Advisor Classes

May 1, 2011

# Prospectus

www.kineticsfunds.com

The **Internet** Fund Advisor Class A (KINAX)
Advisor Class C (KINCX)

The **Global** Fund Advisor Class A (KGLAX)
Advisor Class C (KGLCX)

The **Paradigm** Fund Advisor Class A (KNPAX)
Advisor Class C (KNPCX)

The **Medical** Fund Advisor Class A (KRXAX)
Advisor Class C (KRXCX)

The **Small Cap Opportunities** Fund Advisor Class A (KSOAX)
Advisor Class C (KSOCX)

The **Market Opportunities** Fund Advisor Class A (KMKAX)
Advisor Class C (KMKCX)

The **Water Infrastructure** Fund Advisor Class A (KWIAX)
Advisor Class C (KWICX)

The **Multi-Disciplinary** Fund Advisor Class A (KMDAX)
Advisor Class C (KMDCX)

Each a series of Kinetics Mutual Funds, Inc.

Kinetics Mutual Funds, Inc.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of the Prospectus. Any representation to the contrary is a criminal offense.

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## THE INTERNET FUND

### Investment Objectives

The investment objective of the Internet Fund is long-term growth of capital. The Internet Fund seeks to obtain current income as a secondary objective.

### Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Internet Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled ''Description of Advisor Classes'' beginning on page 90 of the Funds' prospectus and ''Purchasing Shares'' beginning on page 50 of the Funds' statement of additional information.

**Fee Table**(1)

| Shareholder Transaction Expenses (fees paid directly from your investment) | Advisor Class A | Advisor Class C |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | 2.00% | 2.00% |

| Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment) | | Advisor Class A | | Advisor Class C |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.70% | | 0.70% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.45% | | 0.45% | |
| Total Annual Fund Operating Expenses | | 2.45% | | 2.70% |
| Less: Fee Waiver(2) | | 0.31% | | 0.06% |
| Net Annual Fund Operating Expenses | | 2.14% | | 2.64% |

(1) This table and the example below reflect the aggregate expenses of the Internet Fund and the Internet Portfolio. The management fees paid by the Internet Fund reflect the proportionate share of fees allocated to the Internet Fund from the Internet Portfolio.

(2) Kinetics Asset Management, LLC, the investment adviser to each portfolio ("Portfolio") of the Kinetics Portfolio Trust (the "Investment Adviser") has voluntarily agreed to waive management fees and reimburse Fund expenses so that Total Annual Fund Operating Expenses do not exceed 2.14% and 2.64%, excluding Acquired Fund Fees and Expenses ("AFFE"), for the Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Internet Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Internet Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Internet Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs for the Internet Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $780 | $1,267 | $1,779 | $3,179 |
| **Advisor Class C** | $267 | $ 833 | $1,424 | $3,027 |

## Portfolio Turnover

The Internet Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Internet Portfolio's, and therefore the Internet Fund's, performance. During the most recent fiscal year, the Internet Portfolio's portfolio turnover rate was 12% of the average value of its portfolio.

## Principal Investment Strategy

The Internet Fund is a non-diversified fund that invests all of its investable assets in the Internet Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Internet Portfolio invests at least 80% of its net assets plus any borrowings for investment purposes in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and International Depositary Receipts ("IDRs")), of U.S. and foreign companies engaged in the Internet and Internet-related activities and whose businesses are vastly improved through the distribution of content and reduction of costs with the use of the Internet, such as content providers, computer hardware and software, venture capital, Internet service providers, Internet portals, wireless/broadband access, e-commerce, financial service companies, auction houses, and telecommunications. The Internet Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Internet Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Investment Adviser selects portfolio securities by evaluating a company's positioning and business model as well as its ability to grow and expand its activities via the Internet or achieve a competitive advantage in cost/profitability and brand image leveraging via use of the

Internet. The Investment Adviser also considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends. Furthermore, the Investment Adviser looks at the amount of capital a company currently expends on research and development.



Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Internet Portfolio.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Internet Fund, and indirectly the Internet Portfolio, are listed below and could adversely affect the net asset value ("NAV"), total return and value of the Internet Fund, Internet Portfolio and your investment.

- *Stock Market Risks*: Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Internet Portfolio, and therefore the Internet Fund, is likely to decline in value and you could lose money on your investment.

- *Stock Selection Risks:* The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Internet Portfolio's, and therefore the Internet Fund's, investment objective.

- *Liquidity Risks:* The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

- *Internet Industry Concentration Risks:* Investing a substantial portion of the Internet Portfolio's assets in the Internet industry carries the risk that Internet-related securities will decline in price due to Internet developments. Companies that conduct business on the Internet or derive a substantial portion of their revenues from Internet-related activities in general are subject to a rate of change in technology and competition which is generally higher than that of other industries.

- *Small and Medium-Size Company Risks:* The Internet Portfolio may invest in the equity securities of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Internet Portfolio's assets.

- *Foreign Securities Risks:* The Internet Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

◗ *Non-Diversification Risks:* As a non-diversified investment company, the Internet Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Internet Portfolio's shares, and therefore the Internet Fund's shares, more than shares of a diversified mutual fund that holds more investments.

◗ *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Internet Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Internet Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

◗ *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

◗ *Management Risk:* There is no guarantee that the Internet Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Internet Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

The Internet Fund may be appropriate for investors who:

◗ wish to invest for the long-term;

◗ want to diversify their portfolios;

◗ want to allocate some portion of their long-term investments to growth equity investing;

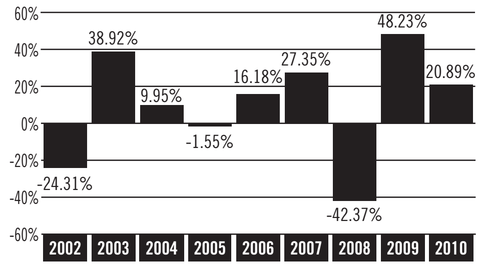
◗ are willing to accept the volatility associated with equity investing; and

◗ are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the variability of the Internet Fund's returns. The bar chart indicates the risks of investing in the Internet Fund by showing the changes in the Internet Fund's performance from year to year (on a calendar year basis). The table shows how the Internet Fund's average annual returns, before and after taxes, (after taking into account any sales charges) compare with those of the S&P 500® Index and the NASDAQ Composite® Index, both of which represent broad measures of market performance. The Internet Fund's past performance, before and after taxes, is not necessarily an indication of how the Internet Fund or the Internet Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Internet Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Internet Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 25.91% |
| Worst Quarter: | 2008 | Q4 | -21.39% |

The after-tax returns for the Internet Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an individual retirement account ("IRA"), the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | 5 Years | Since Inception(1) |
|---|---|---|---|
| **The Internet Fund (KINAX) Advisor Class A** | | | |
| Return Before Taxes | 13.94% | 7.56% | 4.40% |
| Return After Taxes on Distributions | 13.94% | 7.47% | 4.31% |
| Return after Taxes on Distributions and Sale of Fund Shares | 9.06% | 6.51% | 3.78% |
| S&P 500® Index (reflects no deduction for fees, expenses or taxes) | 15.06% | 2.29% | 2.13% |
| NASDAQ Composite® Index (reflects no deduction for fees, expenses or taxes) | 16.91% | 3.76% | 2.78% |
| **The Internet Fund (KINCX) Advisor Class C** | | | |
| Return Before Taxes | 20.26% | N/A | 6.23% |
| S&P 500® Index (reflects no deduction for fees, expenses or taxes) | 15.06% | N/A | -1.58% |
| NASDAQ Composite® Index (reflects no deduction for fees, expenses or taxes) | 16.91% | N/A | 1.58% |

(1) The Internet Fund's Advisor Class A shares commenced operations on April 26, 2001 and Advisor Class C shares commenced operations on February 16, 2007. The returns for the two indices in this column have been calculated since the inception date of the Internet Fund's Advisor Class A shares and Advisor Class C shares, as applicable.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Internet Portfolio's investment adviser.

*Portfolio Managers*

The Internet Portfolio is managed by an investment team with Peter B. Doyle and James Davolos as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | 12 |
| James Davolos | Portfolio Manager | 5 |
| Paul Mampilly | Portfolio Manager | 5 |
| Steven Tuen | Portfolio Manager | 8 |
| Murray Stahl | Director of Research | 12 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objective

The investment objective of the Global Fund is long-term growth of capital.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Global Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

**Fee Table**(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | | 5.75% | | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | | 2.00% | | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 2.93% | | 2.93% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 2.68% | | 2.68% | |
| Total Annual Fund Operating Expenses(2) | | 4.68% | | 4.93% |
| Less: Fee Waiver(3) | | 3.03% | | 2.78% |
| Net Annual Fund Operating Expenses | | 1.65% | | 2.15% |

(1) This table and the example below reflect the aggregate expenses of the Global Fund and the Global Portfolio. The management fees paid by the Global Fund reflect the proportionate share of fees allocated to the Global Fund from the Global Portfolio.

(2) Total Annual Fund Operating Expenses do not correlate to the ratio of expenses to average net assets before expense reimbursement found in the "Financial Highlights" section of this Prospectus which reflects the Global Fund's operating expenses and does not include 0.01% attributed to AFFE.

(3) The Investment Adviser to the Global Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.64% and 2.14%, excluding AFFE, for the Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Advisor Class A and Advisor Class C shares of the Global Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Global Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Global Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Global Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $733 | $1,648 | $2,568 | $4,895 |
| **Advisor Class C** | $218 | $1,233 | $2,249 | $4,796 |

## Portfolio Turnover

The Global Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Global Portfolio's, and therefore the Global Fund's, performance. During the most recent fiscal year, the Global Portfolio's portfolio turnover rate was 122% of the average value of its portfolio.

## Principal Investment Strategy

The Global Fund is a non-diversified fund that invests all of its investable assets in the Global Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Global Portfolio invests at least 65% of its net assets plus any borrowings for investment purposes in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs) of foreign and U.S. companies listed on publicly traded exchanges in countries around the world. Foreign companies are those companies with their primary place of business or headquarters located outside the U.S. The Global Portfolio invests 40% or more of its net assets in companies located outside of the U.S. and invests in a least 3 countries, which may include the U.S. The Global Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Global Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Investment Adviser selects portfolio securities by evaluating a company's positioning and business model as well as its ability to grow and expand its activities or achieve a greater competitive advantage in cost/profitability and brand image leveraging. This evaluation by the Investment Adviser includes consideration of a company's potential to maintain and grow long lived assets, while generating high returns on capital with operating predictability and transparency. The Investment Adviser also considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends.

Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Global Portfolio.

## Principal Investment Risks

The Global Portfolio's investments, including common stocks, have inherent risks that could cause you to lose money. The principal risks of investing in the Global Fund, and indirectly the Global Portfolio, are listed below and could adversely affect the NAV, total return and value of the Global Fund, Global Portfolio and your investment.

- *Stock Market Risks*: Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Global Portfolio, and therefore the Global Fund, is likely to decline in value and you could lose money on your investment.

- *Stock Selection Risks*: The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Global Portfolio's, and therefore the Global Fund's, investment objective.

- *Liquidity Risks*: The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

- *Small and Medium-Size Company Risks*: The Global Portfolio may invest in the equity securities of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Global Portfolio's assets.

- *Foreign Securities Risks*: The Global Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

- *Non-Diversification Risks*: As a non-diversified investment company, the Global Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Global Portfolio's shares, and therefore the Global Fund's shares, more than shares of a diversified mutual fund that holds more investments.

- *Option Transaction Risks*: Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Global Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Global Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

- *Below-Investment Grade Debt Securities Risks*: Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

- *Emerging Markets Risks*: The risk that the securities markets of emerging countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, financial and other reporting requirements as the securities markets of more developed countries as have historically been the case.

- *Derivatives Risks*: The Global Portfolio's investments in P-notes and other derivative instruments may result in loss. Derivative instruments may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses to the Global Portfolio.

- *Management Risk*: There is no guarantee that the Global Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Global Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

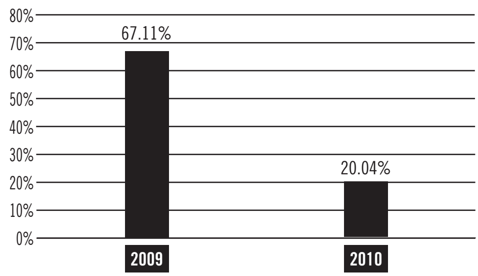
The Global Fund may be appropriate for investors who:

- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to growth equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the returns for the Global Fund. The bar chart shows the performance of the Global Fund's Advisor Class A shares for the last calendar year. The table shows how the Global Fund's average annual returns, before and after taxes (after taking into account any sales charges) compared with those of the S&P® 500 Index, the MSCI ACWI (All Country World Index) Index ("MSCI ACWI Index"), the NASDAQ Composite® Index and the MSCI EAFE Index, which represent broad measures of market performance. The Global Fund's past performance, before and after taxes, is not necessarily an indication of how the Global Fund or the Global Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Global Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 38.66% |
| Worst Quarter: | 2010 | Q2 | -11.84% |

The after-tax returns for the Global Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | Since Inception (May 19, 2008) |
|---|---|---|
| **The Global Fund (KGLAX) Advisor Class A** | | |
| Return Before Taxes | 13.13% | -0.02% |
| Return After Taxes on Distributions | 13.18% | -0.09% |
| Return After Taxes on Distributions and Sale of Fund Shares | 8.90% | 0.04% |
| **The Global Fund (KGLCX) Advisor Class C** | | |
| Return Before Taxes | 19.24% | 1.52% |
| S&P® 500 Index (reflects no deduction for fees, expenses or taxes) | 15.06% | -2.49% |
| MSCI ACWI Index (reflects no deductions for fees, expenses or taxes) | 12.67% | -4.71% |
| NASDAQ Composite® Index (reflects no deduction for fees, expenses or taxes) | 16.91% | 2.04% |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes) | 7.75% | -7.81% |

Effective April 30, 2011, the MSCI ACWI Index has replaced the NASDAQ Composite® Index and the MSCI EAFE Index as a more appropriate comparative benchmark for the Global Fund.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Global Portfolio's investment adviser.

*Portfolio Managers*

The Global Portfolio is managed by an investment team with Mr. Tuen and Mr. Mampilly as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Paul Mampilly | Portfolio Manager | 5 |
| Steven Tuen | Portfolio Manager | 12 |
| Peter B. Doyle | Chairman of the Board; President | 12 |
| James Davolos | Portfolio Manager | 5 |
| Murray Stahl | Director of Research | 12 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objective

The investment objective of the Paradigm Fund is long-term growth of capital.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Paradigm Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

### Fee Table(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | **Advisor Class A** | **Advisor Class C** |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | 2.00% | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.52% | | 0.52% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.27% | | 0.27% | |
| Total Annual Fund Operating Expenses(2) | | 2.27% | | 2.52% |
| Less: Fee Waiver(3) | | 0.37% | | 0.12% |
| Net Annual Fund Operating Expenses | | 1.90% | | 2.40% |

(1) This table and the example below reflect the aggregate expenses of the Paradigm Fund and the Paradigm Portfolio. The management fees paid by the Paradigm Fund reflect the proportionate share of fees allocated to the Paradigm Fund from the Paradigm Portfolio.
(2) Total Annual Fund Operating Expenses do not correlate to the ratio of expenses to average net assets before expense reimbursement found in the "Financial Highlights" section of this Prospectus which reflects the Paradigm Fund's operating expenses and does not include 0.01% attributed to AFFE.
(3) The Investment Adviser to the Paradigm Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.89% and 2.39%, excluding AFFE, for Advisor Class A shares and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Paradigm Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Paradigm Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Paradigm Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Paradigm Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $757 | $1,210 | $1,689 | $3,003 |
| **Advisor Class C** | $243 | $ 773 | $1,330 | $2,847 |

## Portfolio Turnover

The Paradigm Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Paradigm Portfolio's, and therefore the Paradigm Fund's, performance. During the most recent fiscal year, the Paradigm Portfolio's portfolio turnover rate was 7% of the average value of its portfolio.

## Principal Investment Strategy

The Paradigm Fund is a non-diversified fund that invests all of its investable assets in the Paradigm Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Paradigm Portfolio invests at least 65% of its net assets in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs) of U.S. and foreign companies. The Paradigm Portfolio will invest in companies that the Investment Adviser believes are undervalued, that have, or are expected to soon have, high returns on equity and that are well positioned to reduce their costs, extend the reach of their distribution channels and experience significant growth in their assets or revenues. The Paradigm Portfolio will carry out its investment strategy by regarding the investments as representing fractional ownership in the underlying companies' assets. This will allow the Paradigm Portfolio, and therefore the Paradigm Fund, to attempt to achieve its investment objective by acting as a classic value investor seeking high returns on equity, an intrinsic characteristic of the investment, not a reappraisal of a company's stock value by the market, an external factor. The Paradigm Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Paradigm Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Investment Adviser selects portfolio securities by evaluating a company's positioning and traditional business lines as well as its ability to expand its activities or achieve competitive advantage in cost/profitability and brand image leveraging. The Investment Adviser also considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends.

Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Paradigm Portfolio.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Paradigm Fund, and indirectly the Paradigm Portfolio, are listed below and could adversely affect the NAV, total return and value of the Paradigm Fund, Paradigm Portfolio and your investment.

◗ *Stock Market Risks:* Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Paradigm Portfolio, and therefore the Paradigm Fund, is likely to decline in value and you could lose money on your investment.

◗ *Stock Selection Risks:* The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Paradigm Portfolio's, and therefore the Paradigm Fund's, investment objective.

◗ *Liquidity Risks:* The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

◗ *Small and Medium-Size Company Risks:* The Paradigm Portfolio may invest in the equity securities of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Paradigm Portfolio's assets.

◗ *Foreign Securities Risks:* The Paradigm Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

◗ *Non-Diversification Risks:* As a non-diversified investment company, the Paradigm Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the

Paradigm Portfolio's shares, and therefore the Paradigm Fund's shares, more than shares of a diversified mutual fund that holds more investments.

- *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Paradigm Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Paradigm Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

- *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

- *Management Risk:* There is no guarantee that the Paradigm Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Paradigm Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

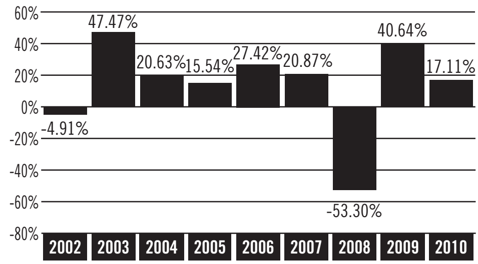
The Paradigm Fund may be appropriate for investors who:

- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the variability of the Paradigm Fund's returns. The bar chart indicates the risks of investing in the Paradigm Fund by showing the changes in the Paradigm Fund's performance from year to year (on a calendar year basis). The table shows how the Paradigm Fund's average annual returns, before and after taxes, (after taking into account any sales charges) compare with those of the S&P 500® Index, the MSCI ACWI Index, the NASDAQ Composite® Index and the MSCI EAFE Index, which represent broad measures of market performance. The Paradigm Fund's past performance, before and after taxes, is not necessarily an indication of how the Paradigm Fund or the Paradigm Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Paradigm Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 32.10% |
| Worst Quarter: | 2008 | Q4 | -29.06% |

The after-tax returns for the Paradigm Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | 5 Years | Since Inception(1) |
|---|---|---|---|
| **The Paradigm Fund (KNPAX) Advisor Class A** | | | |
| Return Before Taxes | 10.39% | 2.22% | 8.57% |
| Return After Taxes on Distributions | 10.26% | 2.13% | 8.44% |
| Return after Taxes on Distributions and Sale of Fund Shares | 7.15% | 1.91% | 7.57% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 2.29% | 2.13% |
| MSCI ACWI Index (reflects no deductions for fees, expenses or taxes) | 12.67% | 3.44% | 4.08% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 3.76% | 2.78% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | 2.46% | 4.55% |
| **The Paradigm Fund (KNPCX) Advisor Class C** | | | |
| Return Before Taxes | 16.45% | 2.91% | 9.75% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 2.29% | 4.91% |
| MSCI ACWI Index (reflects no deductions for fees, expenses or taxes) | 12.67% | 3.44% | 7.04% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 3.76% | 7.24% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | 2.46% | 7.33% |

(1) The Paradigm Fund's Advisor Class A shares commenced operations on April 26, 2001 and Advisor Class C shares commenced operations on June 28, 2002. The returns for the four indices in this column have been calculated since the inception date of the Paradigm Fund's Advisor Class A shares and Advisor Class C shares, as applicable.

Effective April 30, 2011, the MSCI ACWI Index has replaced the NASDAQ Composite® Index and the MSCI EAFE Index as a more appropriate comparative benchmark for the Paradigm Fund.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Paradigm Portfolio's investment adviser.

*Portfolio Managers*

The Paradigm Portfolio is managed by an investment team with Mr. Doyle and Mr. Stahl as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | 12 |
| Murray Stahl | Director of Research | 12 |
| Paul Mampilly | Portfolio Manager | 5 |
| James Davolos | Portfolio Manager | 5 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objective

The investment objective of the Medical Fund is long-term growth of capital.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Medical Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

### Fee Table(1)

| Shareholder Transaction Expenses (fees paid directly from your investment) | | Advisor Class A | | Advisor Class C |
|---|---|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | | 5.75% | | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | | 2.00% | | 2.00% |

| Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment) | | Advisor Class A | | Advisor Class C |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.75% | | 0.75% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.50% | | 0.50% | |
| Acquired Fund Fees and Expenses | | 0.02% | | 0.02% |
| Total Annual Fund Operating Expenses(2) | | 2.52% | | 2.77% |
| Less: Fee Waiver(3) | | 0.86% | | 0.61% |
| Net Annual Fund Operating Expenses | | 1.66% | | 2.16% |

(1) This table and the example below reflect the aggregate expenses of the Medical Fund and the Medical Portfolio. The management fees paid by the Medical Fund reflect the proportionate share of fees allocated to the Medical Fund from the Medical Portfolio.

(2) Total Annual Fund Operating Expenses do not correlate to the ratio of expenses to average net assets before expense reimbursement found in the "Financial Highlights" section of this Prospectus which reflects the Medical Fund's operating expenses and does not include AFFE.

(3) The Investment Adviser to the Medical Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.64% and 2.14%, excluding AFFE, for Advisor Class A shares and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Medical Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Medical Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Medical Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Medical Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $734 | $1,237 | $1,766 | $3,206 |
| **Advisor Class C** | $219 | $ 802 | $1,410 | $3,055 |

## Portfolio Turnover

The Medical Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Medical Portfolio's, and therefore the Medical Fund's, performance. During the most recent fiscal year, the Medical Portfolio's portfolio turnover rate was 3% of the average value of its portfolio.

## Principal Investment Strategy

The Medical Fund is a non-diversified fund that invests all of its investable assets in the Medical Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Medical Portfolio invests at least 80% of its net assets plus any borrowings for investment purposes in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs) of U.S. and foreign companies engaged in medical research, pharmaceutical and medical technology industries and related technology industries, generally, with an emphasis toward companies engaged in cancer research and drug development, such as pharmaceutical development companies, surgical and medical instrument manufacturers and developers, pharmaceutical manufacturers, and biotech and medical research companies. These types of companies derive at least 50% of their revenue from such activities. The Medical Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Medical Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Investment Adviser selects portfolio securities by evaluating a company's positioning and the resources that it currently expends on research and development, looking for a significant percentage, or large amount, of capital invested into research and treatment of cancer and other diseases. The Investment Adviser also considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends. The Investment Adviser also looks at the amount of capital a company spends on research and development because the Investment Adviser believes that such expenditures frequently have significant bearing on future growth.

Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Medical Portfolio.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Medical Fund, and indirectly the Medical Portfolio, are listed below and could adversely affect the NAV, total return and value of the Medical Fund, the Medical Portfolio and your investment.

◗ *Stock Market Risks:* Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Medical Portfolio, and therefore the Medical Fund, is likely to decline in value and you could lose money on your investment.

◗ *Stock Selection Risks:* The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Medical Portfolio's, and therefore the Medical Fund's, investment objective.

◗ *Liquidity Risks:* The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

◗ *Industry Emphasis Risks:* Mutual funds that invest a substantial portion of their assets in a particular industry carry a risk that a group of industry-related securities will decline in price due to industry-specific developments. Companies in the same or similar industries may share common characteristics and are more likely to react comparably to industry-specific market or economic developments.

◗ *Concentration Risks of the Medical Industry:* Medical and pharmaceutical-related companies in general are subject to the rate of change in technology, which is generally higher than that of other industries. Similarly, cancer research-related industries use many products and services of companies engaged in medical and pharmaceutical-related activities and are also subject to relatively high risks of rapid obsolescence caused by progressive scientific and technological advances. Additionally, it is possible that a medical device or product may fail after its research period; such research period may involve substantial research, testing and development time and the development company may incur significant costs. Further, the medical research and development industry is subject to strict regulatory scrutiny and ongoing legislative action.

◗ *Small and Medium-Size Company Risks:* The Medical Portfolio may invest in the stocks of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Medical Portfolio's assets.

- *Foreign Securities Risks:* The Medical Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

- *Non-Diversification Risks:* As a non-diversified investment company, the Medical Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Medical Portfolio's shares, and therefore the Medical Fund's shares, more than shares of a diversified mutual fund that holds more investments.

- *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Medical Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Medical Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

- *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

- *Management Risk:* There is no guarantee that the Medical Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Medical Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

The Medical Fund may be appropriate for investors who:

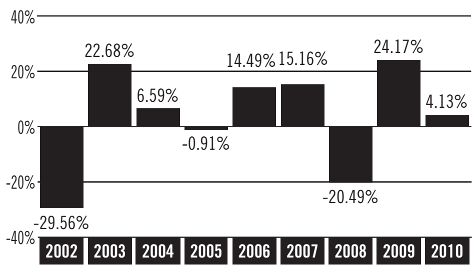
- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to growth equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance



The bar chart and table shown below illustrate the variability of the Medical Fund's returns. The bar chart indicates the risks of investing in the Medical Fund by showing the changes in the Medical Fund's performance from year to year (on a calendar year basis). The table shows how the Medical Fund's average annual returns, before and after taxes, (after taking into account any sales charges) compare with those of the S&P 500® Index and the NASDAQ Composite® Index, both of which represent broad measures of market performance. The Medical Fund's past performance, before and after taxes, is not necessarily an indication of how the Medical Fund or the Medical Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Medical Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2003 | Q2 | 16.73% |
| Worst Quarter: | 2002 | Q2 | -19.71% |

The after-tax returns for the Medical Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | 5 Years | Since Inception[(1)] |
|---|---|---|---|
| **The Medical Fund (KRXAX) Advisor Class A** | | | |
| Return Before Taxes | -1.86% | 5.01% | 1.49% |
| Return After Taxes on Distributions | -1.90% | 4.54% | 1.22% |
| Return after Taxes on Distributions and Sale of Fund Shares | -1.15% | 4.26% | 1.23% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 2.29% | 2.13% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 3.76% | 2.78% |
| **The Medical Fund (KRXCX) Advisor Class C** | | | |
| Return before taxes | 3.55% | N/A | 2.66% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | N/A | -1.58% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | N/A | 1.58% |

(1) The Medical Fund's Advisor Class A shares commenced operations on April 26, 2001 and Advisor Class C shares commenced operations on February 16, 2007. The returns for the two indices in this column have been calculated since the inception date of the Medical Fund's Advisor Class A shares and Advisor Class C shares, as applicable.

## Management

*Investment Adviser.*

Kinetics Asset Management, LLC is the Medical Portfolio's investment adviser.

*Portfolio Managers.*

The Medical Portfolio is managed by an investment team with Mr. Abel as the Portfolio Manager. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Bruce P. Abel | Portfolio Manager | 12 |
| Peter Doyle | Chairman of the Board, President | 12 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objective

The investment objective of the Small Cap Opportunities Fund (the "Small Cap Fund") is long-term growth of capital.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Small Cap Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

**Fee Table**(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | **Advisor Class A** | **Advisor Class C** |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | 2.00% | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.61% | | 0.61% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.36% | | 0.36% | |
| Total Annual Fund Operating Expenses | | 2.36% | | 2.61% |
| Less: Fee Waiver(2) | | 0.47% | | 0.22% |
| Net Annual Fund Operating Expenses | | 1.89% | | 2.39% |

(1) This table and the example below reflect the aggregate expenses of the Small Cap Fund and the Small Cap Opportunities Portfolio (the "Small Cap Portfolio"). The management fees paid by the Small Cap Fund reflect the proportionate share of fees allocated to the Small Cap Fund from the Small Cap Portfolio.

(2) The Investment Adviser to the Small Cap Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.89% and 2.39%, excluding AFFE, for Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

### Example

This Example is intended to help you compare the cost of investing in the Small Cap Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Small Cap Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Small Cap Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Small Cap Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $756 | $1,227 | $1,723 | $3,082 |
| **Advisor Class C** | $242 | $ 791 | $1,366 | $2,928 |

### Portfolio Turnover

The Small Cap Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Small Cap Portfolio's, and therefore the Small Cap Fund's, performance. During the most recent fiscal year, the Small Cap Portfolio's portfolio turnover rate was 4% of the average value of its portfolio.

## Principal Investment Strategy

The Small Cap Fund is a non-diversified fund that invests all of its investable assets in the Small Cap Opportunities Portfolio (the "Small Cap Portfolio"), a series of Kinetics Portfolios Trust. Under normal circumstances, the Small Cap Portfolio invests at least 80% of its net assets plus any borrowings for investment purposes in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs) of U.S. and foreign small capitalization companies that provide attractive valuation opportunities. The Small Cap Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment. The Small Cap Portfolio's Investment Adviser considers small cap companies to be those that have a market capitalization of less than $3 billion.

The Small Cap Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Small Cap Portfolio focuses on undervalued and special situation small capitalization equities that the Investment Adviser believes have the potential for rewarding long-term investment results. Small Cap Portfolio securities will be selected from companies that are engaged in a number of industries if, in the Investment Adviser's opinion, the companies meet the Small Cap Portfolio's investment criteria (*e.g.*, companies that are selling below their perceived intrinsic value, have limited or no institutional ownership, have had short-term earnings shortfalls, have had a recent IPO but have not attracted significant analyst coverage, are selling at or below book or replacement value, and have modest price to earnings ratios). The Investment Adviser considers a company's fundamentals by reviewing its balance sheets, corporate revenues, earnings and dividends. The Investment Adviser also looks at the amount of capital a company spends on research and development.

Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Small Cap Portfolio.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Small Cap Fund, and indirectly the Small Cap Portfolio, are listed below and could adversely affect the NAV, total return and value of the Small Cap Fund, the Small Cap Portfolio and your investment.

- *Stock Market Risks*: Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Small Cap Portfolio, and therefore the Small Cap Fund, is likely to decline in value and you could lose money on your investment.

- *Stock Selection Risks:* The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Small Cap Portfolio's, and therefore the Small Cap Fund's, investment objective.

- *Liquidity Risks:* The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

- *Small Company Risks:* The Small Cap Portfolio primarily invests in the stocks of small-size companies. Small-size companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Small Cap Portfolio's assets.

- *Foreign Securities Risks:* The Small Cap Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

- *Non-Diversification Risks:* As a non-diversified investment company, the Small Cap Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Small Cap

Portfolio's shares, and therefore the Small Cap Fund's shares, more than shares of a more diversified mutual fund that holds more investments.

- *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Small Cap Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Small Cap Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

- *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

- *Special Situations Risks:* The Small Cap Portfolio may use aggressive investment techniques, including seeking to benefit from "special situations," such as mergers, reorganizations, or other unusual events expected to affect a particular issuer. There is a risk that the "special situation" might not occur or involve longer time frames than originally expected, which could have a negative impact on the price of the issuer's securities and fail to produce gains or produce a loss for the Small Cap Portfolio, and therefore the Small Cap Fund.

- *Management Risk:* There is no guarantee that the Small Cap Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Small Cap Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

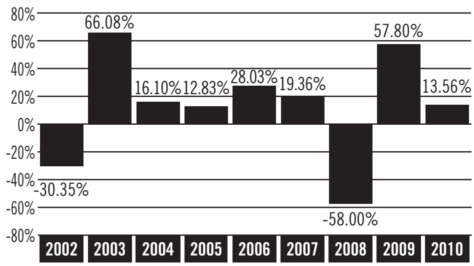
The Small Cap Fund may be appropriate for investors who:

- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to growth equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the variability of the Small Cap Fund's returns. The bar chart indicates the risks of investing in the Small Cap Fund by showing the changes in the Small Cap Fund's performance from year to year (on a calendar year basis). The table shows how the Small Cap Fund's average annual returns, before and after taxes, (after taking into account any sales charges) compare with those of the S&P 500® Index, the Russell 2000® Index, the NASDAQ Composite® Index and the MSCI EAFE Index, which represent broad measures of market performance. The Small Cap Fund's past performance, before and after taxes, is not necessarily an indication of how the Small Cap Fund or the Small Cap Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Small Cap Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 41.80% |
| Worst Quarter: | 2008 | Q4 | -29.97% |

The after-tax returns for the Small Cap Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | 5 Years | Since Inception(1) |
|---|---|---|---|
| **The Small Cap Opportunities Fund (KSOAX)** | | | |
| **Advisor Class A** | | | |
| Return Before Taxes | 7.04% | 1.63% | 5.67% |
| Return After Taxes on Distributions | 6.54% | 1.44% | 5.37% |
| Return After Taxes on Distributions and Sale of Fund Shares | 4.61% | 1.32% | 4.80% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 2.29% | 3.01% |
| Russell 2000® Index (reflects no deductions for fees, expenses or taxes) | 26.85% | 4.47% | 6.77% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 3.76% | 3.48% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | 2.46% | 6.72% |
| **The Small Cap Fund (KSOCX) Advisor Class C** | | | |
| Return Before Taxes | 13.00% | N/A | -4.93% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | N/A | -1.58% |
| Russell 2000® Index (reflects no deductions for fees, expenses or taxes) | 26.85% | N/A | 0.29% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | N/A | 1.58% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | N/A | -3.91% |

(1) The Small Cap Opportunities Fund's Advisor Class A shares commenced operations on December 31, 2001 and Advisor Class C shares commenced operations on February 16, 2007. The returns for the four indices in this column have been calculated since the inception date of Advisor Class A shares and Advisor Class C shares, as applicable.

Effective April 30, 2011, the Russell 2000® Index has replaced the NASDAQ Composite® Index and the MSCI EAFE Index as a more appropriate comparative benchmark for the Small Cap Fund.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Small Cap Portfolio's investment adviser.

*Portfolio Managers*

The Small Cap Portfolio is managed by an investment team with Mr. Doyle and Mr. Davolos as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | 9 |
| Paul Mampilly | Portfolio Manager | 5 |
| James Davolos | Portfolio Manager | 5 |
| Murray Stahl | Director of Research | 11 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objective

The investment objective of the Market Opportunities Fund is long-term growth of capital.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Market Opportunities Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

### Fee Table(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | **Advisor Class A** | **Advisor Class C** |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | 2.00% | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.67% | | 0.67% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.42% | | 0.42% | |
| Total Annual Fund Operating Expenses | | 2.42% | | 2.67% |
| Less: Fee Waiver(2) | | 0.53% | | 0.28% |
| Net Annual Fund Operating Expenses | | 1.89% | | 2.39% |

(1) This table and the example below reflect the aggregate expenses of the Market Opportunities Fund and the Market Opportunities Portfolio. The management fees paid by the Market Opportunities Fund reflect the proportionate share of fees allocated to the Market Opportunities Fund from the Market Opportunities Portfolio.

(2) The Investment Adviser to the Market Opportunities Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.89% and 2.39%, excluding AFFE, for Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

### Example

This Example is intended to help you compare the cost of investing in the Market Opportunities Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Market Opportunities Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Market Opportunities Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Market Opportunities Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $756 | $1,238 | $1,746 | $3,135 |
| **Advisor Class C** | $242 | $ 803 | $1,390 | $2,982 |

### Portfolio Turnover

The Market Opportunities Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Market Opportunities Portfolio's, and therefore the Market Opportunities Fund's, performance. During the most recent fiscal year, the Market Opportunities Portfolio's portfolio turnover rate was 12% of the average value of its portfolio.

## Principal Investment Strategy

The Market Opportunities Fund is a non-diversified fund that invests all of its investable assets in the Market Opportunities Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Market Opportunities Portfolio invests at least 65% of its net assets in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs) of U.S. and foreign companies involved in capital markets or related to capital markets, as well as companies involved in the gaming industry. Capital market companies include companies that are engaged in or derive a substantial portion of their revenue from activities with a publicly traded securities exchange, such as equity exchanges and commodity exchanges, including but not limited to clearing firms and brokerage houses. The Market Opportunities Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

The Market Opportunities Portfolio may invest up to 20% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Market Opportunities Portfolio securities will be selected by the Investment Adviser from companies that are engaged in public exchanges, derivative exchanges, and capital markets; companies that experience operational scale from increased volume such as investment banks, credit card processing companies, electronic payment companies and companies in the gaming industry; and from companies that act as facilitators such as publicly traded expressways, airports, roads and railways. Companies that experience operational scale from increased volume are similar to capital markets companies because they have greater fixed costs than variable costs, operating margins that rise once fixed costs are covered, and an ability to generate higher operating margins once fixed costs are covered (referred to as operating leverage). High operating leverage describes a company's ability to experience rising profit margins as revenues increase. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, these companies meet the Market Opportunities Portfolio's investment criteria. The Investment Adviser seeks to invest in companies with high operating leverage that can expand capacity with negligible or limited associated costs. Generally, high returns on equity, long product life cycles, high barriers to entry and certain degrees of financial gearing are necessary for this. Financial gearing occurs with the use of loans and debt in companies where it is necessary to build capacity and infrastructure before operations can begin.

Sell decisions are generally triggered by either adequate value being achieved, as determined by the Investment Adviser, or by an adverse change in a company's operating performance or a deterioration of the company's business model. A sell trigger may also occur if the Investment Adviser discovers a new investment opportunity that it believes is more compelling and represents a greater risk reward profile than other investment(s) held by the Market Opportunities Portfolio.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Market Opportunities Fund, and indirectly the Market Opportunities Portfolio, are listed below and could adversely affect the NAV, total return and the value of the Market Opportunities Fund, Market Opportunities Portfolio and your investment.

- *Stock Market Risks*: Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Market Opportunities Portfolio, and therefore the Market Opportunities Fund, is likely to decline in value and you could lose money on your investment.

- *Stock Selection Risks*: The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Market Opportunities Portfolio's, and therefore the Market Opportunities Fund's, investment objective.

- *Liquidity Risks*: The Investment Adviser may not be able to sell portfolio securities at an optimal time or price.

- *Sector Emphasis Risks*: The Market Opportunities Portfolio's investments in the capital markets sector subjects it to the risks affecting that sector more than would a fund that invests in a wide variety of market sectors. For instance, companies in the capital markets sector may be adversely affected by changes in economic conditions as well as legislative initiatives, all of which may impact the profitability of companies in this sector. The Market Opportunities

Portfolio's investments in the gaming sector may be adversely affected by changes in economic conditions. The casino industry is particularly susceptible to economic conditions that negatively affect tourism. Casino and gaming companies are highly competitive, and new products, casino concepts and venues are competitive challenges to existing companies. In addition, gaming and related companies are highly regulated, and state and federal legislative changes can significantly impact profitability in those sectors.

◗ *Small and Medium-Size Company Risks*: The Market Opportunities Portfolio may invest in the equity securities of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Market Opportunities Portfolio's assets.

◗ *Foreign Securities Risks*: The Market Opportunities Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

◗ *Non-Diversification Risks*: As a non-diversified investment company, the Market Opportunities Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Market Opportunities Portfolio's shares, and therefore the Market Opportunities Fund's shares, more than shares of a diversified mutual fund that holds more investments.

◗ *Option Transaction Risks*: Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Market Opportunities Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Market Opportunities Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

◗ *Below-Investment Grade Debt Securities Risks*: Generally, non-investment grade debt securities, *i.e.*, junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

◗ *Management Risk*: There is no guarantee that the Market Opportunities Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Market Opportunities Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

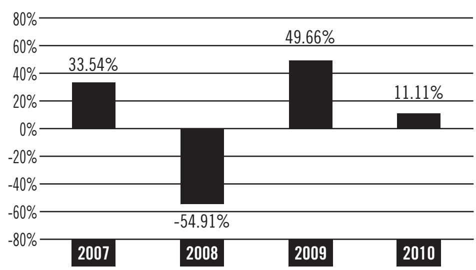
The Market Opportunities Fund may be appropriate for investors who:

- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to growth equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the variability of the Market Opportunities Fund's returns. The bar chart indicates the risks of investing in the Market Opportunities Fund by showing the changes in the Market Opportunities Fund's performance from year to year (on a calendar year basis). The table shows how the Market Opportunities Fund's average annual returns, before and after taxes (after taking into account any sales charges) compare with those of the S&P 500® Index, the NASDAQ Composite® Index and the MSCI EAFE Index, which represent broad measures of market performance. The Market Opportunities Fund's past performance, before and after taxes, is not necessarily an indication of how the Market Opportunities Fund or the Market Opportunities Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com/ or by calling the Fund toll-free at (800) 930-3828.

**The Market Opportunities Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 30.36% |
| Worst Quarter: | 2008 | Q4 | -27.26% |

The after-tax returns for the Market Opportunities Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | Since Inception(1) |
|---|---|---|
| **The Market Opportunities Fund (KMKAX) Advisor Class A** | | |
| Return Before Taxes | 4.71% | 2.68% |
| Return After Taxes on Distributions | 3.96% | 2.50% |
| Return After Taxes on Distributions and Sale of Fund Shares | 4.05% | 2.29% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 1.79% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 2.89% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | 1.27% |
| **The Market Opportunities Fund (KMKCX) Advisor Class C** | | |
| Return before taxes | 10.54% | -2.36% |
| S&P 500® Index (reflects no deductions for fees, expenses, or taxes) | 15.06% | -1.58% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 1.58% |
| MSCI EAFE Index (reflects no deductions for fees, expenses or taxes) | 7.75% | -3.91% |

(1) The Market Opportunities Fund's Advisor Class A shares commenced operations on January 31, 2006 and Advisor Class C share commenced operations on February 16, 2007. The returns for the three indices in this column have been calculated since the inception date of Advisor Class A shares and Advisor Class C shares, as applicable.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Market Opportunities Portfolio's investment adviser.

*Portfolio Managers*

The Market Opportunities Portfolio is managed by an investment team with Mr. Doyle and Mr. Stahl as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | 5 |
| Murray Stahl | Director of Research | 5 |
| Paul Mampilly | Portfolio Manager | 5 |
| James Davolos | Portfolio Manager | 5 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objectives

The investment objective of the Water Infrastructure Fund is long-term growth of capital. The Water Infrastructure Fund seeks to obtain current income as a secondary objective.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Water Infrastructure Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

### Fee Table(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | **Advisor Class A** | **Advisor Class C** |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for 30 days or less, if applicable) | 2.00% | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 0.92% | | 0.92% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 0.67% | | 0.67% | |
| Acquired Fund Fees and Expenses | | 0.03% | | 0.03% |
| Total Annual Fund Operating Expenses(2) | | 2.70% | | 2.95% |
| Less: Fee Waiver(3) | | 0.78% | | 0.53% |
| Net Annual Fund Operating Expenses | | 1.92% | | 2.42% |

(1) This table and the example below reflect the aggregate expenses of the Water Infrastructure Fund and the Water Infrastructure Portfolio. The management fees paid by the Water Infrastructure Fund reflect the proportionate share of fees allocated to the Water Infrastructure Fund from the Water Infrastructure Portfolio.
(2) Total Annual Fund Operating Expenses do not correlate to the ratio of expenses to average net assets before expense reimbursement found in the "Financial Highlights" section of this Prospectus which reflects the Water Infrastructure Fund's operating expenses and does not include AFFE.
(3) The Investment Adviser to the Water Infrastructure Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Total Annual Fund Operating Expenses do not exceed 1.89% and 2.39%, excluding AFFE, for Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Water Infrastructure Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Water Infrastructure Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Water Infrastructure Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Water Infrastructure Fund would be:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| **Advisor Class A** | $759 | $1,296 | $1,857 | $3,379 |
| **Advisor Class C** | $245 | $ 863 | $1,506 | $3,233 |

## Portfolio Turnover

The Water Infrastructure Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Water Infrastructure Portfolio's, and therefore the Water Infrastructure Fund's, performance. During the most recent fiscal year, the Water Infrastructure Portfolio's portfolio turnover rate was 111% of the average value of its portfolio.

## Principal Investment Strategy

The Water Infrastructure Fund is a non-diversified fund that invests all of its investable assets in the Water Infrastructure Portfolio, a series of Kinetics Portfolios Trust. Under normal circumstances, the Water Infrastructure Portfolio invests at least 80% of its net assets plus any borrowings for investment purposes in common stocks, convertible securities, fixed-income securities such as bonds and debentures, and warrants, derivatives, and other equity securities having the characteristics of common stocks (such as ADRs, GDRs and IDRs), of U.S. and foreign companies engaged in water infrastructure and natural resources with a specific water theme and related activities, such as water production companies, water conditioning and desalination companies, water suppliers, water transport and distribution companies, companies specializing in the treatment of waste water, sewage and solid, liquid and chemical waste, companies operating sewage treatment plants and companies providing equipment, consulting and engineering services in connection with the above-described activities and those companies that are dependent on water usage in industries such as agriculture, timber, oil and gas service, hydroelectricity and alternative renewable energy. For purposes of this 80% policy, a company will be considered in the water infrastructure or natural resources industry if at least 50% of its revenues come from water-related activities or if it is included in a major water index. The Water Infrastructure Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment. Cash and cash equivalents committed as collateral and/or cover for options on water infrastructure or natural resources securities are included for purposes of this 80% policy.

Under normal circumstances, the Water Infrastructure Portfolio may invest up to 100% of its net assets in fixed income securities. There are no limitations as to the maturities or credit ratings of the fixed income securities in which the Water Infrastructure Portfolio may invest; provided, however, that the Water Infrastructure Portfolio will invest no more than 80% of its total assets in convertible and non-convertible debt securities rated below investment grade, also known as junk bonds, or unrated securities which the Investment Adviser has determined to be of comparable quality.

The Investment Adviser uses a value-based strategy in managing the Water Infrastructure Portfolio, which means that both equity and fixed income security purchase selections will be based primarily upon current relative valuation of company fundamentals, although the growth prospects of respective companies within the global water industry will also be considered. When determining the intrinsic value of each potential company for the Water Infrastructure Portfolio, the Investment Adviser will primarily focus on traditional valuation metrics including, but not limited to, price to earnings, price to cash flow, book value, price to sales, return on equity, and return on invested capital. In addition, the Investment Adviser will evaluate the estimated growth prospect for each company by evaluating such metrics as forward price to earnings, and will also use merger and acquisition metrics and sum of the parts valuation (break-up value or private market value) to better ascertain market and intrinsic valuation.

The Investment Adviser may decide to sell part or all of a security's position if the Investment Adviser believes that a security is excessively valued, has experienced deteriorating fundamentals or experienced a detrimental change in the management of a portfolio holding's business focus, or if the Investment Adviser has received misleading information about the security from the company's management.

## Principal Investment Risks

Investing in common stocks has inherent risks that could cause you to lose money. The principal risks of investing in the Water Infrastructure Fund, and indirectly the Water Infrastructure Portfolio, are listed below and could adversely affect the NAV, total return and the value of the Water Infrastructure Fund, Water Infrastructure Portfolio and your investment.

- *Stock Market Risks*: Stock mutual funds are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Water Infrastructure Portfolio, and therefore the Water Infrastructure Fund, is likely to decline in value and you could lose money on your investment.

- *Stock Selection Risks*: The portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Water Infrastructure Portfolio's, and therefore the Water Infrastructure Fund's, investment objective.

- *Liquidity Risks*: The Water Infrastructure Portfolio's investments in the securities of small and medium capitalization companies and in non-investment grade fixed income securities makes the Water Infrastructure Portfolio especially susceptible to the risk that during certain periods the liquidity of certain issuers or industries, or all securities within particular investment categories, will decrease or disappear suddenly and without warning as a result of adverse market or political events, or adverse investor perceptions.



◗ *Small and Medium-Size Company Risks*: The Water Infrastructure Portfolio may invest in the equity securities of small and medium-size companies. Small and medium-size companies often have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performance can be more volatile and they face a greater risk of business failure, which could increase the volatility of the Water Infrastructure Portfolio's assets.

◗ *Foreign Securities Risks*: The Water Infrastructure Portfolio may invest in foreign securities directly or through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

◗ *Non-Diversification Risks*: As a non-diversified investment company, the Water Infrastructure Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Water Infrastructure Portfolio's shares, and therefore the Water Infrastructure Fund's shares, more than shares of a diversified mutual fund that holds more investments.

◗ *Interest Rate Risk*: The risk that when interest rates increase, fixed-income securities held by the Water Infrastructure Portfolio will decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities.

◗ *Credit/Default Risk*: The risk that an issuer or guarantor of fixed-income securities held by the Water Infrastructure Portfolio (which may have low credit ratings), or the counterparty in a derivative investment, may default on its obligation to pay interest and repay principal.

◗ *Below-Investment Grade Debt Securities Risks*: Generally, non-investment grade debt securities, *i.e.*, junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

◗ *Water Infrastructure Industry Concentration Risks*: Adverse developments in the water industry may significantly affect the value of the shares of the Water Infrastructure Fund. Companies involved in the water industry are subject to environmental considerations, changes in taxation and government regulation, price and supply fluctuations, changes in technology, competition and water conservation. There can be no assurances that the regulatory environment will remain the same. Unfavorable regulatory rulings, including structural changes to pricing and the competitive playing field, may affect the underlying companies' ability to produce favorable returns.

◗ *Value Style Risks*: Over time, a value-based investment style may go in and out of favor, causing the Water Infrastructure Portfolio to sometimes under-perform other funds that use different investment styles, such as a growth-based investment style.

- *Derivatives Risks*: The Water Infrastructure Portfolio's investments in options and other derivative instruments may result in loss. Derivative instruments may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses to the Water Infrastructure Portfolio. To the extent the Water Infrastructure Portfolio segregates assets to cover derivative positions, the Water Infrastructure Portfolio may impair its ability to meet current obligations, to honor requests for redemption and to manage the Water Infrastructure Portfolio properly in a manner consistent with its stated investment objective.

- *Option Transaction Risks*: Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities markets. By writing put options on equity securities, the Water Infrastructure Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Water Infrastructure Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

- *Natural Resources Investment Risks*: Investments in companies with a specific water theme and related activities in natural resources industries can be significantly affected by (often rapid) changes in the supply of, or demand for, various natural resources. These companies also may be affected by changes in energy prices, international political and economic developments, energy conservation, the success of exploration projects, changes in commodity prices, and tax and other government regulations.

- *Management Risk*: There is no guarantee that the Water Infrastructure Fund will meet its investment objective. The Investment Adviser cannot guarantee the performance of the Water Infrastructure Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

The Water Infrastructure Fund may be appropriate for investors who:

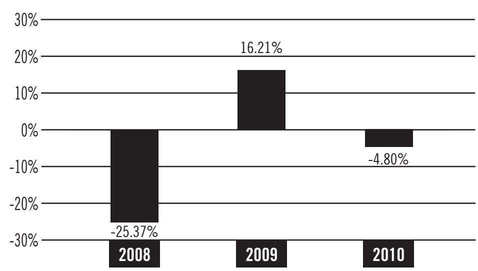
- wish to invest for the long-term;
- want to diversify their portfolios;
- want to allocate some portion of their long-term investments to value equity investing;
- want to allocate some portion of their long-term investments to international equity investing;
- are willing to accept the volatility associated with equity investing; and
- are comfortable with the risks described herein.

## Performance



The bar chart and table shown below illustrate the variability of the Water Infrastructure Fund's returns. The bar chart indicates the risks of investing in the Water Infrastructure Fund by showing the changes in the Water Infrastructure Fund's performance from year to year (on a calendar year basis). The table shows how the Water Infrastructure Fund's average annual returns, before and after taxes (after taking into account any sales charges) compare with those of the S&P 500® Index, the NASDAQ Composite® Index and the S&P® Global Water Index, which represent broad measures of market performance. The Water Infrastructure Fund's past performance, before and after taxes, is not necessarily an indication of how the Water Infrastructure Fund or the Water Infrastructure Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Water Infrastructure Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 17.81% |
| Worst Quarter: | 2010 | Q2 | -14.12% |

The after-tax returns for the Water Infrastructure Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | Since Inception (June 29, 2007) |
|---|---|---|
| **The Water Infrastructure Fund (KWIAX) Advisor Class A** | | |
| Return Before Taxes | -10.29% | -6.23% |
| Return After Taxes on Distributions | -10.37% | -6.31% |
| Return After Taxes on Distributions and Sale of Fund Shares | -6.59% | -5.24% |
| **The Water Infrastructure Fund (KWICX) Advisor Class C** | | |
| Return Before Taxes | -5.15% | -5.11% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | -2.83% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 0.54% |
| S&P® Global Water Index (reflects no deductions for fees, expenses or taxes) | 15.95% | -1.12% |

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Water Infrastructure Portfolio's investment adviser.

*Portfolio Managers*

The Water Infrastructure Portfolio is managed by an investment team with Mr. Stahl and Mr. Kingsley as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | <1 |
| Murray Stahl | Director of Research | <1 |
| David Kingsley | Portfolio Manager | <1 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## Investment Objectives

The investment objective of the Multi-Disciplinary Fund is total return.

## Fees and Expenses of the Fund

This table describes the fees and expenses you may pay if you buy and hold shares of the Multi-Disciplinary Fund. You may qualify for sales charge discounts for Advisor Class A shares if you and your family invest, or agree to invest in the future, at least $50,000 in Advisor Class A shares of the Kinetics Funds. More information about these and other discounts is available from your financial professional and in the sections titled "Description of Advisor Classes" beginning on page 90 of the Funds' prospectus and "Purchasing Shares" beginning on page 50 of the Funds' statement of additional information.

**Fee Table**(1)

| **Shareholder Transaction Expenses** (fees paid directly from your investment) | **Advisor Class A** | **Advisor Class C** |
|---|---|---|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) | 5.75% | None |
| Redemption Fee (as a percentage of amount redeemed on shares held for less than 30 days, if applicable) | 2.00% | 2.00% |

| **Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment) | | **Advisor Class A** | | **Advisor Class C** |
|---|---|---|---|---|
| Management Fees(1) | | 1.25% | | 1.25% |
| Distribution (Rule 12b-1) Fees | | 0.50% | | 0.75% |
| Other Expenses | | 4.86% | | 4.86% |
| Shareholder Servicing Fees | 0.25% | | 0.25% | |
| Other Operating Expenses | 4.61% | | 4.61% | |
| Acquired Fund Fees and Expenses | | 0.02% | | 0.02% |
| Total Annual Fund Operating Expenses(2) | | 6.63% | | 6.88% |
| Less: Fee Waiver(3) | | 4.87% | | 4.62% |
| Net Annual Fund Operating Expenses | | 1.76% | | 2.26% |

(1) This table and the example below reflect the aggregate expenses of the Multi-Disciplinary Fund and the Multi-Disciplinary Portfolio. The management fees paid by the Multi-Disciplinary Fund reflect the proportionate share of fees allocated to the Multi-Disciplinary Fund from the Multi-Disciplinary Portfolio.

(2) Total Annual Fund Operating Expenses do not correlate to the ratio of expenses to average net assets before expense reimbursement found in the "Financial Highlights" section of this Prospectus which reflects the Multi-Disciplinary Fund's operating expenses and does not include AFFE.

(3) The Investment Adviser to the Multi-Disciplinary Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.74% and 2.24%, excluding AFFE, for Advisor Class A and Advisor Class C shares, respectively, through April 30, 2012. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 30, 2012.

## Example

This Example is intended to help you compare the cost of investing in the Multi-Disciplinary Fund with the cost of investing in other mutual funds.

This Example assumes that you invest $10,000 in the Multi-Disciplinary Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The Example also assumes that your investment has a 5% return each year and that the Multi-Disciplinary Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost for the Multi-Disciplinary Fund would be:

| | 1 Year | 3 Years | 5-Years | 10-Years |
|---|---|---|---|---|
| **Advisor Class A** | $744 | $2,013 | $3,241 | $6,141 |
| **Advisor Class C** | $229 | $1,616 | $2,952 | $6,077 |

## Portfolio Turnover

The Multi-Disciplinary Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the example, affect the Multi-Disciplinary Portfolio's, and therefore the Multi-Disciplinary Fund's, performance. During the most recent fiscal year, the Multi-Disciplinary Portfolio's portfolio turnover rate was 38% of the average value of its portfolio.

## Principal Investment Strategy

The Multi-Disciplinary Fund is a non-diversified fund that invests all of its investable assets in the Multi-Disciplinary Portfolio, a series of Kinetics Portfolios Trust. "Total Return" sought by the Multi-Disciplinary Portfolio consists of income earned on the Multi-Disciplinary Portfolio's investments, plus capital appreciation. The Multi-Disciplinary Portfolio utilizes a two-part investment strategy, which includes fixed-income and derivatives components. Under normal circumstances, the Multi-Disciplinary Portfolio will invest at least 65% of its net assets in fixed-income securities, derivatives and cash or cash equivalents committed as collateral for written option contracts.

There is no limit on the amount of assets the Multi-Disciplinary Portfolio may invest in fixed-income securities. For purposes of this Prospectus, fixed-income securities include debt securities issued or guaranteed by the U.S. Government or by an agency or instrumentality of the U.S. Government, corporate bonds and debentures, convertible debt securities, and debt securities of foreign issuers. Corporate bonds held by the Multi-Disciplinary Portfolio generally are senior secured or senior unsecured, are of investment grade quality, and have durations of 0-5 years. However, there is no limit as to the maturities or credit ratings associated with such bonds. The Multi-Disciplinary Portfolio may also invest up to 40% of its total assets at the time of purchase in debt securities of emerging market countries. The Multi-Disciplinary Portfolio may invest up to 100% of its assets in debt securities that are rated below investment grade ("junk" bonds) and up to 5% of its total assets in defaulted junk bonds. The Multi-Disciplinary Portfolio utilizes a proprietary credit spread/relative value model to select positions and a portfolio construction and investment process that relies on value identification and diversification.

The Multi-Disciplinary Portfolio may invest up to 90% of its net assets in selling equity put options. The Multi-Disciplinary Portfolio may also invest more than 5% in U.S. Treasury note futures; selling or buying equity calls, bond calls, and bond put options; and credit default swaps, as well as other derivatives, to manage risk or to enhance return. The Multi-Disciplinary Portfolio will not invest more than 15% of its net assets in instruments that are not deemed liquid. In connection with the Multi-Disciplinary Portfolio's positions in derivatives, the Multi-Disciplinary Portfolio will segregate liquid assets or will otherwise cover its position in accordance with applicable Securities and Exchange Commission ("SEC") requirements.

The Investment Adviser uses a bottom-up approach in managing the Multi-Disciplinary Fund, which means that the focus is on the analysis of individual securities. By engaging in quantitative and qualitative analysis of individual securities, the Investment Adviser examines a company's current valuation and earning potential and assesses the company's competitive positioning. The bonds purchased in the Multi-Disciplinary Portfolio are selected from the same universe of companies that the Investment Adviser uses for equity investments. All of the same characteristics apply, however, in the Multi-Disciplinary Portfolio option premiums are also considered.

The Investment Adviser may sell a security due to changes in credit characteristics or outlook, as well as changes in portfolio strategy or cash flow needs. A security may also be sold and replaced with one that presents a better value or risk/reward profile. The Investment Adviser may actively trade Multi-Disciplinary Portfolio securities.

## Principal Investment Risks

The Multi-Disciplinary Portfolio's investments, including common stocks, have inherent risks that could cause you to lose money. The principal risks of investing in the Multi-Disciplinary Fund, and indirectly the Multi-Disciplinary Portfolio, are listed below and could adversely affect the NAV, total return and the value of the Multi-Disciplinary Fund, Multi-Disciplinary Portfolio and your investment.

- *Below-Investment Grade Debt Securities Risks:* Generally, non-investment grade debt securities, *i.e.,* junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities.

- *Derivatives Risks:* The Multi-Disciplinary Portfolio's investments in futures, options and swaps and other derivative instruments may result in loss. Derivative instruments may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses to the Multi-Disciplinary Portfolio. To the extent the Multi-Disciplinary Portfolio segregates assets to cover derivatives positions, the Multi-Disciplinary Portfolio may impair its ability to meet current obligations, to honor requests for redemption and to manage the Multi-Disciplinary Portfolio properly in a manner consistent with its stated investment objective.

- *Option Transaction Risks:* Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. The successful use of options depends in part on the ability of the Investment Adviser to manage future price fluctuations and the degree of correlation between the options and securities (or currency) markets. By writing put options on equity securities, the Multi-Disciplinary Portfolio gives up the opportunity to benefit from potential increases in the value of the common stocks above the strike prices of the written put options, but continues to bear the risk of declines in the value of its common stock portfolio. The Multi-Disciplinary Portfolio will receive a premium from writing a covered call option that it retains whether or not the option is exercised. The premium received from the written options may not be sufficient to offset any losses sustained from the volatility of the underlying equity securities over time.

◗ *Interest Rate Risk:* The risk that when interest rates increase, fixed-income securities held by the Multi-Disciplinary Portfolio will decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities.

◗ *Credit/Default Risk:* The risk that an issuer or guarantor of fixed-income securities held by the Multi-Disciplinary Portfolio (which may have low credit ratings), or the counterparty in a derivative investment, may default on its obligation to pay interest and repay principal.

◗ *Security Selection Risks:* The Multi-Disciplinary Portfolio securities selected by the Investment Adviser may decline in value or not increase in value when the stock market in general is rising and may fail to meet the Multi-Disciplinary Portfolio's, and therefore the Multi-Disciplinary Fund's, investment objective.

◗ *Liquidity Risks:* The Multi-Disciplinary Portfolio's investments in the securities of small and medium capitalization companies and in non-investment grade fixed-income securities makes the Multi-Disciplinary Portfolio especially susceptible to the risk that during certain periods the liquidity of certain issuers or industries, or all securities within particular investment categories, will decrease or disappear suddenly and without warning as a result of adverse market or political events, or adverse investor perceptions.

◗ *Foreign Securities Risks:* The Multi-Disciplinary Portfolio may invest directly in foreign debt securities or in U.S. dollar-denominated foreign debt securities through ADRs, GDRs and IDRs. Foreign securities can carry higher returns but involve more risks than those associated with U.S. investments. Additional risks associated with investment in foreign debt securities include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

◗ *Emerging Markets Risks:* The risk that the securities markets of emerging countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, financial and other reporting requirements as the securities markets of more developed countries as have historically been the case.

◗ *Non-Diversification Risks:* As a non-diversified investment company, the Multi-Disciplinary Portfolio can invest a large percentage of its assets in a small number of issuers. As a result, a change in the value of any one investment may affect the overall value of the Multi-

Disciplinary Portfolio's shares, and therefore the Multi-Disciplinary Fund's shares, more than shares of a diversified mutual fund that holds more investments.



- *Management Risk:* There is no guarantee that the Multi-Disciplinary Fund will meet its investment objective. The Investment Adviser does not guarantee the performance of the Multi-Disciplinary Fund, nor can it assure you that the market value of your investment will not decline.

## Who May Want to Invest?

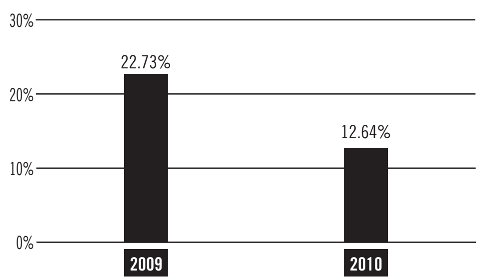
The Multi-Disciplinary Fund may be appropriate for investors who:

- wish to invest for the long-term; and
- are comfortable with the risks described herein.

## Performance

The bar chart and table shown below illustrate the returns for the Multi-Disciplinary Fund. The bar chart shows the Multi-Disciplinary Fund's performance for the last calendar year. The table shows how the Multi-Disciplinary Fund's average annual returns, before and after taxes (after taking into account any sales charges) compare with those of the S&P 500® Index and the NASDAQ Composite® Index, both of which represent broad measures of market performance, and two more narrowly based indexes, the CBOE S&P 500 BuyWrite Index (the "BXM Index") and the CBOE S&P 500 PutWrite Index (the "PUT Index"), that reflect the strategies employed by the Investment Adviser. The Multi-Disciplinary Fund's past performance, before and after taxes, is not necessarily an indication of how the Multi-Disciplinary Fund or the Multi-Disciplinary Portfolio will perform in the future. The bar chart shows how the performance of Advisor Class A shares (the Class with the longest period of annual returns) has varied from year to year. The returns for Advisor Class C shares were different than the figures shown because each Class of shares has different expenses. Updated performance information is available on the Fund's website at http://www.kineticsfunds.com or by calling the Fund toll-free at (800) 930-3828.

**The Multi-Disciplinary Fund — Advisor Class A**
**Calendar Year Returns as of 12/31**




Sales charges are not reflected in the bar chart. If these amounts were reflected, returns would be less than those shown.

| | | | |
|---|---|---|---|
| Best Quarter: | 2009 | Q2 | 10.20% |
| Worst Quarter: | 2010 | Q2 | -3.26% |

The after-tax returns for the Multi-Disciplinary Fund's Advisor Class A shares as shown in the following table are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns depend on your tax situation and may differ from those shown. If you own Fund shares in a tax-deferred account, such as a 401(k) plan or an IRA, the information on after-tax returns is not relevant to your investment. After-tax returns are shown for Advisor Class A shares only. After-tax returns for Advisor Class C shares will differ.

**Average Annual Total Returns as of 12/31/2010**

| | 1 Year | Since Inception (February 11, 2008) |
|---|---|---|
| **The Multi-Disciplinary Fund (KMDAX) Advisor Class A** | | |
| Return Before Taxes | 6.17% | 2.33% |
| Return After Taxes on Distributions | 4.00% | 1.33% |
| Return After Taxes on Distributions and Sale of Fund Shares | 4.01% | 1.41% |
| **The Multi-Disciplinary Fund (KMDCX) Advisor Class C** | | |
| Return Before Taxes | 12.13% | 3.94% |
| S&P 500® Index (reflects no deductions for fees, expenses or taxes) | 15.06% | 0.11% |
| NASDAQ Composite® Index (reflects no deductions for fees, expenses or taxes) | 16.91% | 4.75% |
| BXM Index (reflects no deductions for fees, expenses or taxes) | 5.86% | 0.43% |
| PUT Index (reflects no deductions for fees, expenses or taxes) | 9.02% | 3.60% |

Effective April 30, 2011, the PUT Index has been included as an additional measure of comparative market performance for the Multi-Disciplinary Fund.

## Management

*Investment Adviser*

Kinetics Asset Management, LLC is the Multi-Disciplinary Portfolio's investment adviser.

*Portfolio Managers*

The Multi-Disciplinary Portfolio is managed by an investment team with Mr. Stahl and Mr. Kingsley as the Co-Portfolio Managers. Each investment team member serves as a research analyst.

| Investment team member | Primary Title | Years of Service with the Fund |
|---|---|---|
| Peter B. Doyle | Chairman of the Board; President | 3 |
| Murray Stahl | Director of Research | 3 |
| David Kingsley | Portfolio Manager | 3 |

For important information about purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to "Summary Information about Purchases, Sales, Taxes and Financial Intermediary Compensation" on page 54 of this Prospectus.

## SUMMARY INFORMATION ABOUT PURCHASES, SALES, TAXES AND FINANCIAL INTERMEDIARY COMPENSATION

### Purchase and Sale of Fund Shares

You may purchase, exchange or redeem Fund shares on any business day by written request via mail (Kinetics Mutual Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701), by telephone at 1-800-930-3828, or through a financial intermediary. You may also purchase or redeem Fund shares by wire transfer. The minimum initial investment for both regular accounts and individual retirement accounts is $2,500 ($2,000 for Coverdell Education Savings Accounts). There is no minimum on subsequent investments for all account types.

### Tax Information

Each Fund's distributions are taxable, and will be taxed as ordinary income or capital gains, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Additionally, you will recognize gain or loss when you redeem shares.

### Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase a Fund through a broker-dealer or other financial intermediary (such as a bank or financial advisor), a Fund and/or its Investment Adviser may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other financial intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## ADDITIONAL INFORMATION ABOUT THE FUNDS' INVESTMENTS

## THE INTERNET FUND

The Investment Adviser believes that the Internet offers unique investment opportunities due to its ever-growing use and popularity among business and personal users alike. The Internet is a collection of connected computers that allows commercial and professional organizations, educational institutions, government agencies and consumers to communicate electronically, access and share information and conduct business around the world.

Internet Portfolio securities will be selected by the Investment Adviser from companies that are engaged in the development of hardware, software and telecommunications solutions that enable the transaction of business on the Internet by individuals and companies engaged in private and commercial use of the Internet as well as companies that offer products and services primarily via the Internet. Accordingly, the Internet Portfolio seeks to invest in the equity securities of companies whose research and development efforts may result in higher stock values. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, they meet the Internet Portfolio's investment criteria. Also, such companies' core business may not be primarily Internet-related. Such companies include, but are not limited to, the following:

- *Content Developers:* Companies that supply proprietary information and entertainment content, such as games, music, video, graphics and news, on the Internet.

- *Computer Hardware:* Companies that develop and produce computer and network hardware such as modems, switchers and routers, and those that develop and manufacture workstations and personal communications systems used to access the Internet and provide Internet services.

- *Computer Software:* Companies that produce, manufacture and develop tools to access the Internet, enable Internet users to enhance the speed, integrity and storage of data on the Internet, facilitate information distribution and gathering on the Internet, and secure Internet-based transactions.

- *Venture Capital:* Companies that invest in pre-IPO and start-up stage companies with business models related to the Internet.

- *Internet Service Providers:* Companies that provide users with access to the Internet.

- *Internet Portals:* Companies that provide users with search-engine services to access various sites by category on the Internet.

- *Wireless/Broadband Access:* Companies that provide the infrastructure to enable high-speed and wireless communication of data via the Internet.

- *E-Commerce:* Companies that derive a substantial portion of their revenue from sales of products and services conducted via the Internet.

- *Telecommunications:* Companies that are primarily engaged in the development of the telecommunications transmission lines and software technologies that enhance the reach and bandwidth of Internet users.

- *Other Companies:* Companies whose core business may not be primarily Internet-related include, but are not limited to, publishing and media companies.

The Internet Portfolio may invest up to 20% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.,* U.S. Treasury obligations) and repurchase agreements.

*Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Internet Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Internet Portfolio engages in a temporary defensive strategy, the Internet Portfolio, and therefore the Internet Fund, may not achieve its investment objective.

*Fund Structure*

The Internet Portfolio has an investment objective identical to that of the Internet Fund. The Internet Fund may withdraw its investment from the Internet Portfolio at any time if the Board of Directors of Kinetics Mutual Funds, Inc. (the "Company") determines that it is in the best interests of the Internet Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Internet Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Internet Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Internet Fund's assets directly.

## THE GLOBAL FUND

The Global Portfolio may also invest in participatory notes. Participatory notes (commonly known as "P-notes") are derivative instruments used by investors to take positions in certain foreign securities. P-notes are generally issued by the associates of foreign-based foreign brokerages and domestic institutional brokerages. P-notes represent interests in securities listed on certain foreign exchanges, and thus present similar risks to investing directly in such securities. P-notes also expose investors to counterparty risk, which is the risk that the entity issuing the note may not be able to honor its financial commitments.

The Global Portfolio securities selected by the Investment Adviser generally will be those of foreign companies that have the ability to facilitate an increase in the growth of their traditional business lines and those of U.S. companies that benefit from international economic growth. An increase in growth may occur by entry into new distribution channels, through an ability to leverage brand identity, and by improvement in the underlying cost/profitability dynamics of the business. Accordingly, the Global Portfolio seeks to invest in the equity securities of companies whose research and development efforts may result in higher stock values. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, the companies meet the Global Portfolio's investment criteria. Such companies include, but are not limited to, the following:

- *Infrastructure:* Companies that hold equity stakes in or are involved in building, owning or operating infrastructure assets including electric generation and transmission, airports, toll roads, railways, ports, etc.

- *Energy:* Companies that explore for, finance, produce, market or distribute energy-oriented products and services, including oil and natural gas, coal and alternate energy sources.
- *Utilities:* Companies and industries such as gas, electric and telephone.
- *Financial Services:* Companies that engage in financial service transactions such as banking, credit cards and investment services.
- *Real Estate Development:* Companies that provide commercial real estate property and services.
- *Business Services:* Companies that provide business-to-business products and services.
- *Healthcare:* Companies and industries such as pharmaceuticals, healthcare services, contracting services, hospitals, medical devices, medical equipment, etc.
- *Media:* Companies that provide print, broadcast, cable, satellite and web-based information and entertainment content.
- *Travel & Leisure:* Companies that provide transportation and recreational services.
- *Retailers:* Companies that sell retail products and services through traditional stores, catalogues, telemarketing, and web-sites.

The Global Portfolio may invest up to 35% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.*, U.S. Treasury obligations) and repurchase agreements.

### *Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Global Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Global Portfolio engages in a temporary defensive strategy, the Global Portfolio, and therefore the Global Fund, may not achieve its investment objective.

### *Fund Structure*

The Global Portfolio has an investment objective identical to that of the Global Fund. The Global Fund may withdraw its investment from the Global Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Global Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Global Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Global Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Global Fund's assets directly.

Paradigm Portfolio securities will be selected by the Investment Adviser from companies that are engaged in various industries that will facilitate an increase in the growth of traditional business lines, entry into new distribution channels, an ability to leverage brand identity, and an improvement in the underlying cost/profitability dynamics of the business. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, these companies meet the Paradigm Portfolio's investment criteria. Accordingly, the Paradigm Portfolio seeks to invest in the equity securities of companies whose research and development efforts may result in higher stock values. Such companies include, but are not limited to, the following:

- *Retailers:* Companies that sell retail products and services through traditional stores, catalogues, telemarketing, and web-sites.
- *Media:* Companies that provide print, broadcast, cable, satellite and web-based information and entertainment content.
- *Financial Services:* Companies that engage in financial service transactions such as banking, credit cards and investment services.
- *Real Estate Development:* Companies that provide commercial real estate property and services.
- *Business Services:* Companies that provide business-to-business products and services.
- *Travel & Leisure:* Companies that provide transportation and recreational services.
- *Utilities:* Companies and industries such as gas, electric and telephone.

The Paradigm Portfolio may invest up to 35% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.,* U.S. Treasury obligations) and repurchase agreements.

### *Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Paradigm Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Paradigm Portfolio engages in a temporary defensive strategy, the Paradigm Portfolio, and therefore the Paradigm Fund, may not achieve its investment objective.

### *Fund Structure*

The Paradigm Portfolio has an investment objective identical to that of the Paradigm Fund. The Paradigm Fund may withdraw its investment from the Paradigm Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Paradigm Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Paradigm Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Paradigm Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Paradigm Fund's assets directly.



## THE MEDICAL FUND

The Medical Portfolio's Investment Adviser believes that favorable investment opportunities are available through companies that are developing technology, products, and/or services for cancer research and treatment and related medical activities. Accordingly, the Medical Portfolio seeks to invest in the equity securities of companies whose research and development efforts may result in higher stock values.

Medical Portfolio securities will be selected by the Investment Adviser from companies that are engaged in the medical industry generally, including, among others, companies engaged in cancer research and treatment, biopharmaceutical research and the development of medical instruments for therapeutic purposes. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, the companies meet the Medical Portfolio's investment criteria. Such companies include, but are not limited to, the following:

- *Pharmaceutical Development:* Companies that develop drugs and medications for the treatment and prevention of cancer and other disease.

- *Surgical and Medical Instrument Manufacturers and Developers:* Companies that produce, manufacture and develop the tools used by health care providers in the delivery of medical care and procedures for the treatment of cancer and other diseases.

- *Pharmaceutical Manufacturers:* Companies that primarily engage in the mass production of existing drugs and medicines including drugs and medicines for the treatment of cancer and other diseases.

- *Biotech & Medical Research:* Companies that primarily research and develop new methods and procedures in the provision of health care related services for the treatment of cancer and other diseases.

The Medical Portfolio may invest up to 20% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.,* U.S. Treasury obligations) and repurchase agreements.

*Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Medical Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Medical Portfolio engages in a temporary defensive strategy, the Medical Portfolio, and therefore the Medical Fund, may not achieve its investment objective.

*Fund Structure*

The Medical Portfolio has an investment objective identical to that of the Medical Fund. The Medical Fund may withdraw its investment from the Medical Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Medical Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Medical Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Medical Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Medical Fund's assets directly.

## THE SMALL CAP OPPORTUNITIES FUND

The Small Cap Portfolio's Investment Adviser considers small cap companies to be those that have a market capitalization of less than $3 billion. The Investment Adviser believes that favorable investment opportunities are available through companies that exhibit a number of the following characteristics: have little or no institutional ownership, have had short-term earnings shortfalls, have had a recent IPO but have not attracted significant analyst coverage, are selling at or below book or replacement value, and have price to earnings ratios that are less than one half of their projected growth rate.

Small Cap Portfolio securities will be selected from companies that are engaged in a number of industries if, in the Investment Adviser's opinion, the companies meet the Small Cap Portfolio's investment criteria. Such companies include, but are not limited to, the following:

- *Media:* Companies that provide print, broadcast, cable, satellite and web-based information and entertainment content.

- *Financial Services:* Companies that engage in financial service transactions such as banking, credit cards and investment services.

- *Retailers:* Companies that sell retail products and services through traditional stores, catalogues, telemarketing, and web-sites.

- *Manufacturing and Consumer Products:* Companies that manufacture and distribute products to retail outlets.

- *Utilities:* Companies and industries such as gas, electric and telephone.

The Small Cap Portfolio may invest up to 20% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.,* U.S. Treasury obligations) and repurchase agreements.

*Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Small Cap Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Small Cap Portfolio engages in a temporary defensive strategy, the Small Cap Portfolio, and therefore the Small Cap Fund, may not achieve its investment objective.

*Fund Structure*

The Small Cap Portfolio has an investment objective identical to that of the Small Cap Fund. The Small Cap Fund may withdraw its investment from the Small Cap Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Small Cap Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Small Cap Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Small Cap Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Small Cap Fund's assets directly.

## THE MARKET OPPORTUNITIES FUND

The Market Opportunities Portfolio securities will be selected by the Investment Adviser from companies that are engaged in public exchanges, derivative exchanges, capital markets and companies that experience operational scale from increased volume such as investment banks, credit card processing companies, electronic payment companies, publicly traded expressways, airports, roads and railways, or from companies in the gaming industry. These companies may be large, medium or small in size if, in the Investment Adviser's opinion, these companies meet the Market Opportunities Portfolio's investment criteria. The Investment Adviser selects portfolio securities by, among other things, evaluating a company's balance sheets, corporate revenues, earnings and dividends. Such companies include, but are not limited to, the following:

- *Exchanges:* Companies that are organized as public exchanges where debt and equity securities are traded, including derivative exchanges.
- *Financial Services:* Companies that engage in financial service transactions relating to capital markets such as banking, credit cards and investment services.
- *Business Services:* Companies that provide business-to-business products and services involving capital markets or the gaming industry.
- *Gaming:* Companies engaged in casino entertainment, including casino resorts and other leisure activities.

Other leisure activities are defined as those activities that individuals engage in for entertainment, enjoyment and pleasure, which may take place at casinos. Additionally, a substantial aspect of the operations of gaming companies is the operation of casino resorts, which includes, but is not limited to lodging, amenities and recreational activities.

Although the Market Opportunities Portfolio intends to focus its investments in the capital markets and gaming sectors, the Market Opportunities Portfolio may also purchase the securities of companies such as auction houses and payroll and other processing companies, that, due to the fixed costs of their operations, benefit from an increase in the volume of sales/transactions.

The Market Opportunities Portfolio may invest up to 35% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.,* U.S. Treasury obligations) and repurchase agreements.

*Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Market Opportunities Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Market Opportunities Portfolio engages in a temporary defensive strategy, the Market Opportunities Portfolio, and therefore the Market Opportunities Fund, may not achieve its investment objective.

*Fund Structure*

The Market Opportunities Portfolio has an investment objective identical to that of the Market Opportunities Fund. The Market Opportunities Fund may withdraw its investment from the Market Opportunities Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Market Opportunities Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Market Opportunities Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Market Opportunities Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Market Opportunities Fund's assets directly.

## THE WATER INFRASTRUCTURE FUND

The Water Infrastructure Portfolio aims to invest in securities issued by companies operating in the water infrastructure and natural resource sector globally. The companies targeted in the water sector will include, but are not limited to, water production companies, water conditioning and desalination companies, water suppliers, water transport and distribution companies, companies specializing in the treatment of waste water, sewage and solid, liquid and chemical waste, companies operating sewage treatment plants and companies providing equipment, consulting and engineering services in connection with the above-described activities. Companies targeted in the natural resource sector are those that are dependent on water usage in industries such as agriculture, timber, oil and gas service, hydroelectricity and alternative renewable energy.

There are no limitations on the amount that the Water Infrastructure Portfolio may invest or hold in any single issuer; however, the Portfolio currently intends to limit its investments at the time of purchase to 10% of the Water Infrastructure Portfolio's assets in any single position. The companies in which the Water Infrastructure Portfolio may invest may be large, medium or small in size if, in the Investment Adviser's opinion, they meet the Water Infrastructure Portfolio's investment criteria.

*Excessive Valuation*

For each company in the Water Infrastructure Portfolio, the Investment Adviser calculates a "range of fair value" and a "target price" based on the entry point at a discount to the intrinsic value of the company. If the price of a company's shares approaches the upper end of that range for a given business, the Investment Adviser may sell part or all of that position.

*Deteriorating Fundamentals*

If the Investment Adviser anticipates that factors such as macro-economic conditions (regional and country specific), increased competition, product obsolescence, or mismanagement are likely to impact/erode the long-term economics of a company, the Investment Adviser will sell part or all of the position to reflect its heightened perception of risk. The Investment Adviser attempts to distinguish between short-term earnings fluctuations from events that may permanently impair a business model.

*Detrimental Change in Management of Business Focus*

Management can have a direct impact on the value of a business in the way they allocate capital. The Investment Adviser will sell a portfolio holding if management demonstrates an inability or unwillingness to make sensible capital allocation decisions on behalf of shareholders.

*Misinformation*

The Investment Adviser will sell a portfolio holding if it believes it has received misleading information from company management, either in the Investment Adviser's conversations or in the company's financial statements.

The Water Infrastructure Portfolio's option strategy component focuses on the use of options on companies that the Investment Adviser believes have unique business attributes and/or long-term unique fundamental business characteristics. The companies considered by the Investment Adviser for various option strategies undergo a fundamental analysis review by the Investment Adviser's research team, including but not limited to valuation, credit analysis, and earnings quality.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller the obligation to buy, the underlying security, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

The put options that the Water Infrastructure Portfolio writes (sells) on specific underlying equity securities are generally traded on a national securities exchange. They provide a specific date on which the holder may exercise its rights under the options, and are commonly referred to as "European-style" options. By writing put options, the Water Infrastructure Portfolio receives income in the form of cash premiums from the purchasers of these options in exchange for providing the purchasers with the right to potentially sell an underlying security to the Water Infrastructure Portfolio. The Water Infrastructure Portfolio is not expected to make a cash payment if the prevailing market value of the underlying equity securities on an expiration date exceeds the strike price of the put option that the Water Infrastructure Portfolio has written.

The Water Infrastructure Portfolio may invest up to 20% of its assets in high quality, U.S. short-term debt securities and money market instruments to maintain liquidity. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.*, U.S. Treasury obligations) and repurchase agreements.

### *Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Water Infrastructure Portfolio may invest up to 100% of its assets in the types of high quality, U.S. short-term debt securities and money market instruments described above. To the extent that the Water Infrastructure Portfolio engages in a temporary defensive strategy, the Water Infrastructure Portfolio, and therefore the Water Infrastructure Fund, may not achieve its investment objective.

### *Fund Structure*

The Water Infrastructure Portfolio has an investment objective identical to that of the Water Infrastructure Fund. The Water Infrastructure Fund may withdraw its investment from the Water Infrastructure Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Water Infrastructure Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Water Infrastructure Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Water Infrastructure Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Water Infrastructure Fund's assets directly.

## THE MULTI-DISCIPLINARY FUND

The Multi-Disciplinary Portfolio's option strategy component focuses on the use of options on companies that the Investment Adviser believes have unique business attributes and/or long-term unique fundamental business characteristics. The companies considered by the Investment Adviser for various option strategies undergo a fundamental analysis review by the Investment Adviser's research team, including but not limited to valuation, credit analysis, and earnings quality.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller the obligation to buy, the underlying security, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

The put options that the Multi-Disciplinary Portfolio writes (sells) on specific underlying equity securities are generally traded on a national securities exchange. They provide a specific date on which the holder may exercise its rights under the options, and are commonly referred to as "European-style" options. By writing put options, the Multi-Disciplinary Portfolio receives income in the form of cash premiums from the purchasers of these options in exchange for providing the purchasers with the right to potentially sell an underlying security to the Multi-Disciplinary Portfolio. The Multi-Disciplinary Portfolio is not expected to make a cash payment if the prevailing market value of the underlying equity securities on an expiration date exceeds the strike price of the put option that the Multi-Disciplinary Portfolio has written.

The Multi-Disciplinary Portfolio may hold equity securities in limited circumstances. For example, a position will result if put options are exercised against the Multi-Disciplinary Portfolio, in connection with a corporate restructuring of an issuer or convertible securities. However, the Multi-Disciplinary Portfolio will not invest directly in equity securities.

There are no limitations on the amount that the Multi-Disciplinary Portfolio may invest or hold in any single issuer; however, the Multi-Disciplinary Portfolio currently intends to limit its investments at the time of purchase to 10% of the Multi-Disciplinary Portfolio's assets in any single position.

*Temporary Investments*

To respond to adverse market, economic, political or other conditions, the Multi-Disciplinary Portfolio may invest up to 100% of its assets in high quality, U.S. short-term debt securities and money market instruments. Some of these short-term instruments include commercial paper, certificates of deposit, demand and time deposits and banker's acceptances, U.S. Government securities (*i.e.*, U.S. Treasury obligations) and repurchase agreements. To the extent that the Multi-Disciplinary Portfolio engages in a temporary defensive strategy, the Multi-Disciplinary Portfolio, and therefore the Multi-Disciplinary Fund, may not achieve its investment objective.

*Fund Structure*

The Multi-Disciplinary Portfolio has an investment objective identical to that of the Multi-Disciplinary Fund. The Multi-Disciplinary Fund may withdraw its investment from the Multi-Disciplinary Portfolio at any time if the Board of Directors of the Company determines that it is in the best interests of the Multi-Disciplinary Fund to do so. Upon any such withdrawal, the Directors will consider what action might be taken, including investing all of the Multi-Disciplinary Fund's investable assets in another pooled investment entity having substantially the same objective and strategies as the Multi-Disciplinary Fund or retaining an investment adviser, including the current Investment Adviser, to manage the Multi-Disciplinary Fund's assets directly.

## ADDITIONAL INFORMATION ABOUT THE RISKS OF INVESTING IN EACH OF THE FUNDS

The principal risks of investing in each Fund are described previously in each Fund's summary section of this Prospectus. This section provides more detail about some of those risks, along with information on additional types of risks that may apply to the Funds.

### *Investing in Mutual Funds — All Funds*

All mutual funds carry risks that may cause you to lose money on your investment in one or more of the Funds. In general, the risks associated with the use of the Master/Feeder Fund Structure and the risks associated with your investment in a Fund are substantially identical to the risks associated with a Fund's investment in a Portfolio. The following describes the primary risks to each Fund that invests in its corresponding Portfolio due to each Portfolio's specific investment objective and strategies. As all investment securities are subject to inherent market risks and fluctuations in value due to earnings, economic and political conditions and other factors, no Fund or its corresponding Portfolio can give any assurance that its investment objective will be achieved.

### *Market Risk — All Funds*

The NAV of each Portfolio will fluctuate based on changes in the value of its underlying portfolio. The stock market is generally susceptible to volatile fluctuations in market price. Market prices of securities in which each Portfolio invests may be adversely affected by an issuer's having experienced losses or lack of earnings, or by the issuer's failure to meet the market's expectations with respect to new products or services, or even by factors wholly unrelated to the value or condition of the issuer. The value of the securities held by each Portfolio is also subject to the risk that a specific segment of the stock market may not perform as well as the overall market. Under any of these circumstances, the value of each Portfolio's shares and total return will fluctuate, and your investment in the corresponding Fund may be worth more or less than your original cost when you redeem your shares.

### *Portfolio Turnover Risk — All Funds*

Under certain circumstances a Portfolio may take advantage of short-term trading opportunities without regard to the length of time its securities have been held. This strategy often calls for frequent trading of a Portfolio's securities in order to take advantage of anticipated changes in market conditions. Frequent trading by the Portfolio could increase the rate of its portfolio turnover, which would involve correspondingly greater expenses. Such expenses may include brokerage commissions or dealer mark-ups/mark-downs, as well as other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to shareholders. If a Portfolio realizes capital gains when it sells its portfolio investments, it must generally pay those gains out to shareholders, increasing their taxable distributions. The trading costs and tax effects associated with such portfolio turnover may adversely affect a Portfolio's performance under these circumstances, and large movements of assets into and out of a Portfolio may negatively impact such Portfolio's ability to achieve its investment objective or maintain its current level of operating expenses.

### *Internet Industry Concentration Risks — The Internet Fund*

The value of the Internet Portfolio's shares will be susceptible to factors affecting the Internet, such as heightened regulatory scrutiny and impending changes in government policies which may have a material effect on the products and services of this industry. Furthermore, securities of companies in this industry tend to be more volatile than securities of companies in other industries. Competitive pressures and changing demand may have a significant effect on the financial condition of Internet companies. These companies spend heavily on research and development and are especially sensitive to the risk of product obsolescence. The occurrence of any of these factors, individually or collectively, may adversely affect the value of the Internet Portfolio's shares and your investment in the Internet Fund.

*Medical Research Industry Concentration Risks — The Medical Fund*

Medical and pharmaceutical-related companies in general are subject to the rate of change in technology, which is generally higher than that of other industries. Similarly, cancer research-related industries use many products and services of companies engaged in medical and pharmaceutical-related activities and are also subject to relatively high risks of rapid obsolescence caused by progressive scientific and technological advances. Medical research and development is also subject to strict regulatory scrutiny and ongoing legislative action.

*Industry Emphasis Risks — The Water Infrastructure Fund*

To the extent that the Water Infrastructure Portfolio focuses its investments in one or more sectors or industries, it may be subject to the risks affecting that sector or industry more than would a fund that invests in a wide variety of market sectors or industries. For instance, companies involved in the water industry may be located in societies (*i.e.,* countries or geographic areas) that are suffering from water stress or scarcity and which do not possess healthy financial markets for business. These societies may not provide a stable environment for companies to operate. As such, companies located in these societies must manage both business risk and reputational risk. Additional risks of concentrating in the water industry include environmental considerations, taxes, government regulation, price and supply fluctuations, competition and water conservation.

*Securities Lending — All Funds*

Each Portfolio may lend its portfolio securities to broker-dealers by entering directly into lending arrangements with such broker-dealers or indirectly through repurchase agreements, amounting to no more than 33⅓% of the total assets of each Portfolio (including any collateral posted) or 50% of the total assets of each Portfolio (excluding any collateral posted). Cash collateral may be invested by a Portfolio in short-term investments, including repurchase agreements and money market funds that meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, as amended (the "1940 Act"). Repurchase transactions will be fully collateralized at all times with cash and/or short-term debt obligations. These transactions involve some risk to a Portfolio if the other party should default on its obligation and the Portfolio is delayed or prevented from recovering the collateral. In the event that the original seller defaults on its obligation to repurchase, a Portfolio will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, each Portfolio would suffer a loss if forced to sell such collateral in this manner. In addition, invested collateral will be subject to market depreciation or appreciation, and a Portfolio will be responsible for any loss that might result from its investment of the collateral.

*Non-Diversification — All Funds*

Each Portfolio and each Fund is a non-diversified fund and therefore may be more susceptible to adverse financial, economic or other developments affecting any single issuer, and more susceptible to greater losses because of these developments.

*Investment in Small and Medium-Size Companies — All Funds except the Multi-Disciplinary Fund*

Each Portfolio (other than the Multi-Disciplinary Portfolio) may invest in small or medium-size companies. Accordingly, a Portfolio may be subject to the additional risks associated with investment in companies with small or medium-size capital structures (generally a market capitalization of $5 billion or less). The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger, more established companies. If a Portfolio is heavily invested in these securities and the value of these securities suddenly declines, the NAV of that Portfolio and your investment in a corresponding Fund will be more susceptible to significant losses.

*Foreign Securities — All Funds*

Investing in foreign securities can carry higher returns than those generally associated with U.S. investments. However, foreign securities may be substantially riskier than U.S. investments. The economies of foreign countries may differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, and balance of payments position. Furthermore, the economies of developing countries generally are heavily dependent on international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protective measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade. A Portfolio may be required to obtain prior governmental approval for foreign investments in some countries under certain circumstances. Governments may require approval to invest in certain issuers or industries deemed sensitive to national interests, and the extent of foreign investment in certain debt securities and companies may be subject to limitation. Individual companies may also limit foreign ownership to prevent, among other things, violation of foreign investment limitations.

Some foreign investments may risk being subject to repatriation controls that could render such securities illiquid. Other countries might undergo nationalization, expropriation, political changes, governmental regulation, social instability or diplomatic developments (including war) that could adversely affect the economies of such countries or the value of the investments in those countries. Additional risks include currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of securities markets.

*Portfolio Borrowing — All Funds*

Each Portfolio may leverage its assets, subject to the provisions of the 1940 Act, to fund investment activities or to achieve higher returns. Each Portfolio may borrow money from banks for temporary or emergency purposes in order to meet redemption requests. To reduce its indebtedness, a Portfolio may have to sell a portion of its investments at a time when it may be disadvantageous to do so. In addition, interest paid by a Portfolio on borrowed funds would decrease the net earnings of both that Portfolio and your investment in a corresponding Fund.

*Derivatives Risk — All Funds*

Each Portfolio may invest in derivatives such as options. The successful use of these investment practices depends on the Investment Adviser's ability to forecast stock price movements correctly. Should stock prices move unexpectedly, a Portfolio may not achieve the anticipated benefits of the transactions, or may realize losses, and thus be in a worse position than if such strategies had not been used. Unlike many exchange-traded options, there are no daily price fluctuation limits for certain options, and adverse market movements could therefore continue for an unlimited extent over a period of time. In addition, the correlation between movements in the prices of options and movements in the prices of the securities hedged or used for cover will not be perfect and could produce unanticipated losses.

A Portfolio's ability to dispose of its positions in options, depends on the availability of liquid markets in such instruments. Markets in options with respect to a number of types of securities are relatively new and still developing. It is impossible to predict the amount of trading interest that may exist in various types of options. If a secondary market does not exist for an option purchased or written by a Portfolio, it might not be possible to effect a closing transaction in the option (*i.e.*, dispose of the option), with the result that (1) an option purchased by a Portfolio would have to be exercised in order for the Portfolio to realize any profit and (2) a Portfolio may not be able to sell portfolio securities covering an option written by the Portfolio until the option expires or it delivers the underlying security, upon exercise. Therefore, no assurance can be given that the Portfolios will be able to utilize these instruments effectively. In addition, the ability to engage in options transactions may be limited by tax considerations and the use of certain hedging activities may adversely impact the characterization of income to a Portfolio for U.S. federal income tax purposes.

The Paradigm Portfolio may enter into futures contracts in U.S. domestic markets or on exchanges located outside of the U.S. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the U.S. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets, so that no common clearing facility exists and that an investor may look only to the broker or counter-party for the performance of the contract. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the Commodity Futures Trading Commission.

*Futures Risk — The Paradigm Portfolio*

There are risks associated with these activities, including the following: (1) the success of a hedging strategy may depend on an ability to predict movements in the prices of individual securities, fluctuations in markets and movements in interest rates; (2) there may be an imperfect or no correlation between the changes in market value of the securities held by the Paradigm Portfolio and the prices of futures; (3) there may not be a liquid secondary market for a futures contract; (4) trading restrictions or limitations may be imposed by an exchange; and (5) government regulations may restrict trading in futures contracts.

*Investing in Investment Grade Debt Securities and Below Investment Grade Debt Securities — All Funds*

Investments in debt securities pose different risks than investments in equity securities. The value of fixed income securities generally will fall if interest rates rise. The value of these securities may also fall as a result of other factors such as the performance of the issuer, the market perception of the issuer or general economic conditions. These investments also involve a risk that the issuer may not be able to meet its principal and interest payment obligations. Fixed-income securities having longer maturities involve greater risk of fluctuations in value.

Investments in debt securities rated below investment grade, *i.e.*, junk bonds, and unrated securities of comparable quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate or municipal developments, interest rate sensitivity, negative perceptions of the junk bond markets generally and less secondary market liquidity.

*Exchange-Traded Funds (ETFs) — All Funds*

Each Portfolio may invest up to 5% of its assets in ETFs. ETFs are registered investment companies whose shares are listed and traded on U.S. stock exchanges or otherwise traded in the over-the-counter market. In general, ETFs seek to track a specified securities index or a basket of securities that an "index provider," such as Standard & Poor's, selects as representative of a market, market segment or industry sector. An ETF portfolio generally holds the same stocks or bonds as the index it tracks or it may hold a representative sample of such securities. Thus, an ETF is designed so that its performance will correspond closely with that of the index it tracks. As a shareholder in an ETF, a Portfolio will bear its pro rata portion of an ETF's expenses, including advisory fees, in addition to its own expenses.

*Other Investment Companies — All Funds*

Each Portfolio may invest up to 10% of its total assets in the securities of other investment companies not affiliated with the Investment Adviser, but generally may not invest more than 5% of its total assets in the securities of any one investment company or acquire more than 3% of the voting securities of any other investment company. ETFs are considered investment companies for purposes of these limitations. Among other things, the Portfolios may invest in money market mutual funds for cash management purposes by "sweeping" excess cash balances into such funds until the cash is invested or otherwise utilized. Each Portfolio will indirectly bear its proportionate share of any management fees and other expenses paid by investment companies in which it invests in addition to the advisory and administration fees paid by the Portfolio.

*Credit Default Swap Agreements — The Multi-Disciplinary Portfolio*

The Multi-Disciplinary Portfolio may enter into credit default swaps. A credit default swap enables an investor to buy or sell protection against a credit event, such as an issuer's failure to make timely payments of interest or principal, bankruptcy or restructuring. The Multi-Disciplinary Portfolio may seek to enhance returns by selling protection or attempt to mitigate credit risk by buying protection against the occurrence of a credit event by a specified issuer. The Multi-Disciplinary Portfolio may enter into credit default swaps, both directly ("unfunded swaps") and indirectly ("funded swaps") in the form of a swap embedded within a structured note, to protect against the risk that a seller will default, with large well-known Wall Street firms or other firms that pass the Investment Adviser's credit review. Unfunded and funded credit default swaps may refer to a single security or a basket of securities. The Multi-Disciplinary Portfolio may engage in credit default swap transactions for the purpose of hedging the Portfolio against anticipated market trends or to enhance the value of the Portfolio through the anticipated capital appreciation of the swap investment. In no event will the Multi-Disciplinary Portfolio's use of credit default swaps exceed the Portfolio's limits as it relates to leverage or directional exposure.

If the Multi-Disciplinary Portfolio buys credit protection using a credit default swap and a credit event occurs, the Portfolio will deliver the defaulted bonds underlying the swap and the swap counterparty will pay the par amount of the bonds. If the Multi-Disciplinary Portfolio sells credit protection using a credit default swap and a credit event occurs, the Portfolio will pay the par amount of the defaulted bonds underlying the swap and the swap counterparty will deliver the bonds. If the swap is on a basket of securities, the notional amount of the swap is reduced by the par amount of the defaulted bonds, and the fixed payments are then made on the reduced notional amount. If the Multi-Disciplinary Portfolio buys protection on a corporate issue, the Portfolio must own that corporate issue. However, if the Multi-Disciplinary Portfolio buys protection on sovereign debt, the Portfolio may own either: (i) the reference obligation, (ii) any sovereign debt of that foreign country, or (iii) sovereign debt of any country that the Investment Adviser determines is closely correlated as an inexact bona fide hedge.

Risks of credit default swaps include counterparty credit risk (if the counterparty fails to meet its obligations) and the risk that the Multi-Disciplinary Portfolio will not properly assess the cost of the instrument based on the lack of transparency in the market. If the Multi-Disciplinary Portfolio is selling credit protection, there is a risk that a credit event will occur and that the Portfolio will have to pay par value on defaulted bonds. If the Multi-Disciplinary Portfolio is buying credit protection, there is a risk that no credit event will occur and the Portfolio will receive no benefit for the premium paid. In addition, if the Multi-Disciplinary Portfolio is buying credit protection and a credit event does occur, there is a risk when the Portfolio does not own the underlying security, that the Portfolio will have difficulty acquiring the bond on the open market and may receive adverse pricing.

In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). The use of credit default swaps may be limited by the Portfolio's limitations on illiquid investments.

*Other Swap Transactions (Interest Rate, Total Rate of Return, and Currency) — The Multi-Disciplinary Portfolio*

The Multi-Disciplinary Portfolio may enter into swap transactions and transactions involving interest rate floors, caps and collars for hedging purposes or to seek to increase total return. These instruments are privately negotiated over-the-counter derivative products. A great deal of flexibility is possible in the way these instruments are structured. Interest rate swaps involve the exchange by the Multi-Disciplinary Portfolio with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. The purchase of an interest rate floor or cap entitles the purchaser to receive payments of interest on a notional principal amount from the seller, to the extent the specified index falls below (floor) or exceeds (cap) a predetermined interest rate. An interest rate collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates. Total rate of return swaps are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. The Multi-Disciplinary Portfolio also may enter into currency swaps, which involve the exchange of the rights of the Portfolio and another party to make or receive payments in specific currencies.

Some transactions, such as interest rate swaps and total rate of return swaps, are entered into on a net basis, *i.e.,* the two payment streams are netted out, with the Multi-Disciplinary Portfolio receiving or paying, as the case may be, only the net amount of the two payments. If the other party to such a transaction defaults, the Multi-Disciplinary Portfolio's risk of loss consists of the net amount of payments that the Portfolio is contractually entitled to receive, if any. In contrast, other transactions involve the payment of the gross amount owed. For example, currency swaps usually involve the delivery of the entire principal amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. To the extent that the amount payable by the Multi-Disciplinary Portfolio under a swap or an interest rate floor, cap or collar is covered by segregated cash or liquid assets, the Portfolio and the Investment Adviser believe that transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to the Portfolio's borrowing restrictions.

The Multi-Disciplinary Portfolio will not enter into a total rate of return, currency or interest rate swap or interest rate floor, cap or collar transaction unless the unsecured commercial paper, senior debt or the claims-paying ability of the other party thereto is rated either A or A-1 or better by S&P or Fitch, or A or Prime-1 or better by Moody's or a comparable rating from another organization that is recognized as an nationally recognized statistical rating organization (NRSRO) or, if unrated by such rating organization, is determined to be of comparable quality by the Investment Adviser. If there is a default by the other party to such transaction, the Multi-Disciplinary Portfolio will have contractual remedies pursuant to the agreements related to the transaction. The use of interest rate, total rate of return, and currency swaps, as well as interest rate caps, floors and collars, is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Adviser is incorrect in its forecast of market values, interest rates and currency exchange rates, the investment performance of the Multi-Disciplinary Portfolio would be less favorable than it would have been if this investment technique were not used. To the extent swap transactions are not deemed liquid, swap transactions are limited to 15% of total assets (together with other illiquid securities).

## Portfolio Holdings Information

A description of the Portfolios' policies and procedures with respect to the disclosure of their portfolio securities is available in the Funds' SAI. Currently, disclosure of the Portfolios' holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q (first and third quarters). The Annual and Semi-Annual Reports are available by contacting Kinetics Mutual Funds, Inc., c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling 1-800-930-3828. In addition, the Company may publish on its webpage (www.kineticsfunds.com) month-end (a) top fifteen portfolio holdings of each Portfolio and the percentage that each holding represents of the Portfolio's total holdings, and (b) top five performing and bottom five performing portfolio holdings of each Portfolio, in each case no earlier than twenty calendar days after the end of each calendar month. This information will be available on the website until the date on which a Fund files its next quarterly portfolio holdings report on Form N-CSR or Form N-Q with the SEC or until the next month in which portfolio holdings are posted in accordance with the above policy.

## Management of the Funds and the Portfolios

*Investment Adviser*

Each Portfolio's investment adviser is Kinetics Asset Management, LLC ("Investment Adviser"), 555 Taxter Road, Suite 175, Elmsford, New York 10523. Founded in 1996, the Investment Adviser provides investment advisory services to a family of eight mutual funds with discretionary management authority over approximately $4.566 billion in assets as of March 31, 2011. On May 1, 2011, the Investment Adviser, Horizon Asset Management, LLC ("Horizon"), a New York-based registered investment adviser that publishes fundamental, contrarian research reports and offers equity, fixed income and alternative investment products for institutional and high net worth clients, Kinetics Funds Distributors, LLC, the Funds' distributor, and certain other affiliated entities participated in a corporate reorganization. As a result of the reorganization, each participating entity became a wholly-owned subsidiary of Horizon Kinetics, LLC, that has $9.8 billion in assets under management as of May 1, 2011. The senior principals and investment professionals of the Investment Adviser and Horizon will continue to serve in their respective roles and all investment products and strategies will continue to be branded under their existing names following the reorganization.

The Investment Adviser conducts investment research and supervision for each Portfolio and is responsible for the purchase and sale of securities for each Portfolio. The Investment Adviser is entitled to receive an annual fee from each Portfolio for its services of 1.25% of each Portfolio's average daily net assets. However, as a result of fee waivers for certain Funds, the advisory fees paid to the Investment Adviser for the fiscal year ended December 31, 2010, were as follows:

| | **Advisory Fees (as a percentage of average net assets)** |
|---|---|
| Internet Fund | 1.19% |
| Global Fund | 0.00% |
| Paradigm Fund | 1.13% |
| Medical Fund | 0.64% |
| Small Cap Opportunities Fund | 1.03% |
| Market Opportunities Fund | 0.97% |
| Water Infrastructure Fund | 0.72% |
| Multi-Disciplinary Fund | 0.00% |

Horizon provides certain research services to the Portfolios and does not receive a fee for such services.

A discussion regarding the basis of the Board's approval of the investment advisory agreement for each Portfolio is available in the Company's semi-annual report to shareholders for the period ended June 30, 2010.

Kinetics, as the Investment Adviser to each Portfolio, is engaged in a broad range of portfolio management, portfolio advisory and other business activities. Their services are not exclusive to the Portfolios and nothing prevents them, or any affiliates, from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies, or criteria are similar to those of a Portfolio) or from engaging in other activities.

Prior to July 16, 2010, Brennan Investment Partners, LLC served as sub-adviser to the Water Infrastructure Portfolio.

*Members of the Investment Team*

Peter B. Doyle is the Chief Investment Strategist for the Portfolios and generally oversees the management of each Portfolio's investment team. The following persons are members of an investment team: Peter B. Doyle, Bruce P. Abel, Paul Mampilly, Steven Tuen, Murray Stahl, David Kingsley and James Davolos. Each person's role varies from Portfolio to Portfolio as described below.

The Co-Portfolio Managers for the Internet Portfolio are Mr. Doyle and Mr. Davolos. They are responsible for the Internet Portfolio's day-to-day management. Mr. Doyle is Chairman of the Board and President of the Company. He has been managing the Portfolio since June 1999. In early 1996, Mr. Doyle co-founded the Investment Adviser and he also co-founded and currently serves as a Managing Director of Horizon. Mr. Davolos joined Kinetics in 2005 as an analyst and has responsibility for coverage across all sectors and asset classes, with a focus on emerging markets. Mr. Davolos graduated Loyola College in 2005 with a B.B.A. and a specialization in finance. Mr. Mampilly, Mr. Stahl and Mr. Tuen serve as members of the investment team. Mr. Mampilly joined the Investment Adviser in 2006 and has over eighteen years experience as an investment professional. Prior to joining Kinetics, Mr. Mampilly founded The Capuchin Group, distributor of a behavioral financial newsletter, for which he acted as author, editor and publisher from October 2003 through July 2006. From January 2002 through May 2003, Mr. Mampilly held employment with ING Funds as a senior research analyst and healthcare group head, responsible for managing a team of analysts covering healthcare related companies of all market capitalizations. Mr. Stahl has served as Director of Research since 2000. Since 1994, Mr. Stahl has held the position Chairman and Chief Investment Officer of Horizon. Mr. Tuen joined the Investment Adviser in 1999. Since 1996, Mr. Tuen has also served as an analyst in the Horizon Research Group and a portfolio manager at Horizon. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Doyle and Mr. Davolos.

The Co-Portfolio Managers for the Global Portfolio are Mr. Tuen and Mr. Mampilly. They are responsible for the Global Portfolio's day-to-day management. Mr. Tuen has been managing the Global Portfolio since its inception. Mr. Mampilly has been managing the Global Portfolio since March 2008. Mr. Doyle, Mr. Davolos and Mr. Stahl serve as members of the investment team. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Tuen and Mr. Mampilly.

The Co-Portfolio Managers of the Paradigm Portfolio are Mr. Doyle, who has been managing the Paradigm Portfolio since its inception, and Mr. Stahl, who has been a member of the Paradigm Portfolio's investment team since its inception. Each investment team member serves as a research analyst. Mr. Mampilly provides substantial input on research, stock selection and portfolio composition. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Doyle and Mr. Stahl.

The Portfolio Manager for the Medical Portfolio is Mr. Abel, who joined the Investment Adviser in 1999 as a portfolio manager. He has been managing the Portfolio since its inception. Mr. Abel's primary duties include research and analysis of developing scientific technologies and innovations in the medical, bio-technical and pharmaceutical industries specific to cancer research and treatment. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Abel.

The Co-Portfolio Managers of the Small Cap Portfolio are Mr. Doyle, who has been managing the Small Cap Portfolio since October 2002, and Mr. Davolos, who has been part of the team since 2006. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Doyle and Mr. Davolos.

The Co-Portfolio Managers of the Market Opportunities Portfolio are Mr. Doyle, who has been managing the Market Opportunities Portfolio since its inception, and Mr. Stahl, who has been a member of the Market Opportunities Portfolio's investment team since its inception. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Doyle and Mr. Stahl.

The Co-Portfolio Managers of the Water Infrastructure Portfolio are Mr. Stahl and Mr. Kingsley, who have managed the Portfolio since 2010. Mr. Kingsley served as a portfolio manager at Horizon since July 2006. Prior to Horizon, Mr. Kingsley was a portfolio manager at Kingsley Capital Management, LLC from 2001 through 2005. Each investment team member also serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Stahl and Mr. Kingsley.

The Co-Portfolio Managers of the Multi-Disciplinary Portfolio are Mr. Stahl, who has been managing the Multi-Disciplinary Portfolio since its inception, and Mr. Kingsley, who began managing the Multi-Disciplinary Portfolio in August 2009. Each investment team member serves as a research analyst. While the team discusses investment ideas and overall portfolio structure, the final buy/sell decision for a particular security resides with Mr. Stahl and Mr. Kingsley.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Funds.

## Valuation of Fund Shares

Shares of each Class of each Fund are sold at NAV per share plus any applicable sales charge (see ''Description of Advisor Classes''). The NAVs are determined by each Fund as of the close of regular trading (generally 4:00 p.m. Eastern Time) on each day that the New York Stock Exchange (the ''Exchange'') is open for unrestricted business. Purchase and redemption requests are priced at the next NAV per share calculated after receipt and acceptance of a completed purchase or redemption request. The NAV for each Class of shares of each Fund is determined by dividing the value of the Fund's securities, cash and other assets attributable to that Class, minus all expenses and liabilities attributable to that Class, by the number of shares outstanding of that Class. The NAV for a Class of shares of a Fund takes into account the expenses and fees of that Class, including management, administration, distribution and shareholder servicing fees, which are accrued daily. The NAV of each Portfolio is calculated at the same time and generally in the same manner (*i.e.,* assets-liabilities/ # of shares = NAV per share) as those of each corresponding Fund's Classes.

Each Portfolio's equity securities are valued each day at the last quoted market sale price on the securities' principal exchange. If there is no sales price, a security is valued at the last reported bid price. Securities listed on the Nasdaq Stock Market, Inc., however, are valued using the Nasdaq Official Closing Price (''NOCP''), and if no NOCP is available, then at the last reported bid price. If market quotations are not readily available or if events occur that may significantly affect the value of a particular security between the time trading ends on a particular security and the close of regular trading on the Exchange, securities will be valued at their fair market value as determined in good faith in accordance with procedures approved by the Kinetics Portfolio Trust's (the ''Trust'') Board of Trustees and the Company's Board of

Directors. Situations involving significant events include, but are not limited to, those where: a security's trading has been halted or suspended; the security has been de-listed from a national exchange; or the security has not been traded for an extended period of time. In addition, the prices of foreign securities may be affected by events that occur after the close of a foreign market but before a Portfolio prices its shares. See "Trading in Foreign Securities." Each Portfolio may use independent pricing services to assist in calculating the NAV per share of such Portfolio.

Futures, options on futures and swap contracts that are listed or traded on a national securities exchange, commodities exchange, contract market or over-the-counter markets and that are freely transferable will be valued at their closing settlement price on the exchange on which they are primarily traded or based upon the current settlement price for a like instrument acquired on the day on which the option is being valued. Exchange traded options are valued at the last reported sale price on an exchange on which the option is traded. If no sales are reported on a particular day, the mean between the highest bid and lowest asked quotations at the close of the exchanges will be used. Non-exchange traded options also will be valued at the mean between the last bid and asked quotations. Securities which have no public market and all other assets of a Portfolio are considered at such value as the Investment Adviser may determine in good faith, in accordance with a Portfolio's valuation procedures as approved by the Trust's Board of Trustees and the Company's Board of Directors.

A Portfolio's debt obligations that are investment grade and that have 60 days or less remaining until maturity are valued at amortized cost. Debt obligations (including convertible debt securities) (a) that are not investment grade or (b) that are investment grade and have more than 60 days remaining until maturity at purchase, will be valued as follows: Exchange-listed debt securities are valued at the last quoted sale price on the primary exchange on the valuation date. If there are no sales on that day, the debt security is generally valued at the mean of the current bid and asked prices. Non-exchange-listed debt securities and other securities which, in the judgment of the Investment Adviser, do not properly represent the value of a security will be valued at their fair market value as determined in good faith in accordance with procedures approved by the Trust's Board of Trustees and the Company's Board of Directors.

Fair valuation of securities introduces an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, the Investment Adviser compares the new market quotation to the fair value price to evaluate the effectiveness of the Portfolios' fair valuation procedures.

*Trading in Foreign Securities*

Trading in foreign securities may be completed at times when the Exchange is closed. In computing the NAV per share of each Fund and each corresponding Portfolio, the value of a foreign security is determined as of the close of trading on the foreign exchange on which it is principally traded or as of the scheduled close of trading on the Exchange, whichever is earlier, at the closing sales prices provided by approved pricing services or other alternate sources. In the absence of sales, the last available mean price between the closing bid and asked prices will be used. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Trust's Board of Trustees and the Company's Board of Directors. Values of foreign securities are translated from the local currency into U.S. dollars on the basis of the foreign currency exchange rates, as provided by an independent pricing service or reporting agency, generally prior to the close of the Exchange. Occasionally, events affecting the value of foreign securities and such exchange rates occur between the time at which they are determined and the close of the Exchange, which events would not be reflected in the computation of a Portfolio's NAV. If events materially affecting the value of such securities or currency exchange rates occur during such time period, the securities will be valued at their fair value as determined in good faith by or under the direction of the Trust's Board of Trustees and the Company's Board of Directors, as applicable.

## How to Purchase Shares

### *In General*

Shares of each Fund are sold at NAV, subject to the applicable sales charge, and will be credited to a shareholder's account at the NAV per share next computed after an order and payment is received. The minimum initial investment for both regular accounts and individual retirement accounts is $2,500 ($2,000 for Coverdell Education Savings Accounts). There is no minimum on subsequent investments for all accounts types. The Company reserves the right to vary or waive any minimum investment requirement. Each Fund reserves the right to reject any purchase order if, in its opinion, it is in a Fund's best interest to do so. A service fee of $25 will be deducted from a shareholder's Fund account for any purchases that do not clear. Your order will not be accepted until a completed New Account Application is received by the Funds or their transfer agent, U.S. Bancorp Fund Services, LLC (in such capacity, the "Transfer Agent").

### *Investing by Telephone*

If you have completed the Telephone and Internet Options — Purchase (EFT) section of the Advisor Class New Account Application (the "Application"), you may purchase additional shares by telephoning a Fund toll free at 1-800-930-3828. This option allows investors to move money from their bank account to their Fund account upon request. Only bank accounts held at domestic institutions that are Automated Clearing House ("ACH") members may be used for telephone transactions. Your purchase will take place at the NAV per share plus any applicable sales charge determined on the day your order is placed, provided that your order is received prior to 4:00 p.m. Eastern Time.

During periods of high market activity, you may encounter higher than usual wait times. Please allow sufficient time to ensure that you will be able to complete your telephone transaction prior to market close. Once a telephone transaction has been placed, it cannot be canceled or modified.

There is no minimum on telephone purchases. You may not make your initial purchase of a Fund's shares by telephone.

*Automatic Investment Plan*

Once an account has been established, you may purchase shares of a Fund through an Automatic Investment Plan ("AIP"). You can have money automatically transferred from your checking, savings or bank money market account on a monthly basis. There is no minimum purchase amount in order to participate in the AIP.

To be eligible for the AIP, your bank must be a domestic institution that is an ACH member. If your bank rejects your payment, the Transfer Agent will charge a $25 fee to your account. To begin participating in the AIP, please complete the AIP section on the Application or call the Transfer Agent at 1-800-930-3828. The first AIP purchase will take place no earlier than 15 days after the Transfer Agent has received your request. Any request to change or terminate your AIP should be submitted to the Transfer Agent 5 days prior to the desired effective date of such change or termination. The Funds may modify or terminate the AIP at any time.

*Purchase By Mail*

To purchase a Fund's shares by mail, simply complete and sign the Application and mail it, along with a check made payable to [NAME OF FUND], c/o Kinetics Mutual Funds, Inc., to:

| **Regular Mail** | **Overnight or Express Mail** |
|---|---|
| *Kinetics Mutual Funds, Inc.* | *Kinetics Mutual Funds, Inc.* |
| *[NAME OF FUND]* | *[NAME OF FUND]* |
| c/o U.S. Bancorp Fund Services, LLC | c/o U.S. Bancorp Fund Services, LLC |
| P.O. Box 701 | 615 East Michigan Street, 3rd Floor |
| Milwaukee, WI 53201-0701 | Milwaukee, WI 53202 |

All purchases by check must be in U.S. dollars drawn on a bank located within the United States. The Funds will not accept payment in cash or money orders. The Funds also do not accept cashier's checks in amounts of less than $10,000. To prevent check fraud, the Funds will not accept third party checks, Treasury checks, credit card checks, traveler's checks or starter checks for the purchase of shares. The Funds are unable to accept post-dated checks, post-dated on-line bill pay checks, or any conditional order or payment.

*Purchase By Wire*

To open an account by wire, a completed Application is required before your wire can be accepted. You can mail or overnight deliver your Application to the Transfer Agent at the above address. Upon receipt of your completed Application, an account will be established for you. You will need to provide the assigned account number to your bank when instructing it to wire the funds. Your bank must include along with the wire the name of the Fund, the account number and your name so that monies can be correctly applied. To ensure proper application of wired funds, please call 1-800-930-3828 to notify the applicable Fund that the wire is coming. The Fund is not responsible for delays resulting from the banking or Federal Reserve wire system. Please use the following wiring instructions:

| | |
|---|---|
| Wire to: | U.S. Bank, N.A. |
| ◗ ABA Number: | 075000022 |
| ◗ Credit: | U.S. Bancorp Fund Services, LLC |
| ◗ Account: | 112-952-137 |
| ◗ Further Credit: | Kinetics Mutual Funds, Inc.<br>*[NAME OF FUND]*<br>(Shareholder Name/Account Registration)<br>(Shareholder Account Number) |

### *Subsequent Investments*

You may add to your account at any time by purchasing shares by mail, by telephone, or by wire. You may also purchase additional shares on-line if you have established an on-line account. To purchase by mail, submit your check with the remittance form attached to your individual account statement. To purchase by telephone, call 1-800-930-3828 prior to 4:00 p.m. Eastern Time to place your order. To ensure proper application of wired funds, please call 1-800-930-3828 to notify the Fund that the wire is coming. All purchase requests must include your shareholder account number.

### *Individual Retirement Accounts*

You may invest in any Fund by establishing a tax-sheltered IRA. Each Fund offers Traditional IRA, Roth IRA, SEP IRA, SIMPLE IRA, and Coverdell Education Savings Accounts. For additional information on IRA options, please call 1-800-930-3828.

### *Investing Through Brokers or Agents*

You may invest in each Fund through brokers or agents who have entered into selling agreements with the Funds' distributor. The broker or agent may set their own initial and subsequent investment minimums. You may be charged a fee if you use a broker or agent to buy or redeem shares of a Fund.

## How to Redeem Shares

### *In General*

You may redeem part or all of your shares of a Fund on any business day that the Fund calculates its NAV per share. To redeem shares, you must contact the Fund in which you are invested either by mail or by phone to place a redemption order. Redemption requests may also be placed on-line if you have established an on-line account. You should request your redemption prior to market close to obtain that day's closing NAV. Redemption requests received after the close of the Exchange will be treated as though received on the next business day.

Each Fund will generally send redemption proceeds the next business day and, in any event, no later than seven days after the receipt of a redemption request in "good order" (see below). Please note, however, that when a purchase order has been made by check, a Fund will not be able to send your redemption proceeds until the purchase check has cleared. This may take up to 12 days.

Redemption proceeds may be sent to the address of record, wired to a shareholder's bank account of record, or sent via electronic funds transfer through the ACH network to the shareholder's bank account of record. Wires are subject to a $15 fee paid by the investor, but the investor does not incur any charge when proceeds are sent via the ACH system. If the redemption proceeds are requested to be sent to an address other than the address of record, or if the address of record has been changed within 15 days of the redemption request, the request must be in writing with your signature guaranteed. Signature guarantees can be obtained from banks and securities dealers, *but not from a notary public*. The Funds will not be responsible for interest lost on redemption amounts due to lost or misdirected mail.

A signature guarantee or signature validation of each owner is required in the following situations:

- If ownership has changed on your account;
- When redemption proceeds are payable or sent to any person, address or bank account not on record;
- Written requests to wire redemption proceeds (if not previously authorized on the account);
- When establishing or modifying certain services on an account; and
- If a change of address request was received by the Transfer Agent within the last 15 days.

In addition to the situations described above, the Fund(s) and/or the Transfer Agent reserve the right at their discretion to require a signature guarantee or signature validation in other circumstances.

*Written Redemption*

You can execute most redemptions by furnishing an unconditional written request to a Fund in which you are invested to redeem your shares at the current NAV per share. Redemption requests in writing should be sent to the Transfer Agent at:

| **Regular Mail** | **Overnight or Express Mail** |
|---|---|
| *Kinetics Mutual Funds, Inc.* | *Kinetics Mutual Funds, Inc.* |
| *[NAME OF FUND]* | *[NAME OF FUND]* |
| c/o U.S. Bancorp Fund Services, LLC | c/o U.S. Bancorp Fund Services, LLC |
| P.O. Box 701 | 615 East Michigan Street, 3rd Floor |
| Milwaukee, WI 53201-0701 | Milwaukee, WI 53202 |

Requests for redemption in "good order" must:

- indicate the name of the Fund;
- be signed exactly as the shares are registered, including the signature of each owner (including a signature guarantee when required);

- specify the number of shares or dollar amount to be redeemed; and
- indicate your account registration number.

*Telephone Redemption*

If you are authorized to perform telephone transactions (either through your Application or by subsequent arrangement in writing with a Fund) you may redeem shares in any amount by instructing the Fund in which you are invested by phone at 1-800-930-3828. A signature guarantee or signature validation may be required of all shareholders in order to add or change telephone redemption privileges on an existing account.

Note: Neither the Funds nor any of their service providers will be liable for any loss or expense in acting upon instructions that are reasonably believed to be genuine. To confirm that all telephone instructions are genuine, each Fund will use reasonable procedures, such as requesting:

- your Fund account number;
- the name in which your account is registered;
- the social security or tax identification number under which the account is registered; and
- the address of the account holder, as stated in the Application.

During periods of high market activity, you may encounter higher than usual wait times. Please allow sufficient time to ensure that you will be able to complete your telephone transaction prior to market close. If you are unable to contact the Funds by telephone, you may make your redemption request in writing. Once a telephone transaction has been placed, it cannot be canceled or modified.

*Wire Redemption*

*Wire transfers may be arranged to redeem shares.* However, the Transfer Agent charges a $15 fee per wire redemption against your account for this service. There is no minimum on wire redemptions.

*Systematic Withdrawal Plan*

If you own shares with a value of $10,000 or more, you may participate in the Systematic Withdrawal Plan. The Systematic Withdrawal Plan allows you to make automatic withdrawals from your account at regular intervals (monthly, quarterly or annually). Proceeds can be mailed via check to the address of record, or sent via electronic funds transfer through the ACH system to your bank account if your bank is an ACH system member. If the date you select to have the withdrawal made is a weekend or holiday, the redemption will be made on the next business day. Money will be transferred from your Fund account to the account you chose at the interval you select on the Application. If you expect to purchase additional shares of a Fund, it may not be to your advantage to participate in the Systematic Withdrawal Plan because of the possible adverse tax consequences of making contemporaneous purchases and redemptions. There is no minimum on systematic withdrawals.

*The Funds' Right to Redeem an Account*

Each Fund reserves the right to redeem the shares of any shareholder, other than a shareholder who is an active participant in the AIP, whose account balance is less than $1,000, other than as a result of a decline in the NAV of a Fund. Each Fund will provide shareholders with written notice 30 days prior to redeeming the shareholder's account.

*IRA Redemption*

If you are an IRA shareholder, you must indicate on your redemption request whether or not to withhold federal income tax. Requests that do not indicate a preference will be subject to withholding.

*Householding*

By signing the Application, you acknowledge and consent to the householding (*i.e.*, consolidation of mailings) of regulatory documents such as prospectuses, shareholder reports, proxies, and other similar documents. In an effort to decrease costs, the Funds will reduce the number of duplicate prospectuses and annual and semi-annual reports you receive by sending only one copy of each to those addresses shared by two or more accounts. Call toll-free at 1-800-930-3828 to request individual copies of these documents. The Funds will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

*Shareholder Inactivity*

Under certain circumstances, if no activity occurs in an account within a time period specified by state law, your shares in a Fund may be transferred to that state.

*Redemption Fees*

The Funds are designed for long-term investors willing to accept the risks associated with a long-term investment. In accordance with policies and procedures adopted by the Board of Directors of the Company, frequent purchases and redemptions of Fund shares are not encouraged but are generally permitted by the Funds. Such purchases and redemptions may have an adverse effect on other Fund shareholders, including, without limitation, the possibility of disrupting portfolio management strategies, increasing brokerage and administrative costs, harming Fund performance and possible dilution of the value of Fund shares held by long-term shareholders. The Company may, in its sole discretion, reject purchase orders when, in the judgment of management, such rejection is in the best interest of a Fund and its shareholders. Advisor Class A and Advisor Class C shares of the Funds assess a 2.00% fee on the redemption or exchange of Fund shares held for 30 days or less from the date of purchase. These fees are paid to the Funds to help offset any potential transaction costs.

The Funds will use the first-in, first-out method to determine the 30 day holding period. Under this method, the date of the redemption or exchange will be compared to the earliest purchase date of shares held in the account. If this holding period is 30 days or less, the redemption fee will be assessed.

The redemption fee will not apply to any shares purchased through reinvested distributions (dividends and capital gains), or to redemptions made under the Funds' systematic programs, as these transactions are typically de minimis. This fee will also not be assessed to the participants in employer-sponsored retirement plans that are held at the Funds in an omnibus account (such as 401(k), 403(b), 457, Keogh, Profit Sharing Plans, and Money Purchase Pension Plans) or to accounts held under trust agreements at a trust institution held at the Funds in an omnibus account. The redemption fee will also not be assessed to accounts of the Investment Adviser or its affiliates used to capitalize the Funds as such accounts will be used specifically to control the volatility of shareholder subscriptions and redemptions to avoid adverse effects to the Funds. In addition, the Funds are authorized to waive redemption fees for redemptions effected pursuant to asset allocation programs, wrap fee programs and other investment programs offered by financial institutions. Although frequent purchases and redemptions of Fund shares are generally permitted, the Funds only intend to waive redemption fees for redemptions the Funds reasonably believe do not raise frequent trading or market timing concerns.

The Funds reserve the right to modify or eliminate the redemption fees or waivers at any time and will give shareholders 60 days' prior written notice of any material changes, unless otherwise provided by law. The redemption fee policy may be modified or amended in the future to reflect, among other factors, regulatory requirements mandated by the SEC.

Currently, the Funds are limited in their ability to assess or collect the redemption fee on all shares redeemed by financial intermediaries on behalf of their customers. For example, where a financial intermediary is not able to determine if the redemption fee applies and/or is not able to assess or collect the fee, or does not collect the fee at the time of redemption, a Fund will not receive the redemption fee. If Fund shares are redeemed by a financial intermediary at the direction of its customers, the Fund may not know whether a redemption fee is applicable or the identity of the customer who should be assessed the redemption fee. Due to operational differences, a financial intermediary's methods for tracking and calculating the redemption fee may differ in some respects from that of the Fund. If necessary, the Funds may prohibit additional purchases of Fund shares by a financial intermediary or by certain of the intermediaries' customers.

### *Notice of Customer Verification*

In compliance with the USA PATRIOT Act of 2001, please note that the Transfer Agent will verify certain information on your Application as part of the Funds' Anti-Money Laundering Program. As requested on the Application, you should supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. Please contact the Transfer Agent at 1-800-930-3828 if you need additional assistance when completing your Application.

If we do not have a reasonable belief as to the identity of a shareholder, the account will be rejected or you will not be allowed to perform a transaction on the account until such information is received. The Funds also reserve the right to close the account within 5 business days if clarifying information/documentation is not received.

## Exchange Privilege

If you have completed the Telephone and Internet Options-Exchange section of the Application, you can exchange your shares in any Fund for shares of the same class of any other Fund offered by the Company, (*e.g.,* Advisor Class A shares for Advisor Class A shares). If the exchange is requested via telephone, a $5 per exchange transaction cost will be assessed. You should carefully read the Prospectus of a Fund before exchanging shares into that Fund. Be advised that exercising the exchange privilege consists of two transactions: a sale of shares in one Fund and the purchase of shares in another Fund. Therefore, an exchange of Fund shares held for 30 days or less may be subject to a 2.00% redemption fee. See ''Redemption Fees'' above. Further, exchanges may have certain tax consequences and you could realize short- or long-term capital gains or losses. Exchanges are generally made only between identically registered accounts unless you send written instructions with a signature guarantee requesting otherwise. You should request your exchange prior to market close to obtain that day's closing NAV. Exchange requests received after the close of the Exchange will be treated as though received on the next business day. In all cases, shareholders will be required to pay a sales charge only once.

Call 1-800-930-3828 to learn more about the other funds or classes offered by the Company and about exercising your exchange privilege.

## Distributions and Taxes

*Distributions*

Distributions (whether treated for tax purposes as ordinary income or long-term capital gains) to shareholders of each Fund are generally paid in additional shares of the same Class of the Fund in which shareholders are already invested, with no sales charge, based on the NAV per share of that Class as of the close of business on the record date for such distributions. However, you may elect on the Application to receive distributions as follows:

Option 1: To receive income dividends and capital gain distributions in additional Fund shares, or

Option 2: To receive all income dividends and capital gain distributions in cash.

Each Fund intends to pay any dividends from investment company taxable income and distributions representing capital gain at least annually, usually in December. Each Fund will advise each shareholder annually of the amounts of dividends from investment company taxable income and of net capital gain distributions reinvested or paid in cash to the shareholder during the calendar year.

If you select Option 2 and the U.S. Postal Service cannot deliver your distribution checks, or if your distribution checks remain uncashed for six months, your distribution checks will be reinvested in your account at the then current NAV of the appropriate Fund and your election will be converted to the purchase of additional shares.

*Taxes*



The following is a summary of certain United States tax considerations relevant under current law, which may be subject to change in the future. Except where otherwise indicated, the summary assumes you are a U.S. citizen or resident or otherwise subject to U.S. federal income tax. You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

*Fund Distributions*

Each Fund has qualified and intends to continue to qualify for federal tax purposes as a regulated investment company and to distribute substantially all of its investment company taxable income, including its net capital gain (the excess of net long-term capital gain over net short-term capital loss).

Except as otherwise noted below, you will generally be subject to federal income tax on Fund distributions to you regardless whether they are paid in cash or reinvested in additional shares. Fund distributions attributable to short-term capital gains and net investment income will generally be taxable to you as ordinary income, except as discussed below. It is anticipated that most of the Multi-Disciplinary Fund's distributions will be taxable as ordinary income.

Distributions attributable to the net capital gain of a Fund generally are taxable to you as long-term capital gain, regardless of how long you have held your shares. The maximum long-term capital gain rate applicable to individuals, estates and trusts is currently 15%.

Distributions of "qualifying dividends" will also generally be taxable to you at long-term capital gain rates, as long as certain requirements are met. In general, if 95% or more of the gross income of a Fund (other than net capital gain) consists of dividends received from domestic corporations or "qualified" foreign corporations ("qualifying dividends"), then all distributions paid by the Fund to individual shareholders will be taxed at long-term capital gains rates. But if less than 95% of the gross income of a Fund (other than net capital gain) consists of qualifying dividends, then distributions paid by the Fund to individual shareholders will be qualifying dividends only to the extent they are derived from qualifying dividends earned by the Fund. For the lower rates to apply, you must have owned your Fund shares for at least 61 days during the 121-day period beginning on the date that is 60 days before the Fund's ex-dividend date (and the Fund will need to have met a similar holding period requirement with respect to the shares of the corporation paying the qualifying dividend). The amount of a Fund's distributions that qualify for this favorable treatment may be reduced as a result of the Fund's securities lending activities (if any), a high portfolio turnover rate or investments in debt securities or "non-qualified" foreign corporations.

Distributions from each Fund will generally be taxable to you in the taxable year in which they are paid, with one exception. Distributions declared by a Fund in October, November or December and paid in January of the following year are taxed as though they were paid on December 31.

A portion of distributions attributable to investments in U.S. corporations paid by a Fund to shareholders who are corporations may also qualify for the dividends-received deduction for corporations, subject to certain holding period requirements and debt financing limitations. The amount of such dividends qualifying for this deduction may, however, be reduced as a result of a Fund's securities lending activities, by a high portfolio turnover rate or by investments in debt securities or foreign corporations. You will be notified annually of the tax status of distributions to you.

The Funds may be subject to foreign withholding or other foreign taxes on income or gain from certain foreign securities. If more than 50% of the value of the total assets of a Fund consists of stocks and securities (including debt securities) of foreign corporations at the close of a taxable year, a Fund may elect, for federal income tax purposes, to treat certain foreign taxes paid by it, including generally any withholding and other foreign income taxes, as paid by its shareholders. If a Fund makes this election, the amount of those foreign taxes paid by a Fund will be included in its shareholders' income pro rata (in addition to taxable distributions actually received by them), and each such shareholder will be entitled either (1) to credit that proportionate amount of taxes against U.S. federal income tax liability as a foreign tax credit or (2) to take that amount as an itemized deduction. If a Fund is not eligible or chooses not to make this election a Fund will be entitled to deduct any such foreign taxes in computing the amounts it is required to distribute.

You should note that if you purchase shares just before a distribution, the purchase price will reflect the amount of the upcoming distribution, but you will be taxed on the entire amount of the distribution received, even though, as an economic matter, the distribution simply constitutes a return of capital. This adverse tax result is known as "buying into a dividend."

*Sales and Exchanges*

You will generally recognize taxable gain or loss for federal income tax purposes on a sale, exchange or redemption of your shares in a Fund, including an exchange of shares pursuant to a Fund's exchange privilege, based on the difference between your tax basis in the shares and the amount you receive for them. Generally, you will recognize long-term capital gain or loss if you have held your Fund shares for over twelve months at the time you dispose of them. (To aid in computing your tax basis, you generally should retain your account statements for the periods during which you held shares.)

Any loss realized on shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends that were received on the shares. Additionally, any loss realized on a disposition of shares of a Fund may be disallowed under "wash sale" rules to the extent the shares disposed of are replaced with other shares of the same Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of the Fund. If disallowed, the loss will be reflected in an upward adjustment to the basis of the shares acquired.

*IRAs and Other Tax-Qualified Plans*

One major exception to the preceding tax principles is that distributions on, and sales, exchanges and redemptions of, shares held in an IRA (or other tax-qualified plan) will not be currently taxable.

*Backup Withholding*

On the Application, you will be asked to certify that your social security number or taxpayer identification number is correct and that you are not subject to backup withholding for failing to report income to the IRS. If you are subject to backup withholding or you did not certify your taxpayer identification number, or have failed to certify that you are an "exempt recipient," the IRS requires each Fund to withhold a percentage of any dividend and redemption or exchange proceeds. Each Fund reserves the right to reject any application that does not include a certified social security or taxpayer identification number. The current withholding rate is 28%.

*U.S. Tax Treatment of Foreign Shareholders*

Generally, nonresident aliens, foreign corporations and other foreign investors are subject to 30% withholding tax on dividends paid by a U.S. corporation, although the rate may be reduced for an investor that is a qualified resident of a foreign country with an applicable tax treaty with the United States (provided that the shareholder furnishes the Fund with a properly completed Form W-8BEN to establish entitlement for these treaty benefits). In the case of regulated investment companies such as the Funds, however, certain categories of dividends are exempt from the 30% withholding tax. These generally include dividends attributable to the Funds' net capital gains (the excess of net long-term capital gains over net short-term capital loss) and, for taxable years of the Funds beginning before January 1, 2012, dividends attributable to the Funds' interest income from U.S. obligors and dividends attributable to net short-term capital gains of the Funds.

In contrast, if a foreign investor conducts a trade or business in the United States and the investment in a Fund is effectively connected with that trade or business, or a foreign individual investor is present in the United States for 183 days or more in a calendar year, then the foreign investor's income from the Fund will generally be subject to U.S. federal income tax at graduated rates in a manner similar to the income of a U.S. citizen or resident.

All foreign investors should consult their own tax advisors regarding the tax consequences in their country of residence of an investment in a Fund.

*State and Local Taxes*

You may also be subject to state and local taxes on distributions and redemptions. State income taxes may not apply, however, to any portions of a Fund's distributions, if any, that are attributable to interest on U.S. government securities or interest on securities of the particular state or localities within the state. You should consult your tax adviser regarding the tax status of distributions in your state and locality.

*Future of Tax Treatment*

Some of the tax provisions described above are subject to sunset provisions. Specifically, a sunset provision provides that in 2013 the 15% maximum long-term capital gain rate will increase to 20%, and that the taxation of qualifying dividends at the long-term capital gain rate will cease.

More tax information relating to the Funds is provided in the SAI.

## Distribution of Shares

*Rule 12b-1 Plans*

Each Fund has adopted separate Retail Distribution Plans pursuant to Rule 12b-1 under the 1940 Act, which allows each Fund to pay distribution fees for the sale and distribution of its Advisor Class A shares and Advisor Class C shares, respectively. Under the Plan for Advisor Class A shares, the Fund may pay as compensation up to an annual rate of 0.50% of the average daily NAV of Advisor Class A shares to the distributor or other qualified recipients under the Plan. Under the Plan for Advisor Class C shares, the Fund may pay as compensation up to an annual rate of 0.75% of the average daily NAV of Advisor Class C shares to the distributor. As these fees are paid out of the Fund's assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

*Distributor*

Kinetics Funds Distributor, LLC ("KFD"), an affiliate of the Investment Adviser, 555 Taxter Road, Suite 175, Elmsford, New York, 10523 is the distributor for the shares of the Funds. KFD is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. Shares of each Fund are offered on a continuous basis.

*Shareholder Servicing Agents*

The Investment Adviser is responsible for paying various shareholder servicing agents for performing shareholder servicing functions and maintaining shareholder accounts. These agents have written shareholder servicing agreements with the Investment Adviser and perform these functions on behalf of their clients who own shares of the Funds. For this service, the Investment Adviser receives an annual shareholder servicing fee from each Class equal to 0.25% of each Fund's average daily net assets attributable to that Class.

*Arrangements with Certain Financial Institutions*

The Investment Adviser and/or its affiliates may make payments to selected affiliated or unaffiliated broker-dealers and other financial institutions ("Financial Institutions") from time to time in connection with the sale, distribution, retention and/or servicing of shares of the Funds and other funds managed by the Investment Adviser or its affiliates. These payments are made out of the Investment Adviser's, and/or its affiliates', own assets and are not an additional charge to the Funds. The payments are in addition to the shareholder servicing fees described in this Prospectus. The amount of such payments may be significant in amount and the prospect of receiving any such payments may provide Financial Institutions or their employees with an incentive to favor sales of shares of the Funds over other investment options. You should contact your Financial Institution for more information about the payments it may receive and potential conflicts of interest.

*Fund Administrator*

U.S. Bancorp Fund Services, LLC ("USBFS") serves as administrator to each Fund and each Portfolio.

*Custodian, Transfer Agent, Dividend Disbursing Agent and Fund Accountant*

U.S. Bank N.A. serves as Custodian for each Fund's cash and securities. The Custodian does not assist in, and is not responsible for, investment decisions involving assets of the Funds. USBFS acts as each Fund's Transfer Agent, Dividend Disbursing Agent and Fund Accountant.

## Description of Advisor Classes

This Prospectus offers two Classes of shares of the Funds — Advisor Class A shares and Advisor Class C shares.

Each Fund also offers a No Load Class of shares through a separate prospectus. The No Load Class of shares may be purchased without the imposition of any sales charges or Rule 12b-1 fees. Each Fund has also registered an Institutional Class of Shares which is currently being offered under a separate prospectus by the Paradigm Fund, the Small Cap Fund, the Market Opportunities Fund, the Water Infrastructure Fund and the Multi-Disciplinary Fund. The Funds' Advisor Classes of shares are sold through broker-dealers and other financial intermediaries that provide investment services to the Funds' shareholders. You should always discuss with your broker-dealer or financial advisor the suitability of your investment.

*Advisor Class A Shares*

Advisor Class A shares are retail shares that may be purchased by individuals or IRAs. With Advisor Class A shares, you will pay a sales charge when you invest unless you qualify for a reduction or waiver of the sales charge. Advisor Class A shares may impose a Rule 12b-1 fee of up to 0.50% (currently limited to 0.25%) of average daily net assets which is assessed against the Advisor Class A shares of each Fund.

If you purchase Advisor Class A shares of a Fund you will pay the NAV per share next determined after your order is received plus a sales charge (shown in percentages below) depending on the amount of your investment. The sales charge is calculated as follows:

| Amount of Transaction | | Sales Charge as a % of | Sales Charge as a % of | Dealers Reallowance as a % of |
|---|---|---|---|---|
| At Least | But Less than | Offering Price | Net Asset Value | Offering Price |
| $0 | $50,000 | 5.75% | 6.10% | 5.25% |
| $50,000 | $100,000 | 4.75% | 4.99% | 4.25% |
| $100,000 | $250,000 | 3.75% | 3.90% | 3.25% |
| $250,000 | $500,000 | 2.75% | 2.83% | 2.25% |
| $500,000 | $1,000,000 | 2.25% | 2.30% | 1.75% |
| $1,000,000 | and above | 0.75% | 0.76% | 0.65% |

The Offering Price includes the sales charge paid at the time of investment.

*Waivers — Advisor Class A Shares*

You will not have to pay a sales charge on purchases of Advisor Class A shares if:

- You are an employee of a broker-dealer or agent that has a selling agreement with the distributor;

- You buy Advisor Class A shares under a wrap program or other all inclusive fee program offered by your broker-dealer or agent; or
- The sales charge is voluntarily waived under certain circumstances by your broker-dealer or agent at their discretion.

Please consult your broker-dealer or agent to determine whether you may be eligible for these waivers.

*Reducing Your Sales Charge — Advisor Class A Shares*

You can reduce the sales charge on purchases of Advisor Class A shares by:

- purchasing larger quantities of shares or putting a number of purchases together to obtain the quantity discounts indicated above;
- signing a letter of intent that you intend to purchase more than $50,000 worth of shares over the next 13 months (see "Letter of Intent — Advisor Class A Shares" below);
- using the reinvestment privilege which allows you to redeem shares and then immediately reinvest them without a sales charge within 60 days;
- combining concurrent purchases of Advisor Class A shares from different Funds to obtain the quantity discounts indicated above; and
- through rights of accumulation as discussed below.

Please note that certain broker-dealers may reduce your sales charges under certain circumstances. Consult your broker-dealer.

*Rights of Accumulation — Advisor Class A Shares*

You may combine your new purchase of Advisor Class A shares with other Advisor Class A shares currently owned by you, your spouse, and/or your children under age 21 for the purpose of qualifying for the lower initial sales charge rates that apply to larger purchases. The applicable sales charge for the new purchase is based on the total of your current purchase and the current NAV of all other shares you, your spouse and/or your children under age 21 own. You will need to notify the Fund or your financial intermediary at the time of purchase of any other accounts that exist.

*Letter of Intent — Advisor Class A Shares*

By signing a Letter of Intent ("LOI") you can reduce your Advisor Class A sales charge. Your individual purchases will be made at the applicable sales charge based on the amount you intend to invest over a 13-month period. The LOI will apply to all purchases of Advisor Class A shares. Any shares purchased within 90 days of the date you sign the letter of intent may be used as credit toward completion, but the reduced sales charge will only apply to new purchases made on or after that date. Purchases resulting from the reinvestment of dividends and capital gains do not apply toward fulfillment of the LOI. Shares equal to 5.75% of the amount of the LOI will be held in escrow during the 13-month period. If, at the end of that time the total amount of purchases made is less than the amount intended, you will be required to pay the difference between the reduced sales charge and the sales charge applicable to the individual purchases had the LOI not been in effect. This amount will be obtained from redemption of the escrow shares. Any remaining escrow shares will be released to you.

If you establish an LOI with the Funds you can aggregate your accounts as well as the accounts of your immediate family members under age 21. You will need to provide written instruction with respect to the other accounts whose purchases should be considered in fulfillment of the LOI. You will need to notify the Fund or your financial intermediary at the time of purchase of any other accounts that exist.

*Advisor Class C Shares*

Advisor Class C shares are retail shares and may be purchased by individuals or IRAs. Advisor Class C shares impose a Rule 12b-1 fee of 0.75% of average daily net assets.

If you purchase Advisor Class C shares of any of the Funds, you will pay the NAV per share next determined after your order is received. There is no initial sales charge on this Class at the time you purchase your shares.

Additional information regarding sales load breakpoints is available in the Funds' SAI. The Funds also provide information regarding the purchase of shares, sales charges and breakpoint eligibility free of charge on their website, www.kineticsfunds.com.

## Unique Characteristics of the Fund Structure

Unlike other mutual funds that directly acquire and manage their own portfolio securities, each Fund invests all of its investable assets in a Portfolio that is a series of a separately registered investment company. The Portfolio, in turn, invests in securities, using the strategies described in this Prospectus.

In addition to selling a beneficial interest to a Fund or Funds, a Portfolio could also sell beneficial interests to other mutual funds or institutional investors. Such investors would invest in such Portfolio on the same terms and conditions and would pay a proportionate share of such Portfolio's expenses. However, other investors in a Portfolio are not required to sell their shares at the same public offering price as a Fund, and might bear different levels of ongoing expenses than the Fund. Shareholders of the Funds should be aware that these differences would result in differences in returns experienced in the different funds that invest in a Portfolio. Such differences in return are also present in other mutual fund structures.

Smaller funds investing in a Portfolio could be materially affected by the actions of larger funds investing in the Portfolio. For example, if a large feeder fund were to withdraw from a Portfolio, the remaining funds might experience higher pro rata operating expenses, thereby producing lower returns. Additionally, the Portfolio could become less diverse, resulting in increased portfolio risk. However, that possibility also exists for traditionally structured funds that have large or institutional investors. Funds with a greater pro rata ownership in a Portfolio could have effective voting control of such Portfolio.

Certain changes in a Portfolio's objective, policies or restrictions might require the Company to withdraw the corresponding Fund's interest in such Portfolio. Any such withdrawal could result in a distribution in kind of portfolio securities (as opposed to a cash distribution from such Portfolio). A Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution in kind could result in a less diversified portfolio of investments or adversely affect the liquidity of a Fund.

The Company's Board of Directors retains its right to withdraw any Fund's investments from a Portfolio at any time if the Board of Directors determines that such withdrawal would be in the best interest of the Fund's shareholders. The Fund would then resume investing directly in individual securities of other issuers or invest in another Portfolio of the Trust.

The SAI contains more information about each Fund and Portfolio, the Master/Feeder Fund Structure and the types of securities in which each Portfolio may invest.

## Counsel and Independent Registered Public Accounting Firm

Legal matters in connection with the issuance of shares of common stock of each Fund are passed upon by Drinker Biddle & Reath LLP, One Logan Square, Suite 2000, Philadelphia, PA 19103-6996. Tait, Weller & Baker LLP, 1818 Market Street, Suite 2400, Philadelphia, PA 19103, is the independent registered public accounting firm for the Funds.

## Description of Indexes

The S&P 500® Index is an unmanaged index created by Standard & Poor's Corporation that is considered to represent U.S. stock market performance in general. The Index is not an investment product available for purchase and does not include any deduction for fees, expenses or taxes.

The NASDAQ Composite® Index is a broad-based capitalization-weighted index of all Nasdaq stocks. The Index does not include the reinvestment of dividends or deductions for fees, expenses or taxes.

The MSCI EAFE® Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of December 31, 2010, the MSCI EAFE® Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of December 31, 2010, the MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

S&P® Global Water Index S&P® Global Water Index is comprised of 50 of the largest publicly traded companies in water-related businesses that meet specific invest ability requirements. The index is designed to provide liquid exposure to the leading publicly listed companies in the global water industry, from both developed markets and emerging markets.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.

The CBOE S&P 500 PutWrite Index (PUT) is a benchmark index designed to represent a proposed hypothetical short put strategy on the S&P 500 Index.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

## Financial Highlights

The financial highlights tables set forth below are intended to help you understand each Fund's financial performance for the last five fiscal years (or the period since commencement of operations if the Fund has not been in operation for five years). Most of the information reflects financial results with respect to a single Fund share. The total returns in the tables represent the rates that an investor would have earned (or lost) on an investment in the Funds (assuming reinvestment of all dividends and distributions). As of March 14, 2008, the Global Fund (formerly the Internet Emerging Growth Fund) changed to the investment strategy set forth in this Prospectus. The performance shown for periods prior to March 14, 2008 represents performance of the Global Portfolio's prior strategy to invest at least 80% of its net assets plus any borrowings for investment purposes in equity securities of small and medium capitalization U.S. and foreign companies engaged in the Internet and Internet-related activities. The financial information provided was audited by Tait, Weller & Baker LLP, whose report, along with the Funds' financial statements, are included in the Funds' annual report and incorporated by reference into the SAI, both of which are available upon request.

The financial highlights tables set forth below are for the Advisor Class A shares and Advisor Class C shares of the Internet Fund, Global Fund, Paradigm Fund, Medical Fund, Small Cap Fund, Market Opportunities Fund, Water Infrastructure Fund and Multi-Disciplinary Fund.

| | Advisor Class A Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **PER SHARE DATA**[1] | | | | | |
| Net Asset Value, Beginning of Year | $ 30.35 | $ 20.50 | $ 35.66 | $ 28.24 | $ 24.40 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss)[2] | (0.36) | (0.21) | 0.22 | 0.23 | (0.14) |
| Net realized and unrealized gain (loss) on investments | 6.70 | 10.09 | (15.33) | 7.49 | 4.09 |
| Total from investment operations | 6.34 | 9.88 | (15.11) | 7.72 | 3.95 |
| Redemption Fees | 0.00[3] | 0.01 | 0.00[3] | — | — |
| Less Distributions: | | | | | |
| From net investment income | — | (0.04) | (0.05) | (0.30) | (0.11) |
| From net realized gains | — | — | — | — | — |
| Total distributions | — | (0.04) | (0.05) | (0.30) | (0.11) |
| Net Asset Value, End of Year | $ 36.69 | $ 30.35 | $ 20.50 | $ 35.66 | $ 28.24 |
| Total Return[4] | 20.89% | 48.23% | (42.37)% | 27.35% | 16.18% |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $ 1,892 | $ 738 | $ 318 | $ 637 | $ 235 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.20% | 2.23% | 2.28% | 2.24% | 2.23% |
| After expense reimbursement | 2.14% | 2.14% | 2.15% | 2.23% | 2.10% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before expense reimbursement | (1.16)% | (0.89)% | 0.65% | 0.70% | (0.67)% |
| After expense reimbursement | (1.10)% | (0.80)% | 0.78% | 0.71% | (0.54)% |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

## The Internet Fund — Class C



| | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C Year Ended December 31, 2008 | Advisor Class C February 16, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**(1) | | | | |
| Net Asset Value, Beginning of Year | $ 29.76 | $ 20.20 | $ 35.31 | $ 28.66 |
| Income from Investment Operations: | | | | |
| Net investment income (loss)(2) | (0.51) | (0.31) | 0.08 | 0.07 |
| Net realized and unrealized gain (loss) on investments | 6.54 | 9.91 | (15.15) | 6.87 |
| Total from investment operations | 6.03 | 9.60 | (15.07) | 6.94 |
| Redemption Fees | — | — | — | 0.00(3) |
| Less Distributions: | | | | |
| From net investment income | — | (0.04) | (0.04) | (0.29) |
| From net realized gains | — | — | — | — |
| Total distributions | — | (0.04) | (0.04) | (0.29) |
| Net Asset Value, End of Year | $ 35.79 | $ 29.76 | $ 20.20 | $ 35.31 |
| Total Return | 20.26% | 47.51% | (42.67)% | 24.22%(4) |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of year (000's) | $ 196 | $ 120 | $ 113 | $ 294 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement | 2.70% | 2.73% | 2.78% | 2.73%(5) |
| After expense reimbursement | 2.64% | 2.64% | 2.65% | 2.72%(5) |
| Ratio of net investment income (loss) to average net assets: | | | | |
| Before expense reimbursement | (1.66)% | (1.39)% | 0.15% | 0.22%(5) |
| After expense reimbursement | (1.60)% | (1.30)% | 0.28% | 0.23%(5) |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income (loss) divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Not annualized.

(5) Annualized.

| | Advisor Class A Year Ended December 31, 2010 | Advisor Class A Year Ended December 31, 2009 | Advisor Class A May 19, 2008^ through December 31, 2008 | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C May 19, 2008^ through December 31, 2008 |
|---|---|---|---|---|---|---|
| **PER SHARE DATA**(1) | | | | | | |
| Net Asset Value, Beginning of Year | $ 3.93 | $ 2.36 | $ 4.56 | $ 3.90 | $ 2.37 | $ 4.56 |
| Income from Investment Operations: | | | | | | |
| Net investment income (loss) | 0.01(2) | 0.01(2) | 0.03(2) | (0.01)(2) | (0.00)(2)(3) | 0.02(2) |
| Net realized and unrealized gain (loss) on investments | 0.78 | 1.57 | (2.18) | 0.77 | 1.53 | (2.17) |
| Total from investment operations | 0.79 | 1.58 | (2.15) | 0.76 | 1.53 | (2.15) |
| Redemption Fees | (0.00)(3) | — | — | — | — | — |
| Less Distributions: | | | | | | |
| From net investment income | (0.04) | (0.01) | (0.05) | (0.02) | (0.00)(3) | (0.04) |
| From net realized gains | — | — | — | — | — | — |
| Total distributions | (0.04) | (0.01) | (0.05) | (0.02) | (0.00)(3) | (0.04) |
| Net Asset Value, End of Year | $ 4.68 | $ 3.93 | $ 2.36 | $ 4.64 | $ 3.90 | $ 2.37 |
| Total Return(4) | 20.04% | 67.11% | (47.12)%(5) | 19.24% | 65.08% | (47.14)%(5) |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | | |
| Net assets, end of Year (000's) | $ 707 | $ 368 | $ 106 | $ 64 | $ 36 | $ 5 |
| Ratio of operating expenses to average net assets: | | | | | | |
| Before expense reimbursement | 4.42% | 5.57% | 8.28%(6) | 4.92% | 6.07% | 8.78%(6) |
| After expense reimbursement | 1.64% | 1.64% | 1.65%(6) | 2.14% | 2.14% | 2.15%(6) |
| Ratio of net investment income to average net assets: | | | | | | |
| Before expense reimbursement | (2.51)% | (3.52)% | (5.16)%(6) | (3.01)% | (4.02)% | (5.66)%(6) |
| After expense reimbursement | 0.27% | 0.41% | 1.47%(6) | (0.23)% | (0.09)% | 0.97%(6) |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Not annualized.

(6) Annualized.

| | Advisor Class A Year Ended December 31, 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **PER SHARE DATA**[1] | | | | | |
| Net Asset Value, Beginning of Year | $ 19.88 | $ 14.16 | $ 30.52 | $ 25.43 | $ 20.08 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss)[2] | 0.06 | 0.10 | 0.06 | 0.04 | 0.08 |
| Net realized and unrealized gain (loss) on investments | 3.33 | 5.68 | (16.34)[5] | 5.27 | 5.43 |
| Total from investment operations | 3.39 | 5.78 | (16.28) | 5.31 | 5.51 |
| Redemption Fees | 0.00[3] | — | 0.00[3] | 0.00[3] | 0.00[3] |
| Less Distributions: | | | | | |
| From net investment income | (0.32) | (0.06) | — | (0.09) | (0.12) |
| From net realized gains | — | — | (0.08) | (0.13) | (0.04) |
| Total distributions | (0.32) | (0.06) | (0.08) | (0.22) | (0.16) |
| Net Asset Value, End of Year | $ 22.95 | $ 19.88 | $ 14.16 | $ 30.52 | $ 25.43 |
| Total Return[4] | 17.11% | 40.64% | (53.30)%[5] | 20.87% | 27.42% |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $226,264 | $252,106 | $ 249,424 | $544,046 | $183,031 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.01% | 1.98% | 1.97% | 1.93% | 2.04% |
| After expense reimbursement | 1.89% | 1.89% | 1.91% | 1.93% | 1.88% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before expense reimbursement | 0.18% | 0.53% | 0.21% | 0.14% | 0.19% |
| After expense reimbursement | 0.30% | 0.62% | 0.27% | 0.14% | 0.35% |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Includes Investment Adviser reimbursement from net realized losses on the disposal of investments in violation of restrictions on trading errors. This reimbursement comprises less than $0.005 of the NAVs for each class at the time of the reimbursement and 0.03% of the total return for the Institutional Class for the fiscal year ended December 31, 2008. There was no impact on the other classes including, Advisor Class A.

| | Advisor Class C Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **PER SHARE DATA**[1] | | | | | |
| Net Asset Value, Beginning of Year | $ 19.33 | $ 13.80 | $ 29.90 | $ 24.98 | $ 19.76 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss)[2] | (0.04) | 0.02 | (0.05) | (0.10) | (0.03) |
| Net realized and unrealized gain (loss) on investments | 3.22 | 5.51 | (15.97)[4] | 5.15 | 5.33 |
| Total from investment operations | 3.18 | 5.53 | (16.02) | 5.05 | 5.30 |
| Redemption Fees | 0.00[3] | 0.00[3] | 0.00[3] | 0.00[3] | 0.00[3] |
| Less Distributions: | | | | | |
| From net investment income | (0.26) | — | — | (0.00)[3] | (0.04) |
| From net realized gains | — | — | (0.08) | (0.13) | (0.04) |
| Total distributions | (0.26) | — | (0.08) | (0.13) | (0.08) |
| Net Asset Value, End of Year | $ 22.25 | $ 19.33 | $ 13.80 | $ 29.90 | $ 24.98 |
| Total Return | 16.45% | 39.97% | (53.54)%[4] | 20.20% | 26.82% |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $152,571 | $169,578 | $ 147,915 | $320,962 | $116,226 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.51% | 2.48% | 2.47% | 2.43% | 2.54% |
| After expense reimbursement | 2.39% | 2.39% | 2.41% | 2.43% | 2.38% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before expense reimbursement | (0.32)% | 0.03% | (0.29)% | (0.36)% | (0.31)% |
| After expense reimbursement | (0.20)% | 0.12% | (0.23)% | (0.36)% | (0.15)% |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Includes Investment Adviser reimbursement from net realized losses on the disposal of investments in violation of restrictions on trading errors. This reimbursement comprises less than $0.005 of the NAVs for each class at the time of the reimbursement and 0.03% of the total return for the Institutional Class for the fiscal year ended December 31, 2008. There was no impact on the other classes including, Advisor Class C.

| | Advisor Class A Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **PER SHARE DATA**[1] | | | | | |
| Net Asset Value, Beginning of Year | $ 18.36 | $ 14.90 | $ 19.39 | $ 17.47 | $ 16.34 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss)[2] | 0.05 | 0.15 | 0.13 | 0.05 | 0.01 |
| Net realized and unrealized gain (loss) on investments | 0.71 | 3.44 | (4.15) | 2.62 | 2.35 |
| Total from investment operations | 0.76 | 3.59 | (4.02) | 2.67 | 2.36 |
| Redemption Fees | 0.00[3] | 0.01 | 0.04 | 0.00[3] | — |
| Less Distributions: | | | | | |
| From net investment income | (0.06) | (0.12) | (0.13) | (0.06) | — |
| From net realized gains | — | (0.02) | (0.38) | (0.69) | (1.23) |
| Total distributions | (0.06) | (0.14) | (0.51) | (0.75) | (1.23) |
| Net Asset Value, End of Year | $ 19.06 | $ 18.36 | $ 14.90 | $ 19.39 | $ 17.47 |
| Total Return[4] | 4.13% | 24.17% | (20.49)% | 15.16% | 14.49% |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $ 4,207 | $ 4,347 | $ 2,941 | $ 1,427 | $ 711 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.25% | 2.40% | 2.51% | 2.66% | 2.53% |
| After expense reimbursement | 1.64% | 1.64% | 1.66% | 1.65% | 1.69% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before expense reimbursement | (0.31)% | 0.17% | (0.07)% | (0.76)% | (0.76)% |
| After expense reimbursement | 0.30% | 0.92% | 0.78% | 0.25% | 0.08% |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

| | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C Year Ended December 31, 2008 | Advisor Class C February 16, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**[1] | | | | |
| Net Asset Value, Beginning of Year | $ 18.27 | $ 14.83 | $ 19.34 | $ 18.29 |
| Income from Investment Operations: | | | | |
| Net investment income (loss)[2] | (0.04) | 0.07 | 0.05 | (0.04) |
| Net realized and unrealized gain (loss) on investments | 0.69 | 3.41 | (4.13) | 1.79 |
| Total from investment operations | 0.65 | 3.48 | (4.08) | 1.75 |
| Redemption Fees | — | 0.00[3] | 0.02 | 0.00[3] |
| Less Distributions: | | | | |
| From net investment income | (0.02) | (0.02) | (0.07) | (0.01) |
| From net realized gains | — | (0.02) | (0.38) | (0.69) |
| Total distributions | (0.02) | (0.04) | (0.45) | (0.70) |
| Net Asset Value, End of Year | $ 18.90 | $ 18.27 | $ 14.83 | $ 19.34 |
| Total Return | 3.55% | 23.50% | (20.97)% | 9.55%[4] |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of Year (000's) | $ 692 | $ 454 | $ 314 | $ 148 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement | 2.75% | 2.90% | 3.01% | 3.19%[5] |
| After expense reimbursement | 2.14% | 2.14% | 2.16% | 2.15%[5] |
| Ratio of net investment income (loss) to average net assets: | | | | |
| Before expense reimbursement | (0.81)% | (0.33)% | (0.57)% | (1.30)%[5] |
| After expense reimbursement | (0.20)% | 0.42% | 0.28% | (0.26)%[5] |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income (loss) divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Not annualized.

(5) Annualized.

| | Advisor Class A Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **PER SHARE DATA**(1) | | | | | |
| Net Asset Value, Beginning of Year | $ 20.53 | $ 13.01 | $ 31.63 | $ 26.71 | $ 20.89 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss)(2) | (0.09) | (0.08) | (0.01) | (0.07) | (0.03) |
| Net realized and unrealized gain (loss) on investments | 2.87 | 7.60 | (18.34)(5) | 5.25 | 5.88 |
| Total from investment operations | 2.78 | 7.52 | (18.35) | 5.18 | 5.85 |
| Redemption Fees | 0.00(3) | 0.00(3) | 0.00(3) | 0.00(3) | 0.00(3) |
| Less Distributions: | | | | | |
| From net investment income | (0.33) | — | — | (0.19) | (0.03) |
| From net realized gains | — | — | (0.27) | (0.07) | — |
| Total distributions | (0.33) | — | (0.27) | (0.26) | (0.03) |
| Net Asset Value, End of Year | $ 22.98 | $ 20.53 | $ 13.01 | $ 31.63 | $ 26.71 |
| Total Return(4) | 13.56% | 57.80% | (58.00)%(5) | 19.36% | 28.03% |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $ 11,509 | $ 14,244 | $ 12,090 | $ 36,390 | $ 12,144 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.11% | 2.11% | 2.04% | 1.96% | 2.08% |
| After expense reimbursement | 1.89% | 1.89% | 1.92% | 1.94% | 1.83% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before expense reimbursement | (0.67)% | (0.73)% | (0.16)% | (0.25)% | (0.39)% |
| After expense reimbursement | (0.45)% | (0.51)% | (0.04)% | (0.23)% | (0.14)% |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income (loss) per share represents net investment income (loss) divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Includes Investment Adviser reimbursement from net realized loss on the disposal of investments in violation of restrictions on trading errors. This reimbursement comprises less than $0.005 of the NAVs for each class at the time of the reimbursement and 0.03% of the total return for Advisor Class C for the fiscal year ended December 31, 2008. There was no impact on the other classes, including Advisor Class A.

| | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C Year Ended December 31, 2008 | Advisor Class C February 16, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**[1] | | | | |
| Net Asset Value, Beginning of Year | $ 20.28 | $ 12.92 | $ 31.57 | $ 28.70 |
| Income from Investment Operations: | | | | |
| Net investment loss[2] | (0.20) | (0.16) | (0.12) | (0.21) |
| Net realized and unrealized gain (loss) on investments | 2.84 | 7.52 | (18.26)[6] | 3.33 |
| Total from investment operations | 2.64 | 7.36 | (18.38) | 3.12 |
| Redemption Fees | — | 0.00[3] | 0.00[3] | 0.02 |
| Less Distributions: | | | | |
| From net investment income | (0.24) | — | — | (0.20) |
| From net realized gains | — | — | (0.27) | (0.07) |
| Total distributions | (0.24) | — | (0.27) | (0.27) |
| Net Asset Value, End of Year | $ 22.68 | $ 20.28 | $ 12.92 | $ 31.57 |
| Total Return | 13.00% | 56.97% | (58.20)%[6] | 10.94%[4] |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of Year (000's) | $ 3,450 | $ 4,445 | $ 2,871 | $ 4,942 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement | 2.61% | 2.61% | 2.54% | 2.47%[5] |
| After expense reimbursement | 2.39% | 2.39% | 2.42% | 2.45%[5] |
| Ratio of net investment loss to average net assets: | | | | |
| Before expense reimbursement | (1.17)% | (1.23)% | (0.66)% | (0.76)%[5] |
| After expense reimbursement | (0.95)% | (1.01)% | (0.54)% | (0.75)%[5] |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Not annualized.

(5) Annualized.

(6) Includes Investment Adviser reimbursement from net realized loss on the disposal of investments in violation of restrictions on trading errors. This reimbursement comprises less than $0.005 of the NAVs for each class at the time of the reimbursement and 0.03% of the total return for Advisor Class C for the fiscal year ended December 31, 2008. There was no impact on the other classes.

## The Market Opportunities Fund — Class A

| | Advisor Class A Year Ended December 31, 2010 | Advisor Class A Year Ended December 31, 2009 | Advisor Class A Year Ended December 31, 2008 | Advisor Class A Year Ended December 31, 2007 | Advisor Class A January 31, 2006^ through December 31, 2006 |
|---|---|---|---|---|---|
| **PER SHARE DATA**(1) | | | | | |
| Net Asset Value, Beginning of Year | $ 10.80 | $ 7.22 | $ 16.07 | $ 12.04 | $ 10.00 |
| Income from Investment Operations: | | | | | |
| Net investment income (loss) | 0.01(2) | (0.02)(2) | 0.08(2) | 0.00(2) | 0.02 |
| Net realized and unrealized gain (loss) on investments | 1.19 | 3.61 | (8.97) | 4.04 | 2.05 |
| Payment by adviser(7) | — | — | 0.06 | — | — |
| Total from investment operations | 1.20 | 3.59 | (8.83) | 4.04 | 2.07 |
| Redemption Fees | 0.00(3) | 0.00(3) | 0.00(3) | 0.00(3) | — |
| Less Distributions: | | | | | |
| From net investment income | (0.57) | (0.01) | (0.02) | (0.01) | (0.03) |
| From net realized gains | — | — | — | — | — |
| Total distributions | (0.57) | (0.01) | (0.02) | (0.01) | (0.03) |
| Net Asset Value, End of Year | $ 11.43 | $ 10.80 | $ 7.22 | $ 16.07 | $ 12.04 |
| Total Return(4) | 11.11% | 49.66% | (54.91)%(7) | 33.54% | 20.68%(5) |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | |
| Net assets, end of Year (000's) | $ 14,167 | $ 18,770 | $ 18,514 | $ 43,907 | $ 9,591 |
| Ratio of operating expenses to average net assets: | | | | | |
| Before expense reimbursement | 2.17% | 2.18% | 2.07% | 2.16% | 2.93%(6) |
| After expense reimbursement | 1.89% | 1.89% | 1.91% | 1.99% | 1.71%(6) |
| Ratio of net investment income to average net assets: | | | | | |
| Before expense reimbursement | (0.19)% | (0.50)% | 0.53% | (0.14)% | (1.01)%(6) |
| After expense reimbursement | 0.09% | (0.21)% | 0.69% | 0.03% | (0.21)%(6) |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Not annualized.

(6) Annualized.

(7) Includes Investment Adviser reimbursement from net realized loss on the disposal of investments in violation of restrictions on trading errors. This reimbursement contributed 0.38%, 0.37%, 0.38% and 0.44% to the returns of the No Load Class, the Advisor Class A, the Advisor Class C, and the Institutional Class, respectively, for the year ended December 31, 2008.

| | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C Year Ended December 31, 2008 | Advisor Class C February 16, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**[1] | | | | |
| Net Asset Value, Beginning of Year | $ 10.69 | $ 7.17 | $ 16.01 | $ 12.99 |
| Income from Investment Operations: | | | | |
| Net investment income (loss)[2] | (0.04) | (0.06) | 0.02 | (0.05) |
| Net realized and unrealized gain (loss) on investments | 1.17 | 3.59 | (8.91) | 3.07 |
| Payment by adviser[6] | — | — | 0.06 | — |
| Total from investment operations | 1.13 | 3.53 | (8.83) | 3.02 |
| Redemption Fees | 0.00[3] | 0.00[3] | 0.00[3] | 0.00[3] |
| Less Distributions: | | | | |
| From net investment income | (0.52) | (0.01) | (0.01) | — |
| From net realized gains | — | — | — | — |
| Total distributions | (0.52) | (0.01) | (0.01) | — |
| Net Asset Value, End of Year | $ 11.30 | $ 10.69 | $ 7.17 | $ 16.01 |
| Total Return | 10.54% | 49.17% | (55.13)%[6] | 23.25%[4] |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of Year (000's) | $ 5,569 | $ 6,055 | $ 771 | $ 8,790 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement | 2.67% | 2.68% | 2.57% | 2.66%[5] |
| After expense reimbursement | 2.39% | 2.39% | 2.41% | 2.49%[5] |
| Ratio of net investment income to average net assets: | | | | |
| Before expense reimbursement | (0.69)% | (1.00)% | 0.03% | (0.60)%[5] |
| After expense reimbursement | (0.41)% | (0.71)% | 0.19% | (0.43)%[5] |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Not annualized.

(5) Annualized.

(6) Includes Investment Adviser reimbursement from net realized loss on the disposal of investments in violation of restrictions on trading errors. This reimbursement contributed 0.38%, 0.37%, 0.38% and 0.44% to the returns of the No Load Class, the Advisor Class A, the Advisor Class C, and the Institutional Class, respectively, for the year ended December 31, 2008.

| | Advisor Class A Year Ended December 31, 2010 | Advisor Class A Year Ended December 31, 2009 | Advisor Class A Year Ended December 31, 2008 | Advisor Class A June 29, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**[(1)] | | | | |
| Net Asset Value, Beginning of Year | $ 8.82 | $ 7.59 | $ 10.17 | $ 10.00 |
| Income from Investment Operations: | | | | |
| Net investment income[(2)] | 0.05 | 0.02 | 0.07 | 0.05 |
| Net realized and unrealized gain (loss) on investments | (0.47) | 1.21 | (2.65) | 0.20 |
| Total from investment operations | (0.42) | 1.23 | (2.58) | 0.25 |
| Redemption Fees | 0.00[(3)] | 0.00[(3)] | 0.00[(3)] | 0.00[(3)] |
| Less Distributions: | | | | |
| From net investment income | (0.05) | — | — | (0.03) |
| From net realized gains | — | — | — | (0.05) |
| Total distributions | (0.05) | — | — | (0.08) |
| Net Asset Value, End of Year | $ 8.35 | $ 8.82 | $ 7.59 | $ 10.17 |
| Total Return[(4)] | (4.80)% | 16.21% | (25.37)% | 2.55%[(5)] |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of Year (000's) | $ 10,100 | $ 10,339 | $ 7,661 | $ 2,459 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement and waivers | 2.42% | 2.61% | 2.45% | 3.87%[(6)] |
| After expense reimbursement | 1.89% | 1.89% | 1.90% | 1.99%[(6)] |
| Ratio of net investment income to average net assets: | | | | |
| Before expense reimbursement | 0.08% | (0.51)% | 0.30% | (0.98)%[(6)] |
| After expense reimbursement | 0.61% | 0.21% | 0.85% | 0.90%[(6)] |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Not annualized.

(6) Annualized.

## The Water Infrastructure Fund — Class C

| | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C Year Ended December 31, 2008 | Advisor Class C June 29, 2007^ through December 31, 2007 |
|---|---|---|---|---|
| **PER SHARE DATA**(1) | | | | |
| Net Asset Value, Beginning of Year | $ 8.71 | $ 7.54 | $ 10.16 | $ 10.00 |
| Income from Investment Operations: | | | | |
| Net investment income (loss)(2) | 0.01 | (0.02) | 0.03 | 0.02 |
| Net realized and unrealized gain (loss) on investments | (0.46) | 1.19 | (2.65) | 0.21 |
| Total from investment operations | (0.45) | 1.17 | (2.62) | 0.23 |
| Redemption Fees | — | 0.00(3) | — | 0.00(3) |
| Less Distributions: | | | | |
| From net investment income | (0.01) | — | — | (0.02) |
| From net realized gains | — | — | — | (0.05) |
| Total distributions | (0.01) | — | — | (0.07) |
| Net Asset Value, End of Year | $ 8.25 | $ 8.71 | $ 7.54 | $ 10.16 |
| Total Return(4) | (5.15)% | 15.52% | (25.79)% | 2.33%(4) |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | |
| Net assets, end of Year (000's) | $ 2,840 | $ 2,700 | $ 1,571 | $ 1,201 |
| Ratio of operating expenses to average net assets: | | | | |
| Before expense reimbursement and waivers | 2.92% | 3.11% | 2.95% | 4.37%(5) |
| After expense reimbursement | 2.39% | 2.39% | 2.40% | 2.49%(5) |
| Ratio of net investment income to average net assets: | | | | |
| Before expense reimbursement | (0.42)% | (1.01)% | (0.20)% | (1.48)%(5) |
| After expense reimbursement | 0.11% | (0.29)% | 0.35% | 0.40%(5) |
| Portfolio turnover rate | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) Not annualized.

(5) Annualized.

## The Multi-Disciplinary Fund — Class A and Class C

| | Advisor Class A Year Ended December 31, 2010 | Advisor Class A Year Ended December 31, 2009 | Advisor Class A February 11, 2008^ through December 31, 2008 | Advisor Class C Year Ended December 31, 2010 | Advisor Class C Year Ended December 31, 2009 | Advisor Class C February 11, 2008^ through December 31, 2008 |
|---|---|---|---|---|---|---|
| **PER SHARE DATA**(1) | | | | | | |
| Net Asset Value, Beginning of Year | $ 9.85 | $ 8.20 | $ 10.00 | $ 9.80 | $ 8.17 | $ 10.00 |
| Income from Investment Operations: | | | | | | |
| Net investment income (loss)(2) | 0.33 | 0.06 | (0.01) | 0.27 | 0.02 | (0.05) |
| Net realized and unrealized gain (loss) on investments | 0.89 | 1.80 | (1.79) | 0.90 | 1.78 | (1.78) |
| Total from investment operations | 1.22 | 1.86 | (1.80) | 1.17 | 1.80 | (1.83) |
| Redemption Fees | — | — | — | — | — | — |
| Less Distributions: | | | | | | |
| From net investment income | (0.33) | (0.05) | (0.00)(3) | (0.27) | (0.01) | (0.00)(3) |
| From net realized gains | (0.30) | (0.16) | — | (0.30) | (0.16) | — |
| Total distributions | (0.63) | (0.21) | (0.00)(3) | (0.57) | (0.17) | (0.00)(3) |
| Net Asset Value, End of Year | $ 10.44 | $ 9.85 | $ 8.20 | $ 10.40 | $ 9.80 | $ 8.17 |
| Total Return(4) | 12.64% | 22.73% | (17.97)%(5) | 12.13% | 22.03% | (18.30)%(5) |
| **SUPPLEMENTAL DATA AND RATIOS** | | | | | | |
| Net assets, end of Year (000's) | $ 356 | $ 103 | $ 84 | $ 128 | $ 105 | $ 88 |
| Ratio of operating expenses to average net assets: | | | | | | |
| Before expense reimbursement | 6.36% | 13.36% | 17.83%(6) | 6.86% | 13.86% | $ 18.33%(6) |
| After expense reimbursement | 1.74% | 1.74% | 1.74%(6) | 2.24% | 2.24% | 2.24%(6) |
| Ratio of net investment income to average net assets: | | | | | | |
| Before expense reimbursement | (1.44)% | (10.94)% | (16.24)%(6) | (1.94)% | (11.44)% | (16.74)%(6) |
| After expense reimbursement | 3.18% | 0.68% | (0.15)%(6) | 2.68% | 0.18% | (0.65)%(6) |
| Portfolio turnover rate | N/A | N/A | N/A | N/A | N/A | N/A |

^ Commencement of operations.

(1) Information presented relates to a share of capital stock outstanding for each period.

(2) Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

(3) Amount calculated is less than $0.005.

(4) The total return calculation does not reflect the 5.75% front end sales charge on Advisor Class A shares.

(5) Not annualized.

(6) Annualized.

## Kinetics Mutual Funds, Inc.

The Internet Fund
The Global Fund
The Paradigm Fund
The Medical Fund
The Small Cap Opportunities Fund
The Market Opportunities Fund
The Water Infrastructure Fund
The Multi-Disciplinary Fund

| | |
|---|---|
| Investment Adviser and Shareholder Servicing Agent | *Kinetics Asset Management, LLC*<br>*555 Taxter Road, Suite 175*<br>*Elmsford, NY 10523* |
| Legal Counsel | *Drinker Biddle & Reath LLP*<br>*One Logan Square*<br>*Suite 2000*<br>*Philadelphia, PA 19103-6996* |
| Independent Registered Public Accounting Firm | *Tait, Weller & Baker LLP*<br>*1818 Market Street, Suite 2400*<br>*Philadelphia, PA 19103* |
| Distributor | *Kinetics Funds Distributor, LLC*<br>*555 Taxter Road, Suite 175*<br>*Elmsford, NY 10523* |
| Transfer Agent, Fund Accountant, and Administrator | *U.S. Bancorp Fund Services, LLC*<br>*615 East Michigan Street*<br>*Milwaukee, WI 53202* |
| Custodian | *U.S. Bank N.A.*<br>*1555 N. River Center Drive, Suite 302*<br>*Milwaukee, WI 53212* |

*You may obtain the following and other information on the Funds free of charge:*

**Statement of Additional Information (SAI) dated May 1, 2011**

The SAI of the Funds provides more details about each Fund's policies and management. The Funds' SAI is incorporated by reference into this Prospectus.

**Annual and Semi-Annual Report**

The annual and semi-annual reports for each Fund provide the most recent financial reports and portfolio listings. The annual report contains a discussion of the market conditions and investment strategies that significantly affected each Fund's performance during the last fiscal year.

To receive any of these documents or the Funds' Prospectus, free of charge, to request additional information about the Company or to make shareholder inquiries, please contact us:

**By Telephone:**
(800) 930-3828

**By Internet:**
*http://www.kineticsfunds.com*

**By Mail:**
*Kinetics Mutual Funds, Inc.*
*c/o U.S. Bancorp Fund Services, LLC*
*P.O. Box 701*
*Milwaukee, WI 53201-0701*

Additionally, the foregoing Fund documents are available on the Funds' website listed above.

**SEC:**

Information about the Funds (including the SAI) can be reviewed and copied at the SEC Public Reference Room in Washington, D.C. Please call (202) 551-8090 for information relating to the operation of the Public Reference Room. Reports and other information about each Fund are available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov.* Copies of the information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: *publicinfo@sec.gov*, or by writing the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549-1520.

1940 Act File No. 811-09303