

3rd Quarter 2010



Kinetics Mutual Funds, Inc.
We Do Our Research



The Water Infrastructure Fund

KWIAX KWICX

KWIIX KWINX

Investing in Global Water Stocks

Distributor: Kinetics Funds Distributor, Inc. is not an affiliate of Kinetics Mutual Funds, Inc.

DISCLOSURES

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.kinetics.com or call 1-800-930-3828. You should read the prospectus carefully before you invest.

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.

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. It is for informational purposes only, is not for distribution to investors and does not constitute investment advice or public or private offering or recommendation of any kind. This document and its content are the property of Kinetics Asset Management and cannot be reproduced or transmitted to any person in any form or by any means in whole or part without prior written consent from Kinetics. Portfolios are subject to stock market risks and significant fluctuations in value. If the stock market declines in value, the Portfolio is likely to decline in value and you could lose money on your investment. Concentrated portfolios that invest a substantial portion of their assets in a particular industry carry a risk that a group of industry-related stocks 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. The 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 Portfolio's assets. The Portfolio may invest in foreign securities, which 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. In a non-diversified Portfolio, more of the Portfolio's assets may be concentrated in the common stock of any single issuer, which may make the value of the Portfolio's shares and therefore, the Portfolio's shares, more susceptible to certain risks than shares of a diversified mutual fund. Portfolio Holdings information on Slide 22 is subject to change at any time. For more information, you may visit www.kineticsfunds.com.



Kinetics Water Infrastructure Fund

- Actively managed, value biased, global mutual fund focused on water and water resources. The fund invests in the solution sets for water supply, quality and delivery challenges.
- Investments in the Fund typically have a minimum revenue of 40% from water-related activities.
- Can be viewed as a natural resource commodity, or alternative investment.

The Kinetics Water Infrastructure Fund takes a multi-asset class approach to water investing, using equities, bonds and options in an attempt to extract higher returns than a long-only equity strategy.

Kinetics Water Infrastructure Fund Highlights*

Inception Date	6/29/07
Style	All Cap, Global, Value
Fund Objective	Long-term growth of capital
Average Market Cap	\$2.8 Billion
Assets	\$27 Million
Positions	40-60

*Data presented as of June 30, 2010



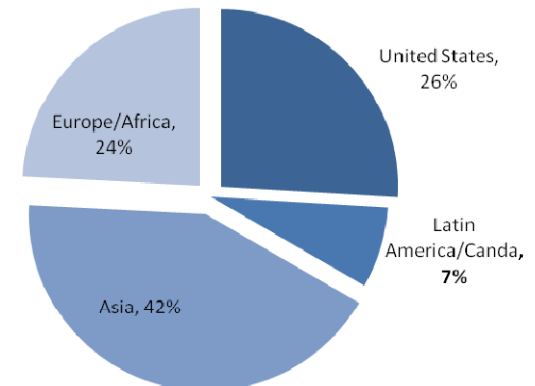
Water Industry Overview

- \$700 Billion industry comprised of 400 publicly traded companies globally.
- **3rd largest industry behind oil/gas and electrical power (based on embedded capital).**
- Global industry growth rate: 6-8% Developed countries / 10-15% emerging countries.
- Investor owned water utilities/water industrials represent the bulk of the investment options.
 - Water Utilities have stable revenue streams that grow from regulated rate base increases
 - The vast majority of publicly traded water companies are industrials serving the supply chain of water and wastewater utilities
- **75% of publicly traded water companies are non-US.***

Global Water Infrastructure Snapshot

Industry Size (\$Billion)	\$600-700
Publicly Traded Water Companies	400
Aggregate Market Capitalization	\$2 Trillion
Developed Country Growth Rates	6 – 10%
Emerging Market Growth Rates	15%

Regional Breakdown of Publicly Traded Water Universe*



*by company count. Source: Derived from Bloomberg data



Water Themed Investments in the Fund

- **Water Utilities:** The hub of most water spending. They are monopolies, generally with stable and predictable earnings. They generally have consistent rate base increases and usually include capital intensive businesses with regulated rates of return. We expect more M&A activity as struggling state and municipal operators sell their assets to publicly traded companies.
- **Water Infrastructure:** According to the American Society of Civil Engineers, water infrastructure in the U.S. will need over \$1 trillion in repairs by 2025. Many older water systems lose up to 30 percent of their water due to cracked and leaking piping. We believe companies that supply the pipes, valves, motors and other essential products should thrive for many years.
- **Filters/Membranes:** Water treatment plants and desalination plants use filters and membranes to process water and remove contaminants.

Areas of Investment	
Water Utilities	Water Infrastructure
Filters/Membranes	Water Rights
Water treatment	Engineering & Construction
Water Reuse	Water Meters
Emerging technology	Desalination

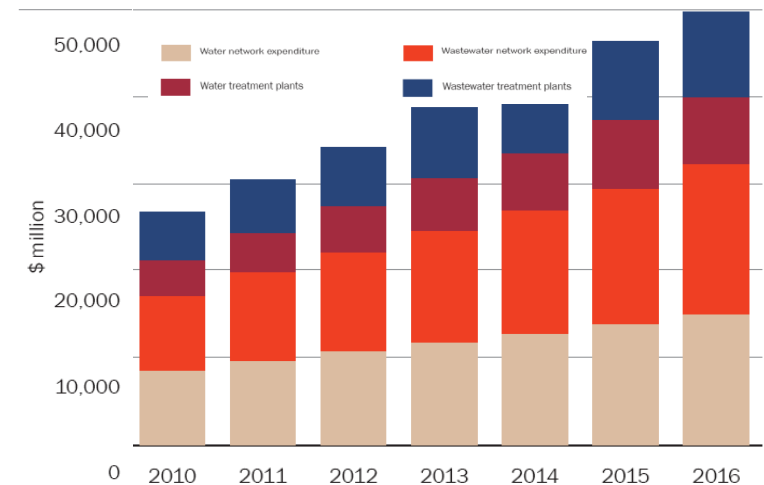


Fund Highlights

Water Themed Investments in the Fund (continued)

- **Water Meters:** Presently used in less than half U.S. homes. They are the primary means to regulate water usage and manage consumption behavior. With next generation meters employing nanotechnology and composite materials, this sector is embracing and deploying new technology.
- **Water Rights:** Companies acquire and develop water resources and storage operations through large land investments--typically in water stressed areas such as the Southwestern US and Australia.
- **Emerging Technology:** Water technologies such as membrane technologies, pressure exchangers, UV and ozone are projected to experience strong growth rates through 2016.
- **Desalination and Water Reuse:** Desalination and reuse will be critical solutions to scarcity issues. While desalination gets more attention, there is considerable opposition to energy requirements and environmental impact of the process. Reuse solutions such as "toilet to tap" are gaining momentum throughout water stressed regions.

Forecast of Capital Expenditure in US Water and Wastewater Infrastructure 2010 - 2016



Source: Global Water Intelligence

- **Engineering and Consulting (E&C):** Demand for engineering, consulting and construction services related to water is expanding worldwide. These companies provide specialized technical services to government and commercial clients. Cash strapped areas in the US and abroad have been outsourcing the management of their drinking and wastewater utilities.



The Case for Investment

Why Invest in Water?

- Water is a unique commodity with no substitute or alternative and high future demand.
- **Since 1989, water prices have risen faster than oil with minimal volatility** (see table).
- Water businesses have proven to be recession resistant— unaffected by demand swings that impact the price of all other commodities.
- Worldwide, water infrastructure suffers from underinvestment. Large capital investments will need to be made to maintain and improve water supply, quality and sanitation.
- Water quality worldwide is rapidly deteriorating. Emerging markets need to develop their infrastructure to accommodate the growth in population and the increase in living standards.

	Water	Oil
Annual Price Increase 1989 – 2008	6.3%	6.2%
Annual Price Volatility	4.2%	42.9%

Source: 2009 World Economic Forum Water Initiative

Key Investment Attributes of Water
Attractive “alternative” investment
Unaffected by demand swings
Less susceptible to cyclical influences than other industrials
Predictable sustainable growth
Consistent operational performance

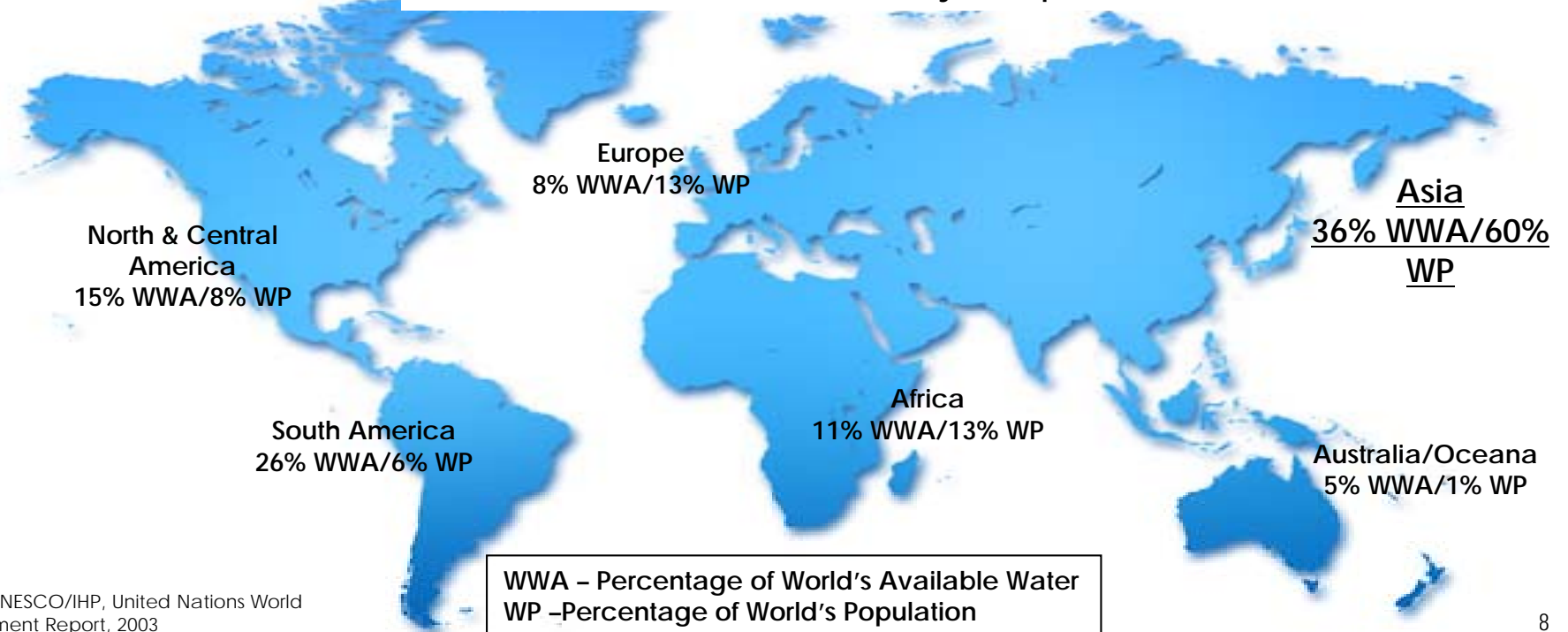


The Case for Investment

Global Scarcity

- The largest portions of world's populations exist where water is scarce – Investment in infrastructure and reuse technology is critical to accommodate future needs
- 44% (2.8 billion) of the world's population lives in areas of severe water stress
- Fewer than 10 countries possess 60% of the world's freshwater drinking supply

Global Share of Fresh Water Availability vs. Population



Source: UNESCO/IHP, United Nations World Development Report, 2003



The Case for Investment – Developed Markets

Underinvestment in Infrastructure

- Much of the U.S. infrastructure is over 100 years old and in disrepair – wasting 7 billion gallons of fresh drinking water daily.
- **Investment Opportunity**: We believe *E&C firms, pipe and infrastructure companies will gain from increase spending*

Population Growth & Increased Usage

- U.S. population continues to grow and the use of water continues to increase as reuse and reclamation technology has limited availability.
- **Investment Opportunity**: *Water rights, water technology/reuse and desalination*

Regulation

- The EPA will become more active in water regulations in next 12 months since there have been *no significant changes to the Federal water regulations in over 20 years.*
- **Investment Opportunity**: *Filtration, irrigation and water metering*

Overview of U.S. Water Infrastructure

- Received a D- grade from the American Society of Civil Engineers in 2009.
- Sewer overflows discharge 850 billion gallons of contaminated water per year.
- U.S. pipes experience 30% leakage rates on average—wasting 7 billion gallons of clean drinking water each day.
- At the current pace of investment, it would take 900 years to replace the United States' existing water infrastructure.*

*Source: *The Essentials of Investing in the Water Sector; version 2.0*", Goldman Sachs,



The Case for Investment – Emerging Markets

Large populations exist where water and infrastructure are lacking and inefficient irrigation depletes the resource

- Asia accounts for 60% of world's population and 36% of the world's resources. 1.1 billion people (20% of the world population) do not have access to clean water and 2.6 billion do not have access to basic sanitation.
- In some emerging countries, agriculture accounts for 90% of daily water use.
- Nearly 90% of all wastewater in developing countries is discharged untreated. The Yangtze river in China absorbs nearly 50% of the country's wastewater, almost entirely untreated.

Increased wealth = increased water demands

- As emerging markets develop, dietary habits change, food consumption increases ...*water usage increases accordingly. The world will need 55% more food by 2030.*
- *Urbanization can cause the demand for water to increase by 5 times.*

Investment Opportunity: Water and waste water utilities, filtration and membranes, E&C, infrastructure, emerging technologies, waster water reuse, desalination.

It takes...



Source: IBM 2010 Global Innovation Outlook Report



The Paradoxes of Water Investing

- The case for water investment is easily understood, but it does not directly equate to superior investment returns.
- Water companies are typically predictable businesses with alluring risk characteristics, but the organic returns are generally low.
- 90% of the world's water utilities are government owned—leaving limited investment options.
- The volatility of water equities is much higher than the volatility in the underlying businesses.
- There are limited pure-play investment options. Many of the largest water companies are owned by large conglomerates such as General Electric, Dow Chemical, or BASF.

The Paradoxes of Water Investing

Unlike any commodity, there is no correlation between water scarcity and water prices

There are 400+ companies involved in the water business, but few pure plays

90% of the world's water utilities are government owned

In the US, there are 53,000 water utilities—11 are publicly traded



The Investment Approach

Portfolio Construction

- How do you take an industry with historically good returns and extract higher returns?
- Beginning August 2010, the fund has transitioned from a long –only equity strategy to a hybrid approach that is:
 - Long water equities
 - Selling put options on underlying water equities
 - Holding short duration bonds of water companies
- The goal is to achieve higher returns than a long only equity strategy while reducing volatility and increasing downside protection.



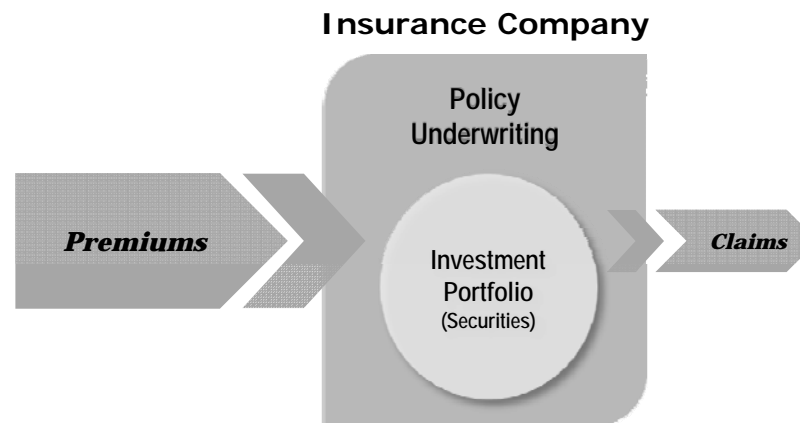
The Investment Approach

The Fund's Put writing strategy is conceptually similar to writing insurance.

	<u>Insurance Company</u>	<u>Put Writing</u>
Premiums	Cash	Cash
Claims	Variable	Limited to Position Size*
Risk Re-pricing	No policy repurchase	Option repurchase
Cancelations	Refund to Policyholder	No Refund

Puts are systematically written on a select group of companies researched by the investment team.

*Put option positions are fully collateralized by bond investments and cash collateral.



A successful insurance company collects premiums in excess of claims paid and expenses. (i.e., a combined ratio less than 100)

In addition, the company will conservatively invest its capital base in an investment portfolio to produce additional income and compound capital.



Risk Management

- Selling puts provides known maximum-loss vs. selling calls.
- Natural turnover, sell decision driven by bond maturities and option expirations.
- Seek to avoid permanent loss of capital. Analytical emphasis on downside protection;
 - Stock selection,
 - Credit and duration risk managed on the fixed income portfolio
- Put premiums and bond income can potentially offset losses and lower the breakeven points for options.



- This approach to water investing seeks to generate returns in excess of industry growth rates using a mix of options/bonds and equities.
- Investors have similar exposure to water investments as with a “long equity” strategy but with potential increased downside protection and lower volatility.
- The portfolio may provide a buffer of protection against downturns in equity markets by benefiting from:
 - Excess premiums received from the put portion of the portfolio; and
 - The interest income provided by the short duration corporate bond portfolio.
- Has the potential to capitalize on the available price volatility of what is normally a stable, operationally-predictable industry.

Structural Inefficiencies – Short Duration Bonds

- Our research suggests:
 - Risk-adjusted returns are higher for shorter duration corporate bonds
 - Transactional demands for money are very short-term (1 to 3 months) while savers and institutions tend to seek more duration (5 to 10 years).
 - Bond managers anticipate that most major bond indices have exclusion rules to remove issues that are within 13 months of redemption.
 - Traditional long-only portfolio managers tend to avoid low duration bonds not in benchmarks.
 - Short duration credit has produced consistent rates of return over varying interest rate cycles.



Why use this approach with a water fund?

- Many investors have avoided the water sector because of the perception that the equities consistency underperform the broader market.
- While water demand consistently increases this does not directly translate to high returns on equity for water companies.
- The volatility of water equities has been significantly higher than the volatility of the underlying businesses. This volatility has created heightened option premiums.
- This approach seeks to create a different pattern of return vs. all other water products—eliminating the peaks and valleys.
- Only in the last 10 years has the option market developed to provide the breadth of names needed and the liquidity to execute this strategy.
- The strategy requires a depth of knowledge in fixed income, options and the research fundamentals of the underlying companies.



Kinetics Investment Team

Mr. Peter Doyle is a Co-Founder of Kinetics Asset Management, Inc. and serves as Chief Investment Strategist, overseeing the management of more than \$4 billion of assets under management as of June 30, 2010. He is also the Lead Co-Portfolio Manager to Kinetics Paradigm Fund, Kinetics Small Cap Opportunities Fund, Kinetics Market Opportunities Fund and Kinetics Internet Fund. Mr. Doyle is also the Chief Investment Strategist of Kinetics Advisers, LLC, the investment adviser to Kinetics' alternative products and other separate accounts. He is also Co-Founder and a Director of Horizon Asset Management, Inc., a New York-based investment management and research firm, which was established in 1994 and which managed approximately \$4.7 billion as of December 31, 2009. From 1998 through late 1994, Mr. Doyle was an Investment Officer in Bankers Trust Company's Investment Services Group. Mr. Doyle received a Masters of Business Administration from Fordham University in 1994 and a Bachelor of Science in Economics from St. John's University in 1984.

Mr. Murray Stahl is the Director of Research for the Kinetics Mutual Funds, Inc. Mr. Stahl is the Chairman, CEO, Chief Investment Strategist and Co-Founder of Horizon Asset Management, Inc., a New York-based investment management and research firm that had approximately \$4.7 billion in assets under management as of December 31, 2009. Previously, Mr. Stahl was with Bankers Trust Company for 16 years as a portfolio manager and research analyst, and managed approximately \$600 million of individual, trust and institutional client assets. As the senior Fund manager, he directed the investments of three of the bank's Common Trust Funds: the Special Opportunity, Utility and Tangible Assets Funds, as well as the Utility Mutual Fund. Mr. Stahl received a Masters in Business Administration from Pace University in 1984 and a Bachelor of Arts from Brooklyn College in 1976 as well as a Masters of Arts from Brooklyn College in 1980.

Mr. David Kingsley serves as Lead Co-Portfolio Manager to the Kinetics Multi-Disciplinary Fund and acts as a Portfolio Manager to several products managed by Horizon Asset Management, Inc. Prior to Horizon, Mr. Kingsley was a Portfolio Manager at Kingsley Capital Management, LLC from 2001 through 2005, and served in the same capacity for Schottenfeld Association from 1999 through 2001. Mr. Kingsley received his B.S.B.A from Washington University in St. Louis in 1991.



Kinetics Investment Team (Continued)

Paul Mampilly is a member of the Portfolio Management Team for Kinetics Asset Management, Inc. He serves as Co-Portfolio Manager to Kinetics Paradigm Fund, Small Cap Opportunities Fund, Market Opportunities Fund, Internet Fund and Global Fund. Mr. Mampilly has over 15 years experience as an investment professional working at Bankers Trust, Deutsche Bank, ING Funds and the Capuchin Group as a research analyst and portfolio manager. He is a Chartered Financial Analyst (CFA) and a member of the American Association for the Advancement of Science (AAAS). Paul graduated from Montclair State College, New Jersey in 1991 and received his MBA from Fordham University, New York in 1996.

Bruce P. Abel is Portfolio Manager to the Kinetics Medical Fund, a U.S. mutual fund managed by Kinetics Asset Management, Inc., which has just celebrated its 10-year anniversary. Mr. Abel has managed the Fund since its inception in October 1999. He is also a Co-Portfolio Manager to several U.S. and Cayman-based alternative investment products managed by Kinetics Advisers, LLC. Mr. Abel's primary duties include research and analysis of developing scientific technologies and innovations in the medical, bio-technical and pharmaceutical industries. Prior to joining Kinetics, Mr. Abel was employed by Brookhaven National Laboratories, since 1989, where he researched, developed and implemented technical and scientific programs and systems in the areas of nuclear physics, computer programming and industrial design. Mr. Abel holds a Masters Degree in Mechanical Engineering and has also studied extensively in the areas of Nuclear Engineering, Applied Mathematics, Hydrodynamics, Aerodynamics and Physics.

James Davolos is a Co-Portfolio Manager for the Kinetics Global Fund, Paradigm Fund, Small Cap Opportunities Fund, Internet Fund and Market Opportunities Fund and is a member of the Kinetics Investment Team. 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. During his tenure at Kinetics, Mr. Davolos has provided substantial input and research for Kinetics' mutual fund and hedge fund products. Mr. Davolos graduated Loyola College in 2005 with a B.B.A and specialization in finance. He was also a member of the business school's Honors Program.



Contact Information

WWW.KINETICSFUNDS.COM

**Kinetics Mutual Funds
555 Taxter Road – Suite 175
Elmsford, New York 10523
914-703-6950**

**Christopher Bell
Director of Sales & Marketing
Office: 914-703-6950
Email: chris@kineticsfunds.com**

**Bob Uly
Senior Vice President
Office: 914-703-6950
Email: bob@kineticsfunds.com**

**Tom Gormley
Vice President, Marketing
Office: 914-703-6950
Email: tom@kineticsfunds.com**

**Chris Barrett
Vice President – Regional Mgr. - West Coast
Office: 914-393-1993
Email: barrett@kineticsfunds.com**

**Chuck Bell
Marketing Rep - Midwest
Office: 914-434-8745
Email: chuck@kineticsfunds.com**

**Marc Schumacher
Vice President – East Coast
Office: 914-309-9328
Email: marc@kineticsfunds.com**