Kinetics Mutual Funds
Third Quarter 2017 - Conference Call with Peter Doyle
October 10, 2017

Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on October 10, 2017, Peter Doyle, Co-Founder of Kinetics and Senior Portfolio Manager 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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Peter Doyle: Good morning to everyone. I just wanted to start off with the returns for the no-load classes of the funds through September 30th of 2017. The Paradigm Fund was up 19.11%, the Small Cap Fund was up 18.18%, Market Opportunities Fund 23.27%, the Global Fund was up 22.56%, the Alternative Income Fund was up 1.95%, and the Multi-Disciplinary Income Fund was up 4.81%. The Internet Fund was up 23.60%, and the Medical Fund was up 13.97%. This compares with the S&P 500's return of 14.24%, the S&P 600's return of 8.92%, the NASDAQ 100's return of 20.67%, the MSCI All Country World Index's return of 17.25%, and the Barclays U.S. Aggregate Bond Index's return of 3.14%. And then we have the Barclays 1-3 year Credit Bond Index, which returned 1.73%. Accordingly, our returns actually look pretty good, and most of the funds have generated substantial alpha during the first nine months of the year. But, more importantly, it was done with a fairly large cash position, at least for the equity funds. In the case of the Paradigm Fund and the Small Cap Fund, while we ended the quarter with roughly 7% in cash in both of the funds, we probably averaged in the mid-teens throughout the first nine months of the year. We have substantial cash positions of 29% for the Market Opportunities Fund, 43% for the Global Fund, and 38% for the Internet Fund, as of quarter-end.

The returns year to date have been achieved with a very defensive posture, and the reason is when you look at where we are in terms of valuation and in terms of cycle, we're now nine years into an economic and financial recovery, and we have interest rates that remain at historic lows. I'm not talking about decade lows—I'm talking about thousands of years type low interest rate levels. So, the easy money has largely been made. And, we have railed against, and we have commented on, and my colleague Murray Stahl has written about the development and the growth of, the ETF industry and the pricing of assets based on it, and that continues unabated. And it's hard to envision a world where money—tens of billions of dollars—coming in on a monthly basis would not have an effect on asset prices, and particularly on the large liquid names.

Year to date, through July, I think we're at about $272 billion coming into ETFs. Over 50% of that actually went into less than 1% of the ETF names. Twenty funds took in 50 percent of that $272 billion. And, obviously, if you're taking in that type of money and you just continue to buy the same positions, it's going to have an effect on the valuations of those stocks. So, from our standpoint, it's time to be very cautious, and we have positioned the funds to be really contrarian, and contrarian in a way where we believe there's substantial upside. We offer a unique and very different return profile compared to our peers. Although we're not a core position for many organizations, I think it would be wise to have a look at us and to understand better what we hope to accomplish in these funds going forward.

Based on the contrarian way we approach the world, it is essential that we be cautious when the consensus becomes too bullish or too complacent. And with the flow of money into ETF strategies, such strategies have become too complacent. ETFs really promise two things: they promise a holistic approach and solution to investing, and they promise that investors will only have systemic risk exposure. We now believe that there are actually idiosyncratic risks in ETF investing. What I mean is that, if you look at developments going on outside the investment community, you'll see a global network of computers that are set up, and those computers now allow for communications in a way that was never available historically. I'll just cite one perfect example of this phenomenon. Many of you know that we have exposure to cryptocurrencies in many of our funds, and the ASIC chip that is used in the mining operations for bitcoin was conceived, developed, and shipped within eight months on virtually no budget.

Now, if that was done by a company like AMD or Nvidia, or Intel, it would've taken over three years and about $100 million of research and development. So you have a world that is changing from a vertical organization, such as in a company like Intel, to being spread out horizontally, and you have people who are working for free around the world, who are willing to contribute their time, and effort, and intellectual capital to the cause. Hedging against that type of risk—to a significant disruption to the way that large, established organizations develop and market their products—is not really available through ETFs. We're very cognizant of that risk, and we have securities within our portfolios that we really hope will offset that risk, and one way happens to be the cryptocurrency positions that we have in our various funds.

To further elaborate on the type of concentration that's going on, right now between Vanguard, State Street, and BlackRock—which is less than 1% of the ETFs—they get over 50% of the inflows. The largest shareholder, Vanguard, now owns at least 5% of the 495 stocks in the S&P 500. This is up from 116 companies in 2010. It also owns, approximately, 7% of the entire index. And there are similar numbers for State Street and BlackRock. You have these massive strategies that are really dictating the valuations and the flows of capital, and the marketplace seems to accept the notion that you get the return of the asset class irrespective of the price that you pay (to be clear, this is a notion that we reject). We think that with the benefit of hindsight, when we look back five years from now, people are going to write essays and articles on why the world actually believed that. By positioning our funds away from companies comprising the major indexes, we're seeking to avoid the eventual decline that's always associated with a crowded trade. With that, I will turn it over to James, who will speak about some of the individual names in our portfolios.

James Davolos: Thanks, Peter. One thing I'd like to touch on before going into the details of the portfolios is that the tone of these calls may seem pessimistic, but actually we're quite optimistic about the ability of the companies we hold to innovate and generate profits. It's simply that we need to be paid a commensurate rate of return for financing activity. And, as Peter mentioned earlier, we're very late into—I think we're 99 or 100 months into the current business expansion, and you can look at the media and you can look at Wall Street strategists citing any number of calculations of P/E ratios. And for those of you who would like to get more into the weeds and the nuances of this calculation, which can be highly manipulated, I'd encourage you to refer to our colleague Steven Bregman's work on P/E ratios located at www.horizonkinetics.com. The hard data is that if you take the S&P 500 trailing earnings through the second quarter of this year (we can't really include much of the third quarter because only about 4% of the companies have reported thus far.) Now, this number is a vast number that is in conformance with current accounting rules, and if you divide that number into the current S&P 500 level, you're paying 24.5x earnings. That's a categorically high ratio even for a high-growth company. Many companies are going to report adjusted numbers where they'll remove one-time items, they'll adjust the tax rate, and everybody's favorite maneuver is to remove stock-based compensation from their earnings per share number because it's a noncash expense. But as a shareholder, you're still not earning—you're being diluted as a function of that treatment. Even if we go out and include the next two months of estimates for S&P 500 earnings, again, on a GAAP basis, we're looking at 22x full-year earnings. I don't think that's anything people should get excited about, being nearly 10 years into an economic expansion. There's a lot of nuance in the calculations, but I think that this really summarizes why there are many reasons to be outside of the index system.

Now, one last quick note is that out of the current S&P 500 earnings number, nearly 45% of the current earnings per share contribution comes from information technology and financial services companies. That's for an index and a methodology that espouses diversifying away the idiosyncratic risk. You have 45% of your earnings through two sectors. I would think at least from an objective outside viewpoint that this approach would not encompass a diversified strategy. And, again, I'll refer you to more work that we have on our website and through our colleagues on how many investors just accept the carte blanche notion that they're diversified by passively investing in the indices, but less than five minutes of researching what's in these indices reveals a very different exposure. And I think that many people have no idea what they actually own.

Peter Doyle: And this comes against a backdrop where the S&P 500 has been up for 12 months in a row. That's never happened in the history of the S&P 500. That's the complacency that I was mentioning earlier, where investors are shoveling money into an asset class, thinking that they're guaranteed a return, not paying attention to what the underlying index owns, and certainly not paying attention to the valuations.

James Davolos: We were in an investment committee not too long ago, and we brought up the question of what is defensive investing? Because a lot of value investors really made a name for themselves in the decade ended in 2007, which was— really the last era of extremely strong value investing outperformance. If you were to look at what could be categorized as value managers, either looking at active managers or any variety of passive exposures that are categorized as value rather than growth, it's been ten years of dramatic underperformance.

Anyway, let's define defensive. Defensive, at least from a conceptual standpoint, would be a company that has minimal operating variability, i.e., you can forecast the earnings and you can forecast the fundamentals of this company and realize that there's not much variability regardless of the economic cycle or economic backdrop. Now, that must be coupled with a low valuation in order to cushion against any type of valuation multiple compression from the broader market. From our research, these two variables are mutually exclusive in any type of large cap developed market exposures. And the reason for that is these companies with low business variability have incredibly high P/E ratios, especially when juxtaposed against their growth profile.

Let's just take three quick defensive positions that people might look at from a sector standpoint: consumer staples, healthcare, and utilities. These companies are now trading at anywhere from 19-22x trailing earnings from a top-down sector standpoint. But then when you look at them from a P/E to growth (PEG ratio), and we're not really people that look at the PEG growth ratio, but for statistical purposes it's interesting to note that they trade at PEG ratios of anywhere from 2-3.5x. For a utility company, you're buying that company at 19x earnings and a PEG ratio of 3.5x because they're growing at less than 5%, and that's with buybacks and all types of other chicanery to inflate that number. The point is: buyer beware.

When you look at the categorically low multiples, they tend to be highly levered businesses and highly cyclical businesses. We've seen a little bit of outperformance for these types of businesses over the last month or two, where the market seems to be encouraged by slightly improving economic data, and people are still obsessed with inflation remaining low and productivity remaining low. But if there's a market displacement, these companies that have categorically low valuations but with highly cyclical operations and highly levered balance sheets are not going to provide a defensive exposure. If equity valuations are stretched, traditionally, fixed income has been a hiding place. You can look at the Bloomberg Barclays US Aggregate Bond Index, if you want to take very minimal risk; going to investment grade credit, about six years of duration, you're earning 2.5%. That's about 20 basis points above the 10-year U.S. Treasury, and if you believe in the Federal Reserve Board of Governors, maybe 80 bps above inflation. These are corporate bonds, and this is ordinary income, so once you tax that and assume any type of friction, at best, you're barely keeping up with inflation. The low risk, low duration pot, at least from an index standpoint, certainly is not appealing to many investors.

Now, I borrowed the following data, which I've seen in various measures in the past from First Pacific Advisors, Steven Romick of the Crescent Fund. Looking at U.S. high-yield markets, the aggregate yield right now is about 5.7%, but if you look at the historic default rate of 3.7%, and a recovery on defaulted bonds of 41%, you're netting out about 3.5% in U.S. high yield. In Europe, which due to all types of central bank measures is even worse, the high yield composite is currently yielding 2.7%. Doing similar calculations of historic default rates and recoveries, your expected return for European high yield is actually negative. Investors are in a very precarious position where there are not a lot of simple answers from the asset allocation standpoint. A lot of people have recently advocated going to emerging markets, and the only argument you can make about emerging markets is that they are statistically less expensive than developed markets, but that's a relative comparison. On an absolute comparison and relative to historical medians and averages, those markets are also trading well above what could be considered an average, let alone an undervalued range.

Going into our portfolios, the one thing we really emphasize is embracing the idiosyncratic risk of every single position. Let's just go through our three top positions right now as an update. The largest position, which we've spent a lot of time on during previous calls, is Texas Pacific Land Trust (Texas Pacific). From a top-down standpoint, you might say that's an energy company. You would look at where supplies are of oil, you would look at volatility of oil and gas prices; you could make some assertion about your opinions of global oil markets and oil prices, and then say that this is a cyclical speculative exposure, which for some companies it may or may not be.

Then let's look at the reality of Texas Pacific, and in the interest of time I'll simply go over the highlights of their second quarter because I think most listeners on this call are well-versed on the business model. In the second quarter of this year, Texas Pacific grew oil and gas royalty revenue at a 90% rate compared to the same period last year. This figure also grew 15% compared to the first quarter of this year. The year over year comparison is primarily driven by production growth, because average oil and gas prices were only nominally higher this year compared to last year. The reason for that is that the Delaware Basin, where Texas Pacific is focused, is experiencing 15-25% production growth because it's one of the last economic plays left in a politically stable developed market.

We won't go through all of the nuances of exactly what's driving this growth, but I think that a very easy data point to look at is one of the largest operators on Texas Pacific's land: Chevron. This is one of the largest multinational oil companies in the world, and they're devoting an additional $4 billion into the Permian Basin, effective several weeks ago. We expect this investment, as do broader petroleum analysts and industry analysts, to continue growing at a high teens, low 20% rate through 2020, perhaps beyond, and we believe that's going to be a very attractive royalty stream for Texas Pacific.

Now, let's go into a less conventional aspect of their business, the pipeline business. Remember, the Delaware Basin is the southwestern portion of the Permian Basin. The infrastructure here is in its very, very early stages, and if you compare it to the midland and northeastern portion, which is much more developed, you'll see that the infrastructure for anything from getting oil and gas in and out to water, to roads, to power, to any of these facilities requires far more development. To this end, the pipeline easement revenue for Texas Pacific grew 25% compared to last year. Total easements, which include a variety of activities, grew 53% compared to last year. One of the figures driving this result was the water business. It grew 200% compared to last year, from about $2.3 million in that quarter to nearly $7 million. That's a tripling of the water revenue.

Water has been one of the largest input costs for fracking across the country, specifically in this very arid region in Texas. I'll give you the very basic economics of, let's say, a typical well that does a million barrels of estimated ultimate recoveries. At 40 barrels of water per foot of frack, you're doing close to 300-400,000 barrels of water going into that well to stimulate the well; then you're having about 5 million barrels of water coming out of that well that needs to be disposed of. This is a different type of water. The water going in is non-drinking water; it's non-potable but it's not produced water, which is what's coming out of the well, and it's highly toxic. And due to all of the compounds in that water, it cannot just simply be put back into a well, for stimulation. Again, you've got 400,000 going in, and about 5 million coming out. The figure of about $7 million this quarter was purely on water going into the wells, in absolute numbers, much, much less than the produced water that's coming out of these wells, although the margins and the value of the water going into the wells is much higher. Texas Pacific announced earlier this year that the company has actually started to develop a water business, hiring a gentleman and his team from one of the largest Permian based operators in the tens of billions of dollars of market value today. And it doesn't take much creativity to realize the potential there—again, that $7 million includes zero takeaway, zero saltwater disposal, zero recycling, and none of the other value-added activities for something that's much higher volume than the water going in.

Now, I will just give you an idea of the potential for the amount of wells. I gave you the water well metrics. Matador Resources, which is probably one of the best operators and best management teams that I've seen in the area provides aggregate data for their acreage of about 13,600 acres in Loving County, Texas. In this area alone, they see 430 drilling locations across the strata of all of the layers within the Permian—within the Delaware Basin shale bed. And that's using 160 to 80 acres of spacing. Back of the envelope, we believe this water business alone could be worth many multiples of what the stock was trading at near the beginning of this year. More importantly, I would compare the operations of this company with less than two dozen employees and 95% gross margins in most quarters, zero debt, and a very aggressive share buyback program that's purely funded by free cash flow as being probably a complete anomaly within the broader energy industry for those that like to look at portfolios from a top-down standpoint.

We'll move on to our second largest position, and we'll keep our comments brief here because we've talked about it a lot: Howard Hughes Corporation. It's a real estate company. Again, you look at it top-down, and you say, okay, you have a lot of interest rate sensitivity due to the fact that real estate is valued on a cap rate basis. But it's a levered business, which all of real estate is, There is interest rate sensitivity on their funding side as well. You also have read a multitude of articles and you've seen the difficulty in brick and mortar retail, and in some of the largest REITs. By the way, if you were to buy a blanket top-down REIT exposure, you're would own 10% of Simon Properties, which is the largest mall REIT in the country, at about a 3.5% dividend yield.

Howard Hughes, to differentiate its business, has a very robust land bank where they're basically just finishing a lot and delivering that lot to a builder or another developer at extremely high margins and extremely low risk. They now also have an operating portfolio of office, residential, and retail, and a little bit of hospitality real estate that is becoming operational and is expected to start generating upwards of $250 million of net operating income. Now, there is some retail exposure but they have incredibly attractive submarkets. When you look at a broader valuation framework for a company like Howard Hughes, you can look at, let's say, a market of broader Houston. And within the broader Houston market, capitalization rates for the real estate is higher than for the country at large because people are sensitive to oil and more recently people have been sensitive to the storm there—as a passing note, Howard Hughes disclosed very little damage and very little operating disruptions to all of their assets.

But most of their assets are in Hughes Landing in the Woodlands, which is north of downtown Houston and is a very attractive submarket in which they dominate. Any additional supply to that market is controlled by Howard Hughes. There's no class AA office space in that market that you can currently lease without going to Howard Hughes. ExxonMobil has upwards of 10,000 employees in that market. To compare the assets that Howard Hughes has, with the anchor office and hospitality, and then the ancillary retail to a broader market is very misleading because of a) how dominant and how strong the Woodlands submarket is, and b) their specific properties within that submarket. Thus, when we value the company based on the broader market capitalization rates, the current margins on raw land, and the current margins on various other projects where we have our own forecasts, we come up with a stock price that's anywhere from 50-70% higher than Howard Hughes' current market capitalizations. If you actually value the properties at what I think a private market transaction would value them at, it's wildly different. Now, one of the most important things is that if you look at a top-down exposure to real estate, all of these properties are primarily fully occupied at peak leasing terms and valued at a very meager dividend yield based off of their fully leased, fully occupied, fully operational portfolio. Consequently, an investment in Howard Hughes is wholly distinct from any type of top-down exposures to real estate (about which we probably would be a little bit cautious, given where we think we are in the cycle).

I'll conclude with just one more company: The Liberty SiriusXM Group (Liberty Sirius), Liberty's tracking stock of SiriusXM. You look at media, and media is probably the only industry that has as much negative sentiment right now as does brick and mortar retail. And you look at the Viacom, CBS, or Disney types of business models, where people seem to think that the cable bundle and traditional viewership of media is being disintermediated permanently and that these companies will never be able to generate high returns on capital and continue to grow revenue the way they historically could. The competitive landscape in media is extremely complicated, and I think that there's going to be a lot more evolution before we see where everything stands. But if we were to accept that premise, which we do not necessarily accept, let's analyze Sirius XM, . First, owning Sirius XM through Liberty Sirius, which is trading below the value of the stake, represents ownership at a discount.

Sirius XM is a company that has 32 million total subscribers, about 27 million of which are self-paid. And SiriusXM is installed in about 75-80 percent of new cars, and it costs the average user about $13 per month. And the reason that this is so different is that while you have Facebook, and Instagram, and any number of social media and internet browsers competing for a user when they are on a tablet, on a smartphone, on a computer, on a television, which is disintermediate and traditional media, with Sirius you have a captive audience inside the automobile and we believe that alone—that platform is incredibly valuable. The churn statistics right now are about 1.7% per month, which is a bit misleading because every time somebody trades in a new car off a three-year lease they go back into a renewal pool. We think that voluntary churn is incredibly low and that you have a very sticky, satisfied user base. One final comment on the competitive disruption is, if you look at digital offerings, the economics are completely different and the value-add is completely different. For example, a company like Spotify is right now hemorrhaging money, even though they have the most digital streaming subscribers in the world, because their content costs as a percentage of revenue are probably around 90%. For SiriusXM, because it's a radio broadcaster, those costs are around 20%. But they do see the competitive disruption and they do want to get more into more households, so they made a strategic investment in Pandora when Pandora basically needed some emergency funding, and it was a very long, convoluted process. But I think that there's a lot of synergy potential between Sirius and Pandora.

All that withstanding, right now SiriusXM is trading at about a 6.5% free cash flow yield, which, if you look at any of the tech leaders, you don't approach anything in that universe in terms of free cash flow yield. The future of that yield is going to be a little bit lumpy as the company burns off some of their tax net operating losses and becomes a full taxpayer. But longer term, we see this as a very simple return of capital type of story to shareholders – that is, there's deeply entrenched, differentiated exposure within the media landscape, which, again, we own at an approximate 20% discount through John Malone's Liberty Sirius company. John Malone has historically done a pretty good job of realizing shareholder value that's locked up into these types of entities, and we believe he's going try and accomplish that again.

In sum, these three companies alone encompass incredibly idiosyncratic exposures within industries that, looked at from a top-down viewpoint, might look like very directional bets. But I think it really highlights: a) the optionality of upside within the companies that we own, and, b) how differentiated our exposure is from the broader index. With that, I'll turn it over to Peter before opening it up to questions.

Peter Doyle: Just a quick comment on the three names that James mentioned. In the case of Texas Pacific, it's not included in any ETF. So if you want exposure to that stock and you're investing in passive strategies, you're not going to find it. In the case of Liberty Sirius, I think it's a 1.5% weight in a relatively small ETF and it's underweighted relative to the index, primarily because John Malone controls the stock and there's not enough float for most people. And Howard Hughes also has de minimis in terms of exposure in ETFs.

James Davolos: Right now Howard Hughes doesn't pay dividends as they finish developing their properties. Therefore, it's very unattractive in terms of ETF fodder.

Peter Doyle: Just to reiterate, the value proposition that we offer to investors is something off the beaten path, something that you're not going to be able to find in ETF strategies or with other active managers. And obviously you hope that our analysis is good and that we're in the right names. While some of our funds are classified as non-diversified, we believe they can provide diversification to investors' overall portfolio. I think that's one of the best things about what we do and how we can help investors out there. So with that, we will open it up to questions.

Questioner 1: Thanks for your update and thanks for your performance in the funds. I have a broad question: to get the best exposure to Howard Hughes and TPL, what fund would it be?

Peter Doyle: The answer to your question, the best exposure to those top names would be either The Market Opportunities Fund or The Paradigm Fund.

Questioner 2: Hey, guys, thanks for the call. Is it your contention that this mass, huge exodus from active management into these ETF strategies is going to change in the semi-near term? And what do you think would be a catalyst to create that change?

Peter Doyle: Both James and I touched on it in different ways. You know, he talked about the concentration in technology and financials—really, the non-systemic risk that you have, and the development of cryptocurrencies is a perfect example. Let's say cryptocurrencies become a prevalent part and feature of the world economy. They're a direct aim at both the banking system and the technology industry that basically supplies the banking system with their equipment. So, you could see how that could cause something like that to happen. There's a finite amount, and the ETF counterstrategy is never going to get 100 percent of the market, and though the money keeps flowing in there, there's a diminishing degree to which they're going to move stocks. You're talking about a stock market that has really gone up almost nine years straight, and the numbers hold for this year.

It's hard to see how you're going to get any meaningful rate of return being in the passive strategies in the large liquid names. People's frustration and just a lack of a return could cause people to get out. And if they want to get out, it tends to cascade—they will all want out at the same time. Hence, something like that could occur. My best guess is that you're going to go a decade, maybe longer where large liquid names really provide no meaningful rate of return for investors. And if you're in those names, you're going to be frustrated and you need to be about as far away from that as you can possibly be. But we've been saying that for a number of years. Have we been early, or are we wrong? I think we're just early, and I think it's coming to a head. One of the things I touched on, I think, that's even more important than, our name selection is that the world is shifting from a vertical world to a horizontal world. And when you can have tens of millions of people working together on a project for no pay that are attacking the profitability of large institutions, where do you hedge yourself against that? And that profitability could come crashing down for the vertical organizations, and the banking industry is target number one. Accordingly, you can see how that could actually start bringing valuations down substantially.

James Davolos: Just to add to that, one of the things that I've gotten a lot of value out of in my career is studying a lot of behavioral finance. And I think that one of the things that people aren't even talking about yet is that there's a very comforting feeling amongst all of the retail investors and retirees. Quick data point: if you go to the Brookings Institute, they have data on this, where about 45% of U.S. taxable stocks right now are held in retirement accounts in the United States. So that's pension, 401k, IRA, ROTH, all that good stuff. Think about where that's concentrated. It's not concentrated in the 401ks of 28-year olds. And these people have a heck of a lot of exposure to equity at probably the worst point in the cycle, when they should be far more conservatively positioned. It's a very warm and fuzzy feeling being in an ETF and feeling as if you're saving money on the cost when things are going up, but I'd really like to see where the behavioral aspect of investor psychology and decision making pivots when things aren't as easy, and when people feel as if they're eschewing fees, where now they no longer have somebody actually looking at that capital and stewarding their capital for them at probably the most important time in their lives.

A structural argument can be made that a lot of the financial intermediaries that Peter referred to seem to be getting disrupted in every single direction. I mean, first it was sales trading, then they can't lever up their businesses. But financial institutions and intermediaries, if investors are continuously flocking to the lowest common denominator in terms of fees, then financial service providers have no incentive to put them in these products. There are a lot of factors that are circling the wagons for this not to be pleasant when it reverses, and I'm not going to posit any type of exact figures on what the experience would be—but I think it would behoove many people to try to really consider what it's going to look like. Because right now, all the signals of firing green for basically every type of allocation model in the world—what happens when those things start firing red in unison?

Peter Doyle: I wanted to elaborate on something that James mentioned. Typically, in terms of the ETF industry, you're talking about economies of scale, right? But now the largest players are starting to cannibalize one another, so there are actually diseconomies of scale. And what James mentioned, it's in our own vested interest. If you're offering a product where you can't offer—give any profitability for it, what's the point of having trillions of dollars under management? You're going to shift it out into something else. And that's part of my optimism with regard to cryptocurrencies. There's a large margin there for large institutions, financial institutions, to get into that business and they're not there yet—they're not even close to being there. If and when they decide that they want to be in that business, then we believe you'll start to see the opportunity set. And if that happens, and you're there early, there's a higher likelihood of participating to the upside. And that's why most of our equity funds have that exposure.

Questioner 2: Can you elaborate on your cryptocurrency holdings? What do you own? How do you own them? And in which funds do you own them?

James Davolos: I want to just make one more quick point on ETFs while I let Peter get his notes on that. But the dirty secret of the ETF industry is that having a trillion dollars of AUM in 20 bps or 10 bps or 5 bps, you're spending all of that in your marketing staff right off the bat. The dirty secret is they make the money in stock loans and then in trading. Thus , the Vanguards, the BlackRocks of the world, I mean, that's the business model, and if that portion gets disrupted I really couldn't imagine where things would go. And I'll go back to Peter for his crypto discussion—that could be the disrupter because the ETF providers are earning a heck of a lot of money through that hand in the cookie jar that nobody really sees.

Peter Doyle: For our equity funds, including The Paradigm Fund, The Small Cap Opportunities Fund, The Market Opportunities Fund, The Global Fund and The Internet Fund, we have exposure principally through the Grayscale Product. We have exposure to Bitcoin and now Bitcoin Cash as well because it's likely that we'll be entitled to get Bitcoin Cash when they ultimately distribute that or at least the cash position in the worst case scenario. For exposures, I'd refer you to the most recent filings the funds made with the SEC, where the holdings are listed, generally within 45 days of calendar quarter-end.

Let me just point out, this is not a huge bet on this phenomenon. We came to the conclusion, and Murray first came to me with this idea going back almost two years, that the supply-demand story is among the best we've ever heard in my life. All you need is a small shift of the world's wealth into exposure to this asset class. And it's not even an asset class yet—into this kind of, I'll call it, investment strategy, and you can see that the valuations and the prices could go up substantially from here. And in most of the funds it was a very, very modest position where we invested 50 basis points; they just happened to go up so substantially since purchase that they represent a greater percentage of the portfolio at this point. I'm personally of the belief that it's not even the first inning, to use a baseball analogy. Thus, we believe it's appropriate for investors to review the details of this trend and to consider whether it's appropriate for them. To the extent an investor determines an allocation to bitcoin or other cryptocurrencies is appropriate, we caution that investors should begin with very modest exposure because it is highly risky.

Questioner 2: Okay. It's just hard for a true value manager, at least, you know, what your history has been—you know, I just don't know how you value these things—you know, try to discount future cash flows and—

Peter Doyle: Well, let me stop you there. Because it's not—you can't look at it like a stock. It's not a stock. It doesn't have earnings. There's no earnings associated with this. This is a value storage mechanism. So if you believe that enough people around the world are fed up with being inflated out of their wealth and they're going to look for a better storage of value, and that storage of value could be one of these or a package of cryptocurrencies, the amount that could be shifted into that and the valuation could be quite large. There is no Price/Earnings Ratio; I think you have to get away from that immediately. But you can say, "Well, what are the overall stores of value out there—treasury bills, cash, etc. Anything in the short term?" I mean, you're talking hundreds of trillions of dollars. And if you look at a currency like bitcoin, where it's a market capitalization of only $80 billion, you can see how it could be worth a hell of a lot more because people could say: "Why I just don't think the dollar's going to hold its value."

And what you're seeing with bitcoin and Ethereum is not so much that they're rising in value; it's that the global currencies are losing value and it's in relationship to the global currencies. And people are saying: "Well, I'm going to have a small fraction of my wealth in this cryptocurrency because I think it's going to be a better store of value than the dollar, the euro, the yen—you name the currency, you name the asset." And that's really what it's about.

James Davolos: And just—you seem like you're a tangible value type of guy. I think if you want to look at a tangible value, you can look at the processing power of the network. And you can look at this either through a hash rate or any other number of variables, but what this network is capable of in terms of network, in terms of data transmission, data validation, data storage, so on and so forth, is pretty compelling.

Peter Doyle: Yes, that's an excellent point. Because nobody, even the people that are "negative"—Jamie Dimon, as an example, who says bitcoin's a fraud, etc., he believes in block chain.

And the block chain networks don't operate in a vacuum. Somebody has to be running computers who knows how to make those block chains work. Hence, the business of producing money, if you will, or tokens is going to be a very real business and a very large business. And if you don't consider exposure to that, I think you're making a big mistake—and you're taking on a tremendous amount of risk because they're targeting the financial service companies, the technology companies, and you need some type of hedge against that. And that's really kind of the way that you need to look at it.

And we haven't lost our way. Value-oriented investors are still very concerned about the overall valuation of the market. But in our view, the upside potential is so enormous, that having exposure is appropriate.

Questioner 3: Hey, good morning, gentlemen. Thanks for the update and congratulations on the results. Continuing on the same subject of cryptocurrencies, can you please provide your views on the recent fork of Bitcoin Cash and the potential fork of the Bitcoin Gold and how Grayscale's going to handle it with their charter just being a Bitcoin originator fund, and what you see in the future of that?

Peter Doyle: Okay, with regard to the forks, the various forks, we went through this at the Investment Committee yesterday and Murray pointed out, which I thought was very valid, that you have to look at the intrinsic value. And let's say the intrinsic value for bitcoin ultimately becomes a trillion dollars. I'm picking a random number. But now they have these four new coins and our view is that maybe the trillion dollars is divided up equally among the four new coins, the three new coins that came out of the original bitcoin. And since they all will have the same monetary policy, it's not inconceivable to us, or it's actually fairly likely that they'll actually have similar valuations ultimately.

With regard to Bitcoin Cash, we would hold it because we think that since it has the same monetary policy, it should have the same valuation as the, quote, "original bitcoin". And the same could be said of Bitcoin Gold.

With regard to Grayscale, Grayscale is working on various ways to handle the distribution of Bitcoin Cash. Either they might have to sell it and send out a pay dividend, a cash dividend to shareholders, or they could spin it off and try to create a new trust, which in our view would be the best possible option. From our standpoint, any fork, or spinoff, or airdrop, or whatever you want to call it from the original bitcoin should probably be held, as the ultimate value may be divided among those various coins.

Questioner 4: Hey, guys. Switching gears a little bit away from cryptocurrency—I know Murray's talked a lot about the shipping industry. And I read over the weekend that container shipping fundamentals have been the best that they've been in a number of years. I think all the way back to 2010, they said this is the best year for shipping. Are these stocks or is this area represented in the fund at all and, if so, what levels? And is this something that you're looking to maybe add to the portfolio? Just curious.

James Davolos: You know, we've been following shipping for a while just because whenever assets are trading so radically below replacement cost, it catches our attention. But—and we're actually starting to look at niches within other types of oilfield service, drilling, shipping, subindustries of shipping, terminals, tankers, whatever it may be. Because, again, they're trading at such a dramatic discount to replacement cost. But the thing that you need that's absolutely paramount in order to be comfortable with that type of investment is staying power. Because ultimately, as the article that I'm sure you're referencing noted, there was an enormous supply imbalance with capacity that came online leading up to 2008 related to expectations out of China and emerging markets and a surge in day rates. But as that normalizes and the industry right-sizes, I think it's really important to be with the best capitalized operators with the best fleets and the best assets.

Working off publicly available data from June 30, 2017, , the Paradigm Fund has exposure to AP Moller-Maersk, which is the preeminent container shipping company in the world. Maersk is run by an owner-operated family out of Denmark. They also have an extremely profitable terminal business where they do port logistics, and storage, and transportation. Probably equally compelling is they've just—they're probably 50% of the way done spinning off, divesting and selling their energy business, which is an exploration and production company (which has been sold to Total SA), a tanker company, a drilling company, and a few other ancillary businesses in energy.

The Small Cap Opportunities Fund and Market Opportunities Fund are a bit smaller and can embrace different opportunities. So you'll see companies like Stolt Nielsen, which is a tanker and tanker container company, also owner-operated, very well run, very attractive fleet; Braemar Shipping, which is a ship broker. The operating leverage there is just very substantial. In other places we own companies like Navigator Group, which owns what are called handy-size LNG (liquid natural gas) tankers, which means they can get in and out of smaller ports and fill up with liquefied natural gas, and then take that to markets where there's an arbitrage. We believe the area is extremely attractive and, you know, given where everything else is valued and given that these types of businesses have zero representation in indices, it's something that we're extremely interested in.

A really quick note on AP Moller-Maersk. Shipping's a pretty big global industry and Maersk is the biggest player hands down. It's a Danish company, again, owner-operated through a lot of inside ownership. Therefore, you'd think that they would have probably a pretty reasonable exposure in the MSCI All Country World Index, which is probably the most used global index. Denmark, the country, is a rounding error in the index. Shipping as an industry is a rounding error in the index. You combine Denmark and you combine shipping, you end up realizing that none of these companies are properly represented in any type of ETF or index exposure. Again, it adds to the reasons why we'd be interested.

Peter Doyle: It also touches back on the last comment about what have we locked away in terms of value investing. Making the move into the shipping stocks required patience. And, essentially, you knew that the shipbuilders were no longer building new ships because the demand wasn't there and there was a glut or an overstock of ships out on the seas. And what would happen is that ultimately those ships decline in value, and they would become obsolete, and eventually there would be a shortage of ships and the pricing would go up dramatically. And it was similar to our investment in the auto dealerships coming out of the financial crisis. People were hanging onto their cars longer. But at some point, you drive your car 15 years, 20 years, it runs its life and you have to replace it.

That's ultimately what we're waiting for within the shipping industry. At some point there'll be a shift and the rates will go up astronomically, because when you need to ship something that's perishable or you need to get it from Point A to Point B, you're generally going to pay whatever it takes to get it there. And so we believe the earnings will come back for those companies very dramatically and the valuations will go up. It just requires patience. We haven't lost our way and we're continually looking for those types of opportunities. I don't want people to think that cryptocurrency somehow in any way, shape, or form distracted us from our value approach to the world.

Questioner 5: Hello. Congratulations on a good year without Facebook and Netflix in the portfolio. Just, if you would, a little bit more on Howard Hughes Corporation. I read that the CEO—I think it's Weinreb—seven years ago, he invested $15 million in the warrants, which gave him almost $200 million in the stock. So, naturally that would get anyone's attention. He's got to be pretty smart. But very recently he put $50 million of his own money in warrants that only go out for five years, and he would lose that $50 million if the stock isn't, I think, above $125 or something like that. How does that play into your confidence in this particular position? And with that said, I read that *Morning Star*—they're saying that as of June, you sold about 80,000 shares of Howard Hughes in two of the funds. That's probably an easy explanation, but in any event, those are my two questions. Thanks.

James Davolos: This is James again. And, yes, when David Weinreb was first hired at Howard Hughes, it was just spun off out of General Growth Properties and they basically said we can't pay you what you want to get paid but if you want to incentivize yourself, buy these warrants. So he had seven-year warrants, which couldn't be hedged until year six. And in pretty dark times, he put $15 million at risk and was rewarded very handsomely. He then settled those warrants per the contract this year, and rolled $50 million of cash into another contract, which, again, is his way of being compensated long term. Where you look at your average REIT executive and they're just taking restricted stock units and stock option grants, where they're taking zero risk and they get all the upside. David Weinreb is saying, I want more upside and I want more risk because I love the assets, I love the company, I love the valuation.

This goes back to the owner-operator thesis where this is the way David's going to make his money. He's not going to make his money the way that your average CEO of a multibillion-dollar company is going to make his money. So, that is extremely important in the way that we look at the world and the way that we look at these companies. And I think David's doing the exact same math that we're doing and saying, all right, in five years even if valuations get compressed, my assets are great and I'm going to get an appropriate multiple. But to that point, if on that specific day of the option expiration is below the strike price, that's not like, okay, you get put the stock and you're down 1%. That's $50 million gone. Again, this is one of the most compelling "CEO standing behind his company with his bankroll" examples I've ever seen.

Again, the sales, to your point, are an easy explanation, where we have to manage fund flows across the different products periodically. But it is not a reflection of our conviction in the company whatsoever.

Questioner 6: Hi, guys, thank you very much. I know we keep talking about the bitcoin and having an existential threat on the banking system as we know it and major technology companies—the central bank's monopoly on money. So, I guess the biggest thing I always hear from people is they're just going to make it illegal and they're just going to, you know, outlaw bitcoin. And I'm sure—I know we've talked about this in the past but I'm just wondering from your perspective, how do you see this? Is there ever a moment where collectively the central banks get together and just say, listen, this thing's illegal, or come out with severe regulations on the on and off ramps, etc.?

Peter Doyle: I would find that very hard because you really only need one or two countries to buck that trend and it would remain in existence. And, fundamentally, there's nothing illegal about it. Consequently, I don't see that as being a real threat. And you have countries, whether it's Japan, which did it back in April of this year, where they've actually named a number of cryptocurrencies as legal tender. So you can pay your taxes, you can pay off mortgages using cryptocurrency, and they seem to be embracing it. The same is true of Australia. Thus, I would find it very hard to believe that the global governments would have the ability to stamp it out. I think it's too far gone. And, fundamentally, why would they have a right to basically say that I can't mine for this thing that I think will have value? Fundamentally, there's nothing illegal about it. I could see how they would outlaw and shut down a lot of ICOs that are selling directly to individuals and they're selling unregistered securities, but bitcoin didn't come into existence that way. You elect to basically be part of the system and I don't see that as being a real threat. In fact, I think it's going the other way. I think governments are becoming more astute and they're ultimately going to have their own cryptocurrencies and they'll allow them to coexist.

James Davolos: Yes, Peter. A lot of regulatory agencies over the past five years have recognized the amount of value that the blockchain can provide and they're loathe to be putting in a roadblock to that. But I thought it was a pretty interesting comment where after a lot of negative publicity on cryptocurrency, just last week, Lloyd Blankfein at Goldman Sachs announced that they're exploring the concept. They've made no commitment but they're exploring setting up a cryptocurrency trading operation. And one of his points was that it wasn't all that long ago when people thought that the notion of paper currency was radical, and insane, and illegal, and they had any number of pejorative terms for paper currency. And since then, we've removed the gold standard, we've removed any type of actual fundamental value and people like to say that a dollar is worth the faith and credit of the U.S. government—but I don't know where I can turn in my dollar and get anything other than 100 copper pennies for it.

Peter Doyle: There are also two other points, 95% of all financial transactions are already digital transactions. There's just a shift of ones and zeroes from one account to another account. Accordingly, the whole concept of digital money has already been in existence for many, many years. Therefore, I don't see how extending it to Ethereum or bitcoin is going to change that radically. And then what we talked about before, the diseconomy of scale for a big chunk of the financial industry, the ETF providers, they might have a real incentive to basically be involved in this business. And they would be advocating this part of it, despite the fact that a number of financial institutions might be dislocated from it.

It’s not clear that everyone’s going to be against that, and there are going to be large contingencies of corporations that really want this to flourish. And if you’re a retailer, you’re Amazon, you’re Walmart, you’re Target, etc., you can see how they have a real vested interest in having the ability to cut out Visa and MasterCard and paying those fees, and have consumers pay them directly with very low fees. I think it would improve their profitability very quickly. So there are going to be strong forces that are very pro-cryptocurrency and its further development.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of September 30, 2017	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**23.60%**	14.24%	20.67%
One Year *(annualized)*	**26.29%**	18.61%	22.29%
Three Year *(annualized)*	**7.51%**	10.81%	13.07%
Five Year *(annualized)*	**12.24%**	14.22%	15.83%
Ten Year *(annualized)*	**8.39%**	7.44%	9.17%
Since Inception*(annualized)*	**14.24%**	8.25%	8.24%

Performance data quoted is as of September 30, 2017. 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 September 30, 2017	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**13.97%**	14.24%	20.67%
One Year *(annualized)*	**11.78%**	18.61%	22.29%
Three Year *(annualized)*	**5.82%**	10.81%	13.07%
Five Year *(annualized)*	**13.38%**	14.22%	15.83%
Ten Year *(annualized)*	**8.65%**	7.44%	9.17%
Since Inception*(annualized)*	**9.48%**	5.84%	4.90 %

Performance data quoted is as of September 30, 2017. 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 September 30, 2017	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**22.56%**	14.24%	17.25%
One Year *(annualized)*	**24.24%**	18.61%	18.65%
Three Year *(annualized)*	**3.61%**	10.81%	7.43%
Five Year *(annualized)*	**7.99%**	14.22%	10.20%
Ten Year *(annualized)*	**3.47%**	7.44%	3.88%
Since Inception*(annualized)*	**-1.10%**	5.10%	3.98%

Performance data quoted is as of September 30, 2017. 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 September 30, 2017	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**19.11%**	14.24%	17.25%
One Year *(annualized)*	**26.75%**	18.61%	18.65%
Three Year *(annualized)*	**8.44%**	10.81%	7.43%
Five Year *(annualized)*	**13.92%**	14.22%	10.20%
Ten Year *(annualized)*	**4.25%**	7.44%	3.88%
Since Inception*(annualized)*	**9.42%**	5.10%	3.98%

Performance data quoted is as of September 30, 2017. 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 September 30, 2017	KSCOX (Net of Fees)	S&P 600 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**18.18%**	8.92%	14.24%
One Year *(annualized)*	**28.12%**	21.05%	18.61%
Three Year *(annualized)*	**6.19%**	14.07%	10.81%
Five Year *(annualized)*	**14.99%**	15.60%	14.22%
Ten Year *(annualized)*	**4.38%**	9.27%	7.44%
Since Inception*(annualized)*	**10.08%**	9.83%	5.20%

Performance data quoted is as of September 30, 2017. 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 September 30, 2017	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**23.27%**	14.24%	19.96%
One Year *(annualized)*	**33.99%**	18.61%	19.10%
Three Year *(annualized)*	**8.88%**	10.81%	5.04%
Five Year *(annualized)*	**14.58%**	14.22%	8.38%
Ten Year *(annualized)*	**4.86%**	7.44%	1.34%
Since Inception*(annualized)*	**8.09%**	8.26%	3.76%

Performance data quoted is as of September 30, 2017. 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

As of September 30, 2017	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**1.95%**	1.73%	3.14%
One Year *(annualized)*	**2.88%**	1.46%	0.07%
Three Year *(annualized)*	**2.66%**	1.60%	2.71%
Five Year *(annualized)*	**3.16%**	1.54%	2.06%
Ten Year (annualized)	**0.22%**	3.01%	4.27%
Since Fund Inception*(annualized)*	**0.38%**	3.12%	4.45%

Performance data quoted is as of September 30, 2017. 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. Performance prior to January 1, 2013 reflects the Fund's prior investment objective and strategy and may not be indicative of the fund's prospective results. 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 September 30, 2017	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**4.81%**	3.14%	7.00%
One Year *(annualized)*	**4.99%**	0.07%	8.88%
Three Year *(annualized)*	**4.36%**	2.71%	5.83%
Five Year *(annualized)*	**4.59%**	2.06%	6.36%
Ten Year (annualized)			
Since Inception*(annualized)*	**4.99%**	3.94%	8.59%

Performance data quoted is as of September 30, 2017. 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 September 30, 2017**	
The Bitcoin Investment Trust	12.1%
EchoStar Corporation - Class A	5.1%
Liberty Media Corp.-Liberty SiriusXM - Class C	4.1%
CACI International, Inc. - Class A	3.1%
PayPal Holdings, Inc.	3.1%
Alphabet, Inc. - Class A	3.0%
Alphabet, Inc. - Class C	3.0%
The Madison Square Garden Company - Class A	2.7%
Liberty Broadband Corporation - Series C	2.6%
Visa, Inc. - Class A	2.2%

Paradigm Fund **Top 10 Holdings (%) as of September 30, 2017**	
Texas Pacific Land Trust	29.5%
The Howard Hughes Corporation	10.0%
Icahn Enterprises LP	4.7%
Brookfield Asset Management Inc. - Class A	4.6%
Live Nation Entertainment, Inc.	3.6%
Liberty Media Corp.-Liberty SiriusXM - Class C	3.1%
CBOE Holdings Inc.	2.7%
Liberty Broadband Corporation - Series C	2.4%
Onex Corporation	2.4%
Franco-Nevada Corporation	2.3%

Medical Fund **Top 10 Holdings (%) as of September 30, 2017**	
Eli Lilly & Company	7.8%
Pfizer, Inc.	7.4%
Bristol-Myers Squibb Company	7.4%
Sanofi - ADR	6.0%
Novartis AG - ADR	5.8%
Biogen Inc.–	5.6%
Johnson & Johnson	5.6%
AbbVie Inc.–	5.6%
Alkermes plc	5.4%
Celgene Corporation	4.9%

Market Opportunities Fund **Top 10 Holdings (%) as of September 30, 2017**	
Texas Pacific Land Trust	22.7%
The Bitcoin Investment Trust	8.7%
The Howard Hughes Corporation	4.9%
Icahn Enterprises LP	4.9%
OTC Markets Group Inc. - Class A	4.8%
Onex Corporation	4.5%
Dream Unlimited Corp. - Class A	3.0%
Associated Capital Group, Inc. - Class A	2.2%
Partners Value Investments LP	2.2%
Visa, Inc. - Class A	1.8%

Global Fund **Top 10 Holdings (%) as of September 30, 2017**	
The Bitcoin Investment Trust	10.7%
Texas Pacific Land Trust	10.1%
Bollore SA	4.1%
Siem Industries Inc.	3.1%
Fairfax Financial Holdings Limited	2.8%
Icahn Enterprises LP	2.6%
Brookfield Asset Management Inc. - Class A	2.2%
Dream Unlimited Corp. - Class A	1.8%
Clarke Inc.	1.8%
Onex Corporation	1.7%

Small Cap Opportunities Fund **Top 10 Holdings (%) as of September 30, 2017**	
Texas Pacific Land Trust	27.3%
Icahn Enterprises LP	10.0%
Dream Unlimited Corp. - Class A	7.1%
The Howard Hughes Corporation	6.7%
The Wendy's Company	4.7%
Civeo Corporation	4.5%
Live Nation Entertainment, Inc.	4.3%
Onex Corporation	4.0%
Rubis SCA	3.4%
Associated Capital Group, Inc. - Class A	3.3%

Multi-Disciplinary Income Fund **Top 10 Fixed Income Holdings (%) as of September 30, 2017**	
Lamb Weston Holdings, Inc.	7.3%
Penske Automotive Group, Inc.	7.0%
Brookfield Residential Properties	6.4%
Ashland Inc.	6.1%
Icahn Enterprises	6.0%
PIMCO Dynamic Income Fund	5.2%
Lennar Corporation	4.0%
TRI Pointe Holdings, Inc.	3.9%
Stolt-Nielsen Ltd	3.8%
The Howard Hughes Corporation	2.5%%
DoubleLine Opportunistic Credit Fund	2.4%

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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