

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page



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This Part 2A of Form ADV, otherwise referred to as the “Brochure,” provides prospective clients with information about the qualifications and business practices of Kinetics Asset Management LLC (hereinafter occasionally referred to as “Kinetics,” the “Firm or the “Adviser”) that should be considered before or at the time of obtaining advisory services from Kinetics. This information has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or any state securities authority. Any reference to Kinetics being registered with the U.S. Securities and Exchange Commission (“SEC”) does not imply that the company or any of its management persons have achieved a certain level of skill or training. Please be advised that Kinetics will not assign its duties to you to any other party without your consent, as that term is defined in Section 202(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

This document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Kinetics’ business.

If you have any questions about the contents of this Brochure, please contact the Legal and Compliance Department of the Firm at (914) 703-6900 or at compliance@horizonkinetics.com. Additional information about Kinetics is also available on the SEC’s website at www.adviserinfo.sec.gov.

Please print a copy of this Brochure and retain it for future reference.

Item 2 Material Changes

The Firm's last annual update occurred on May 24, 2011. There have not been any material changes since the Firm's last version of this Brochure.

The Firm will update this Brochure at least annually, or sooner, as required to ensure the material accuracy of the information contained herein. The Firm will provide a copy of this Brochure upon request, and as required by applicable law. To the extent a summary of material changes to this Brochure is provided, the summary will include an offer to provide a full Brochure upon request.

Whenever you would like to receive a copy of your Firm Brochure, please contact us at (914) 703-6900 or by email at compliance@horizonkinetics.com; or you may download a copy of it from the SEC's website: www.adviserinfo.sec.gov.

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Item 4 Advisory Business

Kinetics is a Delaware limited liability company formed in 2011, and the successor entity of Kinetics Asset Management, Inc., which was formed in 1996. On May 1, 2011, Kinetics and its affiliated companies, including Kinetics Advisers, LLC (“KA”), KBD Securities, LLC (“KBD”) and Kinetics Funds Distributor LLC (“KFD”), merged with Horizon Asset Management LLC (“HAM” or “Horizon”), a U.S. registered investment adviser, and as a result came under the common ownership of Horizon Kinetics LLC (“Horizon Kinetics”), a newly formed holding company. There are no principal owners that have beneficial ownership of over 25% or more of Horizon Kinetics, as indicated on Schedule A of Part 1A of Form ADV, which is available on the SEC’s website. The Firm does not have any publicly held intermediate subsidiaries.

Since the Firm’s founding, we have had consistency in our investment teams, supported by stability in our organization. Murray Stahl, Steven Bregman, and Peter Doyle comprise Horizon Kinetics’ Investment Oversight Committee, which is responsible for the Firm’s investment philosophy and process. The Firm’s research team has worked closely together for over 10 years under the direction of the Investment Oversight Committee.

Prior to the formation of Horizon Kinetics in May 2011, the Firm and KA operated as affiliated investment advisors, independent from Horizon. The Firm was formed in 1996 by Peter Doyle, Larry Doyle and Leonid Polyakov. KA was formed in 2000 by the same group. Horizon was formed in 1994 by Murray Stahl, Steven Bregman, Peter Doyle, Tom Ewing and John Meditz. Horizon Kinetics also publishes research reports to a number of institutional high net worth individuals. Certain of these reports are available to the public on the Firm’s website, www.horizonkinetics.com. We believe that writing research is a key component of our investment philosophy and process.

Kinetics offers general discretionary investment advisory services to the Kinetics Mutual Funds, Inc. (“KMF”), a series of U.S. investment companies registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), separately managed accounts for institutional and retail clients (collectively, institutional and retail separate accounts referred to as “SMAs”). The Firm also serves as sub-adviser to other registered U.S. investment companies and UCITS funds registered in the European Union.

Kinetics’ management of pooled products is consistent with the strategies and objectives outlined in each fund’s Prospectus and Statement of Additional Information (“SAI”) or other applicable offering documents or investment advisory agreement. The Firm is not a wrap program sponsor; however, it is a participant in wrap programs as it provides portfolio management services to clients who are invested through a wrap program with their custodian. In these instances, the Firm does not evaluate a client’s individual investment objectives and the Firm does not review a client’s suitability. These responsibilities are undertaken by the wrap fee sponsor and/or the client’s broker. There are differences between how the Firm manages assets invested through a wrap program and how it manages assets for other accounts. The strategy utilized in wrap programs may differ from those of other accounts managed by the Firm in that they may be more or less concentrated, have more or less investment restrictions, hold more or less cash, employ special methods to address end of year tax issues and may use directed brokerage (as further described under Section 12).

The Firm had discretionary investment authority for approximately \$2,857,000,000 in assets under management as of February 29, 2012. Horizon and KA, affiliates of the Firm and further described under Section 10 of this Brochure, had discretionary investment authority for approximately \$4,368,000,000 and \$180,000,000 in assets under management as of February 29, 2012, respectively.

The Firm’s management of client assets is made considering potential tax consequences, but the Firm does not manage assets with regard for each underlying investor’s specific tax objectives. Investors are responsible for any tax liabilities resulting from transactions (including any arising from, the addition of assets to, or withdrawal of assets from the investor’s capital account). Kinetics makes no representation regarding the likelihood or probability that any proposed investment will in fact achieve a particular investment goal. Each client must carefully consider the appropriateness of the proposed investments in light of the client’s own personal financial circumstances, including cash flow needs, unusual tax circumstances or other concerns. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investments in general, as well as the investments made by Kinetics.

Kinetics' investment services are intended for long-term investors. Accordingly, Kinetics reserves the right to impose such restrictions as it may deem necessary or appropriate to discourage or prevent short-term trading activity in connection with its advisory services. Such restrictions could include, without limitation, a fee imposed on the redemption or transfer of assets made within a certain time period or suspension of a redemption for any reason, in the sole determination of the Firm.

Item 5 Fees and Compensation

The Firm receives a management fee based on the assets under management in client accounts. In addition, certain accounts are charged an incentive fee (also referred to as a performance based fee). Fees from KMF are deducted and paid monthly in arrears pursuant to the investment advisory agreement between the Firm and KMF. Fees for SMAs are generally paid or deducted from a client's account quarterly in arrears although certain clients may elect to have management fees paid to the Firm in advance. Fees paid to the Firm for its sub-advisory services to UCITS products are paid quarterly in arrears.

Clients invested through a wrap program pay a fee directly to the wrap program sponsor and/or custodian. The Firm is entitled to a portion of the wrap fee that a client pays to their custodian or plan sponsor.

Employees and owners of the Firm are generally not charged either management or incentive fees for investments made into a separately managed account. Clients who contract with the Firm for the management of separately managed accounts are charged fees on a negotiated basis. The fees negotiated for separate accounts depend on several factors, including, but not limited to, the size of the investment, the complexity of the investment strategy, the resources required to adhere to certain investment restrictions and to build out information technology systems to support the account, whether economies of scale will be achieved, whether special reporting or regulatory filings will be required and the extent of client support that will be necessary.

The Firm receives a management fee of 1.25% of the assets under management for its services as investment manager to KMF. For accounts that are sub-advised by the Firm, the Firm is entitled to a portion of the fees that investors pay to the investment manager.

Although fees are negotiated with separate account clients, the Firm's basic fee schedule is as follows:

Separately Managed Accounts	
Assets Under Management	Fee
First \$5 million	1.00%
Next \$5 million	0.85%
Next \$15 million	0.75%
Next \$25 million	0.65%
Over \$50 million	0.60%

Clients will incur brokerage and other transaction costs as noted below and under Section 12 of this Brochure. Supervised persons (defined as any officers, partners, directors or other persons occupying a similar status or performing similar functions, or employees, or other persons who provide investment advice on the Firm's behalf and are subject to the Firm's supervision and control) are not compensated on the sale of securities or other investment products, however, as noted under Section 10, KBD, an affiliate of the Firm, has a contractual agreement with the Firm for the payment of fees for the referral of investors to the Firm. Similarly, the Firm has contractual agreements with other third party marketers as further described under Section 10 of this Brochure. KBD is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA").

Clients are also subject to fees or expenses charged by, and paid directly to, third parties, including broker-dealers and/or custodian banks. The Firm does not receive, directly or indirectly, any of these fees. They are generally paid to broker-dealers, custodians, mutual funds or other financial institutions that are responsible for holding or executing securities held in investor accounts. These fees include, but are not limited to, brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by mutual fund companies and exchange-traded funds, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions. Custodial fees are negotiated between the clients and the respective custodian and/or administrator.

Item 6 *Performance-Based Fees and Side-By-Side Management*

The Firm charges its clients a management fee and certain clients also pay the Firm an incentive fee, with the exception of owners and employees of the Firm, as described in Section 5 of this Brochure. HAM and KA, SEC-registered investment advisers that are affiliates of the Firm, and which are described in more detail under Section 10 of this Brochure, may also charge a management and incentive fee to their clients. This side-by-side management may present a potential conflict of interest; however, the Firm, HAM and KA all employ strict compliance policies designed to ensure that all accounts are treated fairly, and that no account is favored over another. The Firm's Chief Compliance Officer ("CCO") reviews trade allocations on a periodic basis to ensure adherence to the Firm's Allocation and Aggregation Policies (further described under Section 12 of this Brochure). Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge incentive fees. Incentive fee-based products may also employ more complex investment strategies that are not appropriate for all investors.

Item 7 Types of *Clients*

The Firm provides discretionary investment advisory services to registered mutual funds, retail and institutional separate accounts, and UCITS funds.

KMF is set up in a master/feeder structure. Kinetics Portfolio Trust, a statutory trust organized pursuant to a Declaration of Trust under the laws of the State of Delaware, was established in 2000 and is comprised of a series of mutual funds, all of which are non-diversified, open-end management investment companies. KMF is a Maryland corporation established in 1999 that is comprised of open-end management investment companies. Each fund is a feeder fund that invests all of its investable assets in a corresponding “master” portfolio.

The Firm executes an investment advisory agreement with each separate account client prior to exercising investment authority over client assets. The Firm provides investment advisory services to a wide variety of clients, including, but not limited to, individuals, trusts, banks, investment companies, pension and profit-sharing plans, endowments and foundations, corporations, partnerships and certain other foreign entities.

In the case of retail separate accounts, the Firm generally accepts clients who are invested through a wrap program; however, clients may invest directly with the Firm through one of its separate account strategies.

Investors in the KMF, UCITS or SMA products are required to adhere to the criteria established in the Prospectus, SAI, or investment advisory agreement, as applicable, for purposes of maintaining an account. The minimum investment for KMF is \$2,500. Separate retail account minimums are \$250,000 and separate institutional account minimums are \$5,000,000. The minimum investment for the UCITS is \$100,000. The requirements for opening and maintaining an SMA vary and may be negotiated on a case-by-case basis.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**INVESTMENT OBJECTIVE**

The investment objectives of the KMFs, SMAs, UCITS and other registered investment companies are set forth in the respective prospectus or investment advisory agreement applicable to the particular account.

METHOD OF ANALYSIS

Kinetics and Horizon, an affiliated SEC-registered investment adviser, conduct their own proprietary in-house research consisting primarily of a qualitative and quantitative, bottom-up, value-oriented analysis of a wide universe of companies operating in the U.S. and abroad. Kinetics manages accounts primarily by investing, trading and dealing in public securities of all kinds and descriptions, including, but not limited to, equity, debt, convertible securities, preferred stock, options, warrants, trade claims and monetary instruments. Kinetics, on behalf of its clients, may also invest in arbitrage and special situations, both long and short securities positions, option arbitrage, international arbitrage and other financial instruments.

RISKS

Investing in securities always involves the risk of loss, and Kinetics cannot guarantee that the investment strategies will be successful or protected against loss. Certain investment techniques such as investments in illiquid investments and limited diversification, in some circumstances, may create heightened risks. Short sales can create the risk of unlimited loss. At times the markets for some securities, including securities chosen by the Firm, may have or develop limited liquidity and depth. This lack of depth may have a material impact on the level and volatility of security prices and the liquidity of the investments made by the Firm on behalf of its clients. The Firm may invest an account in such a way that it is relatively concentrated in certain positions. A portfolio with fewer positions could be expected to have greater volatility from individual security price changes than would a portfolio holding a larger number of positions.

The Firm may also choose to invest in smaller or medium sized capitalization companies of a less seasoned nature than large capitalization companies. As smaller and medium sized companies may face significant factors preventing them from competing against larger, better known companies, investments in “small cap” or “mid cap” securities may involve significantly greater risks than investments in larger capitalization companies.

The Firm may invest in options, which present unique risks. Should interest rates or exchange rates or the prices of securities or financial indices move in an unexpected or unanticipated manner, investments in client accounts may not achieve the desired benefit of the options and derivatives and may realize a loss. Such strategies may subject clients to greater fluctuations in value than would an investment in the underlying securities.

The Firm is registered and regulated by a variety of federal, regional and state regulators, including the SEC. Registered investment advisers are subject to extensive regulation, including requirements imposed by the Advisers Act. To the extent the Firm’s registration is suspended, cancelled or otherwise revoked, its clients may be adversely affected. In addition, the Firm manages certain funds that are registered as investment companies under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Registered investment companies are subject to extensive regulation, which may increase fees to the investor.

As always, past performance of any of the Firm’s investment products does not guarantee future results. The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive securities. Unexpected volatility or illiquidity in the markets in which the Firm directly or indirectly holds positions could impair the Firm’s ability to carry out its business and could cause losses to its clients.

Common and Preferred Stock; Convertible Securities

Common stocks are units of ownership of a corporation. Preferred stocks are stocks that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. Some preferred stocks may be convertible into common stock. Convertible securities are securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

Debt Securities

The Firm, on behalf of the accounts it manages, may invest in convertible and non-convertible debt obligations without regard to rating, and as a result, may purchase or hold securities in the lowest rating categories. Debt securities in the lowest investment grade categories are considered to be below investment grade securities that may not have adequate capacity to pay principal or that otherwise generally lack the characteristics of desirable investments. As compared to debt securities with higher ratings, these “high risk” securities are vulnerable to nonpayment and depend to a larger degree upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. The fixed-income securities in which the Firm may invest are generally subject to interest rate risk, credit risk, market risk and call risk.

Interest Rate Risk. The risk that when interest rates increase, fixed-income securities held by an account will decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities.

Credit Risk. This risk relates to the ability of the issuer to meet interest and principal payments, as they become due. The ratings given a security by rating services such as Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Rating Service (“S&P”) generally provide a useful guide as to such credit risk. The lower the rating given a security by such rating service, the greater the credit risk such rating service perceives to exist with respect to such security. Increasing the amount of Portfolio assets invested in unrated or lower-grade securities, while intended to increase the yield produced by those assets, will also increase the credit risk to which those assets are subject.

Market Risk. All accounts are affected by changes in the economy and swings in investment markets. These can occur within or outside the U.S. or worldwide, and may affect only particular companies or industries.

Call Risk. The risk that an issuer will exercise its right to pay principal on an obligation held by an account (such as an asset-backed security) earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, an account may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities.

When-Issued and Delayed Delivery Transactions

The Firm, on behalf of the accounts it manages, may purchase short-term obligations on a when-issued or delayed delivery basis. These transactions are arrangements in which the Portfolios purchase securities with payment and delivery scheduled for a future time. The seller’s failure to complete these transactions may cause the accounts to miss a price or yield considered advantageous. Settlement dates may be a month or more after entering into these transactions and the market values of the securities purchased may vary from the purchase prices.

The accounts may dispose of a commitment prior to settlement if the Firm deems it appropriate to do so. In addition, each account may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. An account may realize short-term profits or losses upon the sale of such commitments.

These transactions are made to secure what is considered to be an advantageous price or yield for an account. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the account sufficient to make payment for the securities to be purchased are segregated on the account’s records at the trade date. These assets are marked to market daily and are maintained until the transaction is settled.

Exchange-Traded Funds (ETFs)

The Firm, on behalf of the accounts it manages, may invest in open-end investment companies whose shares are listed for trading on a national securities exchange or the Nasdaq Market System. ETF shares typically trade like shares of common stock and provide investment results that generally correspond to the price and yield performance of the component stocks of a widely recognized index such as the S&P 500[®] Index. There can be no assurance, however, that this can be accomplished as it may not be possible for an ETF to replicate the composition and relative weightings of the securities of its corresponding index. ETFs are subject to risks of an investment in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of such investment. Individual shares of an ETF are generally not redeemable at their net asset value, but trade on an exchange during the day at prices that are normally close to, but not the same as, their net asset value. There is no assurance that an active trading market will be maintained for the shares of an ETF or that market prices of the shares of an ETF will be close to their net asset values. The purchase of shares of ETFs may result in duplication of expenses, including advisory fees, in addition to a mutual fund's own expenses. An account may acquire an investment company's shares, received or acquired, as dividends, through offers of exchange or as a result of reorganization, consolidation or merger. The purchase of shares of other investment companies may result in duplication of expenses such that investors indirectly bear a proportionate share of the expenses of such mutual funds including operating costs and investment advisory and administrative fees.

Investment Company Securities

The Firm, on behalf of the accounts it manages, may invest in securities issued by other investment companies to the extent permitted by the Prospectus, SAI, investment advisory agreement or other applicable offering documents. As a shareholder in an investment company, an account would bear the pro rata portion of the investment company's expenses, including advisory fees, in addition to the fees such shareholder pays to the Firm.

Restricted and Illiquid Securities

An illiquid asset is any asset which may not be sold or disposed of in the ordinary course of business within seven days at approximately the value at which an account, as applicable, has valued the investment. Each account may invest in securities that are illiquid at the time of purchase, including restricted securities and other securities for which market quotations are not readily available. Restricted securities are any securities that are not registered under the Securities Act of 1933, as amended ("1933 Act") and are illiquid. The purchase of such securities could increase the level of illiquidity during any period that qualified institutional buyers become uninterested in purchasing these securities.

Depository Receipts

The Firm, on behalf of the accounts it manages, may invest in American Depositary Receipts ("ADRs") and in other forms of depository receipts, such as International Depositary Receipts ("IDRs") and Global Depositary Receipts ("GDRs"). Depository receipts are typically issued in connection with a U.S. or foreign bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. In particular, ADRs represent the right to receive securities of foreign issuers deposited in a bank or other depository. ADRs are traded in the United States and the prices of ADRs are quoted in U.S. dollars. Investments in depository receipts involve certain inherent risks generally associated with investments in foreign securities, including the following:

Political and Economic Factors. Individual foreign economies of certain countries may differ favorably or unfavorably from the United States economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, diversification and balance of payments position. The internal politics of certain foreign countries may not be as stable as those of the United States. Governments in certain foreign countries also continue to participate to a significant degree, through ownership interest or regulation, in their respective economies. Action by these governments could include restrictions on foreign investment, nationalization, expropriation of goods or imposition of taxes, and could have a significant effect on market prices of securities and payment of interest. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by the trade policies and economic conditions of their trading partners. Enactment by these trading partners of protectionist trade legislation could have a significant adverse effect upon the securities markets of such countries.

Currency Fluctuations. A change in the value of any foreign currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of an ADR's underlying portfolio securities denominated in that currency. Such changes will affect a Portfolio to the extent that the Portfolio is invested in ADRs comprised of foreign securities.

Taxes. The interest and dividends payable on certain foreign securities comprising an ADR may be subject to foreign withholding taxes, thus reducing the net amount of income to be paid to the Portfolios and that may ultimately be available for distribution to the account's shareholders.

Derivatives

Buying Call and Put Options. The Firm, on behalf of the accounts it manages, may purchase call options. Such transactions may be entered into in order to limit the risk of a substantial increase in the market price of the security that each account intends to purchase. Prior to its expiration, a call option may be sold in a closing sale transaction. Any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the call option plus the related transaction cost.

The Firm, on behalf of the accounts it manages, may purchase put options. By buying a put, each account has the right to sell the security at the exercise price, thus limiting its risk of loss through a decline in the market value of the security until the put expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction cost. Prior to its expiration, a put option may be sold in a closing sale transaction and any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs.

Writing (Selling) Call and Put Options. The Firm, on behalf of the accounts it manages, may write covered options on equity and debt securities and indices. In the case of call options, so long as an account is obligated as the writer of a call option, it will own the underlying security subject to the option and, in the case of put options, it will, through its custodian, deposit and maintain either cash or securities with a market value equal to or greater than the exercise price of the option.

Covered call options written by an account give the holder the right to buy the underlying securities from the account at a stated exercise price. A call option written by an account is "covered" if the account owns the underlying security that is subject to the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian bank) upon conversion or exchange of other securities held in its portfolio. A call option is also covered if an account holds a call on the same security and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the account in cash and high grade debt securities in a segregated account with its custodian bank. The Firm, on behalf of the accounts it manages, may purchase securities, which may be covered with call options solely on the basis of considerations consistent with the investment objectives, Prospectus, SAI, investment advisory agreement and applicable offering memorandum of the accounts. An account's turnover may increase through the exercise of a call option; this will generally occur if the market value of a "covered" security increases and the account has not entered into a closing purchase transaction.

As a writer of an option, each account receives a premium less a commission, and in exchange foregoes the opportunity to profit from any increase in the market value of the security exceeding the call option price. The premium serves to mitigate the effect of any depreciation in the market value of the security. The premium paid by the buyer of an option will reflect, among other things, the relationship of the exercise price to the market price, the volatility of the underlying security, the remaining term of the option, the existing supply and demand, and the interest rates.

The writer of a call option may have no control over when the underlying securities must be sold because the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Exercise of a call option by the purchaser will cause an account to forego future appreciation of the securities covered by the option. Whether or not an option expires unexercised, the writer retains the amount of the premium. This amount may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. Thus during

the option period, the writer of a call option gives up the opportunity for appreciation in the market value of the underlying security or currency above the exercise price. It retains the risk of the loss should the price of the underlying security or foreign currency decline. Writing call options also involves risks relating to a Portfolio's ability to close out the option it has written.

The Firm, on behalf of the accounts it manages, may write exchange-traded call options on its securities. Call options may be written on portfolio securities indices, or foreign currencies. With respect to securities and foreign currencies, the account may write call and put options on an exchange or over-the-counter. Call options on account securities will be covered since the account will own the underlying securities. Call options on securities indices will be written only to hedge in an economically appropriate way account securities that are not otherwise hedged with options or financial futures contracts and will be "covered" by identifying the specific account securities being hedged. Options on foreign currencies will be covered by securities denominated in that currency. Options on securities indices will be covered by securities that substantially replicate the movement of the index.

A put option on a security, security index, or foreign currency gives the purchaser of the option, in return for the premium paid to the writer (seller), the right to sell the underlying security, index, or foreign currency at the exercise price at any time during the option period. When an account writes a secured put option, it will gain a profit in the amount of the premium, less a commission, so long as the price of the underlying security remains above the exercise price. However, an account remains obligated to purchase the underlying security from the buyer of the put option (usually in the event the price of the security falls below the exercise price) at any time during the option period. If the price of the underlying security falls below the exercise price, the account may realize a loss in the amount of the difference between the exercise price and the sale price of the security, less the premium received. Upon exercise by the purchaser, the writer of a put option has the obligation to purchase the underlying security or foreign currency at the exercise price. A put option on a securities index is similar to a put option on an individual security, except that the value of the option depends on the weighted value of the group of securities comprising the index and all settlements are made in cash. During the option period, the writer of a put option has assumed the risk that the price of the underlying security or foreign currency will decline below the exercise price. However, the writer of the put option has retained the opportunity for appreciation above the exercise price should the market price of the underlying security or foreign currency increase. Writing put options also involves risks relating to an account's ability to close out the option that it has written.

The writer of an option who wishes to terminate its obligation may effect a "closing purchase transaction" by buying an option of the same series as the option previously written. The effect of the purchase is that the clearing corporation will cancel the writer's position. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. There is also no guarantee that an account will be able to effect a closing purchase transaction for the options it has written.

Effecting a closing purchase transaction in the case of a written call option will permit an account to write another call option on the underlying security with a different exercise price, expiration date, or both. Effecting a closing purchase transaction will also permit an account to use cash or proceeds from the investments. If an account desires to sell a particular security from its account on which it has written a call option, it will effect a closing purchase transaction before or at the same time as the sale of the security.

An account will realize a profit from a closing purchase transaction if the price of the transaction is less than the premium received from writing the option. Likewise, an account will realize a loss from a closing purchase transaction if the price of the transaction is more than the premium received from writing the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security owned by the account.

Writing Over-The-Counter ("OTC") Options. The Firm, on behalf of the accounts it manages, may engage in options transactions that trade on the OTC market to the same extent that it intends to engage in exchange-traded options. Just as with exchange-traded options, OTC options give the holder the right to buy an underlying security from, or sell an underlying security to, an option writer at a stated exercise price. However, OTC options differ from exchange-traded options in certain material respects. OTC options are arranged directly with dealers and not, as is the case with exchange-traded options, through a clearing corporation. Thus, there is a risk of non-performance by

the dealer. Because there is no exchange, pricing is typically done by reference to information obtained from market makers. Since OTC options are available for a greater variety of securities and in a wider range of expiration dates and exercise prices, the writer of an OTC option is paid the premium in advance by the dealer.

A writer or purchaser of a put or call option can terminate it voluntarily only by entering into a closing transaction. There can be no assurance that a continuously liquid secondary market will exist for any particular option at any specific time. Consequently, an account may be able to realize the value of an OTC option it has purchased only by exercising it or entering into a closing sale transaction with the dealer that issued it. Similarly, when an account writes an OTC option, it generally can close out that option prior to its expiration only by entering into a closing purchase transaction with the dealer to which it originally wrote the option. If a covered call option writer cannot effect a closing transaction, it cannot sell the underlying security or foreign currency until the option expires or the option is exercised. Therefore, the writer of a covered OTC call option may not be able to sell an underlying security even though it might otherwise be advantageous to do so. Likewise, the writer of a secured OTC put option may be unable to sell the securities pledged to secure the put for other investment purposes while it is obligated as a put writer. Similarly, a purchaser of an OTC put or call option might also find it difficult to terminate its position on a timely basis in the absence of a secondary market. The accounts have procedures for engaging in OTC options transactions for the purpose of reducing any potential adverse effect of such transactions on the liquidity of the accounts.

Futures Contracts. The Firm, on behalf of the accounts it manages, may buy and sell stock index futures contracts traded on domestic stock exchanges to hedge the value of the account against changes in market conditions. A stock index futures contract is an agreement between two parties to take or make delivery of an amount of cash equal to a specified dollar amount, times the difference between the stock index value at the close of the last trading day of the contract and the price at which the futures contract is originally struck. A stock index futures contract does not involve the physical delivery of the underlying stocks in the index. Although stock index futures contracts call for the actual taking or delivery of cash, in most cases each account expects to liquidate its stock index futures positions through offsetting transactions, which may result in a gain or a loss, before cash settlement is required.

Each account will incur brokerage fees when it purchases and sells stock index futures contracts, and at the time an account purchases or sells a stock index futures contract, it must make a good faith deposit known as the “initial margin”. Thereafter, an account may need to make subsequent deposits, known as “variation margin”, to reflect changes in the level of the stock index.

Risks Associated With Options and Futures. The Firm, on behalf of the accounts it manages, may write covered call options and purchase and sell stock index futures contracts to hedge against declines in market value of the account securities. The use of these instruments involves certain risks. As the writer of covered call options, an account receives a premium but loses any opportunity to profit from an increase in the market price of the underlying securities, though the premium received may partially offset such loss.

Although stock index futures contracts may be useful in hedging against adverse changes in the value of an account’s investment securities, they are derivative instruments that are subject to a number of risks. During certain market conditions, purchases and sales of stock index futures contracts may not completely offset a decline or rise in the value of an account’s investments. In the futures markets, it may not always be possible to execute a buy or sell order at the desired price, or to close out an open position due to market conditions, limits on open positions and/or daily price fluctuations. Changes in the market value of each account’s investment securities may differ substantially from the changes anticipated by the Portfolio when it established its hedged positions, and unanticipated price movements in a futures contract may result in a loss substantially greater than the account’s initial investment in such a contract.

Successful use of futures contracts depends upon the Firm’s ability to correctly predict movements in the securities markets generally or of a particular segment of a securities market. No assurance can be given that the Firm’s judgment in this respect will be correct.

The Commodity Futures Trading Commission (“CFTC”) and the various exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position that any person may hold or control in a particular futures contract. Trading limits are imposed on the number of contracts that any person may

trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose sanctions or restrictions. These trading and positions limits will not have an adverse impact on a Portfolio's strategies for hedging its securities.

Participatory Notes. The Firm, on behalf of the accounts it manages, may invest in participatory notes issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets. Participatory notes are a type of equity-linked derivative which generally are traded over-the-counter. The performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve the same risks associated with a direct investment in the shares of the companies the notes seek to replicate. In addition, participatory notes are subject to counterparty risk, which is the risk that the broker-dealer or bank that issues the notes will not fulfill its contractual obligation to complete the transaction with the account. Participatory notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them, and the account is relying on the creditworthiness of such banks or broker-dealers and has no rights under a participatory note against the issuers of the securities underlying such participatory notes. Participatory notes involve transaction costs. Participatory notes may be considered illiquid and, therefore, participatory notes considered illiquid will be subject to the Portfolio's percentage limitation for investments in illiquid securities.

Interest Rate Swaps, Total Rate of Return Swaps, Credit Swaps, Interest Rate Floors, Caps and Collars and Currency Swaps

The Firm, on behalf of the accounts it manages, may enter into swap transactions and transactions involving interest rate floors, caps and collars for hedging purposes or to seek to increase total return. These instruments are privately negotiated over-the-counter derivative products. A great deal of flexibility is possible in the way these instruments are structured. Interest rate swaps involve the exchange by the account with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. The purchase of an interest rate floor or cap entitles the purchaser to receive payments of interest on a notional principal amount from the seller, to the extent the specified index falls below (floor) or exceeds (cap) a predetermined interest rate. An interest rate collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates. Total rate of return swaps are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. Credit swaps are contracts involving the receipt of floating or fixed rate payments in exchange for assuming potential credit losses of an underlying security. Credit swaps give one party to a transaction the right to dispose of or acquire an asset (or group of assets), or, in the case of credit default swaps, the right to receive or make a payment from the other party, upon the occurrence of specific credit events. The Portfolio also may enter into currency swaps, which involve the exchange of the rights of the Portfolio and another party to make or receive payments in specific currencies.

Some transactions, such as interest rate swaps and total rate of return swaps are entered into on a net basis, *i.e.*; the two payment streams are netted out, with the account receiving or paying, as the case may be, only the net amount of the two payments. If the other party to such a transaction defaults, the account's risk of loss consists of the net amount of payments that the account is contractually entitled to receive, if any. In contrast, other transactions involve the payment of the gross amount owed. For example, currency swaps usually involve the delivery of the entire principal amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. To the extent that the amount payable by the account under a swap or an interest rate floor, cap or collar is covered by segregated cash or liquid assets, the account and the Firm believe that transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to the account's borrowing restrictions.

Credit default swaps are contracts whereby one party makes periodic payments to a counterparty in exchange for the right to receive from the counterparty a payment equal to the par (or other agreed-upon) value of a referenced debt obligation in the event of a default by the issuer of the debt obligation.

When an account is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the account would effectively add leverage to its portfolio because, in addition to its total assets, the account would be subject to investment exposure on the notional

amount of the swap. In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

The use of interest rate, total rate of return, credit and currency swaps, as well as interest rate caps, floors and collars, is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Firm is incorrect in its forecast of market values, interest rates and currency exchange rates, the investment performance of the account would be less favorable than it would have been if this investment technique were not used.

Distressed Investments

The Firm, on behalf of the accounts it manages, may invest in securities of companies that are in financial distress (*i.e.*, involved in bankruptcy or reorganization proceedings). There can be no assurance that the Firm will correctly evaluate all the factors that could affect the outcome of an investment in these types of securities. Financially distressed securities involve considerable risk that can result in substantial or even total loss on an account's investment. It is often difficult to obtain information as to the true condition of financially distressed securities. These securities are often subject to litigation among the participants in the bankruptcy or reorganization proceedings. Such investments may also be adversely affected by federal and state laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. These and other factors contribute to above-average price volatility and abrupt and erratic movements of the market prices of these securities. In addition, the spread between the bid and asked prices of such securities may be greater than normally expected and it may take a number of years for the market price of such securities to reflect their intrinsic value.

Securities of financially troubled companies require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Firm. To the extent that the Firm becomes involved in such proceedings, the Firm may have a more active participation in the affairs of the issuer than that assumed generally by a shareholder, and such participation may generate higher legal fees and other transaction costs relating to the investment than would normally be the case. In bankruptcy and other forms of corporate reorganization, there exists the risk that the reorganization will: (1) be unsuccessful (due to, for example, failure to obtain the necessary approvals); (2) be delayed (for example, until various liabilities, actual or contingent, have been satisfied); or (3) result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

Item 9 Disciplinary Information

There are no legal or disciplinary events to report.

Item 10 Other Financial Industry Activities and Affiliations**BROKER-DEALER REGISTRATION**

Certain persons of the Firm, KA and HAM are registered with FINRA under the Firm's affiliated broker-dealers, KBD and KFD. KBD and KFD are broker-dealers registered with the SEC and are members of FINRA. The broker-dealers do not accept client money, maintain custody of client assets, execute trades, provide clearing services or engage in proprietary trading.

FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR COMMODITY TRADING ADVISOR REGISTRATION

Neither the Firm nor any of the management persons of the Firm are registered as futures commission merchants, commodity pool operators or commodity trading advisors.

MATERIAL ADVISORY RELATIONSHIPS

The Firm and the Firm's management persons have relationships or arrangements that may be material to the Firm's advisory business or to the Firm's clients. This includes relationships with broker-dealers, investment advisers, pooled investment vehicles and investment companies. Specifically, the Firm or its management persons have relationships with the following entities:

- Kinetics Advisers, LLC, an affiliated SEC-registered investment adviser that has discretionary investment authority over certain U.S. and Cayman Island-based private funds and separately managed accounts.
- Kinetics Funds Distributor LLC, an affiliated SEC-registered broker-dealer and member of FINRA that serves as the principal underwriter and distributor for KMF.
- KBD Securities, LLC, an affiliated SEC-registered broker-dealer and member of FINRA that serves to support the promotion and sales by wholesalers of the investment products managed by KA, Horizon and the Firm, which include KMFs, separately managed accounts and Private Funds.
- Kinetics Mutual Funds, Inc., a series of U.S. investment companies registered with the SEC that are managed by the Firm.
- Private funds, pooled investment vehicles that are managed by KA.
- The UOB Funds (including the UOB Paradigm Fund, UOB US Equity Fund and UOB Global Opportunities Fund), unaffiliated UCITS funds registered in the European Union which are managed by UOB Global Capital (Dublin) Ltd., and are sub-advised by the Firm.
- Horizon Asset Management LLC, an affiliated SEC-registered investment adviser that has discretionary investment authority over private funds and separately managed accounts and that also publishes investment related research. KAM, KA, KBD, KFD and HAM are all wholly owned subsidiaries of Horizon Kinetics LLC, a parent holding company. The Firm also has a contractual relationship with HAM for investment research, but no fees are paid to HAM or any other affiliated entity. KBD also supports the promotion and sales of the investment products managed by HAM.
- FRMO Corp., an unaffiliated publicly traded corporation that is partially owned by certain management persons of HAM, KA and the Firm.
- The Firm also retains a passive minority interest through an investment in Emerging Global Advisors, LLC ("EGA"), and an unaffiliated, independent SEC-registered investment adviser. EGA sponsors certain emerging-market, sector-based, passively-managed exchange-traded funds (ETFs).

In addition to the relationships stated herein, the Firm has contractual arrangements with unaffiliated marketers who promote the sale of the products managed by the Firm. The Firm may pay cash compensation to these third party marketers for their efforts in referring business to the Firm. Compensation paid to third party marketers is based on a percentage of the management and/or incentive fee (if any) earned by the Firm. Investors who become clients of the Firm through such arrangements do not pay an additional fee as a result of the Firm's agreement with the third party marketer. Each contractual arrangement the Firm enters into with third party marketers requires the marketers to adhere to Rule 206(4)-3 of the Advisers Act.

MATERIAL CONFLICTS OF INTEREST RELATING TO OTHER INVESTMENT ADVISERS

The Firm seeks to mitigate material conflicts of interest that are created as a result of the Firm's relationship with its affiliated and non-affiliated business partners. One such potential conflict of interest arises out of the Firm's relationship with HAM and KA due to the fact that HAM and KA charge clients incentive fees and KAM manages certain products that do not charge incentive fees. Accordingly, there may be an incentive to favor accounts for which the Firm or its affiliate charges incentive fees; however, the Firm, HAM and KA all employ strict compliance policies that ensure all accounts are treated fairly, and that no account is favored over another. The Firm's Chief Compliance Officer reviews trade allocations on a periodic basis to ensure the Firm's Allocation and Aggregation Policies are followed. Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge incentive fees. Incentive fee-based products also employ more complex investment strategies that may not be appropriate for all investors.

Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading**CODE OF ETHICS**

The Firm has adopted a written Code of Ethics (the “Code”), which adheres to the requirements under Rule 204A-1 of the Investment Company Act and which applies to each supervised person (defined in the Code as an “Access Person”) of the Firm. The Code requires that Access Persons of the Firm behave with the highest standard of conduct with regard to securities transactions that might result in a conflict of interest with a client of the Firm, that they abide by the provisions of the Advisers Act, and other applicable laws and regulations. The Code governs conduct that includes, but is not limited to, personal securities trading by employees, disclosure of conflicts or potential conflicts of interest, the receipt of material non-public information, the maintenance of certain records, the receipt or giving of gifts and sanctions associated with the same. Sanctions may apply to any employee who breaches the provisions of the Code, including: verbal admonishment, written warning, written memorandum to the employee’s personnel file, fines and/or reversals of the transaction in question with profits donated to charity, partial or full restriction on personal trading for a set period of time, and/or suspension or termination of employment. Employees of the Firm are required to acknowledge the terms of the Code at least annually. You may obtain a copy of the Firm’s Code upon request using the contact information on the cover of this Brochure.

PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS

If an Access Person (as defined in the Code) acquires material non-public information as a result of a special or confidential relationship with a client or others, the Code requires that he or she shall not communicate the information (other than within the relationship) or otherwise take investment action on the basis of such information. If an Access Person is not in a special or confidential relationship with a client or others, he or she shall not communicate or act on material, non-public information if he or she knows, or should have known, that such information that was disclosed to him or her would result in a breach of duty or misappropriation of information. If such a breach exists, the Access Person shall make reasonable efforts to achieve public dissemination of such information. Any Access Person who receives information that is known or reasonably known to be material, non-public information should communicate that information to the Firm’s CCO without otherwise discussing the information with his or her co-workers. The Access Person is then required to refrain from trading on the information or from discussing the information inside or outside the Firm until the CCO decides the information either is not material or has been made public.

Certain affiliates or employees of the Firm may have a position in securities that have been or are being purchased by the Firm. The CCO monitors the trading of the Firm and its affiliated entities, to ensure that the Allocation and Aggregation Policies of each firm are adhered to.

Access Persons of the Firm are allowed to trade securities, some of which may be purchased in client accounts creating a potential conflict of interest. An Access Person of the Firm that seeks to purchase or sell a security for their personal account, or for an account over which they have investment discretion must obtain pre-clearance from the Firm’s CCO prior to executing the trade. Authorizations by the CCO remain effective only for the day on which approval was granted. Certain securities, including, but not limited to, mutual funds that are not managed by HAM, KA or the Firm, municipal bonds and other fixed income instruments that are based on municipal bonds, such as principal protected notes and variable rate demand notes, bankers’ acceptances, bank certificates of deposit and direct obligations of the Government of the United States are exempt from the requirement of pre-clearance. The Firm requires statements and confirms to be received electronically by the Firm, directly from the applicable brokerage firm, and employees must attest to their personal accounts quarterly. On an annual basis, employees must certify compliance with the Code, disclose any conflicts or potential conflicts, and attest to a list of their personal brokerage accounts and holdings.

The Firm’s CCO has the general duty of administration and implementation of the Firm’s Code. The CCO is also responsible for the maintenance of records relating to the Firm’s Code and shall maintain records of Access Persons’ transactions to facilitate comparison between such records and records of the Firm’s client transactions as are necessary to determine whether there may have been conflicting transactions.

Item 12 Brokerage Practices**SELECTION OF BROKERS, AGGREGATION OF TRADES AND DIRECTED BROKERAGE**

The Firm generally maintains authority to select brokers to execute transactions for its clients. It is both the policy and fiduciary duty of the Firm to seek best execution with respect to each transaction, other than directed brokerage transactions, defined as those in which a client directs the Firm to utilize a specific broker. In purchasing and selling portfolio securities for discretionary client accounts, the Firm will seek to obtain execution at the most favorable net prices (on an overall basis) through its list of approved brokers and dealers. The Firm may aggregate purchase or sale orders for clients, as the Firm may be able to obtain lower commission costs on a per-share and per-dollar basis, because large orders tend to have lower execution costs. In general, the Firm will allocate securities under aggregate orders on a pro-rata basis at the average execution price, unless the Firm determines that a different method of allocation, whether by reason of average price considerations, similar securities in the same amounts, available capital, or other factors, suggest a more equitable method of allocation. Cost is only one factor in assessing best execution. The Firm also looks at the size and difficulty of the order, the reliability, integrity, financial condition and general execution and operational capabilities of the broker/dealer, the broker-dealers' expertise in particular markets, as well as other matters relevant to the selection of a broker or dealer for a client account.

In selecting broker/dealers to execute transactions and in evaluating the reasonableness of the brokerage commissions paid to them, consideration will be given to such factors as the price of the security, the size and difficulty of the order, the reliability, integrity, financial condition and operational capabilities of the respective brokers and dealers, and their expertise in particular markets. The Firm's objective in selecting brokers will be to obtain, in general, the best net price for transactions on an overall basis and not necessarily the lowest available commission.

Although the Firm does not recommend, request or require clients to engage in directed brokerage transactions, certain clients that do require directed brokerage transactions are encouraged to make such designations subject to the principles of best execution. Clients are further advised that such directed brokerage transactions may not necessarily result in the best execution possible and may incur higher brokerage costs. To the extent the Firm is not free to negotiate commissions, such transactions may also result in higher commission costs to the client. Moreover, if a request for a directed brokerage transaction is made with respect to an account subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), ERISA requirements must be met in order for the Firm to accept such direction, including a representation that such directed brokerage transaction is in the sole interest and benefit of the ERISA plan itself.

The Firm's Brokerage Selection, Placement and Monitoring Committee (the "Brokerage Committee") periodically evaluates the execution quality and commission rates, among other factors, for each broker and dealer utilized by the Firm. The Brokerage Committee also utilizes reports by independent vendors, which compares the Firm's trading to that of its peers.

RESEARCH AND SOFT DOLLAR BENEFITS

The Firm does not maintain any soft dollar arrangements.

BROKERAGE FOR CLIENT REFERRALS

The Firm does not select or recommend brokers or dealers based on referrals of clients from such broker-dealer or other third parties associated with the broker-dealer.

AGENCY CROSS TRANSACTIONS

The Firm may engage in agency cross transactions whereby a security is sold from one account managed by the Firm or a related person (including KA or HAM) and sold to another account managed by the Firm or a related person. An agency cross transaction may be completed when the sale or purchase of a security in the open market may not be advantageous to the Firm's clients. For example, to prevent potential harm that may result in selling a potentially illiquid security into a disorderly market. The Firm will engage in such transactions only when it deems

the transaction to be in the best interests of both client accounts, in accordance with applicable laws (including Section 206 of the Advisers Act and Rule 17a-7 of the Investment Company Act), and consistent with principles of fair dealing and the policies and procedures adopted by the Firm.

PRINCIPAL TRANSACTIONS

To the extent the Firm engages in principal transactions, it will do so in accordance with Rule 206(3) of the Advisers Act.

Item 13 Review of Accounts

The Firm provides investment services that it believes are considered prudent and appropriate based on the nature of the accounts and the Firm's understanding of the client's written investment strategy and criteria. Client accounts are reviewed on a daily basis, taking into account relevant fundamental data pertaining to each of the holdings, as well as the appropriateness of the current asset allocation. Company events, such as earnings reports, management changes, or other important corporate announcements, may trigger a review of a particular holding. Exogenous events, such as fund liquidations or subscriptions and a change in market conditions may also prompt an account review. Such reviews will be conducted, either jointly or individually, by the portfolio manager(s). All reviews will be governed by normal professional standards with regard to security selection and asset allocation, with particular emphasis upon the stated goals and objectives in each of the accounts' Prospectus, SAI, offering memorandum or investment advisory agreement, as applicable.

The Firm does not send statements to investors, as such function is performed by a third party administrator or custodian, as applicable, for the KMF, SMAs, other registered investment companies and UCITS managed by the Firm. Additionally, direct investors in the KMF (as opposed to those who invest through a broker) may log into a secure website controlled by the third party administrator, wherein investors can view investment specific information about their accounts.

The Firm sends investors and certain prospective investors monthly newsletters, which contain commentaries from the investment team and that also describe important characteristics about the funds and the Firm. Recipients may request to discontinue receiving such information at any time. The Firm may also send investors such proprietary reports or presentations as clients or prospective clients may request from time to time.

Item 14 *Client Referrals and Other Compensation*

The Firm has contractual arrangements with unaffiliated parties that refer clients to the Firm. The Firm may pay cash compensation to these third party marketers for their efforts in referring business to the Firm. Compensation paid to third party marketers is based on a percentage of the management and/or incentive fee (if any) earned by the Firm. Investors who become clients of the Firm through such arrangements do not pay any additional fees as a result of the Firm's agreement with the third party marketer. Each contractual arrangement the Firm enters into with a third party marketing agent requires the agent to adhere to Rule 206(4)-3 of the Advisers Act.

The Firm may also pay shareholder servicing or revenue sharing fees to certain third parties that perform services to shareholders that are invested in one of the products managed by the Firm. KMF pay a shareholder servicing fee to the Firm.

Item 15 *Custody*

The Firm does not maintain actual or physical custody of client assets. Client assets are held at the custodian for the Private Funds or, as to separately managed accounts, at each client's designated custodian.

Item 16 Investment Discretion

The Firm has complete discretionary authority to manage securities accounts on behalf of its clients. Clients may place limitations, in the form of investment restrictions or portfolio objectives, on the Firm's management of client accounts, however, such limitations may preclude the Firm from managing the account in the manner in which it would have if the investment restrictions or portfolio objectives were not imposed on the account, thereby resulting in lower or more volatile returns for the client. The Firm reserves the right to reject the imposition of investment restrictions for clients, subject to contractual arrangements between the client and the Firm.

Prior to accepting discretionary authority for the management of client accounts, the Firm requires a written investment advisory agreement between the client and the Firm.

Item 17 Voting Client Securities

The Firm generally is authorized to vote proxies on behalf of its clients. Accordingly, the Firm has adopted written Proxy Voting Policies and Procedures (“Proxy Policies”) pursuant to Rule 206(4)-6 under the Advisers Act that are reasonably designed to ensure that proxies are voted in the best interests of clients. The Firm’s Proxy Policies have delegated responsibility for the administration of proxy voting to Institutional Shareholder Services (“ISS”), an independent provider of proxy voting services to institutional asset managers. The Firm, either directly or through ISS, processes all proxies received in connection with underlying accounts’ securities held in the Firm’s name or in the name of the Firm’s clients, applying ISS’ proxy voting procedures, which the Firm has reviewed, analyzed and determined to be consistent with the views of the Firm on the various types of proxy proposals. The Firm maintains appropriate records of proxy voting as required under applicable law. Although the Firm generally relies on the recommendations of ISS in determining how to vote particular proxies, the Firm reserves the right to reject recommendations made by ISS if it is determined to be in the best interest of clients. The rationale for any departure from the recommendations of ISS will be memorialized in writing and maintained by the CCO.

Separate account clients may contractually agree to maintain authority to vote proxies in their accounts.

Clients may obtain a copy of the Firm’s Proxy Policies, in addition to receiving information about how the Firm voted on their behalf, by contacting the Firm in writing at the address located on the cover of this Brochure.

To the extent the Firm does not have authority to vote proxies in a client’s account, the clients will receive proxy proposals directly from their respective custodians.

Item 18 Financial Information**BALANCE SHEET**

The Firm has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

FINANCIAL CONDITIONS LIKELY TO IMPAIR FIRM'S OPERATIONS

The Firm is not aware of any financial conditions that are likely to impair its ability to meet contractual commitments to its clients.

BANKRUPTCY FILINGS

The Firm has not been the subject of any bankruptcy petitions at any time in the past ten years.