

## Fund management

# Fund manager Horizon Kinetics bets on land and crypto as inflation rises

Investors look to shield portfolios from rising prices as debt levels soar in the wake of pandemic

MICHAEL MACKENZIE – NEW YORK

One of this year's best performing US fund managers is betting on property and cryptocurrencies as a way to protect its investors against rising inflation.

Horizon Kinetics, the \$7bn contrarian investment firm co-founded and headed by veteran managers Murray Stahl, Steven Bregman and Peter Doyle, has three of the top 10 best-performing mutual funds this year, according to Morningstar.

"There is no turning back after the pandemic and globally there is a debt problem and it means either default or currency debasement," Doyle told the Financial Times.

The rapid rise in debt levels over the past decade, accelerated by the vast fiscal response of governments in the wake of the pandemic, has spurred an effort by investors to inflation-proof their portfolios. This ranges from owning a mix of commodities, real estate, cryptocurrencies and quality companies with solid business models.

Property figures prominently among the major holdings of Horizon Kinetic's top performing funds. It has stakes in Texas Pacific Land, the vast landowner, the Howard Hughes Corp, Dream Unlimited, the Canadian real estate developer, and Brookfield Asset Management. There is also a preference for owner-operator

companies Icahn Enterprises and Liberty Broadband, controlled by John Malone, that are seen delivering for shareholders.

"The best long-term investors tend to have concentrated portfolios and low turnover in holdings as they let the companies they own grow and compound returns," said Doyle.

Among the examples of their long term buy-and-hold ethos is their massive holding in Texas Pacific Land, which they have owned since the inception of the asset manager in 1994. The approach also applies to bitcoin.

An initial stake of 1 per cent in Grayscale Bitcoin Trust from 2016 has risen to a tenth of their Paradigm fund. "People should have exposure to the asset class," said Doyle, citing how the supply of bitcoin is limited and has a scarcity premium at a time when there are concerns about currencies losing value.

Even after the recent tumble in cryptocurrencies, the asset manager has three of its funds near the top of the performance table in 2021. The Kinetics Spin-off and Corporate Restructuring and Small Cap Opportunities funds both generated gains of more than 50 per cent in 2021.

Rounding out the top 10 list, the Paradigm fund has recorded a gain of nearly 48 per cent. Over the past year their respective performances

## Best Performing Active Equity Funds in 2021

Funds	Return to July 26 (%)
Breakwave Dry Bulk ETF	222.35
Kinetics Small Cap	58.74
Kinetics Spin-Off and Corp Rest	56.58
Victory Global Energy	55.74
InfraCap MLP ETF	55.04
Invesco SteelPath MLP	50.46
Bridgeway Small-Cap Value	49.58
Kinetics Paradigm	47.71
Beck, Mack & Oliver	43.7
Invesco SteelPath Income	43.53

Source: Morningstar

place them among the top 10 per cent of their category rivals, according to Morningstar.

A significant driver of the funds' performance this year is a 100 per cent gain in Texas Pacific Land, a vast landowner in the state that receives royalties from oil and gas drillers in the Permian basin. The asset manager owns a fifth of the outstanding shares in TPL and expects a lack of investment in the energy sector in recent years to keep oil prices elevated. West Texas is also suitable terrain for wind and solar farms as a long transition to renewables plays out over the coming decades.

"Prospects are more attractive now than when we made our first investment," said Doyle, referring to the

firm's first investment in 1994. TPL has become a massive holding, accounting for more than half of their three best-performing funds at the moment. The investment firm led the pressure by activist shareholders for a modern corporate structure that was announced in 2019 and Stahl is a board member of TPL.

After such a strong run of performance this year, Doyle conceded, "there is price risk in our portfolios".

"We are not for everyone and we seek investors with a three to five-year time horizon in our funds," he added.

"Our investment philosophy is owning companies that are managed with a long-term focus and we want investors to think the same way."

The Paradigm Fund is a series of Kinetics Mutual Funds, Inc., which are managed by Horizon Kinetics Asset Management LLC (“HKAM”). Click here for Standardized Performance: <https://kineticsfunds.com/funds/paradigm-fund/>.

**You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. For a free copy of the fund’s prospectus, which contains this and other information, visit our website at [www.kineticsfunds.com](http://www.kineticsfunds.com) or call 1-800-930-3828. You should read the prospectus carefully before you invest.**

The Paradigm Fund No Load Class inception date is 12/31/99. Figures include changes in principal value, reinvested dividends and capital gains distributions. Performance data quoted represents past performance and does not guarantee future results. Investment return and principal value will vary, and shares may be worth more or less at redemption than at original purchase. Call 1-800-930-3828 or visit us at [www.kineticsfunds.com](http://www.kineticsfunds.com) for the most recent month-end performance data. Current performance may be lower or higher than the performance data quoted. Performance data does not reflect the deduction of the sales load or fee which, if reflected, would reduce the performance quoted. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem or exchange your shares 30 days or less after you purchase them.

The Gross expense ratios listed are as of 12/31/2020 as reported in the 4/30/2021 prospectus. The Fund’s adviser voluntarily agreed to waive management fees and reimburse fund expenses so that net annual fund operating expenses do not exceed certain levels, not including acquired fund fees and expenses (AFFE), through May 1, 2022 and may be discontinued at any time by the Fund’s adviser after May 1, 2022.

As a non-diversified fund, the value of its shares may fluctuate more than shares invested in a broader range of companies. Non-investment grade debt securities, ie., junk bonds, are subject to greater credit risk, price volatility and risk of loss than investment grade securities. Options contain special risks including the imperfect correlation between the value of the option and the value of the underlying asset. In addition, investing in foreign securities involves more risk than just U.S. investments, including the risk of currency fluctuations, political and economic instability and differences in financial reporting standards. There may also be heightened risks investing in non-investment grade debt securities and the use of options. There are also risks associated with investing in small and medium sized companies. Unlike other investment companies that directly acquire and manage their own portfolios of securities, the Fund pursues its investment objective by investing all of its investable assets in a corresponding portfolio series of Kinetics Portfolios Trust.

The Fund holds investments that provide exposure to bitcoin. The value of bitcoins is determined by the supply of and demand for bitcoins in the global market for the trading of bitcoins, which consists of transactions on electronic bitcoin exchanges (“Bitcoin Exchanges”). Pricing on Bitcoin Exchanges and other venues can be volatile and can adversely affect the value of the bitcoin. Currently, there is relatively small use of bitcoins in the retail and commercial marketplace in comparison to the relatively large use of bitcoins by speculators, thus contributing to price volatility that could adversely affect a portfolio’s direct or indirect investments in bitcoin. Bitcoin transactions are irrevocable, and stolen or incorrectly transferred bitcoins may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect the value of a portfolio’s direct or indirect investment in bitcoin. Only investors who can appreciate the risks associated with an investment should invest in cryptocurrencies or products that offer cryptocurrency exposure. As with all investments, investors should consult with their investment, legal and tax professionals before investing, as you may lose money.

Distributor: Kinetics Funds Distributor LLC is not an affiliate of Kinetics Mutual Funds, Inc.

©2021 Horizon Kinetics LLC © All Rights Reserved