Kinetics Mutual Funds

Fourth Quarter 2018 - Conference Call with Peter Doyle

January 15, 2019

Important Risk Disclosures:

Kinetics Asset Management LLC ("Kinetics") is pleased to announce that on January 15, 2019, 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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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 S&P® 600 Index measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. 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.

Chris Bell: Good morning, everyone. This is Chris Bell and I'm the National Sales Manager for Horizon Kinetics. Thank you for joining us for the fourth quarter update with portfolio managers Peter Doyle and James Davolos. Today we're going to have some market comments by Peter as well as by James, and then they're going to dive into a couple of companies. I'd like to remind everyone of our website, www.kineticsfunds.com. The year-end factsheets will be up on the website in about two weeks, and you can also see the distributions last year; you can also see any new presentations—they will also be up on the website in about two weeks. You can also go to our home page www.horizonkinetics.com to see new research, strategy ideas, and updates. It also has links to the RENN Fund. and links to our other investment products.

I'd like to just briefly talk about the longevity of Kinetics Mutual Funds. As many of you know, we started the Internet Fund in September of 1996. The Paradigm Fund (our flagship fund) launched on December 31st of 1999. Peter Doyle and Murray Stahl have been the managers of that fund since its inception. And you don't find that frequently in the investment business —we have a mutual fund with a tenure of 19 years. And if you look at the indexes and how they've performed over that 19-year period, the Paradigm Fund has outperformed its benchmark (the S&P 500 Index) by a significant amount, in excess of 400 basis points, as of December 31, 2019.

I'd also like to urge people to look at the Small Cap Opportunities Fund, which incepted in March of 2000. Again, Peter Doyle and Murray Stahl have been the portfolio managers from the beginning. That mutual fund also sports a very satisfactory track record and has a five-star rating by Morningstar.

We'd like to urge people to take a close look at the Multi-Disciplinary Income Fund. Because volatility has increased again, we may start the second leg of that fund's strategy, which is to sell options so as to add income. That may start again, given the fact that volatility has kicked up and option premiums have increased. I'd also like to point out that the Paradigm Fund and the Small Cap Opportunities Fund and most of our equity mutual funds continue to have extremely high active shares, in excess of 98%. And that basically means that our performance is not tracking an index; it is based simply on bottoms-up stock picking, and that is what we've done for a long time and will continue to try to do in the future.

With that, I'd like to turn it over to the President of Kinetics Mutual Funds, Peter Doyle.

Peter Doyle: Thank you, Chris. So, at the outset I would just like to state that there are a few things I really want to convey. The first thing that I would like to convey is who we are as investors. As many of you know, we've been fairly defensive, and we actually had the Securities and Exchange Commission come in for a routine examination, and one of their questions was how long are you going to stay defensive? And we need to justify ourselves in their minds, and make sure that our customers, our clients, understand why we're defensive and how long we might stay defensive. Just to let you know, in many of our funds, we've been carrying very large cash positions, and that's likely to remain, and I'm going to go through why I think that's likely to remain, at least for the foreseeable future.

Over the last three, four, five decades really, equity returns have been aided by massive fiscal stimulus. That includes government spending, whether it's defense contracts, you name it, roads, construction, as well as very benign monetary policy—obviously, coming out of the financial crisis, taking interest rates down to, effectively, zero. You had an outsourcing of labor, the labor arbitrage where corporate global multinationals could basically manufacture in Mexico and/or China, and take advantage of that. Then you had a leveraging of balance sheets, so as enhance the returns. Then you had a decline in corporate tax rates starting in the early 1980s, when they were roughly 45%; today they're 21%. So every possible wind behind your back is really working in your favor as an investor.

Yet, if you look at the long-term returns of the broad-based indexes, they're really not that stellar. Let's say they're probably somewhere around 8% per annum. And that's with everything really working to your advantage. So, couple that with what James will get into later: money flowing into ETFs, away from active management, and really rewarding the very large liquid names, and you can see how things can become very skewed. And, that's why we're very defensive right now. You have a situation where everything worked to your advantage over the last four or five decades, and that's coming to an end.

So, if you look at the first slide—if you look at the U.S. Equity benchmarks and what we've talked about in the past, there's a channel in which the returns are likely to occur. As an investor—if you're a trader of stocks and if you have that skill maybe you can do a lot better—but as an investor, you ultimately capture the business returns of the companies in which you are invested. And that's connected to the return on capital, the return on equity, and over time we are going to operate in that channel. So if the long-term return on equity is 10% or 8%, chances are with the passage of enough time, that's the return you're going

to get on the underlying stock. In the interim, these stocks can become wildly undervalued and/or wildly overvalued.

In our opinion, looking at the start of 2018, we are saying that it was hard to see how, if you were in large liquid names, you were going to get a great rate of return, and that's more or less how it played out. Now, the pattern of that return is unpredictable. So, for the bulk of the year you had positive returns; in the last two months, you basically turned negative. This year's starting off differently. But, in our opinion, the same story is likely to unfold. The valuations are fairly stretched; all of the wind that was behind your back is not going to be aiding you in the future and at best it's going to be a neutral factor, and at worst it's going to be a negative factor. Next slide, please.

Here you have the Fed Funds rate. Since the end of 2015, the Federal Reserve has raised the Fed Funds rate nine times until today, where it's currently 2.41%. The 10-year rate is at approximately 2.71%. If you look at what's gone on, there's a flattening in the yield curve, and the flattening in the yield curve is problematic, for a number of reasons. First, the financial industry is a very large part of the overall economy and when the yield curve flattens, financial institutions, principally banks, don't make money, they don't lend, and it starts slowing down the economy. And you can see that basically there was real concern as they started raising rates. You saw mortgage applications decline; you saw manufacturing start to decline very quickly. And that rippling effect through the economy has had an impact.

My colleague Murray Stahl wrote a piece back in October of last year, where he talked about what a rise of 1% interest rates might do over time. It doesn't translate that quickly, but it does over time. He said to look at all of the outstanding debt in the United States—and that number is close to $72 trillion. $72 trillion. That's just a staggering sum of money to be owed. If rates were to rise 1%, and people had to refinance at 1% higher, that would work out to be $720 billion of additional interest payments. That's a very large number. That's probably close to 4% of the GDP.

To put that in practical terms, what that might mean if you were to equate it to the price of oil, as an example—today it's roughly $50 a barrel. The price of oil would instead be at $98. That's the type of impact it would have. If the price of oil was $98 instead of $50, you'd be paying a lot more for gas, people would have less money to spend on other things, and it would impact the economy. That's what you're seeing occur since the end of 2015. You're seeing this headwind now by the Federal Reserve, and it's

starting to have an impact on the performance of the overall economy. And why people are concerned; hence, people currently believe that the further out in months, the further out in years you go actually appear to be a better investment than that for the shorter term.

So if you look at where we are with the 10-year Treasury and what it's done historically, the 10-year Treasury in 1982 was at 14.76%; in 2000 it was 6.50%; in 2016 it went down to 1.37%; today it's at 2.73%. Thus, you had this benefit of a decline coming out of the financial crisis, but now it's actually working its way back up. Next slide, please.

If you look at the yield curve, the yield curve has gone from a 3-month T-bill of 2.52% to a 2-year Treasury, which is 2.53%, to the 10-year, which is 2.71%. So, effectively flat. And the 2-year and the 5-year is actually even. It's 2.53% for both. That means that people are basically saying: you know what? I think the economy's going to slow; I want to extend here, and something needs to occur and financial institutions are less willing to lend.

The yield curve has predicted recessions, and we're not predicting a recession, but it has predicted recessions in 1981, 1991, and 2000, and it also predicted the financial crisis of 2008. So you really need to pay attention to that. A flat yield curve really has an impact on how the economy works and what might happen with the overall economy. It's one of the things we're very concerned about. In a more robust economy you might have a spread between the 3-month T-bill and the 30-year Treasury of 3%. Today that spread is about 54 basis points, and that's very low and something to be mindful of. Next slide, please.

This is just showing you that as the United States has begun to increase interest rates and, with the rest of the world basically holding theirs steady, the dollar has remained very strong. That's had an impact on commodities possibly not holding up as well, and it also shows that the dollar—as money is looking for yield, money comes into the dollar. If you go to the next page, you see that the United States Fed Fund Rate is 2.40 as of this chart, versus the 10-year.

The spread is 27 basis points. If you look at the rest of the countries on that list, you can see that the yields are basically negative. So that would cause investors around the globe to desire dollars and to put their money into the U.S. dollar. James, do you want to take over and go from there?

James Davolos: One of the things I'd just like to mention is—to elaborate on this point, is that it's very difficult for the United States to remedy the yield crisis, for lack of a better word, when developed countries have 10-year bonds that yield less than the short-term Federal Funds rate. And in order to get a positive spread over the short-term rates in the U.S., even going out 10 years, you'd have to go to Italy for an incremental 30 bps or Greece for an extra 200 bps.

One other thing I'd mention is that the bonds of Switzerland and Japan, at the end of the year remained in negative territory due to their perceived safe haven and stability of the franc. Switzerland's 10-year paper was averaging negative 20 bps, while and Japan's 10-year paper was roughly zero.

Hence, a difficult environment. When you look at the entire investible universe of debt in the United States, SIFMA (Securities Industry and Financial Markets Association) estimates that at the end of 2017, that number was about $41 trillion. We believe that that number is significantly understated. If you look at the Federal Reserve national income accounts and various other measures of federal debt, treasury securities are closer to $20 trillion, not the $14 trillion noted by SIFMA, but a lot of it is inter-government lending, and the Federal Reserve balance sheet is upwards of $4 trillion.

But the key takeaway from this chart is that even though you have—let's call it $45 trillion of debt securities outstanding, upwards of 50% of this is in treasuries, municipal bonds, and agency debt, i.e., Fannie and Freddie. And most of this is getting a negligible after-tax yield relative to stated rates of inflation. And then even if you do go into the remaining, call it 40%, where you do have asset-backed, mortgage-backed, and corporate securities, a preponderance of that is investment grade.

If you move on to the following slide, this gives you a better breakdown of exactly where all the debt is in the United States. And probably—assuming an average duration of 5-7 years, and most of this is investment grade, a good portion of this is yielding on a gross basis 3-1/2% or less. So, depending on where your tax bracket is and depending on what state you live in, this is going to be mighty close to a net return of about 2%. Therefore, $40 trillion of assets is treading water or barely staying afloat above inflation rates.

The next slide quantifies this a little bit more when you look at the average inflation rates over the last decade. And the inflation rate here might be at odds with the stated inflation from CPI because what this

takes is the average quarterly inflation reported in terms of CPI in each given year. Obviously we've seen an uptick in inflation, where on an annual basis you're a little bit over 2%, but if you average the quarterly inflation readings this year, you're up 3%. But for all intents and purposes, let's work with the long-term Fed forecast of 2%. And then there is the AGG, the Bloomberg-Barclays Bond Aggregate, which basically tries to capture the aggregate yield of the entire investible universe of investment-grade debt.

Again here, you're seeing slightly above 3% at the end of the year, tax that, and this is showing you that the vast majority of savings people want to put into: "lower-risk, lower duration assets", in fact, not saving and not keeping up with even what we believe to be a suppressed measure of federal inflation.

Moving on to the next slide: one of the issues that's being faced by investors today is that a lot of people say, okay, there is no alternative; you have to go into equities. But all of these individuals who are in debt markets and earning less than or at levels commensurate with inflation—there's only so much raw material for equities. I think that it played a big part in some of the run-up, in certainly the latter stages of the run-up, where there's $40-45 trillion of debt outstanding in the U.S.

But if you look at the Wilshire 5000, which is a pretty good measure of the entire aggregate market capitalization of the U.S. stock market, as of the end of September 2018, which was the last measure, this was about $31 trillion. If you want to adjust that for about a 14% decline through the end of the year, that number's more like 27 trillion. So, 45 trillion in debt versus 27 trillion in equity, it's a pretty big problem for savers, and people with short-term liabilities, and people that don't have the ability to handle the volatility profile of equities.

One thing that we haven't seen in this, "asset inflation cycle" is growth in commodities. Depending on which gauge you use—U.S. equities; obviously the S&P 500 was one of the strongest returning asset classes, but across the board, anywhere from doubling your money up to upwards of 3 times your money, you include some income and in some cases you're at 3-1/2, 4 times your money over the past decade. And, it was really across the board: U.S. Equity, small cap. Emerging markets lagged a little bit, as did global stocks. But even high-yield bonds' return doubled your money over the course of a decade, which, relative to what you're getting today, that compound annual rate of return is very attractive.

But one thing you'll notice is that commodities did not participate in the rally. The index that we used here is what was previously known as the Goldman Sachs Commodity Index, which is now maintained by Standard & Poor's. You have a lot of energy exposure in that index. You have some gold, some silver, and then some base metals: copper, iron, and so forth. There are some unique supply and demand dynamics that have contributed to the current spot pricing in each of these markets, but I've seen another manager's quarterly letter refer to the last 10 years as the asset inflation of everything but commodities.

One other factor that I think should be considered is, despite oil prices starting off 2018 with strength and then declining sharply, I think in prior calls we've talked a little bit more about what we think happened specifically. But there's a lot of misinformation about what it takes for U.S. shale to be the swing producer and to break even. You'll see some energy CEOs talking about $30-35 breakevens.

The Delaware Basin, which is the largest, most robust resource base in the United States— people might say that at $35 a barrel, you will break even. But that's basically saying that I don't have to pay for the land. I sink a hole and I put a drill bit in. What does it take for me to extract that oil with a 10% rate of return? However, there's a lot more to it—running an oil and gas company is a lot more complicated than just sinking a hole in the middle of the West Texas desert. You'll see that number goes up a good $10 when you include overhead costs, which is everything from debt service to finding and exploration, finding and developing costs, transportation costs, which in many cases is a very big dynamic in the Permian Basin today. And then it moves up closer to even $50 when you talk about what are you acquiring land for. And that's for the best of the best of shale.

As you move down that list, the DJ Basin in Colorado, you're up to $60. The Eagle Ford, you're in about the $57 range, but those are higher decline wells. The Bakken in North Dakota, you're up close to $65. And then the Powder River Basin, you're in the low $60s. So, there's not an infinite ability of the noncore shale beds to "flood the market". We think that there is, obviously, a lot more going on. For those that follow energy markets closely, the Saudis increased production ahead of what was thought to be several million barrels a day of Iranian oil coming off the market. The United States decided to grant large customers of Iran waivers for the Iran oil embargo. So, the Saudis wanted to balance the market. It's not good for OPEC if oil's at $120 because that promotes aggressive production and expansion. Consequently, they tried to balance the market, and then the dynamics changed at the last minute with President Trump's waivers; accordingly, the market was oversupplied.

Beginning January 1st, those dynamics are adjusting, where OPEC has cut production, the Iran waivers theoretically should end in a couple of months, and you've seen real adjustments in the non-core basins for shale. That brings up another misnomer, which is that OPEC and international oil can just infinitely produce at no marginal cost.

The concept of fiscal breakeven takes into account the federal budget of a country that is basically a petrostate, requiring oil production to balance their budget. So, below certain levels, they are draining their reserves. And for some of these countries, they have pretty substantial reserves but at a certain point you can't just keep increasing sales; you're making spending cuts, which in many cases is military, after you start bleeding into your reserves.

You can see that the largest producer, Saudi Arabia, which is thought to be the incremental producer of 2 million barrels on demand in the world, requires $88 to balance its budget. So, $500 billion of reserves, and if you're $30 below your fiscal breakeven, it's 7 or 8 years until those reserves are dwindled down pretty significantly. Hence, these countries cannot just produce unabated at $50-45, the way that the world seems to think. And you can look at a couple of other countries there—I mean, the UAE, Ecuador, Algeria, among others. A lot of supply recently has come from Libya, where there's been some disruptions. Also, Nigeria, at $127, is not a small contributor.

In regards to Iraq and Russia, I think it's a little more complicated than looking simply at their current budgets and which oil prices balance them. That being said, we think there are a lot of technical factors, and we think there are some structural supply and demand imbalances; however, it was a huge overreaction. And to see West Texas Intermediate (WTI) at $50 and International Brent closer to $60, you know, it's recovered but it still doesn't really get to where it's economic for the world to produce oil. We certainly do not see this as being enduring regardless of what you might read about soft energy and too much shale production over the long term. If you look at the actual economics and the actual fundamentals, it tells you a very different story 3-5 years out.

Before I move on, there's one more dynamic I'd like to briefly touch on as it pertains to certain companies in the Permian Basin, which is that a lot of companies that were unable to get their barrels of oil out of the Permian Basin effectively were distributing it to the Midland hub. The Midland hub was then distributing

up to Cushing. So, the Midland and Cushing hubs trade—Midland at one point this year was trading at over a $10 discount to Cushing. Cushing is WTI, where the benchmark is priced. At a certain point you might've had Cushing at $65 and Midland at $50; then you would've had Brent at $75. So, you're talking about a $25 swing between Midland delivery for oil relative to the North Sea contract in Brent.

By the end of this year, there's significant pipeline capacity coming online, where we believe many of these companies, some of which are in our portfolios, are not only going to be no longer subject to the $10 discount at Midland but they're going to get their barrels to Houston and the Gulf of Mexico.

What that means is that those contracts are going to be priced based off of Brent, less waterborne transportation costs. You're going to recapture the $10 discount to Cushing and then maybe earn an extra $5 because it's a $10 spread between WTI and Brent. And after you have the seaborne freight costs, you net back $5. This could be a $15 swing in the realized prices per barrel of oil realized for certain companies in the Midland Basin. And I certainly don't think that that's priced in or expected in what people are looking at for the fourth quarter, and certainly not in the latter half of 2019 realized prices.

One more dynamic that we've talked about at length for quite some time—but it might surprise people to realize that despite a choppy market year and despite what wasn't as accommodative to passive fund flows, ETF assets under management, which doesn't include passive index mutual funds or pseudo-index funds, totaled approximately $3.57 trillion as of the end of November 2018. And net issuance through November was an incremental $250 billion going into passive ETFs. So, a 7-1/2% gain year over year.

We don't have the final numbers yet. We have estimates for December, but I think a large part of the unwinding of equities and seeing that really dramatic sell-off in December without the bid, it doesn't help having all of these autopilot assets in ETFs. And you could've seen some of that even in the more recent AUM unwinding. So, just another dynamic to keep an eye on as you consider your allocations going forward.

And just to wrap up, we're cognizant of cycles. Howard Marks, of Oak Tree, spends some time talking about the importance of the business cycle. You know, we're in the second longest market expansion cycle in terms of a stock market bull market in history. We came really close to dropping 20% off of the September highs but didn't quite get there in December.

But if you look at the data, I think what's really telling is the bottom trough of yields going into each of the prior crises. The high-yield bond index from Credit Suisse is high-yield bonds and levered loans. I think you need to pay more attention to levered loans, which is bank debt, where it's generally floating rate, which people like in a rising rate environment, and it's generally a senior secured position. At current levels, it has really replaced high yield as the financing mechanism for speculative equity.

But if you look at the troughs in '87, '94, and '05, before you went into some pretty substantial crises and blowouts and spreads, those four troughs were all anywhere from 8-12% in the high-yield levered loan market. Now, granted, the risk-free rate is higher, but we may have troughed in terms of risk spreads in late 2014. And you're starting to see an uptick here, but I think you definitely need to be wary of the business cycle and be wary of the companies that benefitted from cheap money, top line economic expansion.

How do we manage a late cycle portfolio? Quite frankly, it's not any different from what we've been doing for years. Peter touched on this in the beginning where we were asked: how long are you going to be defensive? We'll be defensive as long as asset prices dictate. Typically, a great way to play a late cycle equity portfolio is to go into fixed income but that's not an option, as we showed earlier, getting 3% gross in investment grade and 4-5%, in some cases even less as you go out into high-yield and extend duration.

Thus, we focused on hard assets, we focused on vested management teams, ever-vigilant of strong balance sheets, where you want to allocate to companies that will be able to really weather a full cycle and any type of economic headwinds. And then cash is always your friend—when prices are going down, you to have cash on hand. So, we think we have a good setup going into 2019 and for the full cycle, where, obviously, there's going to be a peak. We might've already seen it. And then there's going to be a bottom subsequent to that. There are plenty of good things to do, although it's not going to be as easy as it was in the past decade, where there were double-digit annualized returns.

So, I think investors would benefit from doing something different; looking at their portfolios and trying to understand what was sustainable and what was not, and trying to readjust exposure to the extent that they can for what's going to be a very different next 10 years relative to the prior 10 years.

With that, I'll turn it back to Peter and see if he has anything to wrap up with, and then we can turn it over to questions.

Peter Doyle: Thank you, James. Excellent job. So, just to capture very quickly what's going on here, in our opinion—if you look at the 10-year Treasury, it's at 2.71%. After tax, at the maximum rate, you're basically keeping 1.65%. The inflation rate is well in excess of that. You're getting a negative rate of return. The people looking for equities, you're going into equities and you have a massive multi-decade wind behind your back, which is not likely to continue—obviously, not likely to continue as the Federal Reserve tries to raise rates.

You've got commodities lagging and you have a need by the U.S. government particularly to fund massive deficits. So right now, the current deficit is running at about $855 billion per annum. And they're going to have to monetize that, i.e., they're going to print money. And that money—if you spend $855 billion more than you actually take in as revenue, that's 4% of the $21 trillion GDP that we have. That's your growth. And people are going to recognize that. I'm going to leave my money in a 10-year Treasury, get inflated out of my wealth, and the federal government is going to continue to print up more and more money.

And we didn't touch on it earlier, but it plays into the fact that people are going to want out of that system. And it plays into cryptocurrency that's not controlled by governments around the world. And, hence, our modest exposure to bitcoin in the funds. Bitcoin may not be ultimately successful but some nongovernmental cryptocurrency is ultimately going to take place because people are going to get off of this system. It's broken. And if you're in that system, you're not going to end up with a good result. And we're about as far away from that as you can possibly be.

So with that, I will open it up to questions.

James Davolos: You can submit your questions through the webinar in the question box and we will take questions as they appear. Peter, I did get a question this morning from an advisor asking: "What tipping points do you see?" And then: "At what level do you feel you would add to positions like Howard Hughes or Brookfield?" Long-term positions in our portfolio.

Peter Doyle: Well, the tipping point for me is now—I remember somebody asked a question about a year ago: "Are you concerned? What keeps you up at night?" And really, I didn't have a great answer to it. In reality, even today, the only thing that keeps me up at night is the health of my children. But back then when that question came through, there was a potential debt crisis and the potential problems that you could see coming, but the yield spreads were wider, there was a positively sloping yield curve. Here, it looks like it's basically at the wall, and there's a tremendous amount of downside risk here.

Now, I'm not predicting that because I think the government is going to print up the money that they're actually doing it, but it's really hard to see where you're going to have broad investment opportunities, either in fixed income or equity, unless you have a real shakeout. That being said, there's a certain number of names that you can find: Texas Pacific Land Trust, obviously we're big believers in that company. I can see how you can make money in companies like General Electric as they work through their balance sheet issues, etc.

And General Electric is a perfect example of something that we've followed for 20-plus years. We saw what they were doing. They were levering up their balance sheet through GE Capital, they were going out and buying subpar businesses, selling themselves as great managers, and ultimately, we knew that was going to come home to roost, and it did. But you were wrong if you were right.

Here, you can see what's going to ultimately occur, but you don't know the timing of it. So, to answer your question, there are opportunities but, as James pointed out, I think, and that Slide Number 11 really points out, the real opportunities are in tangible assets right now. And we've been shifting some of the portfolio, buying things like Franco-Nevada, where you can see how you can actually make some money there even in a very difficult equity environment.

James Davolos: Peter, we do have a question about the obsolescence of carbon-based fuels and whether you think Democrats will find a way to put in a carbon tax. I think we don't tend to make investments based on politics, so do you want to broadly address that?

Peter Doyle: Well, if you've been following what's going on in France, you would say that's a real problem. They tried to pass along a carbon tax and—it's a fascinating time to be alive right now, and particularly that situation is very telling of what could actually unfold around the globe. There's nobody

in charge of the Yellow Vest movement. This was spontaneous. They're saying, hey, I understand you want to put a fuel tax on here but we need to live, we need to eat, I need to send my children to school. And around the country they've cropped up spontaneously. Now they're driving, literally, going around driving governmental officials out of their buildings. They're not putting up with that.

Therefore, if you try something like that here, there's a big portion of this country that feels like they've been left behind. And if you want to start taxing them more and more—a 70% tax to go green, it's just not going to fly. It's not happening. We would see the same backlash happen here as it did in France.

James Davolos: If I can just add a comment on the theoretical obsolescence of carbo-based fuels, there's a lot of misinformation. And not to get political, but even if you want to look at an "academic institution that would certainly be more left-leaning", they estimate increasing oil and gas demand through 2040, at the very minimum. And there's a perception—there are actually two perceptions: Perception one is that the only demand for oil in the world is when I fill up my Range Rover or whatever SUV and drive to the grocery store. Perception two is that there's an infinite amount of electric batteries that can be thrown in a car and whiz you around like the Jetsons.

Yes, transportation is a huge portion of global energy demand in terms of oil and gas but a lot of that is high-density transportation, such as buses, planes, and shipping. So, marine vessels. And there's no new technology that I'm aware of, whether it's solar, wind, or burning moss, that can power a 500-foot vessel across the Atlantic Ocean nor a jetliner across the Pacific Ocean. But then also to go into the renewable, which—you know, I'd be very happy to see breakthroughs in renewable technology that are for the benefit of society and the benefit of our children, but these batteries are not just an unlimited resource—if anybody would like to pay attention to what's going on in the Congo, which has the largest cobalt mine in the world, and take a look at what's happening with lithium mines around the world, there's not an infinite supply of these batteries. Also, they present their own pollution concerns. We don't know the long-term recharging ability of these batteries and how much these materials are recyclable.

And in the epicenter of the renewable movement, California Pacific Gas & Electric—imagine if they banned fossil fuels tomorrow, what that would do to the PG&E electric grid if you put up 75,000 megavolt charging stations along the PCH (Pacific Coast Highway). It's a great theory, it's a great thesis, but in terms of what is fact and what is visible, fossil fuel consumption will be growing—will continue to grow

at least until 2040, and the ability to truly scale renewables at this point to totally replace carbon-based fuels is very limited.

Peter Doyle: So, next question: "Have you been able to find any new opportunities?" And the answer to that is yes. I won't say they're broad, but in the case of the portfolios, we made allocations to tangible commodity type securities. I'm not going to get into specific names, but to answer your question, we have found some good opportunities where we think that they're mispriced and in certain cases they actually have excellent yields and we think they have the ability to grow those yields. So, to answer your question, we have found new opportunities.

Next question. James, do you have any thoughts on Freeport-McMoRan?

James Davolos: At the margin I think that the industrial metals companies are interesting. I mean, if you look at the economics of an open pit mine relative to a royalty, I'd rather own royalties in any case that I can when it comes to the commodity complex. You know, I'm not fully in the weeds in terms of Freeport. I mean, it's come off a low base; they've done a good job with managing their debt. But the multitrillion dollar question for all of these companies is what is demand in India and China going to look like over the next decade? And I think that's why prices are so low, both in the equity sphere and then also for the underlying commodities. That's where a heck of a lot of the incremental consumption is coming from. And I don't think we're at a point yet where we've balanced out supply relative to what might be a more normalized global consumption long term. So, it is interesting, but is capital intensive, highly cyclical, and has a lot of debt. You could make money, but there are a lot of ifs there.

Chris Bell: Peter, do you want to mention just why we tend to own the royalty companies versus the actual producers?

Peter Doyle: Yes, obviously, there's less operational risk—there's no operational risk, really, and there's limited financial risk. So, you get the benefit of the commodity without taking the operational or the leverage risk of businesses.

Chris Bell: So, in the Paradigm Fund and in the Small Cap Opportunities Fund you continue to own royalty companies like Franco-Nevada or Wheaton Precious Metals.

Peter Doyle: The next two questions are somewhat related. It's: "How much Civeo is your firm comfortable owning?" And then: "What are the biggest fears regarding TPL, Texas Pacific Land Trust? What could go wrong with this company?"

The answer to your question—really to both is that if we had enough capital, we would not be unwilling to own 100% of both of those companies. You're buying a business, and in that case you can avoid mistakes as long as you're sizing it right or you think the chance of a permanent erosion of capital is so small in the portfolios that IF you're putting it in, you're willing to go up a higher level.

In the case of TPL, we don't believe there is any financial risk. The company is unlevered; it has cash on the balance sheet. Obviously, you saw what happened in the fourth quarter of 2018—the price of oil came down from roughly $70 to $45. The stock came down along with that. Now, that being said, the slide that James mentioned earlier, that there's a breakeven for the countries that have oil and if you operate below that, at some point you're going to run out of money, and you're going to have political unrest, and you're going to have social unrest, and the price is going to go higher.

There's price fluctuation in the case of TPL, but there's not really a lot of financial risk. And it's hard to envision an environment, looking out over the next five years, in our opinion—obviously, we can be wrong—that that stock is not going to go materially higher. In the case of Civeo, Civeo does have financial risk, but we think that they're going to be able to manage it, and as opportunities arise, they'll be able to pay down that debt and over time will capture a good rate of return. Do you want to add anything, James?

James Davolos: No, but I think there are a couple of other questions in the queue that also relate to the TPL business regarding the advantages of the water business; and then also looking at what's the earnings growth expectations over the next, call it, two to three years? I'll caution you before I answer with that. I'm perpetually very conservative, where I tend to like what is extremely visible in my analysis.

But the water business, it's really unique in that in the State of Texas, the surface ownership owns the right to the aquifer, and all of this water is subsurface. So, there's no surface water that would get into riparian rights and get into state ownership. And the other thing that I think we've mentioned before on these calls is that it's largely brackish. So, you could not water crops, let alone nourish livestock or humans

with this water. But by the function of their land position, not only do they control access to the aquifers, which, it is a rule of capture that anybody can capture that water. But many of their competitors don't have the requisite surface land to get the water to oil customers.

So, right now, the majority of TPL's water revenue is source water, and source water is much higher margin and it's a much simpler business, where all they basically do is drill a simple water well, you put in a lay-flat hose, you cross your land, charge the customer for both the water and for crossing the land and the transportation costs. If you have water and you're on the other side of TPL or another landowner, chances are they're not going to let you cross their land because they would want those economics for themselves.

Private equity has been very large in the water business, which is on the backend. As we've mentioned before, a large well might take 400,000 barrels of water—source water to frack, and in some cases, 2 million to 3 million barrels of brackish produced water will come out of that. Private equity and more midstream type businesses love this because it's higher volumes and it's more predictable because it's not really sensitive to rig counts, and there's a 10-year life plus to these wells as opposed to just the period when they're intensively fracking the well.

TPL is in a position to generate revenues from both people transporting the produced water and then also people that want to drill saltwater disposal wells where you dispose of this water, because it either needs to be cleaned and reused or disposed of. So, as we understand it, most of their revenue right now is on the source side, and as time evolves, as the basin matures, as TPL water matures, and as the industry matures, you'll see more and more revenue being generated and a higher proportion from recycling and disposal.

In terms of earnings for the company over the next 2-3 years, I think you'd be surprised by the stability of earnings as you get into the end of next year. You know, you're still at an average oil price, even here, at $52 today. That's significantly above average prices for 2017. You're going to start seeing more gas monetized and you're going to see more and more barrels getting to the gulf by the end of the year. So, we don't see any reason to not stick with what Anadarko and Chevron are indicating. They are both large operators on TPL's acreage, and their long-term numbers out to 2022-2023 are showing us 25-30%

growth; we have no reason to not believe that. And if you look at the drilled uncompleted well inventory, there might be an upside revision there.

Then, obviously, the wildcard is what happens with water. I think water is going to continue to grow commensurately with new well starts and the rig count. So this should be—in order to meet guidance for what Chevron and Anadarko are putting out there, you're going to need to see 20-30% more drilling a year. Water should grow at least at that rate, probably much higher as they become a more full-service business.

And then the land business—typically, it's very episodic. And I think that surprised people, especially with the new accounting change. But you're not going to put in a large pipeline project until you have the CapEx committed, and you also want to put in the pipes and get all the infrastructure set up before you move your well pad. Thus, it's a leading indicator but it's highly volatile.

So, normalizing all of those figures, it's not—I don't think it's a stretch to, three years out, be looking at a $50 earnings figure. It could be higher depending on hydrocarbon prices, but you're seeing a lot of these things coming to fruition. But it's one of the most impossible companies to predict and to model. I'm not sure if Peter had anything that he'd like to elaborate on that.

Peter Doyle: I think there is a good opportunity there and, we're not putting a yearly earnings per share number on that because we don't have any great insight or crystal ball into what the price of oil is going to do. But it's hard to envision that the price of oil is going to be able to remain low over an extended period of time, and they're going to have much more production on their land in the future, and we believe they're going to benefit from higher oil and gas revenue as well as higher water. So, we don't know the pattern of that return but I believe that over the long-term there will be substantial appreciation.

James Davolos: One thing I just wanted to add is that I know that there's a variety of royalty companies that are seeking to go public and others that are public. They are really trying to communicate the message that this is an advantaged business model and it's a growing business model, and you shouldn't capitalize the earnings of a company that is earning a 70% net margin with zero working capital requirements and minimal CapEx at the same rate as a highly capital intensive E&P company that needs to replace reserves, so on and so forth.

So, as you know, we always—100% of the time, we rely on the earnings, and the cash flow, and the assets to dictate our investment. But I think as the royalty space in oil and gas becomes more mature, and should you ultimately get a valuation that's even one-half of what the gold companies in the royalty space get, you're going to have a lot of multiple expansion on top of very significant cash flow growth once people appreciate these assets for what they are. We're not banking on it but that certainly gets you to a very different upside scenario than a static multiple or even a contracting multiple relative to a growing earnings figure.

Peter Doyle: That's a great answer. And that ties into the next question as well. We're looking for optionality, and in the case of TPL, there is tremendous optionality; in the case of Franco-Nevada, there's optionality, etc., higher cash flows, maybe potentially even expanding P/E multiples. In the case of the commodity companies where you really have an operational aspect to it, we really have no interest in that. So we can't say that we've been looking at any of the coal companies, and I don't personally know anything about Alliance Resource Partners. But perhaps we should be looking at it.

Chris Bell: Peter, I did get a question from the field about the land swap—the TPL land swap. I don't know if you or James has any insight into that like kind land swap.

Peter Doyle: James, I know you know who they did it with, so why don't you take that question?

James Davolos: I mean, what we know right now is that it was—the buyer of the land was WPX Energy, which is a pretty considerable oil and gas operator that was actually a spinoff from Williams Companies. Market cap is about $5.5 billion. So, they're a traditional E&P company just like Chevron, Anadarko, EOG, Pioneer. And they see $7,000 an acre as value accretive for the surface position up there along the Reeves/Loving County border. It does not include any royalties, which is an important distinction, and they also retain water rights on parts of the acreage. And, presumably, a competitive dynamic is what they're able to maintain with water.

In their filings, they used the language of "like kind," which is the same language in the IRS definition of a 1031 exchange. So, any cursory understanding of real estate and also looking into the dynamics of West Texas, two acres next to each other are much more valuable than an acre, a gap, and another acre.

Our belief is that they likely got a very, very attractive price for surface land. They didn't have to give up royalties. They gave up minimal, perhaps no water. And then they're going to be able to monetize a contiguous block of their remaining acreage with the proceeds in a tax-free manner, theoretically boosting the value of that acreage. So, we're looking forward to getting more information. TPL issued the release saying that it closed and that WPX was the buyer. WPX has not officially commented on it, as of the last time I checked. They probably won't until their quarterly call. But all else being equal, we believe the takeaways from the transaction are very encouraging and very positive.

Chris Bell: Thank you, James. Thank you, Peter. With that, we're at an hour. I think we'll end the call here. If you call or email Bob Uly or your HRC representative, we can see that you get the transcript once its available. Thank you very much and have a nice day.

PERFORMANCE AND HOLDINGS INFORMATION

Internet Fund

As of December 31, 2018	WWWFX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**-16.32%**	10.56-4.38%	-3.88%
One Year *(annualized)*	**-16.32%**	-4.38%	-3.88%
Three Year *(annualized)*	**5.49%**	9.26%	9.84%
Five Year *(annualized)*	**2.08%**	8.49%	9.70%
Ten Year *(annualized)*	**13.28%**	13.12%	5.69%
Since Inception*(annualized)*	**12.99%**	7.86%	7.86%

Performance data quoted is as of December 31, 2018. 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 December 31, 2018	MEDRX (Net of Fees)	S&P 500 Index	NASDAQ Index
TOTAL RETURN			
Year-to-Date	**1.67%**	-4.38%	-3.88%
One Year *(annualized)*	**1.67%**	-4.38%	-3.88%
Three Year *(annualized)*	**1.16%**	9.26%	9.84%
Five Year *(annualized)*	**5.14%**	8.49%	9.70%
Ten Year *(annualized)*	**11.04%**	13.12%	15.45%
Since Inception*(annualized)*	**8.76%**	5.56%	4.69%

Performance data quoted is as of December 31, 2018. All figures are annualized. Past performance does not guarantee future results. The inception date for MEDRX is September 30, 1999. As a no-load fund, there is no sales charge. The above performance is without dividends reinvested. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. The Fund's operating expense ratio, gross of any fee waiver or expense reimbursements is 2.08%. Kinetics Asset Management LLC, the Investment Adviser to the Medical Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.39% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Global Fund

As of December 31, 2018	WWWEX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-23.58%**	-4.38%	-9.42%
One Year *(annualized)*	**-23.58%**	-4.38%	-9.42%
Three Year *(annualized)*	**9.26%**	9.26%	6.60%
Five Year *(annualized)*	**-0.19%**	8.49%	4.26%
Ten Year *(annualized)*	**10.29%**	13.12%	9.46%
Since Inception*(annualized)*	**-1.40%**	4.86%	3.47%

Performance data quoted is as of December 31, 2018. 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 3.06%. 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 1.41% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Paradigm Fund

As of December 31, 2018	WWNPX (Net of Fees)	S&P 500 Index	MSCI ACW Index
TOTAL RETURN			
Year-to-Date	**-5.55%**	-4.38%	-9.42%
One Year *(annualized)*	**-5.55%**	-4.38%	-9.42%
Three Year *(annualized)*	**13.47%**	9.26%	6.60%
Five Year *(annualized)*	**5.85%**	8.49%	4.26%
Ten Year *(annualized)*	**12.71%**	13.12%	9.46%
Since Inception*(annualized)*	**8.88%**	4.86%	3.47%

Performance data quoted is as of December 31, 2018. 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 1.75%. Kinetics Asset Management LLC, the Investment Adviser to the Paradigm Fund, has voluntarily agreed to waive fees and reimburse expenses so that Total Annual Fund Operating Expenses do not exceed 1.64% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Small Cap Opportunities Fund

As of December 31, 2018	KSCOX (Net of Fees)	S&P 600 Index	S&P 500 Index
TOTAL RETURN			
Year-to-Date	**0.29%**	-8.48%	-4.38%
One Year *(annualized)*	**0.29%**	-8.48%	-4.38%
Three Year *(annualized)*	**16.34%**	9.46%	9.26%
Five Year *(annualized)*	**5.08%**	6.34%	8.49%
Ten Year *(annualized)*	**14.94%**	13.61%	13.12%
Since Inception *(annualized)*	**9.78%**	8.86%	4.95%

Performance data quoted is as of December 31, 2018. 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 1.78%. 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 1.66% for No Load Class shares. These waivers and reimbursements may be discontinued at any time. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

Market Opportunities Fund

As of December 31, 2018	KMKNX (Net of Fees)	S&P 500 Index	MSCI EAFE Index
TOTAL RETURN			
Year-to-Date	**-10.86%**	-4.38%	-13.79%
One Year *(annualized)*	**10.86%**	-4.38%	-13.79%
Three Year *(annualized)*	**16.50%**	9.26%	2.87%
Five Year *(annualized)*	**6.30%**	8.49%	0.53%
Ten Year *(annualized)*	**13.69%**	13.12%	6.32%
Since Inception *(annualized)*	**7.80%**	7.59%	2.54%

Performance data quoted is as of December 31, 2018. 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 1.97%. 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 December 31, 2018	KWINX (Net of Fees)	Barclays 1-3 Yr. Credit	Barclays U.S. Aggregate
TOTAL RETURN			
Year-to-Date	**0.92%**	1.64%	0.01%
One Year *(annualized)*	**0.92%**	1.64%	0.01%
Three Year *(annualized)*	**2.41%**	1.80%	2.06%
Five Year *(annualized)*	**2.33%**	1.47%	2.52%
Ten Year (annualized)	**3.21%**	2.96%	3.48%
Since Fund Inception *(annualized)*	**0.45%**	2.91%	3.99%

Performance data quoted is as of December 31, 2018. 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 1.82%. 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 0.99% 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 December 31, 2018	KMDNX (Net of Fees)	Barclays U.S. Aggregate	Barclays U.S. High Yield
TOTAL RETURN			
Year-to-Date	**-1.00%**	0.01%	-2.08%
One Year *(annualized)*	**-1.00%**	0.01%	-2.08%
Three Year *(annualized)*	**4.62%**	2.06%	7.23%
Five Year *(annualized)*	**2.79%**	2.52%	3.83%
Ten Year (annualized)	**6.76%**	3.48%	11.12%
Since Inception *(annualized)*	**4.14%**	3.51%	5.10%

Performance data quoted is as of December 31, 2018. 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 2.01%. 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 1.65% 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.

Spin-Off and Restructuring Fund

As of December 31, 2018	LSHUX (Net of Fees)	S&P 500 Index
TOTAL RETURN		
Year-to-Date	**-8.11%**	-4.38%
One Year *(annualized)*	**-8.11%**	-4.38%
Three Year *(annualized)*	**6.08%**	9.26%
Five Year *(annualized)*	**0.17%**	8.49%
Ten Year *(annualized)*	**9.27%**	13.12%
Since Inception *(annualized)*	**0.47%**	6.72%

Performance data quoted is as of September 30, 2018. All figures are annualized. Past performance does not guarantee future results. The inception date for LSHUX is July 11, 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 1.83%. Visit www.kineticsfunds.com for the most recent month-end performance data and a copy of the most recent Prospectus.

(Holdings begin on next page)

Internet Fund Top 10 Holdings (%) as of December 31, 2018	
Texas Pacific Land Trust	10.7%
The Bitcoin Investment Trust	8.0%
PayPal Holdings, Inc.	5.0%
The Madison Square Garden Company - Class A	4.1%
CACI International, Inc. - Class A	3.9%
OTC Markets Group Inc. - Class A	3.2%
Alphabet, Inc. - Class A.	3.1%
Alphabet, Inc. - Class C	3.1%
Visa, Inc. – Class A	2.6%
Lending Tree, Inc.	1,7%

Paradigm Fund Top 10 Holdings (%) as of December 31, 2018	
Texas Pacific Land Trust	34.8%
The Howard Hughes Corporation	7.9%
Icahn Enterprises LP	4.7%
Brookfield Asset Management Inc. - Class A	4.2%
Live Nation Entertainment, Inc.	3.2%
Cboe Global Markets, Inc.	2.6%
Liberty Media Corp.-Liberty SiriusXM - Class C	2.4%
Franco-Nevada Corporation	2.3%
Markel Corporation	2.3%
Liberty Media Corp.-Liberty SiriusXM - Class A	1.7%

Medical Fund Top 10 Holdings (%) as of December 31, 2018	
Eli Lilly & Company	10.2%
Pfizer, Inc.	9.0%
Novartis AG	7.3%
Johnson & Johnson	7.1%
Merck & Co., Inc.	7,0%
Biogen Inc.	6.9%
Sanofi	6.6%
Bristol-Myers Squibb Company	6.5%
AbbVie Inc.	5.6%
AstraZeneca plc - ADR	5.5%

Market Opportunities Fund Top 10 Holdings (%) as of December 31, 2018	
Texas Pacific Land Trust	27.0%
The Bitcoin Investment Trust	3.3%
Icahn Enterprises LP	2.7%
Dream Unlimited Corp. - Class A	1.9%
Partners Value Investments LP	1.7%
Associated Capital Group, Inc. - Class A	1.6%
CME Group, Inc.	1.5%
The Howard Hughes Corporation	1.5%
Visa, Inc. - Class A	1.4%
CBOE Global Markets, Inc.	1.0%

Global Fund Top 10 Holdings (%) as of December 31, 2018	
Texas Pacific Land Trust	14.3%
The Bitcoin Investment Trust	5.7%
CACI Intl Inc.	4.9%
Bollore SA	2.6%
Civeo Corporation	2.6%
Siem Industries Inc.	2.5%
Clarkson plc	2.4%

Small Cap Opportunities Fund Top 10 Holdings (%) as of December 31, 2018	
Texas Pacific Land Trust	28.9%
Icahn Enterprises LP	8.1%
Dream Unlimited Corp. - Class A	4.9%
The Howard Hughes Corporation	4.2%
Live Nation Entertainment, Inc.	3.6%
The Wendy's Company	2.8%
Associated Capital Group, Inc. - Class A	2.6%

Clarke Inc.	2.1%
Franco-Nevada Corp	1.8%
Brookfield Asset Management Inc. – Class A	1.4%

Partners Value Investments LP	2.4%
Rubis SCA	2.3%
Inter Parfums, Inc.	2.0%

Multi-Disciplinary Income Fund **Top 10 Fixed Income Holdings (%) as of December 31, 2018**	
Penske Automotive Group, Inc.	9.5%
Brookfield Residential Properties	8.7%
Ashland Inc.	7.9%
Icahn Enterprises	7.9%
Lamb Weston Holdings, Inc.	5.6%
TRI Pointe Holdings, Inc.	5.3%
Lennar Corporation	5.1%
Stolt-Nielsen Limited	5.0%
The Howard Hughes Corporation	4.2%
Murphy Oil Corporation	3.0%

Spin-Off and Restructuring Fund **Top 10 Holdings (%) as of December 31, 2018**	
Texas Pacific Land Trust	31.0%
Associated Capital Group, Inc. - Class A	6.3%
The Howard Hughes Corporation	5.7%
DREAM Unlimited Corp.	5.5%
PayPal Holdings, Inc.	5.0%
Graham Holdings Co.	4.4%
CSW Industrials, Inc	4.0%
Cable One, Inc.	3.3%
A.P. Moeller-Maersk A/S – Class B – ADR .	2.7%
Avanos Medical, Inc.	2.5%

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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