

- ▶ Advisor Class A (KRXX)
- ▶ Advisor Class C (KRXC)
- ▶ Investor Class (MEDRX)
- ▶ Portfolio Management Team Managed

Peter Doyle,  
Chief Investment Strategist

# Kinetics Medical Fund



Kinetics Mutual Funds, Inc.

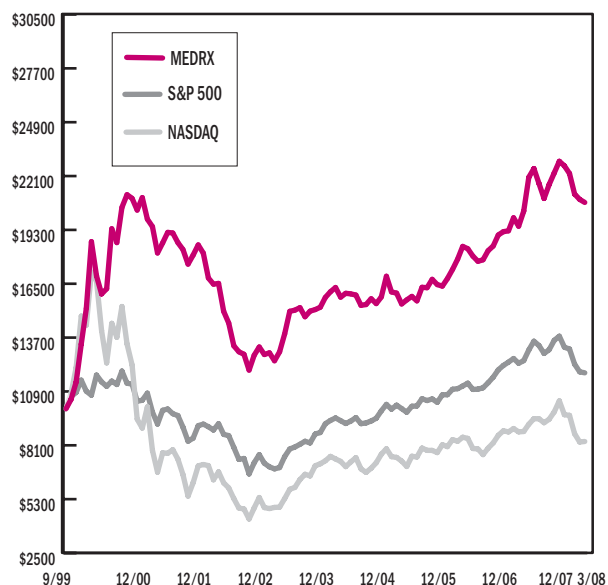
We Do Our Research

as of 3/31/08

## Portfolio Strategy

We invest in a diverse array of companies, such as medical research and pharmaceutical development. The portfolio invests with a three tier strategy: one-third is invested in large-cap pharmaceutical companies, one-third in profitable biotech companies and one-third in small-cap biotech companies. What they all have in common is a significant investment in research and development for cancer-related therapies and cures. Research themes that we currently find most promising are genome research, anti-angiogenesis and immunotherapy. We believe that dollars invested in these areas today will have a substantial effect on each company's future growth.

## Growth of \$10,000 Since Inception



This chart illustrates the performance of a hypothetical \$10,000 investment made in Investor Class shares on commencement of operations (9/30/99). It assumes reinvestment of capital gains and dividends. This chart is not intended to imply any future performance.

## Quarterly Total Return (Investor Class)

Data as of March 31, 2008

	Total Returns
One Year *	2.22%
Three Year*	10.29%
Three Year **	34.17%
Five Year*	9.85%
Five Year**	59.94%
Since Inception* <sup>^</sup>	8.95%
Since Inception** <sup>^</sup>	107.28%

## Investment Methodology

During the first quarter of 2008, the Kinetics Medical Fund (No-Load Class) declined by 6.67% compared to the S&P 500 Index and Nasdaq Composite, which declined by 9.44% and 14.07%, respectively.

The use of conventional metaphors to describe recent market conditions seems trite. Certainly the environment has been

## Top 15 Equity Holdings<sup>†</sup>

	Symbol	% of Total Net Assets
Lonza Group AG	LONN VX	8.6%
Novartis AG	NVS	7.0%
Genzyme Corporation	GENZ	6.9%
Biogen Idec Inc.	BIIB	6.7%
Johnson & Johnson	JNJ	5.8%
Invitrogen Corporation	IVGN	5.6%
Abbott Laboratories	ATB CN	5.2%
GlaxoSmithKline plc - ADR	GSK	4.9%
Eli Lilly & Company	LLY	4.3%
Millennium Pharmaceuticals, Inc.	MLNM	3.9%
Wyeth	WYE	3.4%
Pfizer Inc.	PFE	3.4%
Covidien Ltd.	COV	3.3%
Savient Pharmaceuticals Inc.	SVNT	3.0%
Bristol-Myers Squibb Company	BMJ	2.9%

Equity holdings are subject to change, and may not be indicative of actual market position due to the use of call and put options.

<sup>†</sup> As of 3/31/08, holdings are expressed as a percentage of total net investments and may vary over time.

Total SEC Average Return is the same as Total Returns.

\*Annualized

\*\* Non-Annualized/Cumulative

<sup>^</sup> The Medical Fund Investor Class inception date is 9/30/99. Performance data quoted represents past performance and does not guarantee future results. Investment return and principal value will vary, and shares may be worth more or less at redemption than at original purchase. Call 1-800-930-3828 or visit us at [www.kineticsfunds.com](http://www.kineticsfunds.com) for the most current fund month end performance data.

Current performance may be lower or higher than the performance data quoted. Performance data does not reflect the deduction of sales load or fee.

## ▶ Advisor Class A

Inception Date 04/26/01  
CUSIP # 494613847

Max Sales Charge 5.75%  
Front-end  
12b-1 Fee 0.25%

♦Gross Expense Ratio 2.66%  
\*Net Expense Ratio 1.71%

## ▶ Advisor Class C

Inception Date 02/16/07  
CUSIP # 494613755  
12b-1 Fee 0.75%

♦Gross Expense Ratio 3.19%  
\*Net Expense Ratio 2.21%

## ▶ Investor Class

♦Gross Expense Ratio 2.41%  
\*Net Expense Ratio 1.46%

♦Gross expense ratios for Advisor Class A, Advisor Class C and the No-Load share classes are reported as of 12/31/07 and referenced in the 5/1/08 respective prospectuses.

\*Net expense ratios listed for Investor Class, Advisor Class A and Advisor Class C are stated as of 3/31/08 and may include a voluntary expense waiver from the Investment Adviser which may be terminated at any time, the application of directed brokerage credits, and/or the application of other waivers.

## ▶ Fund Facts

- ▶ Total Fund Assets \$16.9 million
- ▶ Minimum Purchase \$2,500
- ▶ Minimum Subsequent \$100

## ▶ Portfolio Statistics

- ▶ Holdings In Portfolios: 50



# Kinetics Medical Fund



Kinetics Mutual Funds, Inc.

as of 3/31/08

## Investment Methodology (continued)

challenging and, at times, quite unnerving. However, distillation to biotech and the pharmaceuticals yields a specious causality. Therefore, with the exception of equity selling to raise cash, these industries are little affected by the crisis of the moment.

Our portfolio constituents are, in general, well capitalized, executing on research and development and profiting from a weak dollar. These parameters, coupled with a recession proof business model, converge to the continued construction of intrinsic value. While the market may be oblivious to the internal compounded value and expertise of some of our holdings, their colleagues are not. This is demonstrated once again with the recent purchase offer of Millennium Pharmaceuticals. Millennium has been offered \$9 billion in cash from Takeda Pharmaceutical, which amounts to a 50% premium and highlights once again how value can be revealed in a very dramatic manner.

The best hedge in any market is the ownership of good businesses. Patience and strong internal compounding from the companies within the portfolio should produce outsized rewards with concomitant mitigation of risk. Even in a turbulent market, we believe the Medical Fund is positioned to experience the growth of the intrinsic value of its portfolio.

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***You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. For a free copy of the fund's prospectus, which contains this and other information, visit our website at [www.kineticsfunds.com](http://www.kineticsfunds.com) or call 1-800-930-3828. You should read the prospectus carefully before you invest.***

These opinions are not intended to be a forecast of future events, or a guarantee of future results, or investment advice. The views expressed herein may change at any time subsequent to the date of issue hereof.

*Past performance does not guarantee future results. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares less than 30 days after you purchase them. As a non-diversified fund, the value of its shares may fluctuate more than shares invested in a broader range of companies. In addition, investing in foreign securities involves more risk than just U.S. investments, including the risk of currency fluctuations, political and economic instability and differences in financial reporting standards. There may also be heightened risks investing in non-investment grade debt securities and the use of options. There are also risks associated with investing in small and medium sized companies. 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. Options contain special risks including the imperfect correlation between the value of the option and the value of the underlying asset. Furthermore, Internet stocks are subject to a rate of change in technology obsolescence and competition that is generally higher than that of other industries, and have experienced extreme price and volume fluctuations. Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Fund pursues its investment objective by investing all of its investable assets in a corresponding portfolio series of Kinetics Portfolio Trust. The NASDAQ Composite (NASDAQ) and the Standard & Poor's 500 Index (S&P 500) each represent an unmanaged, broad-based basket of stocks. They are typically used as a proxy for overall market performance. NASDAQ Composite returns stated above do NOT include reinvested dividends, while the S&P 500 Index returns assume that dividends are reinvested. An investor cannot invest directly in an index.*

### Investment Products Offered:

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed