

- ▶ Advisor Class A (KWIAX)
- ▶ Advisor Class C (KWICX)
- ▶ Investor Class (KWIX)

- ▶ Portfolio Management Team
- Team Managed Sub Advisor

Aqua Terra  
Asset Management, Inc.

### ▶ Advisor Class A

Inception Date 6/29/07  
CUSIP # 494613714

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

♦Gross Expense Ratio **3.87%**  
♦Net Expense Ratio **1.95%**

### ▶ Advisor Class C

Inception Date 6/29/07  
CUSIP # 494613698  
12b-1 Fee 0.75%

♦Gross Expense Ratio **4.37%**  
♦Net Expense Ratio **2.45%**

### ▶ Investor Class

♦Gross Expense Ratio **3.62%**  
♦Net Expense Ratio **1.70%**

♦Gross expense ratio listed for Investor Class, Advisor Class A and Advisor Class C are stated as of 3/31/08.

\*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 \$9.4 million
- ▶ Minimum Purchase \$2,500
- ▶ Minimum Subsequent \$100

### ▶ Portfolio Statistics

- ▶ Holdings In Portfolios: 57

# Kinetics Water Infrastructure Fund



Kinetics Mutual Funds, Inc.

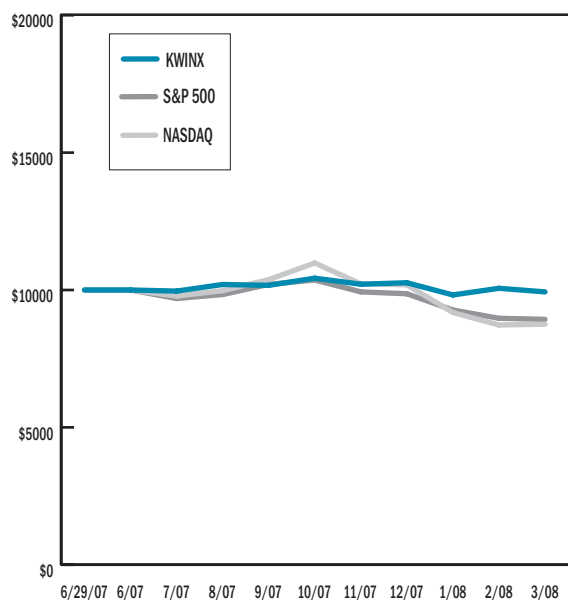
We Do Our Research

as of 3/31/08

## Portfolio Strategy

The Water Infrastructure Fund seeks to achieve its investment objective by investing all of its investable assets in the Portfolio. Under normal circumstances, the 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 American Depositary Receipts ("ADRs") and International Depositary Receipts ("IDRs")), of U.S. and foreign companies engaged in water infrastructure and natural resources with a specific water theme and related activities. For purposes of this 80% policy, a company will be considered in the water infrastructure or natural resource industry if at least 50% of its revenues come from water-related activities or activities related to natural resources. The Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.

## 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 (6/29/07). 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
Three Month*	-3.25%
One Year *	-
Three Year*	-
Three Year **	-
Five Year*	-
Five Year**	-
Since Inception*^	-0.91%
Since Inception**^	-0.69%

## Investment Methodology

During the first quarter of 2008, the Kinetics Water Infrastructure Fund (No-Load Class) declined by 3.25%, compared to the S&P 500 Index and Nasdaq Composite, which declined by 9.44% and 14.07%, respectively.

The Water Infrastructure Fund did not escape the volatility of the market, and experienced some dramatic peaks and valleys

## Top 15 Equity Holdings†

	Symbol	% of Total Net Assets
Connecticut Water Service, Inc.	CTWS	3.4%
Ameron International Corporation	AMN	3.4%
Tyco International Ltd.	TYC	3.3%
Veolia Environment	VE	3.0%
Andritz AG	ANDR AV	2.9%
YIT OYJ	YTY1V FH	2.8%
URS Corporation	URS	2.8%
ITT Corporation	ITT	2.7%
York Water Company	YORW	2.4%
Empire District Electric Company	EDE	2.1%
Watts Water Technologies, Inc.	WTS	2.1%
Clean Harbors, Inc.	CLHB	2.1%
California Water Service Group	CWT	2.0%
IDEX Corporation	IEX	2.0%
Alfa Laval AB	ALFA SS	1.9%

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

† 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 Water Infrastructure Fund Investor Class inception date is 6/29/07. 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.



# Kinetics Water Infrastructure Fund



Kinetics Mutual Funds, Inc.

as of 3/31/08

## Investment Methodology (continued)

over the past 90 days. The Fund experienced less volatility than a number of its peers, as it adhered to what we believe is the best approach to water investing, value. We have continually stressed that the global water sector is a conglomerate of industrial companies that typically have a significant revenue contribution from the residential, commercial or industrial use of water. Although some believe that water is almost recession proof, the fact remains that usage (especially industrial) does vary in times of economic uncertainty. As manufacturing slows, utilities have fallen back near multi-year low valuations as investors look for a dramatic drop off in usage numbers. Having been involved in the water business in various capacities since 1989, we have seen the economic impact of such cycles and the resulting impact to companies' share prices.

Regarding capital spending, especially at the residential and commercial level, municipal bond issuance is always a key metric when evaluating the performance of companies in the sector, and a good indicator of the spending trends that will likely occur over the next several quarters. If municipal financing is delayed, the impact would likely be felt by the various suppliers of equipment and engineering services, as timelines for projects become extended. To date, municipal bond issuance is holding up well, surprising some who believed the turmoil in the credit markets would significantly impact spending for municipal water systems. We are closely monitoring the commercial market, which, while growing at a double-digit rate, looks like it could slow in 2009 based on the ABI index. Our prediction is that although general infrastructure spending may slow over the coming months, we believe that municipalities will continue to spend on water infrastructure out of necessity. With a stable credit market, improved water pricing, and an aging water infrastructure, we remain optimistic that spending and funding will remain transparent and stable.

We also feel it is important to note that the water sector is receiving greater attention from the press, which has led to a number of different investment vehicles entering the water space, with ETF's receiving a bulk of the assets. The amount of assets in the sector at the close of 2005 was approximately \$1.5 billion. That figure has grown 10 to 12 fold, with some analysts estimating that \$20 billion of investment capital is now deployed globally in publicly traded water equity issues. Spending continues to grow at 5-6% globally, with certain sub sectors seeing sustainable double-digit growth for the foreseeable future, as new infrastructure is built out, and old assets are basically "band-aided," in order to keep the water flowing. We believe that significant increased spending in water infrastructure upgrades is still on the horizon (especially in the U.S.), and is reaching a point where it cannot be delayed much longer. As investors are looking at the aggregate amount being spent globally in the water space, which is estimated to be greater than \$500 billion annually, one recurring question among politicians, media and residential users is where they will get the money to fix the existing water infrastructure problem. In our belief, one need only look at their water bill in the coming months and years as an answer.

***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