



# The Tactical Paradigm Fund



Kinetics Mutual Funds, Inc.

We Do Our Research

- ▶ Advisor Class A (KPARX)
- ▶ Advisor Class C (KPACX)
- ▶ No Load Class (KPANX)
- ▶ Institutional Class (KPAYX)

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

Broadmark  
Asset Management, LLC,  
Sub-Advisor

## ▶ Advisor Class A

Inception Date 12/31/09  
CUSIP # 494613581

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

♦Gross Expense Ratio **7.33%**  
\*Net Expense Ratio **2.54%**

## ▶ Advisor Class C

Inception Date 12/31/09  
CUSIP # 494613573  
12b-1 Fee 0.75%

♦Gross Expense Ratio **7.83%**  
\*Net Expense Ratio **3.04%**

## ▶ No Load Class

CUSIP # 494613599

♦Gross Expense Ratio **7.08%**  
\*Net Expense Ratio **2.29%**

## ▶ Institutional Class

Inception Date 12/31/09  
CUSIP # 494613565

♦Gross Expense Ratio **7.03%**  
\*Net Expense Ratio **2.09%**

♦Gross expense ratios listed for No Load Class, Advisor Class A, Advisor Class C and the Institutional Class are stated as of 12/31/10 since the inception date for all of the classes is 12/31/10.

\*Net expense ratios listed for No Load Class, Advisor Class A, Advisor Class C and the Institutional Class are stated as of 12/31/10 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 Net Assets \$1.2 billion
- ▶ Minimum Purchase \$2,500

## ▶ Portfolio Statistics<sup>†††</sup>

- ▶ Weighted Average Market Cap. (\$mil): \$24,000
- ▶ Holdings In Portfolios: 108

as of 12/31/10

## Portfolio Strategy

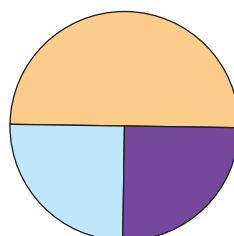
The Fund will invest generally all of its assets in the Kinetics Paradigm Portfolio, while also dynamically hedging market risk with futures, option combos and short sales of exchange-traded funds ("ETFs"). The Tactical Fund's Sub-Advisor will attempt to reduce market risk through its hedging activities based upon a multi-factor process. This process assesses such factors as monetary policy, valuation, investor sentiment and momentum. Net exposure to equities will be adjusted based upon the overall assessment of risk and opportunity. When equity market risk is perceived to be high, and opportunity low, net exposure will be reduced by selling futures, option combos or short selling ETFs against the value of the Tactical Fund's investment in the Paradigm Portfolio. Conversely, when perceived risks are low and opportunities high, the Fund will have a low to zero exposure to hedging vehicles. There is no guarantee that the Sub-Advisor will accurately measure existing risk.

## Hedge Factors

### Momentum 50%

The major input in determining market exposure

- Subadvisor's Breadth/Volume Momentum Models are the final determinants that position the portfolio
- Because markets can overshoot, momentum itself is strongly relied upon



### Sentiment 25%

Contrarian indicator, as most investors are often wrong at market inflection points

- Sentiment levels can be excessively positive or negative
- Subadvisor relies, in part, on consumer sentiment, individual investor behavior, wall street strategists, corporate insiders, newsletter writer, option speculators, put writers and NYSE member activity

### Valuation & Monetary Policy 25%

Assesses overall stock market risk

- Price to Earnings (P/E) ratios are compared to interest rates and price to establish if markets are under, over or fairly valued
- Treasury yields and BAA corporate bond yields are compared to the earnings yield of the S&P 500 Index
- Credit Spreads and Monetary Aggregate Growth indicate favorable or negative liquidity conditions and federal reserve biasinsiders, newsletter writer, option speculators, put writers and NYSE member activity

## Quarterly Total Return (No Load Class)<sup>††</sup>

Data as of December 31, 2010

	Total Returns	S&P 500 Index
Three Month <sup>**</sup>	9.61%	10.76%
Since Inception <sup>**^</sup>	3.47%	15.06%
2010	3.47%	15.06%

<sup>\*\*</sup> Non-Annualized/Cumulative

## Top 10 Equity Holdings<sup>†</sup>

	Symbol	% of Total Net Assets
Hong Kong Exchanges & Clearing Limited	388 HK	6.8%
Leucadia National Corporation	LUK	4.3%
Brookfield Asset Management Inc. - Class A	BAM	4.0%
Las Vegas Sands Corp.	LVS	3.7%
General Growth Properties, Inc.	GGP	3.3%
Wynn Resorts Limited	WYNN	3.2%
IntercontinentalExchange, Inc.	ICE	2.7%
Anglo American PLC - ADR	AAUKY	2.7%
Canadian Natural Resources Ltd.	CNQ	2.7%
Suncor Energy, Inc.	SU	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.

<sup>†</sup>As of 12/31/10, holdings are expressed as a percentage of total net investments of the Paradigm Portfolio and may vary over time.

<sup>^</sup>The Tactical Paradigm No Load Class inception date is 12/31/09. 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](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.

<sup>††</sup>One year, 3 year, 5 year, since inception, and historical total returns (where applicable) are with dividends reinvested.

<sup>†††</sup>The Weighted Average Market Cap and Holdings in the Portfolio represent the Paradigm Portfolio.



# The Tactical Paradigm Fund



Kinetics Mutual Funds, Inc.

as of 12/31/10

**Market Commentary**

The Kinetics Tactical Paradigm Fund (“Fund”) (No-Load Class) appreciated by 9.61% for the three months ending December 31, 2010, compared to returns of 12.46% for the underlying Kinetics Paradigm Fund and 10.76% and 12.00% for the S&P 500 Index and Nasdaq Composite, respectively, for the same period. The stock market was able to find its low point for the year following the short-lived but severe August 2010 decline. During the fourth quarter 2010 the S&P 500 climbed steadily higher into end of the year. While the rally was not dramatic, it was steady, and the S&P 500 was able to grind its way higher to exceed its April 2010 highs and climb to its highest level since late 2008. The S&P 500 was up 10.76% for the quarter.

There were a variety of factors accounting for the market’s fourth quarter gains. First, fears of a double-dip recession eased as the Federal Reserve initiated its second round of quantitative easing. Second, while European sovereign debt problems continued to arise, particularly in Ireland, fears of widespread sovereign debt defaults and credit crisis contagion eased as European central bankers stepped in to reassure the markets that they stood ready to provide additional liquidity. Third, US corporate profits continued to be strong and a decline in jobless claims indicated a gradually improving economy. And finally, a surprising gain in automobile sales, coupled with a better than expected Christmas season for retailers, added to the increased optimism for stocks.

The Tactical Paradigm Fund returned 9.61% for the quarter. A reduction in our hedging activities in September allowed The Fund to substantially participate in the equity market’s advance. Later in the quarter we picked up our hedging activities finishing the year partially hedged. Moderate valuation coupled with still ample liquidity is partially offset by a spike in optimism and speculation. We expect the cyclical advance in equities to continue punctuated by moderate corrections until the traditional headwinds of rising interest rates surface.

As always, we thank you for your confidence and believe you will be rewarded for it.

The Kinetics Investment Team

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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 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 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