Fund Facts

- Advisor Class A (KSOAX)
- Advisor Class C (KSOCX)
- No Load Class (KSCOX)
- Institutional Class (KSCYX)

The **Small Cap Opportunities** Fund

Kinetics Mutual Funds, Inc.

We Do *Our* Research

- Portfolio Management Team

Team Managed

Peter Doyle,
Chief Investment Strategist

Paul Mampilly,
Co-Portfolio Manager

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	**2.11%**
✧Net Expense Ratio	**1.89%**

Advisor Class C

Inception Date	02/16/07
CUSIP #	494613748
12b-1 Fee	0.75%
♦Gross Expense Ratio	**2.61%**
✧Net Expense Ratio	**2.39%**

No Load Class

CUSIP #	494613706
♦Gross Expense Ratio	**1.86%**
✧Net Expense Ratio	**1.64%**

Institutional Class

Inception Date	08/12/05
CUSIP #	494613813
♦Gross Expense Ratio	**1.81%**
✧Net Expense Ratio	**1.44%**

♦Gross expense ratios for the No Load Class, Advisor Class A, Advisor Class C and the Institutional 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 any time, the application of directed brokerage credits, and/or the application of other waivers.

Fund Facts

- Total Net Assets $141.8 million
- Minimum Purchase $2,500

Portfolio Statistics

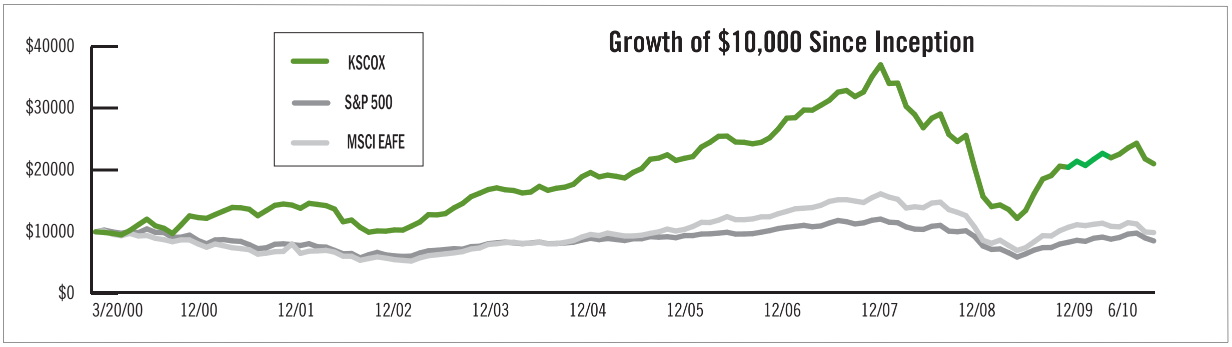
- Weighted Average Market Cap. ($mil): $2,629
- Holdings In Portfolios: 103

www.kineticsfunds.com

as of 6/30/10

Portfolio Strategy

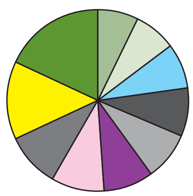
The fund invests at least 80% of its assets in common stocks, convertible securities, warrants and may buy and sell options on securities in which it invests for hedging purposes. We believe that favorable investment opportunities are available through companies that have little or no institutional ownership, 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.



This chart illustrates the performance of a hypothetical $10,000 investment made in No Load 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.

Top 10 Sector Allocation[†††]

- Support Activities for Transportation 12.85%
- Global Exchanges 9.80%
- Holding Company 6.95%
- Beverage and Tobacco Product Manufacturing 6.69%
- Real Estate 6.45%
- Securities, Commodity Contracts, and Other Financial Investments 6.15%
- Mining (except Oil and Gas) 6.06%
- Air Transportation 5.74%
- Motion Picture and Sound Recording Industries 5.39%
- Asset Management 5.26%



Top 10 Equity Holdings[†]

	Symbol	% of Total Net Assets
Icahn Enterprises LP	IEP	6.8%
Tsingtao Brewery Co. Limited-Class H	168 HK	6.7%
Sichuan Expressway Co. Limited - Class H	107 HK	6.1%
Singapore Exchange Limited	SGX SP	4.7%
Jefferies Group, Inc.	JEF	4.2%
Franco-Nevada Corporation	FNV CN	4.0%
Beijing Capital Intl Airport Co Ltd - Class H	694 HK	3.8%
Texas Pacific Land Trust	TPL	3.6%
Warner Music Group Corp.	WMG	3.1%
Jarden Corporation	JAH	2.8%

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

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

Historic Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	MSCI EAFE Index
2010 YTD	-7.39%	-6.65%	-13.23%
2009	58.16%	26.46%	31.78%
2008	-57.88%	-37.00%	-43.38%
2007	19.65%	5.49%	11.17%
2006	28.37%	15.79%	26.34%
2005	13.17%	4.91%	13.54%
2004	16.40%	10.88%	20.25%
2003	66.51%	28.68%	38.59%
2002	-30.28%	-22.10%	-15.94%
2001	30.63%	-11.89%	-21.44%

Quarterly Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	MSCI EAFE Index[††]
Three month**	-10.86%	-11.43%	-13.97%
One Year *	10.04%	14.43%	5.92%
Three Year*	-13.85%	-9.81%	-13.38%
Three Year **	-36.06%	-26.64%	-35.01%
Five Year*	0.76%	-0.79%	0.88%
Five Year**	3.85%	-3.91%	4.46%
Ten Year*	7.48%	-1.59%	0.15%
Ten Year**	105.79%	-14.79%	1.46%
Since Inception*^	7.49%	-1.53%	-0.12%
Since Inception**^	110.11%	-14.65%	-1.20%

**Annualized ** Non-Annualized/Cumulative*

^*The Small Cap Opportunities Fund No Load Class inception date is 3/20/00. 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 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.

Fund Facts

The **Small Cap Opportunities** Fund

as of 6/30/10

Kinetics Mutual Funds, Inc.

Market Commentary

The Kinetics Small Cap Opportunities Fund ("Fund") (No-Load Class) declined by 10.86% for the second quarter of 2010, compared to declines of 11.43% for the S&P 500 Index and 13.97% for the MSCI EAFE Index. Economic and corporate level figures improved over the quarter, but were overshadowed by fears of a stalled or muted recovery. The largest corporations dominated headlines as many required emergency funding during the crisis and are now meticulously scrutinized in all of their activities. Logic could lead to the assumption that the largest companies are the largest employers and revenue generators, thus the critical element to a sustained recovery. A glance through history will show that while the incumbent large corporations are critical to sustaining the economy, small businesses provide the incremental growth and progression.

In 1962, Sam Walton opened his first Wal-Mart Discount City Store in Rogers, Arkansas. Within 5 years, the company expanded to 24 stores across Arkansas and generated $12.6 million in revenue. By 1970, Wal-Mart was incorporated with 38 stores, 1,500 employees and revenues of $44.2 million. After another five years, Wal-Mart increased employees 5 fold and revenues over 7 fold. Today, Wal-Mart employs over 2.1 million people across the globe and earns over $400 billion in revenue.

Anyone familiar with U.S. economic history or having lived and worked through the 1970's is familiar with the hardships that faced the United States and the economy. Just as Sam Walton began to aggressively expand his business, inflation was stubbornly high at 10%, unemployment lingered at over 8%, President Nixon resigned amidst scandal, OPEC implemented an oil embargo, Middle East tensions peaked, and the 20-year conflict in Vietnam was dragging on. It can be argued that this was the most difficult business environment in American history since the Great Depression. This makes the success of Mr. Walton all the more remarkable; or does it?

The adversity that Wal-Mart faced in its beginnings shaped the company into what it is today. Sam Walton acknowledged that consumers in Arkansas aspired for a discount store with multiple product lines. The environment in which his business began required scrupulous attention to supply chain management, scale and cost synergies, all paradigms of the Wal-Mart business model that stand to this day. It is interesting to consider if Wal-Mart would be as we know it today had it emerged during more prosperous times.

Consider also that between 1970 and 1972 the following companies were founded: FedEx, Western Digital, Charles Schwab, Viacom, Starbucks and Exxon (consolidation of Esso, Enco and Humble). Despite the most difficult environment during these years (and the decade that followed) these companies currently have a combined market capitalization of approximately $350 billion and employ over 500,000 people; and this doesn't even include Wal-Mart. Most large corporations have the ability to operate conservatively during difficult economic times, effectively waiting out for a more prosperous cycle. Through adversity, the small businesses tend to be dynamic and progressive, willing to embrace all opportunities and reduce non vital operations. The Kinetics Small Cap Opportunities Fund is invested in such companies that we believe will adapt and lead in the economic recovery. All things considered, we do not feel that the current headwinds faced by businesses are quite as bad as those faced by Mr. Walton, but we are encouraged by all of the leading businesses that began amidst such uncertainty.

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

The Kinetics Investment Team
