Kinetics Mutual Funds
First Quarter 2016 - Conference Call with Peter Doyle
April 11, 2016

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on April 11, 2016, 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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Index & Benchmark Definitions:

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 Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The iShares MSCI ACWI Index seeks to measure the performance of both the MSCI World Index and MSCI Emerging Markets Index. The iShares EAFE Index measures international equity performance across large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Barclays 1-3 U.S. Credit Bond Index is composed of investment grade U.S. credit securities with a maturity between one and three years. The Barclays U.S. Aggregate Bond Index is composed of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, and includes securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million. An investor cannot invest directly in an index.

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Chris Bell: Good morning, everyone, and thank you for joining this call. I'd like to remind everyone of our website, www.kineticsfunds.com, and our parent company's website, www.horizonkinetics.com. You can go to both places for information on the funds, as well as updated research and white papers on our various themes. Today's call is being recorded, and a transcript will be available. With that, I'd like to turn the call over to Peter Doyle, President of Kinetics Funds.

Peter Doyle: Thank you, Chris, and good morning to everyone. I want to go back and just do a little review of where we've been over the last five or six years plus, and then to touch on two topics, principally, interest rates and the ETF market. And as you might recall, for those who have listened for a number of years, coming out of the financial crisis, we were convinced that central banks around the world were going to be committed to keeping interest rates low for a long period of time. And the principal reason for that was that the debt outstanding was so large that, if they tried to raise rates, it would cut off the global economy very quickly. In addition, they were trying to stimulate the economy, as a result of the financial shock that was taking place.

That has really come to pass, and financial assets benefited greatly as a result. All financial assets are priced off of interest rates, and zero interest rates for a number of years is going to be reflected in equities, fixed income, bonds, and real estate, among other assets.

The global marketplace has really had an opportunity to adjust to this reality, and you saw what happened last year when the Federal Reserve raised rates for the first time in a good number of years. The markets actually traded down fairly significantly. As a result of that, volatility spiked up, and central banks around the world quickly backtracked, and decided that they're not going to raise rates as aggressively as they had hoped they might be able to. As a result, the markets rebounded.

Really, if you look at the overall stock market, as measured by the S&P 500 Index ("S&P"), it really has been flat since December of 2014. That's principally a result of interest rates being as low as they were, and prices reflecting that situation, along with very anemic earnings growth rates. In fact many companies have experienced negative growth rates during that period of time.

In this environment, it's hard to see how you're going to do well with broad exposure to equities, particularly when central banks would love to raise interest rates now. We're still of the belief that the banks are going to have to do it very slowly, but the reason we believe they're going to have to start doing it is that zero interest rates or negative interest rates have upset the apple cart of the capitalist system. Indeed, many of the principal funding mechanisms, and many of the retirement plans and pension plans aren't earning an adequate rate of return. That's causing stress on states around the country, and you're starting to see real problems. Illinois recently got downgraded, and many of their schools are now downgraded to just slightly above junk.

If you're a pension plan, and you believe that you're going to earn an 8% rate of return, and you're 50/50, let's say, 50% fixed income, 50% equity, you're not going to make that return in fixed income, unless you're way out on the risk spectrum or you're doing something very off the beaten path. And you're probably not going to be able to get there in equity. You certainly haven't done it in the last several years in equities.

As a result, you're starting to see real shortfalls in pension plans, endowments, and accounts with distribution requirements. The Federal Reserve needs to raise rates in order for them to get a healthy enough rate of return so that they don't have to keep funding these institutions in a very significant way. If more money goes into funding them, money can't be spent on education and other areas that states would love to be able to spend money on. Therefore, you're starting to see real cracks in the system. And that's the principal reason why interest rates are probably going to have to rise in the future.

Now, couple that with the growth of the ETF industry, which has academic support. Note that we're really, in principle, not against ETFs. In fact, indexation makes a lot of sense when it's practiced by a small minority, or a minority of the market participants. When it becomes the dominant participant, however, it actually starts to distort pricing across many asset classes. And that's what you've seen over the last several years.

Take a company like Blackrock. Blackrock today manages $4.6 trillion and literally takes in hundreds of millions of dollars on a daily basis. Now, it's hard to believe that a company in that position is actually expected to have declining earnings year over year. You have to ask: "What is the cause of that?" Blackrock is competing in an industry where margin compression is happening at warp speed. The

company is managing a lot of money, but is not getting the return that it wants on it. Believe it or not, Blackrock announced, at the end of March, that it's going to lay off 3% of their workforce. And earnings estimates for 2016 are below what they were in 2015. Yet, the company is basically taking in money hand over fist.

Accordingly, you might say: "Okay, equities are essentially flat over the last several years. Our margins are starting to get squeezed. Where can we get a return? Where can we move our assets to get a return?" And that's where I think we stand, and where we ultimately will benefit.

Historically, ETF providers have given you exposure to an asset class at a very low fee, and for a long time the price kept going down. But what we're starting to notice is that, if you look at the new filings for ETFs, they've become more and more exotic, and they're being populated or planned to be populated with less and less liquid names. The reason is that the providers actually have to come up with an ETF that can't be replicated in order to justify charging a higher fee.

Then I look at some of our own funds. For instance, The Medical Fund's long-term track record is actually quite good. As of March 31, 2016, the Fund's No-Load Class has had annualized returns of 9.19% since inception in September 1999. And yet we've actually struggled to get money into that fund. The reason, in my opinion, is that an ETF provider can come out and say: "Let's look what The Medical Fund holds. And let's back-test names, and we'll put similar names in going back the last five, 10 years, and just weight the names at a higher return level. Then we can say that this is what our returns would have been, had this fund been in existence. Hypothetically, let's say the Medical Fund, over a particular period, has returned 9% per annum, and this new ETF that we're going to come out would've returned 11%, and we can offer it at a reduced price." They've completely denaturized investment returns as a result of what they've done and how they back-test theoretical returns.

But we believe the ETF companies have reached the end of this game, and now they actually need to be in names that basically can't be replicated by other ETFs. That's why we believe the names that we have in our portfolios are likely to start getting a boost from this trend. The reason they're going to utilize this methodology is purely self-interest. If you're Blackrock, you don't want to be charging seven basis points on the assets under management; you want to be charging 55, 65, 75 basis points. And you

can't do that in garden-variety names like Johnson & Johnson, McDonald's, and Facebook, to name but a few.

We think that those two trends, where ETF industry is being compressed, will cause the ETF companies to go into less liquid names and off the beaten path, and that's going to serve us well; secondarily, our names are likely to flourish even in a rising interest rate environment. Now I'm going to let James Davolos speak about the particulars.

James Davolos: Thanks, Peter. Before I get into individual names and a few outlooks on specifically what we're doing in the portfolios, I think that it's really important to understand what we're trying to accomplish by investing outside of indexes and mainstream ETF constituents. I think the best way to understand this is to look at a real estate investment, including some of the tax advantages.

If you're in Midtown Manhattan and you're bidding on a 60-story Class-A office, chances are every well-financed institution in the world is going to have a well-informed opinion on that building, and have an equally efficient bid for that property. That's just the point of the cycle that we're in: there's no distress in the market, there's no disgust for real estate assets; they are bid up very efficiently, and there are well-capitalized investors that are willing to place an incredibly high bid on those properties, to the extent that the incremental value that the highest bidder can extract from that property. And that's effectively what investors are doing when they're investing in mega-capitalization companies in the S&P and, to a lesser extent, some of the largest constituents in the NASDAQ and the Russell 2000 Index and other, perhaps less closely followed indexes.

But if we were to look at a property, we would not be evaluating it simply based off of what last year's operating income was, or what the mortgage rates are, or what the 10-year Treasury rate is. We need that building to meet an absolute hurdle rate of return. And if it can't meet that absolute hurdle rate of return, then the investment simply does not make sense. And we're not in the business of levering up mediocre returns to try to hit theoretical hurdle rates of return.

Instead, we think we're able to go outside of the mainstream arena and find companies that we believe can easily compound your capital, either based off of a steady state earnings yield of high single digits to low double digits, with a growth element, or a company that's in transition where we believe that, in the

near to medium term, we're going to reach an earnings number where we're receiving a cash flow yield in the double digits. More recently, we've seen a lot of valuation compression, particularly in value stocks, but also in smaller and mid-capitalization stocks. And although some of the declines are not without justification, I just believe that they've been radically overdone.

As an example, many of the companies in the stock market today exhibit a certain amount of cyclicality. Banks are cyclical with interest rates, and retail companies are cyclical with consumer spending, and then, obviously, you have far more cyclical businesses that are involved in industrials, base materials and commodities. But in order to properly value those companies, I think that a prudent approach would be to look at what a mid-cycle earnings and cash flow figure is, and look at what the mid-cycle margins would be. And then you can try to appropriately estimate what this company would do, perhaps, in the middle point of the cycle. I think that it's pretty clear that, seven years, eight years coming out of the global financial crisis now, this cycle is very long in the tooth. And we're not seeing the incremental gains that are necessary to sustain a robust business cycle, in our opinion.

Therefore, if you're able to discount a company's valuation back to where a mid-cycle point would be, and put a reasonable multiple on that figure—let's say 12-15x, where you're earning a high single-digit current yield on those earnings, then obviously there's a growth element. Given our relatively negative outlook on the overall economy, we think that this is far more prudent than investing in companies that are currently achieving the highest levels of profit margins and earnings growth that they've actually achieved in decades.

Just as one example, we've been critical on these calls of McDonald's for years. McDonald's had many quarters in a row of declining same-store sales, and declining profitability. And they hit an inflection point not too long ago where the company made some changes and resumed growth. I'm not talking very robust growth here; I'm talking pretty tepid growth. It's a very mature company. The number of threats facing that company are profound, not the least of which are labor costs; you saw legislation passed just in the past few weeks about increasing minimum wages.

About 2.5 years ago, McDonald's was trading at roughly at the same earnings multiple as the S&P. I would argue that's probably appropriate. The company has outperformed the S&P dramatically over that period of time. Instead of trading at the same multiple as the S&P, as it was a few years ago, now it's

trading at closer to 1.5-1.6x the multiple. Gains that are predicated on temporary factors, and then further enhanced by multiple expansion, are very dangerous. I think that's really what you're seeing across large swathes of the market right now.

Now, compare and contrast that to a company in our portfolios that I think is underappreciated: AutoNation. AutoNation is the largest auto dealership in the country. And, yes, there are absolutely headwinds facing that company, where seasonally adjusted new car sales are over 17 million units, which is historically about 2 million above the long-term trend. You can argue that there were some issues with inventory in the fourth quarter of last year, and there's probably going to be some element of a slowdown after this robust recovery out of the depths of the financial crisis, where units hit about 10 million units a year.

But if we were simply just to go back to the 40-year average of around 15 million units, and then look at the full-cycle operating margins and the full-cycle earnings profile of AutoNation, and then capitalize that number at 15x, you get to about 10% above the current stock price. I believe that's a bargain, considering that you're also getting about a 5% yield based off stock buybacks, which are at very low numbers.

We believe the company, an owner-operated business, is extremely conservatively financed, particularly considering that their floor financing, which is their vehicles, is at unduly low interest rates, which are provided by the original equipment manufacturers that are giving them the automobiles. It's a highly fragmented industry that they're effectively able to roll up as other dealers come under pressure. And there are still some tailwinds for this company where the average age of an automobile in the United States is now approaching 12 years.

It's not the sexiest type of investment. But if you can buy that company at a very reasonable mid-cycle earnings multiple, there are a lot of elements that can bolster the future growth of the business. However, what people are doing is they're looking at headlines that are temporarily showing perhaps depressed earnings. But we don't think that's going to be a permanent phenomenon. People still need to buy their cars; they still need to service their cars. And they still want to go and see the car and test drive the car. This is an enduring, long business lifecycle that we're optimistic about.

Just a final, quick note on valuation: when investors overreact to these short-term blips in earnings, they're effectively increasing the value of that first year's cash flow in their discounted cash flow analysis. In the vast majority of corporations these days, over 80% of the valuation of that company is in the long-term growth rate or what people might call the terminal value of that business. Consequently, to assign these enormous valuations based on year-one and year-two cash flows is certainly shortsighted. But I think that it's understandable, given the fact that investors are increasingly short- term oriented and not willing to wait through a business cycle.

Going back to the real estate investment, if the cash flows are there and the valuation is right, you're going to earn that long-term rate of return that you seek, even if there are incremental disruptions to the cash flow in the interim. In some cases, that's happened; in other cases, it's simply been a matter of perception in the portfolio. But going forward with our outlook, we're looking at mid-cycle numbers. We're insisting on very conservative leverage. We're insisting on prudent management that's actually reinvesting in the business, to grow that business, because any type of steady state yield must be taken within the context of the long-term growth of that business.

We think that we're extremely well positioned, even though we do think that we're in the late stages of a business cycle. However, the valuation and business quality should combine to ultimately result in a very attractive long-term return string for these businesses.

Peter Doyle: As James pointed out, AutoNation is an owner-operator. It has roughly 100 million shares outstanding, but the actual float is substantially less. A company like that, even though its business prospects and the potential returns are actually quite good, has really no appeal to the industrialization of investments the way that it's been practiced over the last 10 years. We think that's where the return is going to be; hence, it would not surprise us in the future if an ETF came up and suddenly wanted to buy that stock, and realized that, if it became the dominant owner of that position, no other ETF could actually compete against it. We think this bodes well, both on a fundamental basis, as James pointed out, as well as in the context of what's going on within the ETF industry itself. With that, we will open up to questions.

Chris Bell: Peter, I'm constantly defending our large cash position and our bearishness. Would you mind commenting on that?

Peter Doyle: Sure. Murray Stahl, our colleague, was in our office not too long before the start of this conference, and he pointed out, rightfully so, that we're actually not bearish. We actually think there's tremendous opportunity in the marketplace. It's just not where most people have their exposure. It's not in the large, liquid names that people have been buying, without regard to valuation, through ETFs. We see tremendous opportunities, and we actually buy. But you just need to be off the beaten path. And that's really what our theme has been from our start as a company. It's just that these trends that have been in place for the last decade-plus have overwhelmed what we've done. However, we believe that's coming to an end.

James Davolos: Just to elaborate on that a little bit, the cautious outlook (because I wouldn't call it a negative outlook) is purely a function of valuation. We are completely fine with business cycles. You can make money through business cycles, investing in equities, particularly depending on where the risk premiums are relative to bond yields and interest rates. But this really goes back to the fact that you cannot escape the valuation at which you purchase a company. If you buy a phenomenal company that is growing at a rate triple that of the economy, but you pay too much for that company, ultimately you cannot escape that valuation in your long-term rate of return. That's why we're so cautious.

You can look at what people are calling the Warren Buffett indicator, which has gotten a decent amount of press lately, where you look at the valuation of corporate equities divided by GDP. Historically, you don't want to pay a huge multiple on the market value of corporate equities relative to gross domestic product. Right now, you're still well over a standard deviation, closer to two standard deviations above the long-term mean. People can argue that they're anchoring that to low interest rates, but, again, I go back to my first point, which is that to justify such a large divergence in valuation simply based off of a low interest rate is not a prudent, risk-averse investment decision, in our opinion.

Questioner 1: Thanks for your comments. I just have one quick thing about what you were saying about the Buffett indicator. It was a meeting or two ago in Omaha that someone asked about the same thing, and he was pretty quick to say that he didn't think that was relevant anymore, given the global aspects of the marketplace now. So, is that something you're really using at this point? Or is that just for a sort of illustration? Thanks.

James Davolos: No, we don't use it whatsoever. I think it's just something that we look at in terms of one of the thousands of pieces of data that analyze. Consequently, I don't think Berkshire Hathaway is the same investment it was even 10 years ago, where, if you look at the names that are driving that portfolio, which effectively, as a public CEO of a company, he has to justify, he has Coca-Cola at 25x earnings in that portfolio, and he has Wells Fargo at a slight premium to book value that's not earning its premium to book value. Although these are great companies, you have to compromise strict valuation criteria to justify these multiples. And that's really not something that we want to do.

Questioner 1: James, you've continually talked about quality at any price. Do you want to expand a little bit on that? Because that's what you've said in a number of meetings with me to people wondering about our valuation theme.

James Davolos: Yes, and it's exactly that. If you just go by the demographics of Baby Boomers, and you look at the different types of benefits that are extrapolated for defined benefit plans, a lot of people are back at that point where they're revisiting the retirement decision discussions that were painfully closed in 2007. And these people are basically saying, "All I want to do is just get another year of returns, just whatever they can possibly be. I just can't take a hit."

I completely understand this from a behavioral perspective. But when I look at it from the perspective of what you're paying for what you're receiving, it's disguised high-risk, in our opinion, because to bid up a no-growth company to where you're getting an AAA bond-like return for an equity is just a huge mismatch, because the variability of earnings of a company for its equity holders is vastly different than the contractual coupon payment of a bond. And, obviously, there's a duration issue, but there's theoretically unlimited duration in equity.

To bid up an earnings yield to be that tightly compressed to what a high-quality corporate bond yield should be is really risky, in our opinion. And that's what a lot of people are doing and what's really worked well, where you look at the three areas where people have made money: it's been utilities, it's been healthcare, and it's been consumer durables, where people are saying, "Just give me the defensive, noncyclical sectors, and I'll pay through the moon for it."

Questioner 2: Good morning, guys. I did miss the beginning of the call, but I heard you talking about your belief that we're in the late stages of an economic cycle. You were talking about AutoNation; I don't know exactly when you bought it. But, if you do believe we're at the late stage of an economic cycle, do you want to even own an AutoNation here? Even if you're a value investor, is the timing right? I'm just not sure I'm getting that.

James Davolos: The point is that, if we were buying AutoNation right now, and using 2016 earnings and margins, and then putting a 20-plus multiple on that company, which is effectively what people are doing in admittedly less cyclical businesses that are driving the indexes, that's completely against what you should be doing. But I think that there are tremendous businesses that have gotten pummeled because people over-emphasize the immediate headwinds.

If you look at AutoNation, in 2006, auto sales started to soften. And the stock came back dramatically, from about $20 to $10 through the nadir of the global financial crisis. But the point was that they were incredibly well financed. This business is not going away. They had ample capacity to acquire competitors, buy back stock. And, once the cycle resumed, you've basically taken that stock from $10 all the way up to $60; now you're around $45. And we're not saying that it's the end—if we expected 2008, obviously, we wouldn't have a penny invested. But you can't go around expecting that.

We're just saying, worst case, if things get ugly and we go back to maybe 14-15 million units, and we assume that they hold margins—because operating margins have been about 4% over the last 10 years, shockingly, so, they've held up really well. Now they're running about 4.20%. Assume we go back to a 4% margin; we go back to 16 million units, because that's really the biggest driver for revenue, assuming no synergies and acquisitions; and you put a reasonable multiple on that. We think you're buying a great franchise.

But, to your point—and I'm glad that you brought that up—as public equity investors, we are all subject to forces affecting asset prices, which can border on absurdity, where a lot of these equities that—in our portfolio right now, they would never trade within 50% of where the market is assigning values right now, if these owner-operators were organizing a sale. But that's the nature of public markets. And that's something that we really need to address as a manager of these funds. And we've actually been pretty actively looking into different ways to express that. There's no free lunch, just to paraphrase it, but

we're obviously very cognizant of what can happen to these companies if the business cycle turns more sharply than we had perhaps imagined.

Just one last point, and this is the case for AutoNation but more so for a lot of the smaller and more eclectic companies that are in our portfolio. A lot of them have really already endured their bear market, to the point where they're effectively pricing in a recession. I can make that argument for 20 or 30 names in the Paradigm Portfolio, and even more in the Small-Cap Portfolio. The public markets can do crazy things and mark that even lower, but the fact that a lot of these are already pricing in what we believe are implied recession profit margin hits, top-line hits means that we're already at a starting point where the valuation risk has been taken off the table to a large extent.

Questioner 3: I wanted to ask what you probably have heard over and over, but it's what I get asked from my clients, and I answer it as best I can. But just to hear it again from you, when they invest, ask: "What have you done for me lately?" And long-term is months, no longer years. So, I'm always reminded that, in the last eight years, someone invested $100,000 with Kinetics, it would be worth about $80,000; whereas, if they put it in the S&P, it would be $163,000. Again, I know you've heard it many times. How do you address it? Because what I'm hearing is, look, eight years. What if this is nine years, 10 years, 11 years? So, how do you address it?

Peter Doyle: The numbers are what they are, and you can't run away from that. But if you look at the risks that people are taking, and the trends that have gone on, and what's driving those returns, it's nothing that we can buy into. This is our winter period. And it's painful, and it requires a lot of fortitude. And all I can say is that we base our decisions on the facts as we understand them. And what James mentioned earlier: you can't uncouple the expected return from the price that you pay. And people are doing incredibly silly things. And money is being thrown at investments, although I don't think they understand the way they're throwing it at them, through ETFs that really have no regard for the true valuations. And eventually, that's going to come home to roost, and it's going to reverse itself in a very dramatic fashion. And I wish it didn't go on as long as it has, but it has. And I wish I could tell you it's going to reverse itself tomorrow, but I can't.

But based on what I mentioned at the start of the conversation, when you're looking at a company like Blackrock, and you see the fee compression that's going on there, and the company is bringing in

literally hundreds of millions of dollars on a daily basis, and their earnings are actually expected to decline year over year, it means that they need to do something differently. And that difference is going to be: “We need to come up with products that are going to get people exposure that can’t be replicated.” And that’s where I think we sit.

If that unfolds, we believe we’ll absolutely be able to make up that “underperformance.” All I can tell you is that I know you’ve been a long-term supporter and follower. And I think we’re doing the right thing. It’s just been a painful experience. But eventually we believe it’s going to reverse itself. And we’ll be back on top; that is what we believe.

James Davolos: Just to add to that, obviously, the eight-year number is highly sensitive to 2008, and there were a lot of external factors to the 2008 number. Then, more recently, it’s really been a function of comparability to the S&P, where we compare ourselves to the S&P because we think—and we have beaten the S&P over the long term. But the short-term comparability to the S&P has diminished incredibly, particularly when you look at the business drivers and valuations of our companies compared to that of the overall market.

Therefore, I would encourage investors to try to look at other types of non-mainstream exposures, whether it’s a small- and mid-cap blend or a small-cap or even a mid-cap type of exposure, when trying to understand the short-term correlations of these portfolios, certainly when explaining that to clients that are looking at the performance of just the mega-cap stocks, where, as for McDonald’s, multiples have skyrocketed on fundamental cash flows that really aren’t moving at rates anywhere near what the multiples have.

Peter Doyle: And you have even the more aggressive names, like Amazon and Facebook. And those are names that just can’t be justified by any stretch of the imagination but that have helped drive the market. And it’s a game that people are playing, and it’s not a game that we’re willing to participate in, because we think it’s ultimately a loser’s game. Several years ago, it was remarked to us that those names are basically running, and we could have put our fund in those. But, in good conscience, we can’t do it, since we don’t think we’re going to ultimately get a good long-term return on it.

Chris Bell: I'd like to thank everyone for the call today, and remind you that you can go to our website, www.kineticsfunds.com, or our parent company website, www.horizonkinetics.com, for research, updates, and fact sheets. And, if you have any questions, please email Bob Uly at buly@horizonkinetics.com, or call him at 914-703-6950. Thanks very much, and have a nice day.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of March 31, 2016	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-2.42%**	1.35%	-2.75%
One Year *(annualized)*	**-9.29%**	1.78%	-0.63%
Three Year *(annualized)*	**6.34%**	11.82%	14.23%
Five Year *(annualized)*	**7.80%**	11.58%	11.86%
Ten Year *(annualized)*	**8.09%**	7.01%	7.61%
Since Inception*(annualized)*	**13.87%**	7.62%	7.31%

Performance data quoted is as of March 31, 2016. 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 1.87%. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Medical Fund

As of March 31, 2016	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-12.31%**	1.35%	-2.75%
One Year *(annualized)*	**-14.56%**	1.78%	-0.63%
Three Year *(annualized)*	**10.45%**	11.82%	14.23%
Five Year *(annualized)*	**12.08%**	11.58%	11.86%
Ten Year *(annualized)*	**8.76%**	7.01%	7.61%
Since Inception*(annualized)*	**9.19%**	4.90%	3.53%

Performance data quoted is as of March 31, 2016. 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 1.62%. 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 March 31, 2016	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**2.18%**	1.35%	0.24%
One Year *(annualized)*	**-15.45%**	1.78%	-4.34%
Three Year *(annualized)*	**-2.64 %**	11.82%	5.54%
Five Year *(annualized)*	**0.86%**	11.58%	5.22%
Ten Year *(annualized)*	**1.77%**	7.01%	4.08%
Since Inception*(annualized)*	**-3.10%**	4.08%	2.87%

Performance data quoted is as of March 31, 2016. 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 1.90%. 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 March 31, 2016	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-0.22%**	1.35%	0.24%
One Year *(annualized)*	**-13.42%**	1.78%	-4.34%
Three Year *(annualized)*	**5.22%**	11.82%	5.54%
Five Year *(annualized)*	**5.31%**	11.58%	5.22%
Ten Year *(annualized)*	**3.78%**	7.01%	4.08%
Since Inception*(annualized)*	**7.90%**	4.08%	2.87%

Performance data quoted is as of March 31, 2016. 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 1.68%. 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 March 31, 2016	KSCOX (Net of Fees)	Russell 2000 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**1.78%**	-1.52%	1.35%
One Year *(annualized)*	**-15.08%**	-9.76%	1.78%
Three Year *(annualized)*	**3.92%**	6.84%	11.82%
Five Year *(annualized)*	**7.42%**	7.20%	11.58%
Ten Year *(annualized)*	**3.90%**	5.26%	7.01%
Since Inception*(annualized)*	**8.56%**	5.91%	4.18%

Performance data quoted is as of March 31, 2016. 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 1.67%. 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 March 31, 2016	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**2.37 %**	1.35%	-3.01%
One Year *(annualized)*	**-8.92%**	1.78%	-8.27%
Three Year *(annualized)*	**3.80%**	11.82%	2.23%
Five Year *(annualized)*	**5.89%**	11.58%	2.29%
Ten Year *(annualized)*	**5.22%**	7.01%	1.80%
Since Inception*(annualized)*	**5.41%**	7.05%	2.07%

Performance data quoted is as of March 31, 2016. 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 1.76%. 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 March 31, 2016	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**0.69%**	1.14%	3.03%
One Year *(annualized)*	**2.18%**	1.29%	1.96%
Three Year *(annualized)*	**2.71%**	1.38%	2.50%
Five Year *(annualized)*	**2.17%**	1.88%	3.78%
Since Fund Inception*(annualized)*	**-0.15%**	3.34%	4.91%

Performance data quoted is as of March 31, 2016. 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 1.20%. 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 March 31, 2016	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**2.22%**	3.03%	3.35%
One Year *(annualized)*	**-1.64%**	1.96%	-3.69%
Three Year *(annualized)*	**0.90%**	2.50%	1.84%
Five Year *(annualized)*	**3.25%**	3.78%	4.93%
Since Inception*(annualized)*	**4.33%**	4.33%	7.67%

Performance data quoted is as of March 31, 2016. 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 1.60%. 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 March 31, 2016**	
EchoStar Corporation - Class A	6.4%
Liberty Media Corporation - Class C	4.6%
Alphabet, Inc. – Class A	3.8%
Alphabet, Inc. – Class C	3.7%
Liberty Ventures - Series A	3.3%
Liberty Interactive Corporation - Class A	3.1%
Liberty Media Corporation - Class A	3.1%
DISH Network Corp. - Class A	3.1%
CACI International, Inc. - Class A	3.1%
Liberty Global plc - Series C	2.8%

Paradigm Fund **Top 10 Holdings (%) as of March 31, 2016**	
Texas Pacific Land Trust	11.5%
The Howard Hughes Corporation	10.7%
Icahn Enterprises LP	6.5%
Brookfield Asset Management Inc. – Class A	4.7%
Liberty Media Corporation – Class C	3.6%
CBOE Holdings Inc.	3.5%
DreamWorks Animation SKG, Inc. – Class A	3.0%
AutoNation, Inc.	3.0%
Jarden Corporation	2.9%
Live Nation Entertainment, Inc.	2.7%

Medical Fund **Top 10 Holdings (%) as of March 31, 2016**	
Bristol-Myers Squibb Company	8.9%
Biogen Inc.	7.2%
Eli Lilly & Company	6.8%
Johnson & Johnson	6.6%
Affymetrix, Inc.	5.9%
Pfizer, Inc.	5.6%
Novartis AG	5.3%
Sanofi	4.4%
Shire plc - ADR	4.2%
Lonza Group AG	4.1%

Market Opportunities Fund **Top 10 Holdings (%) as of March 31, 2016**	
Texas Pacific Land Trust	10.4%
Icahn Enterprises LP	8.5%
The Howard Hughes Corporation	5.9%
Onex Corporation	5.8%
Dream Unlimited Corp. - Class A	4.1%
Visa, Inc. - Class A	3.6%
OTC Markets Group Inc. – Class A	3.5%
Tropicana Entertainment Inc.	3.3%
CBOE Holdings Inc.	3.1%
Partners Value Investments Inc.	2.5%

Global Fund **Top 10 Holdings (%) as of March 31, 2016**	
Onex Corporation	6.2%
Texas Pacific Land Trust	6.2%
Fairfax Financial Holdings Limited	5.9%
Icahn Enterprises LP	5.6%
Silver Wheaton Corporation	5.6%
Bollore SA	5.3%
The Howard Hughes Corporation	4.5%
Siem Industries Inc.	4.4%
Dream Unlimited Corp. - Class A	3.8%
Clarke Inc.	3.4%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of March 31, 2016**	
Texas Pacific Land Trust	13.8%
Icahn Enterprises LP	10.3%
Jarden Corporation	8.7%
The Howard Hughes Corporation	8.2%
Dream Unlimited Corp. – Class A	6.9%
The Wendy's Company	5.5%
DreamWorks Animation SKG, Inc. – Class A	4.5%
Onex Corporation	4.0%
Live Nation Entertainment, Inc.	2.8%
Partners Value Investments Inc.	2.3%

Multi-Disciplinary Income Fund **Top 10 Holdings (%) as of March 31, 2016**	
Brookfield Residential Properties	6.8%
Lennar Corporation	6.1%
Post Holdings, Inc.	6.0%
Sotheby's	4.7%
Ashland Inc.	4.5%
IAC/Interactive Corp	4.4%
Penske Automotive Group Inc.	4.3%
Royal Gold, Inc.	4.1%
The Howard Hughes Corporation	3.9%
TRI Pointe Group, Inc.	3.9%

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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