Fund Facts

- Advisor Class A (**KINAX**)
- Advisor Class C (**KINCX**)
- No Load Class (**WWWFX**)
- Portfolio Management Team
  Team Managed

  Peter Doyle,
  Chief Investment Strategist

The **Internet** Fund

Kinetics Mutual Funds, Inc.
We Do *Our* Research

as of 6/30/10

Portfolio Strategy

Our job is to identify those companies that not only possess balance sheet strength, but also control strategic assets. Accordingly, we believe that through the standardization of technology, these companies will open up vast new markets, amassing large profits in much the same way that Microsoft has as the de facto standard for the world's computers. We expect our returns to be volatile, as Microsoft's have been throughout its history as a publicly traded company. We embrace market volatility as an opportunity to buy when others are fearful, and to sell when others are greedy. Further, we accept volatility as a permanent condition of the capital markets, and urge our shareholders to have time horizons long enough to weather the inevitable turbulent times for we believe the turbulent times will be followed by more sanguine periods.

Advisor Class A

Inception Date	04/26/01
CUSIP #	494613862
Max Sales Charge	5.75% Front-end
12b-1 Fee	0.25%
◆Gross Expense Ratio	**2.23%**
✧Net Expense Ratio	**2.14%**

Advisor Class C

Inception Date	02/16/07
CUSIP #	494613763
12b-1 Fee	0.75%
◆Gross Expense Ratio	**2.73%**
✧Net Expense Ratio	**2.64%**

No Load Class

CUSIP #	460953102
◆Gross Expense Ratio	**1.98%**
✧Net Expense Ratio	**1.89%**

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

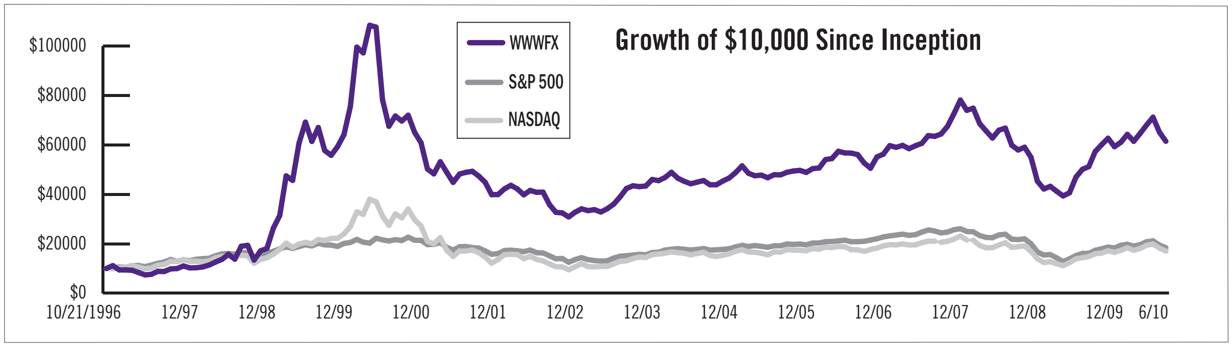
✧Net expense ratios listed for No Load Class, Advisor Class A and Advisor Class C are stated as of 6/30/10 and may include a voluntary expense waiver from the Investment Adviser which may be terminated at any time, the application of directed brokerage credits, and/or the application of other waivers.

Fund Facts

- Total Net Assets $96.3 million
- Minimum Purchase $2,500

Portfolio Statistics

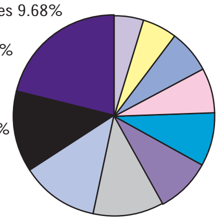
- Weighted Average Market Cap. ($mil): $15,377
- Holdings In Portfolios: 109



This chart illustrates the performance of a hypothetical $10,000 investment made in No Load Class shares on commencement of operations (10/21/96). It assumes reinvestment of capital gains and dividends. This chart is not intended to imply any future performance.

Top 10 Sector Allocation†††

- Publishing Industries (except Internet) 15.75%
- Motion Picture and Sound Recording Industries 9.68%
- Professional, Scientific, and Tech. Servs 9.40%
- Other Information Services 8.42%
- Computer and Electronic Product Manf. 6.68%
- Global Exchanges 6.37%
- Broadcasting (except Internet) 5.49%
- Securities, Commodity Contracts, and Other Financial Investments 5.15%
- Administrative and Support Services 4.03%
- Nonstore Retailers 3.70%



Top 10 Equity Holdings†

Top 10 Equity Holdings	Symbol	% of Total Net Assets
The E.W. Scripps Company - Class A	SSP	6.9%
Baidu.com, Inc. - ADR	BIDU	6.9%
Rovi Corporation	ROVI	6.0%
DreamWorks Animation SKG, Inc. - Class A	DWA	4.5%
ManTech International Corporation - Class A	MANT	3.6%
Singapore Exchange Limited	SGX SP	3.4%
Ritchie Bros. Auctioneers, Incorporated	RBA	3.1%
Scripps Networks Interactive - Class A	SNI	2.7%
Liberty Global, Inc.-Series C	LBTYK	2.7%
Leucadia National Corporation	LUK	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.

Historic Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	NASDAQ Index
2010 YTD	-4.33%	-6.65%	-7.05%
2009	48.61%	26.46%	43.89%
2008	-42.24%	-37.00%	-40.54%
2007	26.81%	5.49%	9.81%
2006	16.50%	15.79%	9.52%
2005	-1.69%	4.91%	1.37%
2004	10.06%	10.88%	8.59%
2003	40.11%	28.68%	50.01%
2002	-23.44%	-22.10%	-31.53%
2001	-9.62%	-11.89%	-21.05%
2000	-51.49%	-9.10%	-39.29%

Quarterly Total Return (No Load Class)

Data as of June 30, 2010

	Total Returns	S&P 500 Index	NASDAQ Index††
Three Month**	-9.65%	-11.43%	-12.04%
One Year *	19.99%	14.43%	14.94%
Three Year*	-1.05%	-9.81%	-6.77%
Three Year **	-3.13%	-26.64%	-18.98%
Five Year*	5.12%	-0.79%	0.50%
Five Year**	28.37%	-3.91%	2.54%
Ten Year*	-1.52%	-1.59%	-6.12%
Ten Year**	-14.24%	-14.79%	-46.82%
Since Inception*^	14.18%	4.58%	3.98%
Since Inception**^	514.51%	84.58%	70.59%

**Annualized ** Non-Annualized/Cumulative*

^The Internet Fund No Load Class inception date is 10/21/96. 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, 10 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.

www.kineticsfunds.com

The **Internet** Fund

Kinetics Mutual Funds, Inc.

as of 6/30/10

Market Commentary

The Kinetics Internet Fund ("Fund") (No-Load Class) declined by 9.65% in the second quarter of 2010, compared with declines of 11.43% for the S&P 500 Index and 12.04% for the Nasdaq Composite. The natural question to ask for the second quarter 2010 is "what was the cause for equities to decline so much?" While any number of answers may be plausible, it appears that investors are simply operating in "reactive" mode, making trading decisions based on the most recent headlines. In general, there were three significant events that occurred during the period.

The first relates to BP. The April 22nd sinking of the Deepwater Horizon oil rig has erased an enormous amount of market value, erase an enormous amount of market value. Almost three months after the accident, BP is still unable to completely contain the oil spill, which is clearly one of the worst man-made environmental disasters in history. The full extent of the consequences, both in terms of environmental damage and in terms of BP's liability, is unknown. As we have been taught, the market hates uncertainty. The second major event was the so-called "flash crash" that occurred on May 6. During a horrifying 15 minutes towards the end of the trading day, the Dow Jones Industrial Average plunged by almost 1,000 points. For investors who were still recovering from the 2008 market, the flash crash was an unwelcome reminder of the risks of holding stocks. After all, if a stalwart blue-chip such as Procter & Gamble could drop 30% in a matter of minutes, what assurances would one have holding any equity? In any event, the market fell over 3.2% that day. Third, and probably the most significant, was the Greek debt crisis. Given its membership in the European Union, it was feared that its problems would infect the balance of the European economies, with the potential to hurt the rest of the world, including the United States. Again, with references to the 2008-2009 financial collapse, investors were eager to sell.

How bad was sentiment for the quarter? The S&P's decline of 11.86% corresponds to an annualized one year loss of 47.4%. Surprisingly, this would have exceeded 2008's decline of 38.4%. Indeed, other statistics suggest that investors were making trading decisions akin to 2008. For example, there were 30 days in which the S&P fluctuated by 1% or greater in either direction, which is about 47.6% of the actual trading days during the quarter. During 2008, when the state of the financial system was on the brink of collapse, the S&P increased or decreased by 1% or more approximately 52.2% of the time.

During the second quarter of 2010, a change in the S&P 500 of 2% or greater (a very volatile movement for a one-day period) occurred 11 times, which was 17.5% of the available trading. In 2008, 28.5% of the trading days experienced movements of 2% or more.

For those who believe that higher market volatility is a permanent feature of the investment landscape, let us contrast the first quarter of 2010 with the quarter in question. During the period covering the first three months of the year, the number days of 1+% moves totaled only 15 times (24.6% of the observations), and moves of over 2% occurred only twice (3.3% of the observations). Thus, based on the trading statistics presented above, investors appeared to be in a state of panic that was comparable to 2008, even though the financial landscapes were vastly different. In 2008, there was legitimate concern of a collapse of the banking system; in the second quarter, the primary concern was of a double-dip recession. From our perspective, such volatility reflects a myopic focus on the short-term, influenced by the news that happens to be reported that day. In other words, investors reacted to "headline" risk. However, as long-term investors, we are not compelled to trade daily on such news. Why? Because the only reliable way to capture the prospective return from capital allocated to equities is for the capital to remain invested. For those who are seduced by the idea of keeping their capital "safe" in cash until the right moment, what are the odds of timing the entry point? Would it be 50/50? Perhaps more? How about less than one-half of one percent?

The following statistics relate to the 10-year period December 2, 1974 to December 3, 1984. It begins with the end of the 1973-1974 bear market; it includes a 6½-year period in which the stock market did not appreciate at all (on March 29, 1976 the S&P 500 closed at 102.4; on August 12, 1982, it closed at 102.4); it includes the first two years of the almost-20 year bull market that began in August 1982.

- 10-year appreciation to December 1984: 142%, or 9.3% per year
- Same as above, but excludes the 5 best days, or 0.2% of the 2,529 trading days during the 10 years: 100%, or 7.2% per year
- Same as above, but excludes the 10 best days, or 0.4% of the 2,529 trading days during the 10 years: 76%, or 5.8% per year

Excluding just the 10 best days out of 2,529 trading days halved a quite respectable return; it turned suitable equity return into a bond-like return. We cannot speak for anyone else, but we believe it is beyond our powers to know which 0.4% of the next ten years' trading days to not miss.

We thank you for 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. 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 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

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