



Action Needed: Your Medical Fund and Alternative Income Fund

January 4, 2023

Dear Kinetics Mutual Funds Shareholder,

Our previous shareholder notice communicated that we are converting three of our open-end funds to exchange-traded funds (ETFs), pending shareholder approval. However, the Multi-Disciplinary Income Fund is no longer a part of this event. Therefore, effective after the close of business 1/27/2023, only the Medical Fund and Alternative Income Fund are the funds converting into shares of the Horizon Kinetics Medical ETF and Horizon Kinetics SPAC Active ETF respectively, as part of a tax-free reorganization. The Multi-Disciplinary Income Fund will continue to exist in its current form.

Effective after close of business on 1/27/2023, any shares held in the **Medical Fund and Alternative Income Fund** will be converted into shares of the **Horizon Kinetics Medical ETF and Horizon Kinetics SPAC Active ETF**, respectively, as part of a tax-free reorganization. You will receive the same number of shares (less any fractional shares) of the ETF and the value of those ETF shares will be the same as the shares you hold in the current open-end fund.

To prepare for the above-mentioned tax-free reorganization, a consolidation of the classes in the **Medical Fund, Alternative Income Fund and Multi-Disciplinary Income Fund** took place effective after trading closed on 11/18/2022.

Why change from an open-end fund to an ETF?

Kinetics believes this change will result in multiple advantages for our shareholders. The conversion will give shareholders the same access to our investment philosophy as well some exciting new strategies while providing benefits unavailable through the current fund structure. We are excited to announce this event and view it as a testament to our commitment to innovative thinking in pursuit of better investment outcomes. Here are some things you can look forward to:

- Greater tax efficiency
- Lower fees
- Even more transparency
- Opportunity for intra-day trading

A discussion of the benefits associated with the ETF structure can be found in the information statement/prospectus recently filed with the SEC.

<https://www.sec.gov/Archives/edgar/data/1683471/000089418922007685/horizonkineticsn-14liftmed.htm>



Important information about your account

A brokerage account is required to purchase or redeem your ETF shares. **You will need to transfer your account into a qualified brokerage account.**

We highly recommend you complete this transfer before 1/20/2023.

If you do not complete the transfer by 1/20/2023, your fund/account will be exchanged automatically for the ETF, **but you will not have the ability to purchase or redeem those ETF shares until the account is transferred into a qualified brokerage account.**

How do I transfer to a broker?

- **If you have an existing brokerage relationship for other assets:** Contact the broker and tell them you need to transfer shares of an open-end mutual fund into your brokerage account. If your account at Kinetics does not have the same registration (title) as your brokerage account, you will need to establish a new account with the same registration. For example, if your Kinetics account is an individual taxable account, but your brokerage account is an IRA, you will need to open a new individual account at the broker to transfer your shares into. Your broker can instruct you on how to complete the transfer.
- **If you don't have a brokerage relationship for other assets:** You can find information on brokers by searching online. Many brokerage firms have no account minimums, transaction fees or inactivity fees. Opening a brokerage account is a similar process to opening a bank account.
- **If you do not want to convert your open-end shares to an ETF:** You must either liquidate your position by 1/20/2023 or exchange your shares for another Kinetics fund. If you choose to liquidate your position instead of obtaining a broker and exchanging your open-end fund shares for ETF shares, we recommend you consult with your tax advisor as liquidating your shares may have tax consequences. If you have a retirement account, liquidating your position may cause withholding at the federal and state level to be levied. Premature distribution penalties can also be incurred, however, if you reinvest the proceeds within a certain period of time (most often 60 days), you may be able to mitigate penalties.

Changes to your existing fund account

In anticipation of this change and pending shareholder approval, there are items you should be aware of and keep in mind as your shares of the Medical Fund and Alternative Income Fund are transitioned from our open-end funds to our ETFs, including:



- Any shareholder that does not obtain a broker but acquires shares as part of this tax-free reorganization into the ETF, will not be able to purchase, redeem, or exchange the ETF shares until they open a broker account and have shares transferred to that broker.
- If you have online access to your Kinetics account:
 - Medical Fund, and Alternative Income Fund will be closed following the reorganization but will be accessible online to view historical activity.
 - You will continue to have view access and transaction capability online in any non-reorganizing Kinetics.
 - For any shares of your newly acquired ETF:
 - If your account is moved to a brokerage account, you will view your ETF Shares through your brokers' online portal.
 - If your account does not have a broker at the time of the Reorg, you will be able to view your shares online, but you will not be able to transact on those shares.
- Your participation in automated investment plans and/or systematic withdrawal programs will no longer be available. This includes systematic withdrawals setup to pay Required Minimum Distributions (RMD) on IRA accounts. Any automatic investment, systematic withdrawal, or systematic exchange scheduled to run after 1/23/2023 will be turned off and will not restart in the ETF.
- All accounts that had dividend and capital gain options set to reinvest will be transitioned to cash.
- ETFs cannot hold fractional share amounts. On 1/26/2023, your fractional share amounts will be sold, and you will receive a check for the proceeds. This fractional share redemption will be a taxable event.
- EXAMPLE: If a shareholder has 122.426 shares, the shareholder will receive 122 shares of the ETF on 12/9/22 and the remaining 0.426 shares will be sold (and proceeds will be sent by check in the mail).
- If you have an IRA account, please note the following:
 - If you are subject to a Required Minimum Distribution (RMD) in 2023, the RMD can be distributed from your open-end fund account prior to the ETF conversion event.
 - A subsequent notification will be provided in January 2023 reminding you of that RMD obligation.
 - Upon conversion to the ETF, you are unable to perform a distribution from your IRA, whether that be a one-time event or an RMD, until AFTER you transfer your account to a broker.



Timeline of events pending shareholder approval

- 11/18/2022: Merger took place to consolidate all classes of the Medical Fund, Alternative Income Fund and Multi-Disciplinary Income Fund into single funds. See merger cross reference below.
- 1/20/2023: Deadline for transferring your account to a broker for trading capability in the ETF.
- 1/23/2023: To prepare for the fractional share sale, last day for purchases or redemptions in the Medical Fund and Alternative Income Fund.
- 1/24/2023: “Trade freeze” is in effect for all purchases and redemptions in the Medical Fund and Alternative Income Fund.
- 1/25/2023: “Trade freeze” remains in effect for all purchases and redemptions in the Medical Fund and Alternative Income Fund.
- 1/26/2023: Fractional share liquidation date. Because your new ETF shares can only be held in whole share amounts, any fractional shares held in your Medical Fund and Alternative Income Fund account will be liquidated. This is a taxable event.
- 1/27/2023: Online access to trade on your Medical Fund and Alternative Income Fund will be shut off after the close of business. Shareholders will view their account online through the shareholder portal and will be able to view/transact on other non-Reorganizing Kinetics funds. “Trade freeze” remains in effect for all purchases and redemptions in the Medical Fund and Alternative Income Fund.
- 1/27/2023: After trading has closed, your ending balance of shares in the Medical Fund will be exchanged for the same share quantity and market value (1 for 1 ratio) in the Horizon Kinetics Medical ETF and your ending balance of shares in the Alternative Income Fund will be exchanged for the same share quantity and market value (1 for 1 ratio) in the Horizon Kinetics SPAC Active ETF.

What if I still have questions?

We understand that this is a lot of information. We encourage you to review our regulatory filing on these changes when it becomes available or to contact one of our Kinetics shareholder service specialists at 800-930-3828. Our team can be reached Monday through Friday from 8:00 am to 7:00 pm CST. We will also provide this information on our website, www.horizonkinetics.com. For more information, please see our most recent prospectus located here: <https://kineticsfunds.com/funds/internet-fund/prospectus>.

We truly appreciate your trust and investment in Kinetics, and we look forward to continuing the quality service and investment management you have come to expect from us.

Thank you,

Horizon Kinetics Asset Management LLC on behalf of Kinetics Mutual Funds, Inc.



Appendix A: Fund Cross Reference

Funds involved in the merger event, occurred on 11/18/22:

Merger Cross Reference							
From (Target side)				To (Acquiring Side)			
Fund #	GFS Fund Name	Ticker	CUSIP	Fund #	GFS Fund Name	Ticker	CUSIP
0323	Medical Fund Advisor Class A	KRXAX	494613847	0314	Medical Fund	MEDRX	494613102
0332	Medical Fund Advisor Class C	KRXCX	494613755				
0334	Alternative Income Fund Advisor Class	KWMAX	494613714				
0335	Alternative Income Fund Advisor Class	KWICX	494613698	0337	Alternative Income Fund	KWINX	494613722
0336	Alternative Income Fund Institutional	KWIIX	494613690				
0338	Multi-Disciplinary Income Fund Advisor	KMDAX	494613664				
0339	Multi-Disciplinary Income Fund Advisor	KMDCX	494613656	0341	Multi-Disciplinary Fund	KMDNX	494613672
0340	Multi-Disciplinary Income Fund Institutional	KMDYX	494613649				

Funds involved in the Internal Reorganization event of Open-End funds into ETFs, occurring on 1/27/2023:

Internal Reorg Cross Reference for Open-End to ETF							
From (Target side)				To (Acquiring Side)			
Fund #	GFS Fund Name	Ticker	CUSIP	Fund #	GFS Fund Name	Ticker	CUSIP
0314	Medical Fund	MEDRX	494613102	6425	Horizon Kinetics Medical ETF	MEDX	53656G563
0337	Alternative Income Fund	KWINX	494613722	6426	Horizon Kinetics SPAC Active ETF	SPAQ	53656G555