



**Kinetics Mutual Funds
Conference Call with Peter Doyle
January 5, 2010**

Disclosures:

Kinetics Asset Management, Inc. (“Kinetics”) is pleased to announce that on January 5, 2010, Peter Doyle, Chief Investment Strategist to the Kinetics Mutual Funds, Inc., along with Paul Mampilly and James Davolos, Portfolio Managers to the Kinetics Mutual Funds, Inc. hosted a conference call to financial advisors. The below transcript is intended to provide a summary of Mr. Doyle’s remarks.

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Kinetics Mutual Funds 4th Quarter 2009 Conference Call

4th Quarter Conference Call
Kinetics Mutual Funds

Chris Bell: Good Morning everyone, I would like to thank you for joining us on this call. It is a momentous day because this call represents the 10th anniversary of our flagship fund, the Kinetics Paradigm Fund. Through December 31, 2009, we have achieved a return of 7.94% annually since the Fund’s inception date on 12/31/99, and it is a number that we are very proud of. For those of you that have been participating with us for a long period of time, we hope you have appreciated it.

	WWNPX	S&P 500 Index TR	MSCI Index
Year-To-Date	41.02%	26.46%	31.78%
One Year	41.02%	26.46%	31.78%
Three Year	-7.17%	-5.63%	-6.04%
Five Year	3.49%	0.42%	3.54%
Ten Year	7.94%	-0.95%	1.17%

Performance data quoted is as of December 31, 2009. All figures are annualized. Past performance does not guarantee future results. The inception date for WWNPX is 12/31/1999. As a no-load fund, there is no sales charge. Investment return and principal value will vary, and shares may be worth more or less at redemption than original purchase. Visit www.kineticsfunds.com for more information and a copy of the most recent Prospectus.

Today on the call we have our Chief Investment Strategist, CEO, and co-founder of the company, Peter Doyle. We also have Senior Managing Director Paul Mampilly and Co-Portfolio Manager, James Davolos on the call today. I will turn the call over to Peter in just a moment for some opening comments, but first I would like to introduce Paul Mampilly. Paul is a chartered



financial analyst who began working at Kinetics in 2006 as a Portfolio Manager. He started his career at Bankers Trust Company, where he worked with Peter Doyle and Murray Stahl. Paul is a Co-Portfolio Manager of the Kinetics Paradigm Fund, the Small Cap Fund, the Global Fund, the Internet Fund, and the Market Opportunities Fund. I would like to remind everyone of our website, <http://www.kineticsfunds.com>, where you can find all of our current performance information, updated daily, along with each funds' applicable Prospectus, SAI, Annual and Semi-Annual Reports. We will also have the year-end numbers as well as fact sheets on our website. With that I would like to turn the call over to Peter Doyle.

Peter Doyle: Thank you, Chris, and thank you everyone for listening in today. We appreciated your fortitude for staying with Kinetics Funds during these very trying 18 months. Just to give you a recap of what we thought took place in late-2008 and early-2009, we believe it was a liquidity crisis. I think I've repeated this many times and I think we have made that statement on many earlier conference calls. We felt that the demand for goods and services did not really go away. Obviously, the leverage in the system was a problem, though leverage by itself is not inherently evil. It becomes a problem for investors and the overall system when the next marginal dollar is not available to be borrowed and that is really what happened during the crisis of September 2008 to early 2009. We analyze our companies and the present holdings are not really radically different from that period through today. We felt that the underlying business operations of our companies were very sound, and we felt that our companies were inordinately beaten-up primarily because they were considered to be in hot areas. These include the exposure to China that we have, the Canadian Oil Sands companies, and the financial exchanges. Operationally, however, the companies were doing quite well and we felt that there would be a very powerful reconciliation coming out of this liquidity crisis, which developed into more of an



economic crisis. But again, effective demand has never gone away and we did not lose sight of that. Nor did we lose sight of the business operations of the companies that we owned on your behalf. From that standpoint, we thought our analysis was quite good. I think that one of the big themes that came out of this crisis is that there has been a major trend to try and hedge away price volatility. I think many investors were very unsuccessful during this crisis because many different asset classes performed in-line with one another. I believe there is still a trend to try and manage price volatility and I think it is somewhat of a mistake. We don't necessarily try to manage the price volatility; we try to manage the financial risk and the ways that companies within the portfolio behave together. That diversification strategy has not lost its way and even though the price performance in 2008 was quite poor for our funds, operationally the diversification strategy worked quite well. I think we are seeing the fruits of that now by being long-term holders and paying attention to what those companies have been doing operationally, and I believe those companies have come back far faster.

Chris asked me to talk about our economic outlook for the year 2010, and we don't really have an economic outlook for 2010. We really try to do things from a bottom-up basis. I will, however, make this very brief comment that societies advance based on the level of education. The level of education globally is increasing at a very rapid rate, and that gives me great optimism about the economic growth for the world overall. Whether you are talking about nano-technology, robotics, or molecular biology, the advances being made in these fields are just astounding. They're talking about tiny repair devices in nano-technology where roughly six thousand man-made motors that can fit on the head of a nail will be injected into clogged arteries in the not-so-distant future. People will be able to go in for a procedure at 10 AM, be out by 10:30 with no recovery time and be able to go back to work later that day. Those types of things are not science fiction; they are about to become a global reality. From that standpoint it is a very



exciting time to be living. Although there are conflicts around the globe, most world economies are behaving rather rationally and cooperating with each other. From that perspective I am very optimistic about what is likely to happen to global growth. Again, we don't really predicate our investment decisions on a macro top-down basis, but we do pay attention to what is going on at the microeconomic level. It is much easier to understand business and have success understanding their individual business opportunities than it is to predict where the overall economy is going. That being said, we still hold to the fact that the effective demand for goods and services has not gone away, credit is slowly becoming more available. People still want to go out to dinner, replace their cars when they are 3 to 4 years old, and that cycle is not going to go away. We feel this will cause higher economic growth than most people are anticipating. I'm going to stop here and turn things over to Paul, who will talk about some of our biggest holdings and our China exposure, and I'll also ask James Davalos to talk about the Canadian Oil Sands companies. But first, Paul Mampilly.

Paul Mampilly: We have made any number of investments in China and we've spoken about them because our selection of where we wanted to be invested in China has been very deliberate. We have always been aware that one of the weakest places you could invest in China was likely to be the exporters because it was expected to be a very vulnerable position if demand from Western Europe and the United States, or other places that the exporters ship their goods to fell off. If you were to deconstruct a modern economy today into the various companies and the various organizations that you would need to run that economy, we believe those companies are what comprise our holdings. So in our basket of companies that represent China, one thing you will find is that we own the banks. China is backed by essentially four banks, three of which are public, and you will find all three of those in our portfolio. There are six expressways that cover



China; you'll find all six in our portfolio. There are two railway companies, only one of which is available for investment by western investors as far as we can tell, and you will find that in our portfolio. Not to belabor the point, but we essentially own the modern infrastructure of China. Whether an exporter of air conditioners or an exporter of clothes succeeds or fails will not make or break our investments. As long as China continues to develop, they will need banking services, they will need to use the expressways, they will need to use ports, they will need to use airports, and they will need to use the entire infrastructure that has been put into place and continues to be put into place. Those types of investments are unusual investments in the sense that in the West we have built our infrastructure differently. Largely, the infrastructure was put up either by a mix of local, state and federal government spending or in some cases private spending. In China, given the vast amount of money it takes to put up an infrastructure today, the government has funded all projects through publicly held companies that are still majority owned by the Chinese government. From our viewpoint the Chinese government has incentivized investors to participate in these types of ventures through equity ownership by historically providing reasonable rates of return. In return, the Chinese government will have continued access to private capital through their markets. Despite the fact that China has 2 trillion dollars, estimated, in reserves, they still continue to need vast amounts of capital to continue to develop their country and they will need additional amount of money to develop their infrastructure. If you went and looked at them on a business basis, you would see that the volumes in terms of traffic on the expressways or ports decreased. However, even though our investments declined a great deal during the crisis, the basic infrastructure is still fully capable of handling large amounts of volume and the basic capacity of China and the need of China to continue to develop and use that infrastructure is still in place, unlike what you would have seen if you owned companies that were in the business of exporting. Those such business would have collapsed



very, very significantly. So we continue to be optimistic that China will be able to grow and grow in all likelihood much faster than the United States in the long term and that however it develops, irrespective of the direction, these types of companies, their assets, and their infrastructure will continue to be used.

Peter Doyle: James, would you like to speak about the Canadian Oil Sands companies?

James Davolos: Sure. We view our traditional energy companies with two criteria in mind; first, the extraction costs, i.e. the costs for you to extract that barrel of energy out of the earth. The other is to look at the proven and probable reserves of the company. If you look at the current environment, as Paul was talking about, we believe China has exhibited an urgency to buying the worlds proven reserves. Some of these are traditional reserves; others are the less sweet Canadian Oil Sands reserves. We believe it is far more prudent to buy the high reserve-life companies, most typically found in the Canadian Oil Sands companies where they have thirty to forty years worth of reserves left at current production without having to go out and buy new reserves at market prices. If you were to invest in perhaps a traditional multi-national integrated oil company, they would have to go out into the open market and buy new reserves at current prices. Therefore, we find the Canadian Oil Sands much more attractive. Over the past year, with the fluctuation in oil prices where we saw oil prices come down into the mid-thirties, many people panicked and sold off a lot of the Bitumen Oil Sands companies. However, their extraction costs are not simply a product of spot oil prices. A large input into this process is natural gas, and by and large these companies also own vast reserves of natural gas. Therefore it is a two-pronged approach to finding where the break-even point for these companies actually is, and in most cases, we believe the vast amount of reserves are very profitable at the \$40 to \$50



per barrel range. Therefore we are very confident and very pleased to hold these companies going forward.

Paradigm Fund Top 15 as of December 31, 2009	
Hong Kong Exchange	6.88%
Leucadia Natl Corp	3.64%
Canadian Oil Sands Trust ADR	3.01%
Anglo American Plc	3.00%
Intercontinental Exchange Inc	2.72%
Brookfield Asset Mgmt Inc	2.67%
Suncor Energy Inc New	2.65%
CME Group Inc	2.54%
Singapore Exchange	2.45%
Canadian Nat Res Ltd	2.42%
Franco Nevada Corp	2.14%
Tsingtao Brewery	2.13%
Berkshire Hathaway Inc - Class A	2.08%
Wynn Resorts Ltd	1.89%
Osaka Securities Exchange	1.76%

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Peter Doyle: Thank you, James. Now the common theme throughout all of our portfolios, for example the Medical Fund, for which I think kudos should go to Paul Abel for his management of that fund over the last decade, is that you see we are trying to buy companies that have high returns on capital, that can achieve those high returns on capital without excessive leverage, and then really leaving those companies alone and letting the business operations dictate your success or failure. The common theme, if you look at all the holdings, is that the companies have very long product lifecycles. You control a lot of risk by having companies that have a great degree of operational predictability. That does not mean that you can control the price fluctuation in these securities, but it does mean that, in a panicked state, the companies themselves generally hold up quite well operationally. As people come out of this panicked state and the risk appetite comes back into the marketplace, these companies bounce back much faster and I think that's the



period we are going through with our funds. That's the long way of saying when I look at the broad holdings in our funds, you are still receiving, in our opinion, a tremendous amount of value for the prices you are paying for these securities, and we are very optimistic. Particularly, we are still optimistic about the financial services companies that we have in the portfolio and the financial exchanges and the clearing business of those exchanges. The reason for that is whatever economic system that you are talking about, a demand economy, capitalist economy, socialist economy, what people have found over time is that properly functioning capital markets are really the best way to allocate capital. China is embracing that philosophy and probably by the first half of this year, or the end of 2010 at the latest, will have a financial futures market, something that they have yet to develop. What we also have found is that as new financial futures markets come into existence, the existing players tend to actually increase their volume as a result of the arbitrage opportunities among the various exchanges that people trade on. So many of you are aware that the credit-default swaps and these dealer-to-dealer markets cause a lot of the illiquidity in the marketplace and financial exchanges are part of that solution. In the case of the Intercontinental Exchange or the Chicago Mercantile Exchange, these companies are now clearing credit-default swaps and other types of products that previously were not available for them to clear. We believe this is going to increase their revenues very significantly and, hence, they've increased their intrinsic value with the passage of time. Those stocks, even though they have rebounded quite substantially from their lows, still represent in our opinion an excellent investment opportunity, and it is hard to envision where you are going to get a better rate of return being in equities. Again, another long way of saying that our good long-term performance really is the result of finding companies that get good business returns, that have long product lifecycles, and then leaving them alone for extended periods of time, letting the businesses determine your success or failure. That has not changed and that is never going to



change in our portfolios or our investment philosophy. And with that I am going to stop and see if Chris has any questions or if there are any questions from the listeners.

Internet Fund Top 15 as of December 31, 2009	
Scripps E W Co Ohio	5.91%
Dreamworks Animation SKG Inc	5.67%
Leucadia Natl Corp	5.46%
Rovi Corp	4.61%
Baidu Inc	3.77%
Mantech Intl Corp	3.74%
Singapore Exchange	3.48%
Ritchie Bros Auctioneers	3.44%
Scripps Networks Interact Inc	2.55%
CACI Intl Inc	2.54%
Time Warner Inc	2.39%
E M C Corp Mass	2.31%
CME Group Inc	2.26%
Broadridge Financial Solutions Inc	2.13%
Liberty Global Inc - Series C	2.08%

Market Opportunities Fund Top 15 as of December 31, 2009	
Franco Nevada Corp	6.82%
Jefferies Group Inc	5.38%
Hong Kong Exchange	5.02%
IntercontinentalExchange Inc	4.73%
CME Group Inc	4.64%
NYSE Euronext	3.45%
Ping An Insurance	3.23%
Singapore Exchange	3.11%
Ind & Com Bank China	2.86%
China Life Ins Co Ltd - ADR	2.82%
Mastercard Inc	2.63%
China Const Bank	2.62%
Blackrock Inc	2.32%
ASX Ltd	2.29%
Broadridge Financial Solutions Inc	2.18%



Small Cap Opportunities Fund Top 15 as of December 31, 2009	
Tsingtao Brewery	9.94%
Icahn Enterprises LP	5.87%
Sichuan Expressway	5.11%
Jefferies Group Inc	4.99%
Singapore Exchange	4.58%
Beijing Capital Intl Airport - Class H	3.62%
Warner Music Group Corp	3.12%
Franco Nevada Corp	3.09%
Texas Pac Ld Trust	3.05%
Jarden Corp	2.88%
Link R/E Invest	2.84%
Dreamworks Animation SKG Inc	2.81%
Inmet Mining Corp	2.75%
RRI Energy Inc	2.72%
Covanta Holding Corp	2.66%

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Chris Bell: Peter, I just want to mention one more thing, and that is that there is a research piece that covers a lot about the exchanges that is available for distribution. Anyone on the call that is interested in that piece please call either Bob Uly or Tom Gormley at (914) 703-6950.

Peter, one question we've gotten from people is concerning the US dollar, the trade deficit, the current account deficit, and a variety of potential headwinds for the dollar. Can you talk about the dollar hedges, as they occur in the portfolio?

Peter Doyle: Well we are not that optimistic about the dollar relative to the Asian currencies because that is really where the trade imbalances occur. We tend to own companies that, as Paul mentioned, derive almost 100% of their revenues and earnings from within China proper or Singapore proper, etc. That is really a hedge against the dollar. So actually a fair amount of our portfolios are hedged against a continued dollar decline against the Asian currencies where we continue to see problems. With regard to the Euro or other European currencies, when you visit



Europe right now it is very expensive, and on a purchase-parity basis it's hard to see how the dollar should continue to decline versus those currencies. Those currencies also have similar problems to the United States, and there is no reason to believe that the dollar is going to go into a tailspin versus those currencies, so we are less optimistic towards those currencies against Asian currencies.

Chris Bell: How about minerals and oil and other dollar-denominated stuff?

Paul Mampilly: We obviously own the Canadian Oil Sands companies that would get the benefit of crude oil rising. We do have some amounts in metals and mining, which have benefited from the dollar declining relative to those commodity prices. But once again, to reinforce the point, we believe the primary depreciation of the dollar going forward is likely to come against the large Asian economies and the large Asian currencies, and so the Chinese companies that we own really represent a hedge within the portfolio.

Peter Doyle: Even though these are long-only products that we're talking about, the concept of hedging risk, and a positive hedge as opposed to a negative hedge or a zero-sum hedge is not something that we are interested in. We are interested in a positive-sum hedge where you can actually do well investing in the United States, that you can do well investing in China, and that has a completely different economic outlook or potential. Thus, we're sometimes looking to hedge. And again, the diversification strategy that we deploy, this non-codependence and making sure that the vast majority of our companies don't have connecting business operations, is really very much in tact and I think that coming out of this crisis, you are starting to see the benefits of that again. Historically, our volatility has been very low; it is just that we had this hopefully



once-in-a-lifetime liquidity crisis that caused every asset or equity around the world to trade down at the same time. I don't think you're likely to see that again.

Chris Bell: Peter, I've got another question about Berkshire Hathaway, which is a large position in our portfolio, and Buffett has been in the news again about voting against the cracked share purchase deal in lieu of maybe a hard-cash amount, also if you could talk about the Burlington Northern purchase.

Peter Doyle: Well we own Burlington Northern in the Paradigm Fund portfolio and part of it is that you are seeing developments of technology, the ability to efficiently manage their railroad stock, the ability to transport ethanol, which really cannot be transported through a pipeline, and the long product lifecycle. That is the highest barrier to entry to that business. You're not going to be able to have a cross-continental railroad built anytime soon, or ever actually. We looked at that and we said, this company has a long product lifecycle, as does Berkshire Hathaway. It gets good returns on capital, it has high barriers to entry, in some cases it operates in parts of the country as a monopolistic business relative to rails, and it has a very strong competitive advantage versus trucking when the price of oil continues to rise. So we like it for that reason. Long term, we are very happy with the way the earnings growth progression was going and we kept it. Berkshire Hathaway and the businesses that Warren Buffet owns in Berkshire Hathaway have a lot of those characteristics. Again, a lot of what I have stated here today is really taken out of the textbook of Berkshire Hathaway or Benjamin Graham, where we are looking at companies that have long product lifecycles, lend themselves to a great degree of predictability, high returns on capital without the use of financial leverage, and then leaving them alone. Now, the vast majority of investment professionals do not take that approach because they feel that they need



to be active on a daily basis. I think that historically the best results have accrued to those investors that have a very low turnover. Part of that is a function of your portfolio and undiversifying itself. The best companies tend to rise to the top and they start dictating your return characteristics. Even though the Paradigm Fund has been up over 7% annually in the last decade, the S&P over that time is down 3 and change. I think the margin of outperformance actually should be higher than that. I think the channel rate of return for our companies should be higher than that and I think that the year 2008 hurt our numbers by a pretty big margin. I think we were up 14% annually at that point. I think we are going to get back to that number. That is obviously just an opinion and I can't guarantee it, but I say that based on the business returns of our companies versus what is in the S&P 500 Index. If I am patient enough and let the holdings dictate that, we will ultimately capture that return outperformance.

James Davolos: You can use Burlington Northern as an example. If you look to see what Warren Buffett paid for Burlington Northern, he is paying \$100; at least that is the bid. Now if you look at Burlington Northern, the high is not that far away from \$100. So Warren Buffett is no slouch. He is willing to pay something close to the peak price paid in October 2007 and he is obviously expecting to get a good return from there. You can think really of our portfolio in a similar fashion. We believe the vast majority of the securities in our portfolios were not affected by the crisis and in many cases their businesses may have actually been improved by the crisis. The potential return on assets and returns on equity are the same as Burlington Northern, which I believe at the time was trading at \$65 or \$70. Warren Buffett felt it was worthwhile to pay that premium and is expecting a very good return going forward.



Chris Bell: Peter or Paul, one final question. We have had people ask us about the recent move in China, specifically in Chinese real estate. Obviously we own Link Real Estate and the other Chinese real estate companies and real estate investment trusts. Can you talk specifically about Chinese real estate and in general about China as a bubble or not.

Global Fund Top 15 as of December 31, 2009	
Singapore Exchange	3.80%
Gamon India Ltd P-Note	3.64%
Tsingtao Brewery	3.26%
Beijing Capital Intl Airport - Class H	2.86%
Shire plc - ADR	2.47%
Hong Kong Exchange	2.46%
Henderson Land Dev	1.90%
Ecopetrol S A	1.84%
State Bank India P-Note	1.82%
Viterra Inc	1.77%
Infrastructure Development P-Note	1.77%
Urbana Corp	1.76%
HDFC Bank Ltd - ADR	1.69%
Link R/E Invest	1.66%
Financial Technologies P-Note	1.65%

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Paul Mampilly: There is persistent commentary and opinion in just about every newspaper and website that I can see that there is a real estate bubble in China and that generally speaking there is a bubble in emerging market equities. Some people have gone so far as to say that the rally in March 2009 has made all equity markets a bubble. That is not our view. Obviously we don't cover real estate as an asset class by itself, however we own any number of real estate companies that trade in Hong Kong that hold land holdings and have real estate holdings in China, From our analysis of China, a large country with lots of people, it appears many people don't own their own home and many of the house purchases are in fact from first time home buyers. It would seem that a vast majority of the homes being bought or sold aren't selling for the high prices



quotes in the newspapers. They actually are selling for some reasonable numbers. Sure, in certain places like Shanghai or Beijing they are on the margin here or there and the prices may be high, but in general the prices there reflect the fact that most people there don't own homes, but would like to own their homes just like people here do. So from the perspective that we have, which is reading the press and looking at what they go for, there does not appear to me to be a bubble in real estate or, for that matter, in Chinese securities in general.

Peter Doyle: I am just going to make one comment on interest rates since interest rates really are a primary driving force of the valuations for equities or financial assets. I think it warrants some type of comment, and most people look at interest rates from the perspective of basically buying the security or a fixed-income asset. You wonder if interest rates are going to hurt you if they rise; is the value of my asset going to go down? But because of the debt burden that is now outstanding in the United States, it is probably more intelligent to look at it through the eyes of the borrower. From that perspective, the United States cannot really afford to have interest rates run away on the upside. So our belief is, and I know I've stated this before and most people thought it was way off base about a year ago, but I felt that interest rates were going to remain low for an extended period of time. If that is true, then financial assets are likely to be a very good place to be, in equities in particular. With regard to the prices that people are paying for acquisitions, I think the average premium in the year 2009 was close to 60% from the announcement date of the takeout of a particular company. So that shows how undervalued equities were relative to strategic buyers, and we're talking about announced acquisitions that were occurring very recently. We believe the equity market still represents tremendous value and if you believe that interest rates are going to remain low for an extended period of time, more



and more people will come back into the riskier asset class and I think they will come into the names that we own, which will likely continue to do well.

Chris Bell: At this time I would like to announce that as of yesterday the Kinetics Tactical Paradigm Fund was launched. The Fund seeks to provide long-term growth or capital while mitigating market risk through various hedging activities. The Fund will generally invest all of its investable assets in the Paradigm Portfolio, while also dynamically hedging market risk with futures, options and short sales of exchange traded funds. Broadmark Asset Management, LLC will sub-advise the portion of the Portfolio that seeks to hedge. We are excited about the prospects for this fund and will be providing details on it shortly. As always, we thank you for your continued confidence in Kinetics, and we believe you will be rewarded for it. Any questions or requests for fund specific fact sheets or Prospectuses may be directed to our marketing team at (914) 703-6950 or to marketing@kineticsfunds.com. You may also visit our website at www.kineticsfunds.com.

Peter Doyle: We would like to thank everyone again for your fortitude and for staying with us and we appreciate you listening in today.

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