company today at 21 times earnings that has not been growing its earnings over the last several years and may not be able to grow its earnings by any substantial amount over the next 5-7 years, and with the potential for multiple compression for whatever reason, could result in a very, very poor result and I think that's really the situation for a lot of growth companies today.

When we look at our names versus other names including well-regarded liquid companies, they are priced in a way where it's not conceivable, to me anyway, that we're going to underperform our benchmarks over an extended period of time. Now, I can't tell you that this is going to end in January of 2015, but I can tell you that the chorus of dissatisfaction that we're starting to hear reminds me of our underperformance in the year 1999 and going into the year 2000. We were not invested in technology companies and technology was a virtual suction pump taking away investments from other areas of the market and we just said: okay, the valuations are insane and we're just going to stay away from them. That's quite similar to the situation we're in today. I can't pinpoint a date, but I believe we're close to where it's going to reverse itself.

Looking at some investments that we have versus some of the more liquid names, in the Paradigm Fund, one of our biggest positions is a company called Howard Hughes Corporation ("Howard Hughes") that we've spoken about in the past. Howard Hughes trades at a price to book value of 2.2 times. That compares to Simon Property Group Inc. ("Simon Property"), which is the largest mall operator in the United States. It trades at 11.9 times book value. Complicating matters for Howard Hughes is the fact that it has a lot of dormant assets and these assets are in the early stages of development so the company's earnings are not very high, which is not desirable to the investment community.

Now, the market capitalization of Simon Property is $60 billion and it has a trading volume of roughly 1.4 million shares a day versus the market capitalization for Howard Hughes of $4.7 billion and a trading volume of 170,000 shares a day. If you look at any ETF, Howard Hughes is largely excluded from it, and since securities are priced at the margin, that's why it's being priced in the way that it is. From a fundamental standpoint, it's hard to envision that Howard Hughes is not going to dramatically outperform Simon Property over an extended period of time. What we expect will happen is that Howard Hughes will develop their properties, cash flow will hit the bottom line, it will become a yield play, and it will attract more investments.

Another example would be the Walt Disney Company ("Disney") versus Starz Inc. ("Starz"). Disney trades at roughly 19 times earnings, and Starz trades at a little less than 13 times earnings. Disney trades at 3.19 times sales and Starz trades at 1.7 times sales. Now, John Malone, who has a controlling stake in Starz, is very aggressive about buying back shares and is doing incredibly interesting things at the company level to get that stock's price higher, and over time that valuation discount should result in better returns for the Starz shareholders versus the Disney shareholders.

I could go on and on with companies of that type that we own in our portfolios versus what's trading in the marketplace. But with that I'm going to stop in order to allow James to speak about individual companies in the portfolios.

James Davolos: Thanks Peter. Before I go into the individual portfolio positions, I want to try to put some of our performance in context. If you look back to the inception of the Paradigm Fund, the annualized performance is not far off from 10% per annum. But in any individual year we're going to have significant deviation potential from the S&P 500 because we don't own all of the companies that populate the index.

In order to evaluate our performance on a relative basis, I try to look at what we're doing, which is trying to populate the portfolio with high quality growing businesses with high returns on capital at a fair price. The way that we find these companies is through what we call predictive attributes and these predictive attributes not only contribute to mispricing, but have also been predictive of future outperformance, based on our research.

One of the main predictive attributes that we follow is tax-free spin-offs. We have been covering tax-free spinoffs for over 20 years, writing up virtually every U.S. tax-free spin-off. To give you a frame of reference, there is an index called the Beacon Spin-Off Index[1]. That index was up 1.9% last year, compared to up over 13.5% for the S&P 500, and I think that that's a byproduct of the indexation trend. Major indexes historically do not include spin-offs. Typically it's because there's a lack of liquidity, there's a lack of understanding of the business fundamentals and spin-offs are exactly what indexes, and the ETFs that track them, don't want to own. So, last year, as Peter mentioned, we saw hundreds of billions of dollars going into indexes. Spin-offs are being sold almost indiscriminately as the transactions are closing.

Another predictive attribute that is amongst our most important attributes is owner-operator management. While there's no perfect way to measure owner-operator performance, there's a Sabrient Insider Sentiment Index[2], which tracks the insiders that are buying back stock and it also has an element of analyst recommendation. So, again, this isn't a perfect comparison, but the Sabrient Insider Sentiment Index was up 6.6%. Once again, a very large discrepancy from the strong gains of the S&P 500 and this, again, I think goes back to indexation where if an owner-operator is buying back shares of the company, the index by definition the next quarter is going to sell because of the reduction of the float.

One more point on ETFs and indexation, which is that we looked at correlations with the S&P 500 over the past 20 years, and I think the best way to quantify the increase in correlation would be to take the top

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[1] The Beacon Spin-Off Index is designed to identify companies with potentially superior risk-return profiles that have recently been spun-off from larger corporations, while maintaining a degree of industry diversification.

[2] The Sabrient Insider Sentiment Index is designed to identify companies with potentially superior risk-return profiles that also are reflecting favorable corporate insider buying trends (determined via the public filings of such corporate insiders) and/or have recent earnings estimate increases published by Wall Street analysts.

10 non-financial constituents of the S&P 500 that have been in existence for at least 20 years in order to make the study work. If we look at those, the average correlation going back to 1994 was about .43. You fast forward to 2014 the correlation was .57. So, this is a very significant increase in correlation of the names in the S&P 500 and we believe that again is a function of people going into ETFs and buying baskets of securities and baskets of exposures rather than paying attention to the fundamentals that are driving the underlying businesses.

One last comment, which Chris alluded to a little bit earlier—we encourage you all to read our white paper on Small Cap Investing where we have a study that looked at the Fama-French model. Two well-renowned academics created a "small portfolio," and this small portfolio was meant to represent the entire investable universe of small cap companies in the United States. How is this different than the Russell 2000? The Russell 2000 is only trying to capture the middle 2000 companies of their 4000 company universe, and they also have a banding methodology which effectively compromises the fundamentals of the index in order to make it more liquid (and thereby, increase the capacity of products that track it).

So, going back to the Fama-French model, their "small portfolio" from January 1, 2000 through the end of the third quarter of 2014 returned 13.4% annually versus 10.1% for the Russell 2000, with a lower standard deviation. So, from a modern portfolio theory standpoint, that shouldn't happen. Over 14 years a portfolio with fewer constituents is not expected to outperform a portfolio with more constituents and a larger market cap, especially on a risk-adjusted basis, because smaller is thought to be riskier, and hence have higher volatility. We then extended the study and actually looked at the small cap portfolio versus the Russell 2000 over the past 35 years and for over 35 years it's compounded at over 150 basis points higher per year. You can just imagine the power of compounding; 150 basis points per year over 35 years is absolutely enormous.

With that I'll move into the portfolios. Many of the names that we'll talk about are held in a number of our portfolios. The Paradigm Fund had a difficult fourth quarter, and I think that a lot of the fourth quarter price action was perhaps rooted in fundamentals, but fundamentals that were exaggerated. What I mean by that is if you look at the portfolio and run a sector screen, we had very little exposure to the oil and energy markets. But a variety of our companies had a *perceived* sensitivity to oil markets, and hence, had a very difficult performance throughout December as well as in the entire fourth quarter, which we actually think is creating a tremendous buying opportunity.

Therefore, let's look at one of the top holdings across multiple portfolios: Howard Hughes. Howard Hughes is a diversified real estate development company with prime assets from Hawaii oceanfront real estate to lower Manhattan waterfront real estate, but they also have a variety of master planned community assets in Las Vegas, Nevada, Columbia, Maryland and Houston, Texas. The Houston, Texas assets are in a master planned community called the Bridgelands which is adjacent to the Woodlands which is one of the most affluent and successful master planned communities in the history of the United States.

Exxon Mobil Corp ("Exxon Mobil") is going to be one of the largest tenants in the Bridgelands in their commercial real estate where they're going to be employing tens of thousands of employees. Howard Hughes materially underperformed any referenced real estate or broad-based market index through much of the quarter and it actually had a surprisingly high correlation to falling energy prices. In talking to different analysts and talking to different holders of the stock, what we surmised is that people made the assumption that because Houston is a somewhat energy-based economy, that the Bridgelands would suffer and people would not be moving to the Bridgelands and Exxon Mobil would not be fully employing people there. This is preposterous, for lack of better words. Exxon Mobil has only gone down 6% because of oil prices. So, people realize that, for Exxon Mobil and Chevron and Total and BP, is their top line going to get hit over the short-term? Yes. Is their long-term profitability impaired? A little bit. But are they going away? Absolutely not.

Yet Howard Hughes, because they have what I consider not even a primary asset of the portfolio in Texas, which is presumed to have a certain sensitivity to oil, underperformed tremendously during the quarter and I think it's a phenomenal buying opportunity.

I'll move with that into another company in Texas which actually does have oil exposure, which is the Texas Pacific Land Trust ("Texas Pacific"). We've talked about it on these calls in the past, but just to remind people, our investment was never predicated on oil and gas revenue. It was predicated on the fact that this company owns nearly 1,000,000 acres in Texas and they were able to sell land at market rates while using the cash flow to retire shares in the trust with an implied real estate value that's far lower than market rates. This is basically an artificial compounding machine that ultimately would accrue to the people that held their shares throughout this process.

About 18 months ago the thesis evolved to the point where even though the well count and the rig count didn't increase materially for the company, they have about 400,000 acres of oil and gas mineral rights and these mineral rights started to pay off as production increased and, again, production increased without the huge surge in wells. So this implied that there's much more productivity at existing wells. So the price ran up pretty rapidly because you literally had oil and gas revenue compounding at 50% per year with what looked like very little land sales and very little incremental activity. The shares I think at a certain point started to price in a certain amount of momentum in oil prices. But we've stress tested our case here, using third quarter numbers (the latest we have), and what we've basically done is a liquidation value rate now: we looked at Texas Pacific's third quarter earnings from oil and gas revenue. We discounted that number by 50% and that's basically the difference between the average realized oil price in the third quarter relative to the spot price right now.

If you discount those earnings at about a 50% rate and then capitalize it at about a 7.5% rate, the oil and gas revenue annuity is worth approximately $300 million. If we remove the oil and gas royalty from the market capitalization of Texas Pacific, we have a stub value of about $630-$650 million. Now if we

divide that by the amount of acreage that the company has surface rights of about 900,000 acres, you arrive at an acreage price of about $600 per acre.
The problem with pricing the acreage is there are vast differences in what the acreage is worth. In the third quarter of 2014 they sold some acreage at $5,000 an acre. More recently just before Christmas this year they sold some acreage at about $1,000 an acre. We believe that $1,000 an acre is about a base price for grazing land, meaning it has no other real revenue or development opportunity. So, if we just assume that the land is worth $1,000 an acre and the royalty stream is $300, right there in a very dire scenario the stock is worth approximately 30% more than where it's currently trading. Again, if we were to actually strip out and say that the oil and gas revenue is never coming back and just assume that those 400,000 acres of perpetual mineral rights are worthless and then apply $1,000 an acre to the surface acreage, we more or less arrive at the current price.

So, another way of saying this is the momentum people that came and bought this stock because of oil prices and because of the growth in the royalty revenue have been shaken out and they've been shaken out to the extent that the stock is now priced literally for liquidation. We'll know a lot more when the fourth quarter numbers come out in terms of what their production is and what the realized prices are, but we think that over a longer period of time you're going to see the company buying back shares, certainly at these levels, and doing what makes the most sense for shareholders. So, this continues to be one of our highest conviction long-term holdings. For most people, who want a catalyst in the next week, month or day, this doesn't really appeal to them, but we view it as a form of time arbitrage.

One other name in the portfolio that has a certain sensitivity to oil that I think has also been overdone is Icahn Enterprises L.P ("Icahn Enterprises"). Icahn Enterprises at face value is Carl Icahn's holding company and within the holding company there are operating businesses, meaning actual companies whose revenue is attributed to Icahn Enterprises shareholders as well as an investment portfolio. Amongst his operating companies, Carl Icahn has a railcar company called American Railcar Industries Inc. which is one of the primary suppliers of railcars to the Bakken shale bed in North Dakota, an area that is underserved by pipelines. So, these oil fields need to use railcars to get from the Bakken back to the refineries and, consequently, Carl Icahn also owns a primary refinery in Oklahoma called CVR Refining, LP.

There are a lot of conflicting data out there about what the breakevens are for different Bakken plays, and what production levels are going to start getting cut and where they're going to continue to flow through, but it appears to us the market has pretty much discounted that the Bakken is going to shut down production, and also vastly reduce their use of railcars. Again, imagine this is buying a refinery and a railcar company before anyone realized that the shale plays were viable. In other words, we're buying them at what's called a fair multiple with free upside to the extent that any of these fields continue to produce or production continues to grow. Ultimately, we believe that Carl Icahn is one of the most savvy allocators of capital and we expect him to create value either through buybacks, additional asset acquisitions, or other strategies.

I want to touch on two other stocks whose returns are really an enigma to us. We have a fair amount of exposure, particularly in the Paradigm Fund, to some Canadian securities that I call sister companies: Dundee Corp. which has an ownership stake in Dream Unlimited Corp ("Dream Unlimited"). These are both hard asset companies where we can calculate a net asset value (NAV) that is well above the trading values. But these stocks have been absolutely hammered in the fourth quarter of last year, not because of anything fundamental. Again, there are some mineral and oil interests that are somewhat sensitive to energy prices, but if you look at the overall Canadian market, it has been oversold because people perceive its sensitivity to oil prices and recognize that tar sands, the bitumen and oil fields up there are one of the highest cost producers hence they assume the entire economy is going to struggle.

We look at Dream Unlimited, which has a variety of housing assets all across Saskatchewan, not to mention some in Toronto and other major cities, and while we agree that there will likely be some impact if the energy industry does slow down, the ancillary effects on all of these cities in Saskatchewan are not purely driven by the oil sands. So, even if the economy in Canada is going to struggle as a function of the bitumen production, we think that these companies trading at 10%, 20%, 30% discounts to hard net asset value represent remarkable opportunities.

Transitioning away from the oil names, we continue to see a lot of opportunity in mid-cap and like names which, while they haven't yet saturated their markets, also haven't cut costs to where their margins are unsustainably high. These are generally not in very many indexes, but they have a business plan and there's a vested owner-operator to create value. If you can buy a company like that with a viable plan to create value at a fair multiple where the owner-operator can engage in a creative transition for the company shareholders, we think that's a win. And one of the best examples of this has been Jarden Corp. ("Jarden"), where Martin Franklin and Ian Ashken created a consumer products company of boring consumer staples, anything from playing cards to thermoses, to skis, to coolers. They were able to buy a lot of these companies at single-digit cash flow multiples, bring them onto the same platform, realize efficiencies, not only of scale, but efficiencies of scope and then ultimately create a compounding machine for shareholders.

We continue to hold Jarden, and we think that's going to be a great high IRR (internal rate of return) name going forward. They're doing the same strategy again in a company called Platform Specialty Products Corp., which is essentially rolling up the specialty chemicals industry in much the same way that Jarden did to the consumer staple products. The stock has been a little bit volatile and there's been some attraction to it because of the growth profile, but management's executing and I'd much rather buy that at a 15x or a 16x cash flow multiple where management can literally grow shareholders' equity in the double digits for 15 years further than own something like a Procter & Gamble or Coca-Cola that's trading at around 20x earnings with very little visibility on earnings growth.

One last example that's in a variety of portfolios that I think is a really interesting opportunity that we're continuing to own and buy more of is the Wendy's Company ("Wendy's"). Everybody's familiar with Wendy's, the quick service restaurant with the burgers and fries. It's surprising to us because Wendy's

has a great product. They have a great team in place with Nelson Peltz and Peter May of Trian Fund Management, LP and what they're doing is going through the process of moving to a franchise model, so an asset light model, expanding internationally, upgrading stores, basically doing everything that makes sense to create the highest cash flow and lowest asset intensity.

I would say that they're probably in the second or third inning of this process. If you were to look at another company, Burger King Worldwide, Inc. ("Burger King"), which we also owned which is probably in the eighth or ninth inning, Burger King has executed this exact plan and executed it very well. Just recently they actually merged with Tim Hortons Inc. into Restaurant Brands International, Inc., and moved their tax base to Canada.

If Wendy's is able to achieve even 15% of the success that Burger King had with this strategy, we're looking at a stock that we believe is going to compound well into the teens for years to come.

So those are just some examples of where we think value is, where we think the portfolios are going to be invested and what our investors should expect. And with that I'll turn it over back to Chris.

Chris Bell: Thank you, James. Very insightful. Peter, I think you have a little bit more?

Peter Doyle: Yes, I just wanted to follow up. The cleavage that we're seeing in the market now really is driven by the liquidity of companies; companies trading in indices that are replicated by ETFs or investable ETFs are really trading at a premium. We think we're at a tipping point now where the ETFs that are being created are looking to access these kinds of anomalies that are taking place in the market. Now, if I was sitting on the other end of this conference call I would say well, what's going to change this position in this tidal wave that we've experienced? I can tell you there are two factors that I think are very important that will change it.

The first is that there are ETFs being created that are hoping to exploit these orphan companies and they're starting to gain assets there, so as they do that they're more likely to be buying the names that we've invested in. The second is that the profit margin of the ETF industry is a race to zero and people are getting exposure to broad baskets of stock for seven basis points, so even if you have a trillion dollars under management, you're not too thrilled about getting that type of return on your assets.

As a result, ETFs and people that are involved in that business are looking for ways to increase their fees and they're coming back towards active management and we've had some success getting some models more recently I think that's partially driving them and I think the company that's put us in that model recognizes that there are real opportunities because of the dislocation of this liquidity divide that's out there. So, we're pretty optimistic based on the valuations as well is what's likely to cause that dynamic to turn for us.

Questioner 1: I was just wondering if you could comment on Sears Holdings Corp. ("Sears"). I know it's a fairly light holding and how you see this ultimately playing out.

James Davolos: Sure. So, Sears is probably one of the most difficult companies to analyze that we've ever come across and one of the reasons for that is the lack of transparency. But if you read between the lines it's pretty clear that Eddie Lampert, who is the owner operator at Sears, is by no stretch of the imagination trying to compete with Wal-Mart and Target. He realizes that bricks and mortar-based retailing in a "big box" format has a finite life and it has finite capacity. So, every action that he's been taking over the past 10 years, the pace of which has accelerated recently, has basically been a very gradual liquidation and also siphoning assets away from debt holders to where the equity holders have value. Remember that he personally as well as his investment vehicle have $1 billion each invested in Sears.

To go into a little bit more detail, there are these bankruptcy remote entities that own some of the best real estate, the three brand names that Sears owns—Kenmore, Craftsman, DieHard—and the reinsurance business. These are all bankruptcy remote entities which cannot be touched by the bond holders and the creditors. What I'd say is frustrating is the lack of clarity on when he's going to actually pull the triggers to make this transition.

Right now, at least at face value, it appears he's trying to play the game of in-store pickups or order online and then you can pick up at the store in your car in the parking lot without even getting out of your car. But I think again, this is just a smokescreen for what he's ultimately going to do and what that's going to be is sublease the owned real estate, which could be worth over $10 billion alone. He's signed some deals this year with some European retailers and some great malls that have basically taken over their spots. To me it's not a question of how much Sears is ultimately going to be worth, it's a matter of how long it takes to extract that multiple term return.

Chris Bell: I'd like to also mention that Sears is trading about $35 a share today. If you put the spin-offs back into the company that would give you a valuation north of $50, meaning it's virtually flat for the year or over the last 12 months and so it's not too bad. But I think it's up today because JC Penney announced that they're closing 40 stores. I think if Sears were to aggressively do something like that I think you'd see the stock price increase substantially. Our investment objective was never based on the retail businesses of Sears being successful, it was as always about the real estate.

Questioner 1: Yes. One thing you just mentioned about JCPenney closing 40 stores, Sears just announced that they were closing 200 and something stores. It seems like no reaction whatsoever to that.

Chris Bell: Yes, it's a work in progress. They've been doing that for the last three years. So they've closed stores and sold leases. As they've closed stores their costs go down and they can also sublet in some cases 30 and 40-year leases.

Questioner 1: Right. Do you guys have, I'm sure you do, a vague estimate on what this is worth? I know it's hard because of all the moving pieces and lots of different currencies.

James Davolos: I'd say the best way to ballpark a valuation is to go into any Form10Q or 10K that Sears files and search the document for "guarantor." That will take you to footnotes of the financial statements, one of which is a balance sheet and one of which is an income statement. Look at the non-guarantor assets, because the non-guarantor assets are what are left for equity holders in the event that Sears enters bankruptcy. You'll see $15 billion of equity on the balance sheet and over $1 billion of cash flow in the income statement. Estimating an appropriate multiple is difficult—I'm not going to say put a Simon Property multiple because that's probably grossly too high, as we talked about earlier. But even a conservative multiple of 10 to 12 times on that operating income gets you to many, many doubles from the current share price.

Questioner1: Got you. All right, thank you.

Questioner 2: Could you comment on the position in DreamWorks and what you see as a catalyst there?

James Davolos: So DreamWorks Animation SKG, Inc. ("DreamWorks") is an owner-operator that has basically spent the past two years shifting their business model away from *I'm going to have the movie at the theater and then I'm going to sell you a DVD of that film*. They realized that DVD obsolescence and the move to digital was going to create huge headwinds for their margins. So what Jeff Katzenberg, the owner-operator, has done, is he has gone and created all of these new avenues for monetization. He has joint ventures in China for Oriental DreamWorks. He has theme parks across Asia. He has new consumer products initiatives. He has television projects and then he also has digital streaming projects with AwesomenessTV.

If you consider that, there is not a problem with the business model. All of the channels for monetization are there. The company is just not having success at the box office. Ultimately, we think that the library, meaning films that are fully amortized and not reflected in the book value, is worth probably 50% of the current value of the company. Then if you look at the remaining stub value of DreamWorks, the remaining content, which is held at book value net of amortization, you're basically getting the library at a 10x earnings multiple and you're getting the book value of DreamWorks, meaning again, the inventory (which in this case is the content) at a 50% discount.

So, any way you slice it, we believe this company is being priced for a draconian scenario. It's frustrating that they had a variety of rumored takeout offers over the past 12 months and nothing came to fruition. We'd like some more clarity from management on that, but ultimately they've built the infrastructure and I think it makes a lot of sense to another strategic owner. But ultimately if they also just can get their act together at the box office there's a lot of money to be made.

Chris Bell: James, you may want to comment on some of those buyout offers. There were pretty much all north of $32 per share, right? I know the Softbank one was $32, right?

James Davolos: A lot of them were not officially confirmed, but most of them were rumored to be about 50% higher than the current share price.

Questioner 2: I think the rumor was that it wasn't high enough for management. The rumor was that DreamWorks was asking too much.

James Davolos: Yes. One of the issues here is Jeff Katzenberg has his company and basically it's rumored that he wants to be the major head of a studio and if you were going to buy him and consolidate him he wants to run the show and he also wants a king's ransom. That's frustrating, but it also shows that this guy's not going to give away his company for free. We've seen some companies that have been taken out over the past year at multiples that we thought were very low, one of which in the portfolios is Brookfield Residential Properties Inc. that was bought by its parent company.

So, I'd rather see him hold out for a fair price than basically accept something that's 20% or 30% below fair value.

Chris Bell: And he does control the company. He's got a 60% voting share.

Questioner 3: I've got a couple of questions. You mentioned about Sears and as far as a lot of the entities that they hold the bondholders are not using that as collateral. On the spin-off of some of the bonds that happened recently, isn't there a conversion option to stock before five years?

James Davolos: I know what you're talking about. This was a very convoluted way of recapitalizing the company, but basically what they did is they said if you buy $500 million of five-year debt, in exchange for that I'll give you 17 warrants that, at the time they were struck, were well below the market value of the stock. So, you were incentivized to exercise your rights which meant you're taking on the $500 of debt, then you're also getting another couple hundred dollars' worth of warrants. The holders of that debt, which ultimately is all their equity shareholders, have very different interests than the common debt holders. These guys do have the ability to convert that new debt into equity.

Questioner 3: Would that be a substantial dilutive event?

James Davolos: No, if you figure it's $500 million at face value they can convert back into equity, it would be slightly dilutive, but again, these are all shareholders. Primarily it's Eddie Lampert himself, it's ESL Investments, it's Bruce Berkowitz at Fairholme Capital Management and then it's Horizon Kinetics. I'm pretty confident that every one of the people or entities I just mentioned are exercising

their rights, own the debt, own the warrants and are going to exercise the debt into equity before the five-year period.

Questioner 3: If there are more spin-offs in the future, when you exercise it back to the common you actually end up getting the spin-offs as well, correct?

James Davolos: Well, they'd have to adjust the price of the exercise. So instead of giving you a spin-off, they would say okay, I spun-off $8.00 at fair value so let's readjust the strike price on the conversion.

Questioner 3: Okay, perfect. One other little follow up as far as Dream Unlimited, that was one of the Canadian companies that you mentioned, has there been any slowdown in lot sales for development based on their estimation or your estimation on some of the developments they have going on up there?

James Davolos: It's a similar situation to what I was talking about with Texas Pacific where there's just not a ton of information out because I think a lot of people are just waiting for everything to stabilize. You've had energy prices in freefall and nobody wanted to take drastic measures right before a correction. So, we're not seeing much of an impact in terms of any type of activity and we're trying to keep an eye on what lot sales are looking like and what activity is like in Canada, but again, it's wait and see for these guys to report fourth quarter numbers before we have any real look into what's going on.

Questioner 4: My question is, since utility stocks have done so well, when we look at the Kinetics portfolios we don't have any of them. So, can you just comment on that and how I can explain to clients how the number one sector last year was not represented at all in our portfolios?

Peter Doyle: The white paper that Chris talked about earlier goes into the valuation as well as the competitive threat that's going on in the utility industry. So, we deem utility stocks to be among the most risky investments that you could possibly imagine right now. Even though we missed the run in 2014, they were not safe investments. When that gets revealed and when it ultimately translates into poor results it's an area that you want to stay as far away from as you possibly can right now.

You have garden variety utility companies that are possibly going to grow their earnings at 3% (if new technology doesn't impugn those earnings) that are trading at 22 times earnings. That's a recipe for disaster. So, from a valuation standpoint that's the same thing as technology in 1999— you want to be as far away from that as you possibly can.

So, we'll suffer the short-term consequences of underperforming for the safety and the concern of the principal assets of our investors and ultimately we think that we're in the right place.

James Davolos: I think one of the big reasons that utilities outperformed is the same reason that a lot of real estate investment trusts performed so strongly last year is that investors, for whatever reason are not looking at these companies in terms of funds from operations, or in terms of book value. They're ignoring everything except for dividend yield and they're using these companies as substitutes for bonds because there's a dearth of yield in any bond that has any reasonable risk-return profile. So, it's a very dangerous mix when people start viewing equities solely in terms of their dividend yield.

Peter Doyle: They're not bonds and you're not guaranteed a return on your principal. The competitive threat to that industry is real and it's going to impact the returns on capital and the earnings of those companies are probably going to come down very substantially, not grow. People are hoping they're going to grow, but that may not be the case.

Questioner 5: I don't know about the second or third quarter conference call, but when you were talking about the challenging performance you said that your exposure to consumer non-durables was a drag on the portfolio and with oil having come down 40-50%, what impact do you think cheap energy or cheap gasoline will have on those components of the portfolio?

Peter Doyle: We're not trying to predict, nor did we have any outlook for the price of oil when we made that statement, but obviously the price of oil falling from $90 to $50 puts more money in consumer's pockets so it can't be a negative really. I don't know that we've tried to quantify that, but it's obviously going to help.

Chris Bell: You figure people have more money, whether it's Wendy's or DISH Network Corp. or the Liberty Media companies like Starz, Las Vegas Sands, companies like that, people just have more money to invest or L Brands, they all have more money. It can't be a negative.

Questioner 1: Just one other holding you guys have held for a while that seems to be stuck in a very tight trading range. I was just wondering on Forest City Enterprises, Inc. ("Forest City") what catalyst you see where you'd maybe get this one moving.

James Davolos: Forest City, we thought it was going to move a lot more when we saw the continued development and success of the Atlantic Yards project in Brooklyn. They got the arena done, but there are still a lot of ancillary buildings that have yet to come to kind of a stabilized net operating income. What we're seeing in this environment, and it's one of the struggles we have with Howard Hughes, is that real estate investors only look at one of two things—dividend yield or net operating income and because Howard Hughes and Forest City are both still in the development phase there's no way for a conventional public equity real estate investor to value these companies.

I think once you start seeing management projections and early signs of net operating income, people are going to put a cap rate on that net income and if it's anything like what the peer companies are trading at, the stock's going to trade a lot higher. It's going to be a very low cap rate and a pretty high

valuation. But again, that's exactly what we try to do at Horizon Kinetics—is arbitrage that waiting period that other people aren't willing to accept, and success mode often happens very gradually and very smoothly where we're doing it at 15-20 percent compounding a year. But in this case, and certainly in the case of Howard Hughes, I think it's going to happen in a much more violent rapid fashion to the upward side.

Peter Doyle: The same is true in Dream Unlimited. It's exactly correct, it's these dormant assets that people are saying are not producing anything in 2015-2016, so they're not willing to pay very much for that. That equity yield curve that we spoke about in the past is really what we're hoping to capture. So now we have two positives—one, the equity yield curve has grown much wider as our names have lagged and two, the liquidity or lack of liquidity in our names is less desirable to investors than it has been historically because of the flows into ETFs and that's created a bigger discount for us. So now if those two things close at the same time you can have just an upward pressure on our funds that would be very pleasing to most investors. In my opinion that's a real possibility.

Chris Bell: This morning Barry Sternlicht was on CNBC and he mentioned that an A building in Manhattan sold the other day at a 1.75% cap rate. If rents doubled that would be a 3.5% cap rate. It's just amazing. And you compare that with a company that he is very, very closely aligned with, which is TRI Pointe Homes, Inc. ("TRI Pointe"), in which they bought a tremendous amount of lots and real estate in very desirable areas to build and live, and you compare it to TRI Pointe and you're at two ends of the equity yield curve. The building that sold obviously is at the short end of the six-month window of people's interest and TRI Pointe is probably a three to four-year investment where you could possibly double or quadruple your money over the next five to 10 years.

Peter Doyle: It gets back to the owner-operators willing to make investments that are not going to pay off in the next six months and there is a very distinct minority of individuals that are willing to do that. We own a lot of those companies in the portfolio and that's really where the opportunity set is. A company like Procter & Gamble, Coca-Cola, Kraft—they can't invest. They haven't been investing and the owner-operators really have been investing very aggressively, it's just that it's not showing itself in results today—but it will.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of December 31, 2014	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-0.16%**	13.69%	13.40%
One Year *(annualized)*	**-0.16%**	13.69%	13.40%
Three Year *(annualized)*	**21.08%**	20.41%	22.05%
Five Year *(annualized)*	**16.09%**	15.45%	15.85%
Ten Year *(annualized)*	**10.15%**	7.67%	8.09%
Since Inception*(annualized)*	**15.40%**	8.00%	7.66%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Medical Fund

As of December 31, 2014	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**16.44%**	13.69%	13.40%
One Year *(annualized)*	**16.44%**	13.69%	13.40%
Three Year *(annualized)*	**23.68%**	20.41%	22.05%
Five Year *(annualized)*	**15.71%**	15.45%	15.85%
Ten Year *(annualized)*	**10.46%**	7.67%	8.09%
Since Inception*(annualized)*	**10.47%**	5.12%	3.64%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Global Fund

As of December 31, 2014	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-11.89%**	13.69%	4.16%
One Year *(annualized)*	**-11.89%**	13.69%	4.16%
Three Year *(annualized)*	**11.75%**	20.41%	14.10%
Five Year *(annualized)*	**7.26%**	15.45%	9.17%
Ten Year *(annualized)*	**3.86%**	7.67%	6.09%
Since Inception*(annualized)*	**-2.53%**	4.24%	3.26%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Paradigm Fund

As of December 31, 2014	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-0.79%**	13.69%	4.16%
One Year *(annualized)*	**-0.79%**	13.69%	4.16%
Three Year *(annualized)*	**20.29%**	20.41%	14.10%
Five Year *(annualized)*	**11.86%**	15.45%	9.17%
Ten Year *(annualized)*	**7.60%**	7.67%	6.09%
Since Inception*(annualized)*	**9.23%**	4.24%	3.26%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Small Cap Opportunities Fund

As of December 31, 2014	KSCOX (Net of Fees)	Russell 2000 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**-7.28%**	4.89%	13.69%
One Year *(annualized)*	**-7.28%**	4.89%	13.69%
Three Year *(annualized)*	**23.27%**	19.21%	20.41%
Five Year *(annualized)*	**12.99%**	15.55%	15.45%
Ten Year *(annualized)*	**7.87%**	7.77%	7.67%
Since Inception*(annualized)*	**10.16%**	6.86%	4.35%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Market Opportunities Fund

As of December 31, 2014	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**-5.55%**	13.69%	-4.90%
One Year *(annualized)*	**-5.55%**	13.69%	-4.90%
Three Year *(annualized)*	**17.66%**	20.41%	11.06%
Five Year *(annualized)*	**10.81%**	15.45%	5.33%
Since Inception*(annualized)*	**7.05%**	7.75%	2.81%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Alternative Income Fund (formerly The Water Infrastructure Fund)

As of December 31, 2014	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**1.50%**	1.12%	5.97%
One Year *(annualized)*	**1.50%**	1.12%	5.97%
Three Year *(annualized)*	**5.48%**	2.08%	2.66%
Five Year *(annualized)*	**1.27%**	2.42%	4.45%
Since Strategy Change (12/31/12) (annualized)	**3.34%**	1.28%	1.89%
Since Fund Inception*(annualized)*	**-0.64%**	3.64%	5.25%

Performance data quoted is as of December 31, 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 the most recent month-end performance data and a copy of the most recent Prospectus.

Multi-Disciplinary Income Fund

As of December 31, 2014	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**2.46%**	5.97%	2.45%
One Year *(annualized)*	**2.46%**	5.97%	2.45%
Three Year *(annualized)*	**7.23%**	2.66%	8.43%
Five Year *(annualized)*	**6.91%**	4.45%	9.03%
Since Inception*(annualized)*	**5.14%**	4.60%	9.32%

Performance data quoted is as of December 31, 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 Income 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 the most recent month-end performance data and a copy of the most recent Prospectus.

(Holdings begin on next page)

Internet Fund **Top 10 Holdings (%) as of December 31, 2014**	
EchoStar Corporation - Class A	7.1%
Liberty Interactive Corporation - Class A	6.7%
DISH Network Corp. - Class A	6.6%
Liberty Media Corporation - Class C	4.6%
Liberty Global plc - Series C	4.4%
Time Warner, Inc.	4.1%
Liberty Ventures - Series A	4.0%
Scripps Networks Interactive - Class A	3.7%
Google Inc. - Class C	3.3%
Live Nation Entertainment, Inc.	3.2%

Paradigm Fund **Top 10 Holdings (%) as of December 31, 2014**	
The Howard Hughes Corporation	10.5%
Icahn Enterprises LP	7.5%
Texas Pacific Land Trust	4.8%
AutoNation, Inc.	4.8%
Brookfield Asset Management Inc. - Class A	4.6%
Live Nation Entertainment, Inc.	4.3%
DISH Network Corp. - Class A	4.2%
CBOE Holdings Inc.	3.9%
Liberty Media Corporation - Class C	3.4%
Jarden Corporation	3.2%

Medical Fund **Top 10 Holdings (%) as of December 31, 2014**	
Biogen Idec, Inc.	9.1%
Bristol-Myers Squibb Company	7.4%
Cubist Pharmaceuticals, Inc.	7.0%
Novartis AG	6.1%
Eli Lilly & Company	5.8%
Alkermes plc	5.4%
Johnson & Johnson	5.4%
Pfizer, Inc.	5.3%
Shire plc	4.7%
Sanofi	4.5%

Market Opportunities Fund **Top 10 Holdings (%) as of December 31, 2014**	
Icahn Enterprises LP	10.2%
Texas Pacific Land Trust	6.5%
The Howard Hughes Corporation	6.4%
Onex Corporation	5.6%
Brookfield Asset Management Inc. - Class A	4.9%
CBOE Holdings Inc.	4.9%
Dundee Corporation - Class A	3.8%
Dream Unlimited Corp. - Class A	3.7%
Visa, Inc. - Class A	3.4%
Sotheby's	3.2%

Global Fund **Top 10 Holdings (%) as of December 31, 2014**	
Icahn Enterprises LP	6.2%
The Howard Hughes Corporation	5.9%
Siem Industries Inc.	5.6%
The Wendy's Company	5.1%
Liberty Interactive Corporation - Class A	5.0%
Bollore	4.8%
Onex Corporation	4.6%
Dream Unlimited Corp. - Class A	4.6%
Dundee Corporation - Class A	4.5%
Texas Pacific Land Trust	3.6%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of December 31, 2014**	
The Howard Hughes Corporation	9.6%
Jarden Corporation	9.5%
Icahn Enterprises LP	8.8%
Texas Pacific Land Trust	7.2%
The Wendy's Company	6.9%
Dream Unlimited Corp. - Class A	5.3%
Live Nation Entertainment, Inc.	4.8%
DreamWorks Animation SKG, Inc. - Class A	4.4%
Onex Corporation	3.7%
AmTrust Financial Services, Inc.	3.0%

Multi-Disciplinary Income Fund **Top 10 Holdings (%) as of December 31, 2014**	
Icahn Enterprises/Finance	4.1%
The Howard Hughes Corporation	3.9%
Brookfield Residential Properties	3.6%
Chesapeake Energy Corporation	3.4%
Post Holdings, Inc.	3.3%
IAC/InteractiveCorp	3.2%
Lennar Corp.	3.1%
Ashland Inc.	3.1%
Penske Auto Group Inc.	3.1%
Dish DBS Corp.	3.0%

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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