

- ▶ Advisor Class A (KS0AX)
- ▶ Advisor Class C (KS0CX)
- ▶ Investor Class (KSCOX)
- ▶ Institutional Class (KSCYX)

- ▶ Portfolio Management Team  
Team Managed  
Peter Doyle,  
Chief Investment Strategist

### ▶ Advisor Class A

Inception Date 12/31/01  
CUSIP # 494613839

Max Sales Charge 5.75%

Front-end  
12b-1 Fee 0.25%

♦Gross Expense Ratio 1.96%

♦Net Expense Ratio 1.96%

### ▶ Advisor Class C

Inception Date 02/16/07  
CUSIP # 494613748

12b-1 Fee 0.75%

♦Gross Expense Ratio 2.47%

♦Net Expense Ratio 2.46%

### ▶ Investor Class

♦Gross Expense Ratio 1.71%

♦Net Expense Ratio 1.71%

### ▶ Institutional Class

♦Gross Expense Ratio 1.66%

♦Net Expense Ratio 1.51%

♦Gross expense ratios for the Investor Class, Advisor Class A, Advisor Class C and the Institutional Class 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, Advisor Class C and Institutional Class 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 \$698.7 million
- ▶ Minimum Purchase \$2,500
- ▶ Minimum Subsequent \$100

### ▶ Portfolio Statistics

- ▶ Average Market Cap. (\$mil): \$4,337
- ▶ Holdings In Portfolios: 137

# Kinetics Small Cap Opportunities Fund



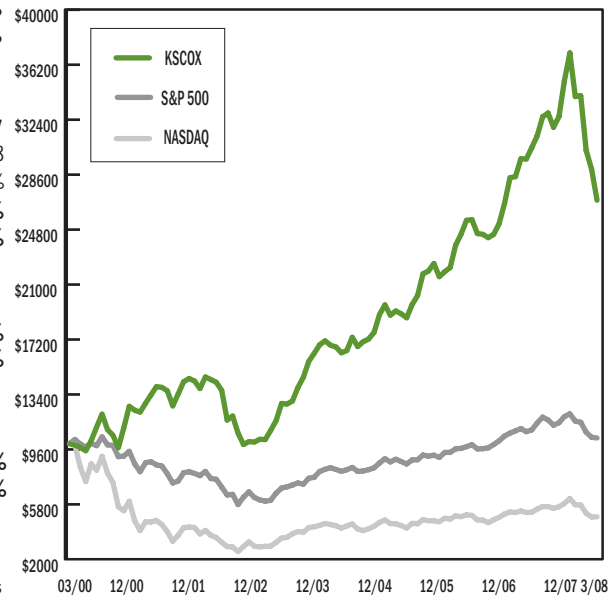
Kinetics Mutual Funds, Inc.  
We Do Our Research

as of 3/31/08

## Portfolio Strategy

The fund invests at least 80% of its assets in common stocks, convertible securities, warrants and may buy and sell options on securities in which it invests for hedging purposes. We believe that favorable investment opportunities are available through companies that 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.

## Growth of \$10,000 Since Inception



This chart illustrates the performance of a hypothetical \$10,000 investment made in Investor Class shares commencement of operations (3/20/00). 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 *	-11.94%
Three Year*	12.25%
Three Year **	41.42%
Five Year*	19.71%
Five Year**	145.84%
Since Inception*^	13.08%
Since Inception**^	168.34%

## Investment Methodology

During the first quarter of 2008, the Kinetics Small Cap Opportunities Fund (No-Load Class) declined by 21.21%, compared to the S&P 500 Index and Nasdaq Composite which declined by 9.44% and 14.07%, respectively.

As an investment manager, Kinetics Asset Management, Inc. operates on the assumption that you have entrusted capital

## Top 15 Equity Holdings<sup>†</sup>

	Symbol	% of Total Net Assets
Reliant Energy Inc.	RRI	6.7%
Icahn Enterprises LP	IEP	6.0%
The Nasdaq OMX Group, Inc.	NDAQ	4.7%
IntercontinentalExchange Inc.	ICE	3.4%
Singapore Exchange Ltd	SGX SP	2.8%
Eaton Vance Corp.	EV	2.8%
Tsingtao Brewery Company Ltd - Class H	168 HK	2.6%
CMS Energy Corp.	CMS	2.3%
Beijing Capital Intl Airport Co Ltd - Class H	694 HK	2.3%
Jarden Corp.	JAH	2.1%
Inmet Mining Corp.	IMN CN	2.0%
Sotheby's	BID	2.0%
London Stock Exchange Group plc	LSE LN	2.0%
Calpine Corp.	CPN	1.9%
CACI International Inc.-Class A	CAI	1.8%

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

^ The Small Cap Opportunities Fund Investor Class inception date is 3/20/00. 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 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.



# Kinetics Small Cap Opportunities Fund

as of 3/31/08



Kinetics Mutual Funds, Inc.

## Investment Methodology (continued)

to us because we are likely to grow it at a satisfactory rate in the long-term. In our opinion, the opportunity set for the Small Cap Opportunities Fund has never been better. Even as the opportunity in financial markets has dramatically improved, making our investments that much more attractive, the institutional imperative has created investor dysfunction. Investors are fleeing volatility even though the prospects for long-term returns are enormous. From our perspective, opportunities to purchase and own businesses with excellent long-term returns abound, and we are optimistic regarding the near-term opportunities available to us.

Our fortitude, or obstinacy, depending upon how you view us, with regard to our positioning of the Small Cap Opportunities Fund is predicated upon the continued strength of the underlying business operations in the companies we own. Nothing that has occurred over the last several months has to altered our perceptions. That is not to say that we don't sympathize with the emotional experience of our investors who prefer minimum volatility. However, we must conduct ourselves according to what makes economic sense. We are willing to accept volatility risk in anticipation of the probable rewards.

In our opinion, the present crisis is one of liquidity and not, for the majority of the companies impacted, one of asset quality. This was true of Bear Stearns, and government officials clearly believe that they will profit from their \$30 billion "loan." It is our belief that two conditions are necessary for investor confidence to be restored. First, the markets need a lender of last resort. The Federal Reserve has stepped into that role. Our Federal Government has incredible powers, and we always believed that it would aggressively respond as conditions warranted. Federal Reserve's reaction has grown as investor composure has flagged over the last nine months. We never thought that the Fed would allow the system to de-leverage to the extent investors were predicting. In order for the capital markets to function properly, leverage must be deployed. Investment banks could never carry sizable inventory to facilitate trading, and banks would have very restricted lending capabilities without leverage. The world's standard of living would be severely hindered without it. The Fed's reduction in interest rates is merely a redistribution of wealth to the spread-based financial institutions in order for them to recapitalize. Short term funding costs have come down dramatically over the last several months, and this incremental spread on trillions of dollars will have a very salutary effect.

The second condition to regain investor confidence is the ability of the financial companies to quantify the prospective losses associated with the credit crisis. It has been our contention that this would happen sooner rather than later, as financial institutions addressed their conditions. While the housing problem and its collateral damage will take years to correct itself, the known losses will be quantified far earlier. As the market is a discounting mechanism, investors will act based on what they believe will happen in the future. The ability of Lehman Brothers and various other financial institutions to raise additional capital has provided great comfort. As investors start focusing on 2009, those companies that have been illogically beaten down will hopefully rebound in a dramatic fashion. In our opinion, we own a portfolio of such companies. Time, and not much time, will tell.

***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