

**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 Advisers, LLC (hereinafter occasionally referred to as “Kinetics,” the “Firm,” or the “Adviser”). This Brochure contains information that should be considered before or at the time of obtaining advisory services from Kinetics and 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 SEC does not imply that the company or any of its management persons have achieved a certain level of skill or training. Horizon 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 (646) 291-2300 or at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com). Additional information about Kinetics is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://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 update occurred on March 30, 2016. There has been one material change to the Firm's business since the last update, as described below:

The Firm updated its disclosure of material advisory relationships under Item 10 to include MRM-Horizon Advisors, LLC d/b/a Mad River Investors ("Mad River Investors").

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 our Firm Brochure, please contact us at (646) 291-2300 or by email at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com); or you may also download a copy of it from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 Advisory Business**

Kinetics is a New York limited liability company formed in 2000 and registered with the SEC in 2006. On May 1, 2011, the Firm and its affiliated companies Kinetics Asset Management LLC (“KAM”), KBD Securities, LLC (“KBD”) and Kinetics Funds Distributor LLC (“KFD”) came under common control and ownership with Horizon Asset Management LLC (“Horizon”), a U.S. registered investment adviser. As a result, Kinetics, Horizon, KAM, KBD and KFD became wholly owned subsidiaries of Horizon Kinetics LLC (“Horizon Kinetics”), a then-newly formed holding company. The combined companies manage separately managed accounts, mutual funds, and private funds. 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 20 years under the direction of the Investment Oversight Committee.

Prior to the formation of Horizon Kinetics in May 2011, the Firm and KAM operated as affiliated investment advisers, independent from Horizon. The Firm was founded in 2000 by Peter Doyle, Larry Doyle and Leonid Polyakov. KAM was founded in 1996 by the same group. Horizon was formed in 1994 by Murray Stahl, Steven Bregman, Peter Doyle, Tom Ewing and John Meditz.

Horizon Kinetics’ research team has been publishing research continuously since the early days of the Firm, and currently produces seven research reports. These research reports are purchased by a number of institutional clients and high net worth individuals. Certain reports are also available to the public on the Firm’s website, [www.horizonkinetics.com](http://www.horizonkinetics.com). These publications tend to focus on companies in transition, either in actuality or in investor perception. Our expertise is best demonstrated in the analysis of a company that has undergone or is undergoing a significant change in its capital structure and where the institutional analysts can no longer evaluate these companies through their traditional models. The Firm believes that writing research is a key component of our investment philosophy and process. Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) for a more detailed description of each of these research reports.

The Firm offers general discretionary investment advisory services to a series of private funds (as defined under the Dodd-Frank Wall Street Reform and Consumer Protection Act). The Firm’s clients include U.S. private funds and Cayman-Island based funds (individually, a “Fund”, and collectively “Private Funds”). The Firm’s management of pooled products is consistent with the strategies and objectives outlined in the confidential written offering documents for each Fund (the “Offering Documents”). 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 investor must carefully consider the appropriateness of the proposed investments in light of his or her own personal financial circumstances, including cash flow needs, unusual tax circumstances or other concerns. Investors 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.

**Assets under Management**

The Firm had discretionary investment authority for approximately \$57 million in assets under management as of February 28, 2017. As of February 28, 2017, Horizon, an affiliate of the Firm and further described under Item 10 of this Brochure, had discretionary investment authority for approximately \$3,344 million in assets under management and non-discretionary assets under management of approximately \$189 million; KAM, an affiliate of the Firm and further described under Item 10 of this Brochure, had discretionary investment authority for approximately \$1,874 million in assets under management

## **Item 5 Fees and Compensation**

Generally, the Firm generally receives a management fee and a performance fee (also referred to as an incentive fee) for the management of assets. A management fee is the fee the Firm charges on Fund assets and is generally deducted from an investor's capital account monthly, in arrears. A performance fee is a fee based on a share of capital gains on, or capital appreciation of, the assets of a Fund. Performance fees are generally deducted from an investor's capital account annually, at the end of every calendar year, but may also be deducted quarterly. Performance fees may also be subject to a "high water mark," or other "hurdle rate," pursuant to the Offering Documents of the Fund. Performance fees are further described under Item 6 of this Brochure. Management and performance fees may be subject to waiver by the Firm in certain instances including, but not limited to, investments by Employees and owners of the Firm.

Investors in the Private Funds will incur brokerage and other transaction costs as noted below and under Item 12 of this Brochure. Investors in the Private Funds are subject to certain fees and expenses of the Funds, which primarily consist of custodial and/or prime brokerage fees charged by custodian(s), administration fees charged by administrator(s), audit fees charged by auditor(s), and brokerage commissions and transaction fees charged by broker-dealers. The Firm does not receive, directly or indirectly, any of these fees. Per each Funds' Offering Documents, these fees may also include, exchange fees, SEC fees, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions. Fees, including custodial, audit and administration fees may be negotiated between the Private Funds and the respective party.

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 Item 10, KBD, an affiliate of the Firm, has a contractual agreement with the Firm (or its affiliate) for the payment of fees for the referral of investors to the Private Funds. Similarly, the Firm has contractual agreements with other third party marketers as further described under Item 10 of this Brochure. KBD is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"). Any fees paid to KBD or third-party marketers are paid directly by the Firm and are not paid by investors in the Private Funds.

Some Private Fund investors, including employees of the Firm, may negotiate or be entitled to terms and conditions that differ from those of other Private Fund investors with respect to fees and other provisions. Private investment funds are not appropriate for all investors. Eligible prospective investors and current investors may refer to each Private Fund's Offering Documents for a complete list of risks, expenses, investment minimums and other important information.

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

Generally, the Firm charges investors in the Private Funds a management fee and a performance fee, with the exception of owners and employees, and certain investors with whom the Funds negotiated separate terms, as is further described until Item 5. Horizon and KAM, SEC-registered investment advisers that are affiliates of the Firm, and which are described in more detail under Item 10 of this Brochure, may also charge a management and a performance fee to their clients. Performance-based fee arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities.

The Firm, Horizon, and KAM each employ strict compliance policies designed to ensure that all clients are treated fairly, that no client is favored over another, and to prevent this conflict from influencing the allocation of investment opportunities among its clients. To mitigate such conflicts of interest or potential conflicts of interest, the Firm and its affiliates have established common policies and procedures, including, among others, a Code of Ethics (the “Code”) and a Trade Aggregation and Allocation Policy (the “Trade Policy”), further described in this Brochure under Item 12. The Firm’s Chief Compliance Officer (“CCO”) is responsible for implementing the Firm’s compliance program, the policies and procedures of which are reasonably designed to monitor, detect and prevent conflicts of interest. The CCO, or his designee, reviews trade allocations on a periodic basis to ensure adherence to the Firm’s Trade Policy (further described under Item 12 of this Brochure).

Only certain sophisticated investors that meet minimum net worth and financial standards are permitted to invest in products that charge performance fees. Performance fee products also employ more complex investment strategies that are not appropriate for all investors.

**Item 7      Types of Clients**

The Firm generally provides investment advisory services to private funds, which are exempt from registration under the Investment Company Act of 1940 (the “Investment Company Act”). Investors in the Private Funds may be comprised of individuals, trusts, banks, investment companies, pension and profit-sharing plans, endowments and foundations, corporations, partnerships and certain other foreign entities.

Investors in the Private Funds are required to adhere to the criteria established in each Private Funds’ Offering Documents. Generally, the minimum investment for the Private Funds is \$500,000, although the Firm may allow a lesser amount.



**Item 8            Methods of Analysis, Investment Strategies and Risk of Loss****MATERIAL, SIGNIFICANT, OR UNUSUAL RISKS RELATING TO INVESTMENT STRATEGIES**

Horizon, an affiliate of the Firm, authors research reports for numerous institutional clients and is involved in the creation and maintenance of rule-based indices. As a result, the Firm may restrict from trading in client and employee accounts certain securities for a period of time, consistent with the Firm's compliance policies and procedures. These restrictions may adversely affect the ability of the Private Funds to implement their investment strategy. For instance, the Private Funds may be delayed in purchasing a security at a lower price during such restricted period and may not be able to sell a security as quickly as it might otherwise have wanted to if such restriction were not in effect. The Firm and its registered advisory affiliates utilize a common restricted list and have adopted policies and procedures thereunder to detect and mitigate or prevent potential conflicts of interest.

**INVESTMENT OBJECTIVE**

The investment objectives of the Private Funds are set forth in, among other things, the Offering Documents of each Fund.

**METHOD OF ANALYSIS**

The Firm, in conjunction with its affiliates, conducts its 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. The Firm manages the Private Funds primarily by investing and trading in public securities of all kinds and descriptions, including, but not limited to, equity, debt, convertible securities, bank loans, preferred stock, options (and other types of derivatives), warrants, trade claims, and money market instruments. The Firm, on behalf of the Private Funds, may also engage in arbitrage (including options and international arbitrage), and invest in special situations, real estate and real property, and may maintain both long and short securities positions, and trade and invest in other financial instruments and strategies. The Firm may also cause the Private Funds to engage in transactions in order to hedge long and short positions and to also engage in margin borrowing, lending, short sales, and synthetic short sales.

**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 short sales, synthetic short sales, investments in illiquid investments and limited diversification, in some circumstances, may create heightened risks. Short sales can create the risk of unlimited loss. Additionally, short selling and other trading techniques may be subject to certain restrictions imposed by various national and regional securities exchanges, which could have a negative impact on the Private Funds' holdings. Synthetic short selling, the practice of purchasing a security normally a candidate for a short sale and simultaneously selling call options and purchasing put options on the same underlying security, may also present increased risks of 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 could 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 the Private Funds. The Firm may invest a Fund in such a way that it is concentrated in a limited number of holdings. A Fund with fewer positions could be expected to have greater volatility from individual security price changes than would a Fund holding a larger number of positions.

The Firm may also choose to invest the Private Funds 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 the Private Funds 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

the Private Funds may not achieve the desired benefit of the options and derivatives and may realize a loss. Such strategies may subject investors in the Private Funds to greater fluctuations in value than would an investment in the underlying securities.

The Firm may manage the Private Funds with borrowed money to purchase securities, otherwise known as using leverage or borrowing on margin. Although such practice may allow for greater capital appreciation, it also increases the Private Funds' exposure to capital risk and higher expenses. Moreover, if a Fund's assets are insufficient to pay the principal of, and interest on, the debt when due, the Private Fund could sustain total loss of its investment. Additionally, when the Firm purchases securities on margin – putting up only a portion of the instrument's face value and borrowing the remainder, a relatively small price movement may result in substantial losses. Trading on margin will also result in interest charges.

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 Investment Advisers Act of 1940, as amended (the "Advisers Act"). To the extent the Firm's registration is suspended, cancelled or otherwise revoked, investors in the Private Funds may be adversely affected. In addition, the Private Funds are not registered as investment companies under the Investment Company Act or any other similar state laws. Investors in the Private Funds, therefore, will not be accorded the protective measures provided by such regulation.

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 investors in the Private Funds.

#### **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 Private Funds, 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**

There is a risk that when interest rates increase, fixed-income securities held by the Private Funds 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 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 investments in the Private Funds 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 a Fund (such as an asset-backed security) earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, a Fund 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 Private Funds, may purchase short-term obligations on a when-issued or delayed delivery basis. These transactions are arrangements in which securities are purchased with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund 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 Private Funds may dispose of a commitment prior to settlement if the Firm deems it appropriate to do so. In addition, a Fund 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. The Funds 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 the Private Funds. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Private Funds 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 Private Funds, 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. A Fund 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 in the Private Funds 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 Private Funds, may invest in securities issued by other investment companies to the extent permitted by the Private Funds' offering memorandums. As a shareholder in an investment company, the Private Funds would bear the pro rata portion of the investment company's expenses, including advisory fees, in addition to the fees Private Fund investors pay to the Firm.

**Restricted and Illiquid Securities**

Restricted securities are any securities that are not registered under the Securities Act of 1933, as amended ("1933 Act") and are illiquid. They typically bear a "restrictive" legend clearly stating that you may not resell them in the public marketplace unless the sale is exempt from the SEC's registration requirements. An illiquid security is one that cannot be sold quickly due to a shortage of interested buyers or a lack of an established trading market. Illiquid

assets cannot be easily converted into cash without potential for losing a significant percentage of their value. The value of restricted or illiquid securities could decline during any period when buyers become uninterested in purchasing these securities.

### **Depository Receipts**

The Firm, on behalf of the Private Funds, 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 Private Funds and that may ultimately be available for distribution to investors in the Private Funds.

### **Derivatives**

#### **Buying Call and Put Options**

The Firm, on behalf of the Private Funds, 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 the Private Funds intend 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 Private Funds, may purchase put options. By buying a put, a Fund 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 Private Funds, may write covered options on equity and debt securities and indices. In the case of call options, so long as the Fund 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 the Private Funds give the holder the right to buy the underlying securities from the Private Funds at a stated exercise price. A written call option written by a Fund is “covered” if the Fund 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 the Fund 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 Fund in cash and high grade debt securities in a segregated account with its custodian bank. The Firm, on behalf of the Private Funds, may purchase securities, which may be covered with call options solely on the basis of considerations consistent with the investment objectives and applicable offering memorandum of the Private Funds. A Fund’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 Fund has not entered into a closing purchase transaction.

As a writer of an option, each Fund 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 a Fund 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 Private Funds, 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 Fund may write call and put options on an exchange or over-the-counter. Call options on Fund securities will be covered since the Fund will own the underlying securities. Call options on securities indices will be written only to hedge in an economically appropriate way Fund securities that are not otherwise hedged with options or financial futures contracts and will be “covered” by identifying the specific Fund 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 a Fund 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, a Fund 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 Fund 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 a

Fund'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 a Fund 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 a Fund 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 a Fund to use cash or proceeds from the investments. If a Fund desires to sell a particular security 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.

A Fund 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, a Fund 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 Fund.

#### **Writing Over-The-Counter ("OTC") Options**

The Firm, on behalf of the Private Funds, 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, a Fund 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 a Fund 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.

#### **Futures Contracts**

The Firm, on behalf of the Private Funds, may buy and sell stock index futures contracts traded on domestic stock exchanges to hedge the value of the Fund 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 Fund 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 Fund will incur brokerage fees when it purchases and sells stock index futures contracts, and at the time a Fund purchases or sells a stock index futures contract, it must make a good faith deposit known as the “initial margin”. Thereafter, a Fund 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 Private Funds, may write covered call options and purchase and sell stock index futures contracts to hedge against declines in market value of the Fund’s securities holdings. The use of these instruments involves certain risks. As the writer of covered call options, Fund 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 Fund’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 a Fund’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 Fund’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 Fund’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 Private Funds, 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 Fund. Participatory notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them, and the Fund 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 Private Funds, 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 Fund 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 Fund 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 Fund's risk of loss consists of the net amount of payments that the Fund 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.

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 a Fund 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 Fund would effectively add leverage to its portfolio because, in addition to its total assets, the Fund 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 Fund would be less favorable than it would have been if this investment technique were not used.

### **Distressed Investments**

The Firm, on behalf of the Private Funds, 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 a Fund'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.

### **Investment Philosophy and Process**

The Firm's fundamental investment approach attempts to capitalize on the overwhelming desire investors have to achieve short-term results. The Firm believes long-term price inefficiencies can be created by the collective, short-term focus of the markets. Events that may occur 3-5 years in the future have little utility to the average portfolio manager. The Firm seeks to identify the resulting long-term pricing anomalies and exploit them to generate returns through our independent, time-tested research process. The Firm's absolute return mindset typically generates concentrated portfolios that do not attempt to track or mimic any index or benchmark.

The Firm believes that successful investing requires integrating the qualitative aspects of the social sciences with the logical reasoning and abstraction of mathematics and the physical sciences. The Firm seeks companies trading at a discount to our estimate of intrinsic value. Investment research is a key component of the Firm's philosophy and process, which is consistent, systemic, and repeatable.

Specifically, the process entails:

- Idea generation – bad/good news, low valuation, corporate restructurings, contrarian view, business model analysis and global and capital structure agnostic;
- Active research – qualitative focus, quantitative value check and written reports;
- Portfolio construction – flexible execution, thematic concentration, co-dependency check, managed self-ordered criticality and cash as a by-product;
- Sell discipline – fundamentals deteriorate, business model changes, investment expectation met, more attractive opportunity identified and margin of safety erodes and
- Risk management and monitoring – functional diversification, reference initial thesis, qualitative progress review and quantitative value check.

The Firm is generally focused on low turnover, low transaction, and low friction (avoiding unnecessary trading activity).

### **Research Reports**

The Firm believes that writing research is a key component of our investment philosophy and process. Accordingly, Horizon Kinetics authors a number of research reports:

#### The Contrarian Research Report (established April 1995)

Describes out-of-favor, turnaround, restructuring or distressed situations with sufficiently discounted valuations as to provide an asymmetrically favorable risk/return profile.

#### The Fixed Income Contrarian Report (established October 2000)

Seeks to identify convertible or debt securities with an asymmetric return profile - those that provide an equity level return in the positive case, but with limited expected risk of loss in the negative case, as well as selected arbitrage opportunities.

#### The Devil's Advocate Report (established August 2000)

Provides short-sale recommendations on highly-visible, large-capitalization, widely-held stocks.

#### The Spin-Off Report (established February 1996, written in conjunction with the Firm's research distributor)

Provides in-depth, fundamental analysis of all domestic tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in discounted valuations.

The European Contrarian Research Report (established April 2008)

Seeks to identify companies primarily in Europe with earnings dependent upon their local economies, rather than the U.S. market, as these types of companies offer genuine international diversification.

The European Spin-Off & Restructuring Report (formerly the Global Spin Off Report established March 2010)

Provides in-depth fundamental analysis of international, tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in systematically discounted valuations.

The Stahl Report (established March 2004)

Recommends undervalued or misunderstood opportunities in large-capitalization equities for which it is likely that asymmetrically attractive risk/reward outcomes can be realized.

**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, KAM and Horizon are registered with FINRA through the Firm's affiliated broker-dealers, KBD and KFD. KBD and KFD are broker-dealers registered with the SEC and are members of FINRA, and are wholly owned subsidiaries of Horizon Kinetics. The broker-dealers do not accept client money, maintain custody of client assets, execute trades, provide clearing services, or engage in proprietary trading.

KBD serves to support the promotion and sales by wholesalers of, among others, the investment products managed by the Firm, KAM, and Horizon. KFD serves as the principal underwriter and distributor to Kinetics Mutual Funds, Inc. ("KMF"), a series of open end investment companies managed by KAM.

**FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR COMMODITY TRADING ADVISER 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 advisers.

**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 investors in the Private Funds. 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:

- 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. Kinetics, KAM, KBD, KFD, and Horizon are all wholly owned subsidiaries of Horizon Kinetics LLC, a parent holding company. KBD also supports the promotion and sales of the investment products managed by Horizon and other firms.
- Kinetics Asset Management LLC ("KAM"), an affiliated SEC-registered investment adviser that has discretionary investment authority over Kinetics Mutual Funds, Inc., a U.S. -based private fund and separately managed accounts. KAM is also the sub-adviser to UCITS funds registered in the European Union.
- 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 KAM, 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 is managed by KAM.
- FRMO Corp., an unaffiliated, publicly-traded corporation that is partially owned by certain management persons of Horizon, KAM and the Firm and which generates revenue from a percentage of earnings from Horizon, KAM and the Firm.
- MSRH, LLC, an unaffiliated exempt reporting adviser that is owned, in part, by Murray Stahl, Chairman and Chief Investment Officer of Horizon Kinetics LLC, and which serves as the investment manager and general partner for two U.S. private funds.

- The Minneapolis Grain Exchange (“MGEX”) offers futures and options trading on five agricultural index products. Murray Stahl, the Chairman and Chief Investment Officer of Horizon Kinetics LLC, was elected to MGEX’s Board of Directors in 2013.
- The Bermuda Stock Exchange (“BSX”) is an electronic securities market for international and domestic issuers of equity, debt, depository receipts, insurance securitization and derivative warrants. Murray Stahl was elected to BSX’s Board of Directors in April 2014.
- Murray Stahl is also a Director of IL&FS Securities Services Limited, a company based in India engaged in infrastructure financing and development.
- Murray Stahl is also a Director of Winland Electronics, Inc. (“WELX”), a publicly traded company.
- Emerging Global Advisors, LLC (“EGA”), an unaffiliated, SEC-registered investment adviser through a passive minority interest.
- MRM-Horizon Advisors, LLC d/b/a Mad River Investors (“Mad River Investors”), an SEC registered investment adviser with which the Firm or its affiliates have a consulting and marketing relationship, including jointly serving as general partner to one U.S. private fund.

In addition to the relationships stated herein, the Firm has contractual arrangements with affiliated and unaffiliated third parties, including KBD, who refer business 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 performance fee (if any) earned by the Firm. Investors in the Private Funds 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 Horizon and KAM due to the fact that the Private Funds managed by the Firm charge performance fees, while Horizon and KAM manage certain products that do not charge performance fees, as well as certain products that do charge performance fees. Accordingly, there may be an incentive to favor the Private Funds managed by the Firm; however, the Firm, KAM and Horizon all employ strict compliance policies and procedures designed to ensure all accounts are treated fairly, and that no account is favored over another. The Firm’s CCO or his designee reviews trade allocations on a periodic basis to ensure that the Firm’s Trade Policy is followed. Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge performance fees. Performance fee-based products also employ more complex investment strategies that may not be appropriate for all investors.

Additionally, Kinetics and its related entities, Horizon and KAM, serve as the General Partner and/or Investment Manager of Private Funds which are available to clients of Horizon and KAM, as well as to prospective clients who are accredited investors as well as qualified purchasers or qualified clients.

In limited circumstances, the Firm’s affiliates provide model portfolios to various third party financial institutions (each a “Model Sponsor”) who in turn utilizes such information in their own investment programs. The model portfolios may be delivered to Model Sponsors at the same time the Firm implements the investment recommendations for its own clients. As a result, Kinetics may have already commenced trading before a Model Sponsor has received or has had the opportunity to evaluate or act on Kinetics’ model portfolio information. In this circumstance, trades ultimately placed by a Model Sponsor for its clients may be subject to price movements, particularly with large orders or where securities are thinly traded, that may result in Model Sponsor’s clients receiving prices that are less favorable than prices obtained by Kinetics for its client accounts.

Conversely, a Model Sponsor may initiate trading based on model portfolios before or at the same time the Firm is trading for its own client accounts. Particularly with large orders or where securities are thinly traded, this could result in Kinetics' clients receiving prices that are less favorable than prices that might otherwise have been obtained absent the Model Sponsor's trading activity. Kinetics' affiliates take reasonable steps to minimize the market impact of the model portfolios provided to a Model Sponsor on accounts for which Kinetics and its affiliates exercise investment discretion. However, because neither the Firm nor its affiliates control the timing or manner in which a Model Sponsor implements model portfolio trading, the Firm cannot control the impact of such transactions. .

Conflicts may also exist to the extent that the Firm recommends securities to its affiliates for purchase or sale which are also securities being purchased or sold by the Firm's Private Funds. Additionally, there may be a conflict of interest in the allocation of investment opportunities between the various performance fee products and non-performance fee products managed by the Firm and its affiliates. To mitigate such conflicts of interest or potential conflicts of interest, the CCO is responsible for implementing the Code and the Trade Policy, which are reasonably designed to monitor, detect and prevent such conflicts of interest. 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 adherence to the Code and the Trade Policy.

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

The Firm has adopted a common 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, and that they abide by the provisions of the Advisers Act, and other applicable laws and regulations, as well as their fiduciary duty to the Firm’s clients. 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.

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 or his designee prior to executing the trade. In general, employees seeking to trade in securities that are being transacted in client accounts are limited in the amount of shares they may trade, based on the Firm’s Code of Ethics. Authorizations by the CCO or his designee remain effective only for the day on which approval was granted. Under the Code, certain types of securities transactions have been designated as exempt from pre-clearance.

Employee trading is continually monitored in order to ensure compliance with the Firm’s Code and applicable federal securities laws, as well as to reasonably prevent conflicts of interest between the Firm and its clients. For an account in which an employee has investment discretion or for a corporate account in which the employee is a 10% or greater shareholder, such employees must attest to their personal trade activity quarterly, and 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 also has a written statement of policy and procedures relating to the prevention of misuse of material, non-public information as required by Section 204A of the Adviser’s Act.

**PARTICIPATION OR 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. Any Access Person who receives information that is known or reasonably known to be material, non-public information must 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.

The Firm anticipates that, in appropriate circumstances, consistent with a Fund’s investment objectives, it may cause the Private Funds to purchase or sell securities in which the Firm, its affiliates and/or their clients, directly or indirectly, have a position of interest. Additionally, officers, directors, and employees of Kinetics may trade for their own accounts in securities which are recommended to and/or purchased for the Firm’s clients. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of Kinetics (including those to be executed for Kinetics and its affiliates) will not interfere with (i) making decisions in the best

interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Firm's CCO has the general duty of administration and implementation of the Code. The CCO is responsible for the maintenance of records relating to the Code and shall maintain records of employee transactions to facilitate comparison between such records and records of the Firm's transactions for the Private Funds as are necessary to determine whether there may have been conflicting transactions. Investors or prospective investors in the Private Funds may request a copy of the Code by contacting Kinetics' CCO, using the contact information located on the cover page of this Brochure.



**Item 12 Brokerage Practices****SELECTION OF BROKERS, AGGREGATION OF TRADES AND DIRECTED BROKERAGE****Brokerage Discretion; Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Firm generally maintains authority to select brokers to execute transactions for its clients. It is both the policy and the fiduciary duty of the Firm to seek best execution with respect to each transaction. In purchasing and selling portfolio securities for the Private Funds, 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 the Private Funds, 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/dealer for a client account.

Accordingly, transactions may not always be executed at the lowest available price or commission. The Firm's Brokerage and Pricing Committee (the "Brokerage Committee") periodically evaluates, among other things, the performance of the executing brokerage firms, with the assistance of third party best execution evaluation firms.

**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 based on referrals of clients from such broker-dealers 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 KAM or Horizon) and bought for 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 as advantageous to the Firm's clients as, 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 transactions to be in the best interests of 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 Section 206(3) of the Advisers Act.

**ORDER AGGREGATION; TRADE ALLOCATION**

The Firm's Trade Policy outlines, among other things, when and if an order is aggregated across custodian relationships and how partially filled orders are allocated. The Firm will generally allocate partially filled orders on a pro-rata basis at the average execution price, unless the Firm determines that a different method of allocation is more appropriate, whether by, among other things, reason of average pricing considerations, similar securities in the same accounts, available capital, estimated cost to clients, or liquidity. The Firm utilizes an automated randomizer function to ensure the objectivity of its trade rotation methodology for sequencing the execution of trades for a given

security that will occur across multiple custodians/brokers and to ensure that all accounts are treated fairly with respect to the allocation of investment opportunities. Investment company and Private Funds, along with custom, non-directed and directed, as well as institutional accounts will generally be included in this rotation schedule. The Firm, in limited instances, may utilize other methodologies for allocating investment opportunities, provided they are fair and equitable over time. Additionally, certain portfolio managers manage performance fee accounts alongside accounts that do not pay a performance fee. Since there are different fee structures, the potential exists to favor a performance fee account over non-performance fee accounts. However, favoring one Client over another would be inconsistent with the Firm's fiduciary duty to its clients. Although the Firm's trade rotation may have the effect of producing a variance in the execution prices of the same security on the same day, the Firm's Trade Policy is designed to ensure that no client is favored over another.

#### **CONFLICTS OF INTEREST CREATED BY CONTEMPORANEOUS TRADING**

At times, the Firm and/or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Firm and/or a related person buys or sells the same securities for the Firm's Private Funds and/or the related person's account. The Firm recognizes this potential conflict or appearance thereof, and has instituted policies and procedures to mitigate such conflicts. There is an inherent conflict of interest between our fiduciary duty of best execution for our clients and the apparent self-interest of trading in the same securities in employee accounts and/or the Firm's proprietary trading accounts. The Firm's Code and Trade Policy are designed to detect and prevent such conflicts.

**Item 13      Review of Accounts**

The Firm provides investment services that it believes are considered prudent and appropriate based on the nature of the Private Funds, and the Firm's understanding of their investment strategy and criteria. Holdings in each of the Private Funds are reviewed periodically, 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 a review of the Private Funds' holdings. Such reviews will be conducted, either jointly or individually, by the portfolio manager(s) and may be performed daily, weekly, or monthly as portfolio managers deem appropriate or as otherwise required. 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 of each of the Private Funds.

**Client Reporting**

The Firm does not send statements to investors in the Private Funds, as such function is performed by a third party administrator. Additionally, direct investors in the Private Funds 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 qualified prospective investors who have a pre-existing relationship with the Firm and who have consented to receive electronic communications, monthly and/or quarterly newsletters containing commentaries from the Firm's investment team, as well as important information about the Firm, its strategies and/or products. Recipients may request to discontinue receiving such information at any time. The Firm may also send investors performance reports, proprietary reports or other presentations, upon request.

**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 performance fee (if any) earned by the Firm. Clients who become investors in the Firm's Private Funds 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.

**Item 15      Custody**

The Firm does not hold client cash or securities, however it may be deemed to have custody of client assets by virtue of, among other things, its (or its affiliates') ability to direct the transfer of assets in the Private Funds. The cash and securities of the Private Funds are held in custody at a qualified custodian, and clients are sent account statements directly from such custodian on a quarterly or more frequent basis.

Client are urged to carefully read such account statements. To the extent the Firm sends account statements to Clients, Clients are urged to compare such account statements from the custodian to the statements they may receive from the Firm. The Firm's clients are solely responsible for determining and maintaining custody arrangements for their accounts.

**Item 16      Investment Discretion**

The Firm has discretionary authority to manage the Private Funds in accordance with their investment objectives as set forth in each Fund's respective Offering Documents.

**Item 17      Voting Client Securities**

The Firm generally is granted the authority to vote proxies. Kinetics has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients. Kinetics' policy is to vote proxy proposals, amendments, consents or resolutions relating to advisory client securities, including interests in Private Funds, if any (collectively, "proxies"), in a manner that serves the best interests of the funds and accounts managed by Kinetics, as determined in its sole discretion, taking into account that one of the key factors Kinetics considers when determining the desirability of investing in a particular company is the quality and depth of its management. With that in mind, Kinetics recognizes that a company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to the oversight of the company's board of directors.

Kinetics has engaged Institutional Shareholder Services ("ISS"), to facilitate the voting of client proxies. Additionally, ISS provides research on proxy proposals and vote recommendations based on written guidelines. Kinetics, as a general matter, accepts vote recommendations from ISS, though Kinetics retains the right to determine the vote on a particular proxy issue. To the extent ISS has a conflict with respect to a particular proposal it will notify Kinetics so that the Firm can independently determine how to vote. There may be instances, including those in which ISS recommends a vote consistent with management, in which the Firm may decide to vote contrary to ISS' recommendation if it is determined to be in the best interests of the clients. The rationale for any such departure will be memorialized in writing by the CCO.

A copy of the Firm's Proxy Voting Policy is available upon request. Clients may also contact Kinetics to receive more information about how the Firm voted proxies on their behalf. To the extent the Firm does not have authority to vote proxies pertaining to its clients' accounts. The client 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 \$1,200.00 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, or ever.