

- Advisor Class A (KMKAX)
- Advisor Class C (KMKCX)
- No Load Class (KMKNX)
- Institutional Class (KMKYX)

➤ Portfolio Management Team
Team Managed

Peter Doyle,
Chief Investment Strategist
Paul Mampilly,
Co-Portfolio Manager

➤ **Advisor Class A**

Inception Date 01/31/06
CUSIP # 494613771

Max Sales Charge 5.75%
Front-end
12b-1 Fee 0.25%
♦Gross Expense Ratio **2.18%**
*Net Expense Ratio **1.89%**

➤ **Advisor Class C**

Inception Date 02/16/07
CUSIP # 494613730

12b-1 Fee 0.75%
♦Gross Expense Ratio **2.68%**
*Net Expense Ratio **2.39%**

➤ **No Load Class**

CUSIP # 494613789

♦Gross Expense Ratio **1.93%**
*Net Expense Ratio **1.64%**

➤ **Institutional Class**

Inception Date 05/19/08
CUSIP # 494613615

♦Gross Expense Ratio **1.88%**
*Net Expense Ratio **1.44%**

♦Gross expense ratios for Advisor Class A, Advisor Class C, Institutional and No Load Class are reported as of 12/31/09 and referenced in the 12/31/09 respective annual report.

*Net expense ratios listed for No Load Class, Advisor Class A, Advisor Class C and Institutional Class are stated as of 6/30/10 and may include a voluntary expense waiver from the Investment Adviser which may be terminated at anytime, the applications, directed brokerage credits, and/or the application of other waivers.

➤ **Fund Facts**

➤ Total Net Assets \$53.7 million
➤ Minimum Purchase \$2,500

➤ **Portfolio Statistics**

➤ Weighted Average Market Cap. (\$mil): \$22,927
➤ Holdings In Portfolios: 93



The Market Opportunities Fund



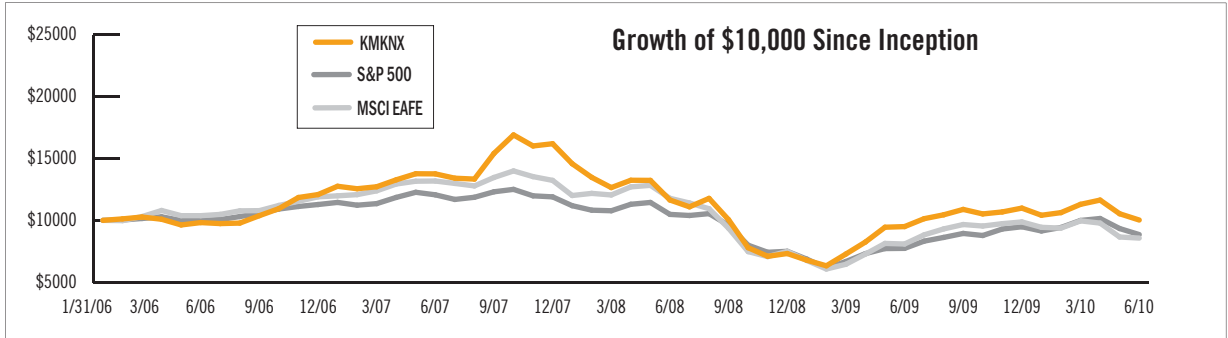
Kinetics Mutual Funds, Inc.

We Do Our Research

as of 6/30/10

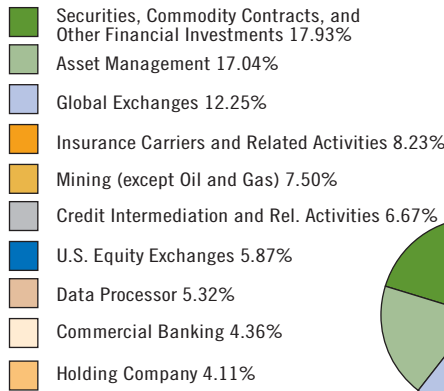
Portfolio Strategy

The Market Opportunities Fund seeks to achieve its investment objective by investing all of its investable assets in the Portfolio. Under normal circumstances, the Market Opportunities Portfolio invests at least 65% of its net assets in common stocks, convertible securities, warrants and other equity securities having the characteristics of common stocks (such as ADRs) of U.S. and foreign companies involved in capital markets or related to capital markets, as well as companies involved in the gaming industry. Capital markets includes companies that are engaged in or derive a substantial portion of their revenue from activities with a publicly traded securities exchange, such as equity exchanges and commodity exchanges, including but not limited to clearing firms and brokerage houses. The Market Opportunities Portfolio may also write and sell options on securities in which it invests for hedging purposes and/or direct investment.



This chart illustrates the performance of a hypothetical \$10,000 investment made in No Load Class shares on commencement of operations (1/31/06). It assumes reinvestment of capital gains and dividends. This chart is not intended to imply any future performance.

Top 10 Sector Allocation***



Historic Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	MSCI EAFE Index
2010 YTD	-8.76%	-6.65%	-13.23%
2009	50.21%	26.46%	31.78%
2008	-54.82%	-37.00%	-40.54%
2007	34.03%	5.49%	9.81%
2006	-	15.79%	9.52%

Top 10 Equity Holdings†

	Symbol	% of Total Net Assets
Franco-Nevada Corporation	FNV CN	7.5%
IntercontinentalExchange, Inc.	ICE	5.6%
CME Group, Inc.	CME	5.3%
Hong Kong Exchanges & Clearing Limited	388 HK	5.2%
NYSE Euronext	NYX	4.5%
Ping An Insurance Gr. Co. of China Ltd - Class H	2318 HK	3.6%
Jefferies Group, Inc.	JEF	3.3%
Singapore Exchange Limited	SGX SP	3.3%
China Life Insurance Co., Limited - ADR	LFC	2.7%
Berkshire Hathaway Inc. - Class A	BRK/A	2.7%

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 6/30/10, holdings are expressed as a percentage of total net investments and may vary over time.

Quarterly Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	MSCI EAFE Index**
Three Month**	-11.22%	-11.43%	-13.97%
One Year *	5.60%	14.43%	5.92%
Three Year*	-10.01%	-9.81%	-13.38%
Three Year **	-27.12%	-26.64%	-35.01%
Five Year*	-	-0.79%	0.88%
Five Year**	-	-3.91%	4.46%
Since Inception*^	0.06%	-2.73%	-3.45%
Since Inception**^	0.28%	-11.49%	-14.33%

*Annualized ** Non-Annualized/Cumulative

^ The Market Opportunities Fund No Load Class inception date is 1/31/06. Performance data quoted represents past performance and does not guarantee future results. Figures include changes in principal value, reinvested dividends and capital gains distributions. 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 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.

**One year, 3 year, 5 year, since inception, and historical total returns (where applicable) are with dividends reinvested.

***The Top 10 Sectors displayed represent a percentage of the net assets and excludes cash equivalents and other assets in excess of liabilities.



The Market Opportunities Fund



Kinetics Mutual Funds, Inc.

as of 6/30/10

Market Commentary

The Kinetics Market Opportunities Fund ("Fund") (No-Load Class) declined by 11.22% for the second quarter of 2010, compared with declines of 11.43% for the S&P 500 Index and 13.97% for the MSCI EAFE Index. The companies in the Fund all share the similar characteristic of being involved in capital markets, but more important, they all exhibit tremendous operational leverage. In order to illustrate exactly how these businesses perform in various environments, let's consider the New York State Lottery as an example of a paradigm of operational leverage.

It's important to distinguish between financial leverage (debt financing) and operational leverage. Operational leverage is essentially a company's ability to increase margins and profitability with each incremental sale. For instance, an auto manufacturer has very high fixed costs (e.g., plant, equipment, etc.) and variable costs (e.g., raw materials, labor, etc.). While the net income of the auto manufacturer will increase with higher sales, the margins will remain static. By contrast, the NY State Lottery has substantial fixed costs (e.g., lotto infrastructure, distribution and maintenance) but extremely low variable costs (e.g., printed paper slips). Thus, as the sales of the lottery increase there are very low costs for each additional player (sale), and the margins will accordingly expand. As per the revenue statement of the New York State Lottery, sales have increased roughly 6% over the past three fiscal years while total operating income has increased over 8%. The differences in this case are somewhat muted because the sales of the New York State Lottery have held up remarkably well during the financial crisis. Consider the impact on a company with similar operating characteristics that saw a dramatic, albeit temporary impairment to sales. For this, we will evaluate some positions in the Fund.

Financial activity ground to a halt in late 2008 and early 2009 and included virtually every aspect of commerce. The Bank of New York Mellon had been earning an average return on equity of 18.13% in the eight years leading up to the crisis. The company's main business, asset custody and servicing, is not unlike the lottery when comparing the large fixed cost (data systems, building, etc.) and the low variable costs (marginal increases in staff, equipment, etc.). The business decline from the crisis resulted in the company's return on equity ("ROE") contracting to an average of 1.05% over the past two years. Despite these declines, the basic infrastructure necessary to conduct the business lines of Bank of New York Mellon remain in place with ample capacity for expansion. Consensus estimates expect the company to earn \$2.31 per share in 2010 which is in itself attractive at 11x earnings. However, this figure suggests a ROE of only 8.95% (less than half of the pre-crisis average). One would think that such earnings potential would be discounted into the valuation of the company, however, as of this writing Bank of New York Mellon traded at book value.

As another example, auctioneers are not involved in capital markets in the traditional sense, but they provide a means by which to exchange capital goods. Sotheby's is a premier global brand with offices across the globe that auction fine art, antiques, and collectibles. The company's fixed costs include global offices, electronic auction and data systems, and staff. The economic slowdown resulted in a pointed reduction of high-end auctions. Accordingly, Sotheby's ROE contracted to average 1.85% over the past two years, compared with a 27.7% average over the past five years. Sotheby's is forecasted to earn \$1.54 per share in 2010, with \$630 million in total revenue. The implied return on equity is 17%, which is less impressive when compared with the 50.2% net margins achieved in 2007, with \$917 million in revenue. This illustrates the potential for dramatic increases in profitability if the auction market rebounds.

This examination of operational leverage illustrates the outsized potential for earnings in an environment where activity increases. Considering the degree to which activity has declined since 2007, we believe further improvement is very feasible. The market continues to discount these businesses as if muted profitability will be sustained in the future. We believe that activity will pick up along with the greater economy, and these operationally leveraged businesses will benefit to a much greater degree than other parts of the economy. Should this rebound not fully come to fruition as quickly as we envision, the companies are all currently discounted at attractive levels notwithstanding the prospective increases in profits.

We appreciate your confidence and believe you will be rewarded for it.

The Kinetics Investment Team

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 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 30 days or less 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. 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 Portfolios Trust. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE is unmanaged and includes the reinvestment of dividends and does not reflect the payment of transaction costs or advisory fees associated with an investment in the Funds. The securities that comprise the MSCI EAFE may differ substantially from the securities in the Funds' portfolios. The Standard & Poor's 500 Index represents an unmanaged, broad-based basket of stocks. It is typically used as a proxy for overall market performance. 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