



Dear Investor,

On behalf of **Permanent Portfolio Family of Funds, Inc.**, I am pleased to provide you with a reprint of an article on our **Permanent Portfolio** that appeared in the April, 2008 edition of *USNews.com*. In accordance with the accompanying reprint, please read the following:

CURRENT PERFORMANCE TABLE

PERMANENTPORTFOLIO	Average Annual Total Returns <i>(for the periods ended March 31, 2009)</i>			
	<u>Past 1 Year</u>	<u>Past 3 Years</u>	<u>Past 5 Years</u>	<u>Past 10 Years</u>
Return Before Taxes	-14.84%	2.10%	5.28%	7.88%
Return After Taxes on Distributions	-15.08%	1.89%	5.01%	7.31%
Return After Taxes on Distributions and Sale of Fund Shares	-9.61%	1.72%	4.45%	6.64%
Standard & Poor's 500 Composite Stock Index (reflects no deduction for fees, expenses or taxes)	-38.09%	-13.06%	-4.76%	-3.00%

Permanent Portfolio's expense ratio was .95%, as stated in our most recent prospectus.

Returns assume reinvestment of all dividends and distributions, deduction of all fees and expenses except the \$35 one-time account start-up fee, and complete redemption of the investment at the end of the period. Such returns also reflect other income recorded during the year ended January 31, 2005 related to the Fund's Board of Director's determination that previously advanced legal expenses be repaid and during the years ended January 31, 2007 and 2008 related to the Fund's receipt of disgorged funds.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investment performance, current to the most recent month-end, may be lower or higher than the performance quoted, and can be obtained by calling the Shareholder Services Office at (800) 531-5142.

While the Permanent Portfolio is no-load, there are management fees and operating expenses that do apply.

The Permanent Portfolio will be affected by changes in the prices of gold, silver and U.S. and foreign real estate and natural resource company stocks. The Fund also invests in foreign securities which will involve greater volatility and political, economic and currency risks and differences in accounting methods. The Permanent Portfolio may invest in small- and mid-capitalization companies which tend to have limited liquidity and greater price volatility than large-capitalization companies. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales. Mutual fund investing involves risk; loss of principal is possible.

Opinions and securities mentioned are those of the author, fund managers and Michael J. Cuggino and are subject to change at any time, are not guaranteed and are not a recommendation to buy or sell any security. As of March 31, 2009, the Permanent Portfolio's top ten holdings as percentages of the Fund's net assets are: Gold Coins (13.31%); Cash and Cash Equivalents (7.77%); Gold Bullion (7.24%); Silver Bullion (5.03%); U.S. Treasury Bonds, 9.00%, maturing November 15, 2018 (3.50%); U.S. Treasury Bonds, 7.25%, maturing May 15, 2016 (3.04%); U.S. Treasury Bonds, 6.25%, maturing August 15, 2023 (3.04%); U.S. Treasury Bonds, 5.25%, maturing November 15, 2028 (2.84%); U.S. Treasury Bonds, 4.50%, maturing February 15, 2036 (2.66%); and U.S. Treasury Bonds Strips, maturing May 15, 2018 (1.80%).

over, please

The Standard & Poor's 500 Composite Stock Index is a market-capitalization weighted index of five hundred unmanaged common stocks and is widely recognized as representative of the equity market in general. Returns shown for the Standard & Poor's 500 Composite Stock Index reflect reinvested dividends as applicable, but do not reflect a deduction for fees, expenses or taxes. Price-Earnings Ratio is a valuation ratio of a company's current share price compared to its per-share earnings. You cannot invest directly in an index.

The Permanent Portfolio's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (800) 531-5142, or visiting www.permanentportfoliofunds.com. Read it carefully before investing.

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An Up Fund in a Down Market

Permanent Portfolio's Michael J. Cuggino picks some stocks

By Kirk Shinkle

Feel like there's no safe place to put your money this year? It's understandable given the wild ride in stocks lately. With the threat of recession looming, not many Wall Street fund managers are crowing about their early returns in 2008.

But Michael J. Cuggino can. Thanks to its conservative style, his \$2.5 billion Permanent Portfolio (PRPF) fund is managing to squeeze out gains this year even as equity markets sink under the weight of problems in credit and housing.

Thanks to its broad composition—heavy on gold and treasuries with some Swiss bonds, stocks, real estate, and other commodities thrown in—the fund has notched a 5.7 percent gain so far this year against an S&P 500 that is down 6.8 percent. As such, it makes sense that Cuggino is a bit more upbeat on the economy than some. While he worries the rate-cutting Federal Reserve isn't paying enough attention to inflation, he sees all the extra cash in the system that comes with low interest rates as a likely boon for American stocks right now. Excerpts:

When was the buy point for long-term stock investors like you?

For me, it's been most of the first quarter. I've been feeling like if there is a recession, it won't be that deep. On that basis, U.S. stocks are cheap on a cost basis because of the weakening dollar and on a [price-earnings] basis. This liquidity is sowing the seeds of growth going forward. If you want to play that, you want to be in U.S. stocks. You want to do it now so you're ahead of the curve.

What companies do you like?

I think energy and natural resource stocks are still in a great position. I would point to Freeport McMoRan. I don't see supply and demand in the copper markets cooling off anytime soon. As was the case of Phelps Dodge, which it acquired, Freeport is very good at cost cutting and refining operations. Copper is selling at just under 4 bucks a pound, which is a traditionally very good price. That company will print money under those conditions.

BHP Billiton is another one I like more as a broad-based proxy for metals. In addition, they've ramped up petroleum production a little bit. They have tremendous pricing power in iron ore, which you need to make steel. Another that comes to mind is The Mosaic Co., the feed and fertilizer company. Those stocks are on fire right now. Whether it's Mosaic, Monsanto, or Potash, it's the same story. More and more land is being used to produce ethanol, and you couple that with demand for food and more scarcity of land, you need these things. I think these companies will do well for a long time. They're not cheap, but they are in areas with significant growth.

Those are mostly stocks that have had a good run this year. What about buying beaten-down sectors?

As the economy turns into its next leg of growth, you'll see financial services rebound, especially investment banks. It's very encouraging in the last few days that Washington Mutual took in some cash to shore up its balance sheet. Citigroup sold some of their worst assets to a willing buyer at arm's length. That is



Michael J. Cuggino

confidence building, and it's huge. It's as good as anything the Fed could do. You have to have a strong stomach and a long-term time horizon, but if you do, you definitely want to look in some of these areas. I also like smaller biotechs. They're beaten down with good dividends. I like the ones in the middle—not the Pfizers and Bristol Myers, but [companies] like Genentech, Amgen, the Gilead Sciences, and Celgene.

The above includes a lot of commodity plays. Do you worry about the dollar rebounding and hurting those ideas?

I think while the U.S. talks up a strong dollar, the [Fed's] actions speak louder, and they portend a weaker dollar. A weaker dollar allows more people to work. It allows them to create more goods and services to be sold abroad, which is good for the trade deficit. And

it's good for housing because if more people are working, they're more likely to pay their mortgages. You can talk up a strong dollar, but I don't think it's an accident the dollar has declined and Fed policy has been what it's been. It potentially offsets recessionary pressures. I like hard assets for that reason.

What makes the Permanent Portfolio Fund stable?

The fund was born in the early '80s, when you had a period like what could happen today if we don't do the things that are monetary and fiscal policy wise. We had high inflation, \$800 gold, the stock market was dead, and [we had] anemic U.S. growth. Investors worried no

matter what they did with their money, they'd lose it. Permanent Portfolio is designed to allow investors to benefit from multiple economic scenarios by asset allocation that goes far beyond what most typical Wall Street balanced funds do. It makes committed allocations to a much broader range of assets. It takes the prediction game away from the investment adviser, the idea being we give portfolio managers some room to actively manage their portfolio but not enough to hang themselves. It's worked for 23 out of its 26 years. The last down year was 1994.

Why turn our attention back to inflation?

The Fed made the short-term calculus that keeping the economy going was

going to be a more important factor than inflation. I see a slowing economy and rising prices with more dollars chasing fewer and fewer goods and services. That by definition to me is inflation. When you look at inflation, including food and energy, it's up 4 to 5 percent. That's a problem if the economy slows down. The Fed along with the world's central banks has reliquified everything they spent the previous 2½ or three years taking out of the system. We'll see if the Fed's right or not. I do think inflation is a threat, and that's why you should have exposure to gold and foreign fixed income, because they act as a hedge against the weaker dollar. ●

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