



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 May, 2008 edition of *Wealth Manager Magazine*. In accordance with the accompanying reprint, please read the following:

CURRENT PERFORMANCE TABLE

PERMANENTPORTFOLIO	Average Annual Total Returns (for the periods ended March 31, 2009)			
	Past 1 Year	Past 3 Years	Past 5 Years	Past 10 Years
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	-38.09%	-13.06%	-4.76%	-3.00%
Dow Jones Relative Risk Indices				
Moderate Portfolio Index	-26.09%	-6.44%	-0.16%	3.17%
Moderately Conservative Portfolio Index	-17.59%	-2.63%	.93%	3.93%
Morningstar Moderate Allocation Category	-18.92%	-4.14%	-0.52%	1.48%

(The performance of the above indices reflects no deductions for fees, expenses or taxes.)

Permanent Portfolio's 30-day SEC yield was 1.66% for the period ended March 31, 2009. The SEC standardized yield is based on a thirty-day (or one month) period and is computed by dividing the net investment income (i.e., dividends and interest earned during the period less expenses accrued for the period, net of reimbursements) per share earned during the period by the net asset value per share on the last day of the period, using the average number of shares outstanding during the period, deducting all fees and expenses except the \$35 one-time account start-up fee, and then annualizing the result.

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.

over, please

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. Must be preceded or accompanied by a prospectus.

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%).

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. The Dow Jones Relative Risk Indices measure the performance of conservative, moderate and aggressive portfolios based on incremental levels of potential risk. The indices are designed to systematically measure various levels of risk relative to the risk of a U.S. all-stock index. Investors can identify an appropriate benchmark as the index that has the most similar historic risk characteristics. Each Morningstar category average represents a universe of funds with a similar investment objective. Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using thirty-six monthly returns. Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk. Beta measures the volatility of a fund, as compared to that of the overall market. The market's Beta is set at 1.00; a Beta higher than 1.00 is considered to be more volatile than the overall market, while a Beta lower than 1.00 is considered to be less volatile than the overall market. R-Squared is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. The Sharpe Ratio indicates a whether a portfolio's returns are due to investment decisions or a result of excess risk. 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.

References to other funds should not be interpreted as an offer of these securities.

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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WEALTH MANAGER

Playing It Safe



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BEST OF BREED

Permanent Portfolio's conservative allocation proves a successful antidote to fear.

By Stan Luxenberg

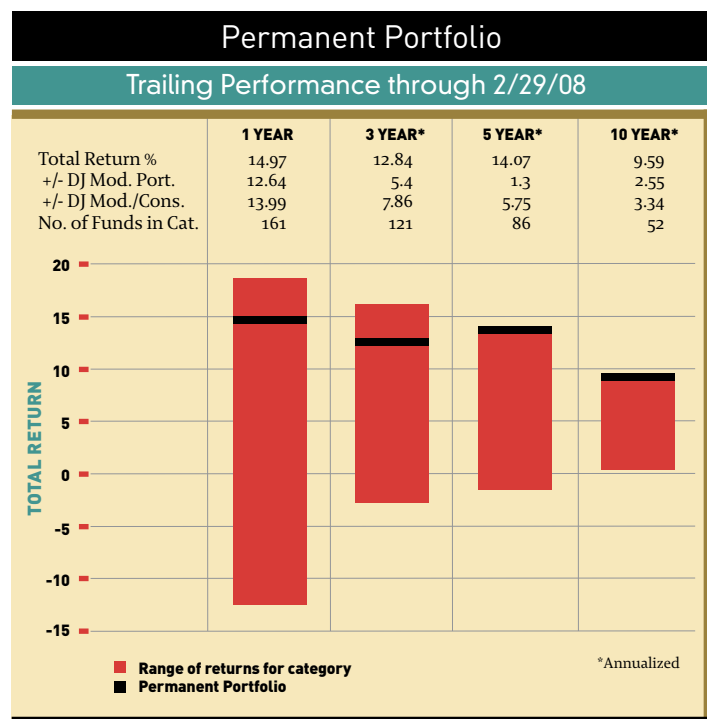
WHEN THE MARKETS BEGAN TUMBLING IN THE FALL OF 2007, investors were hard pressed to find secure assets. During the 12 months ending in January, the Standard & Poor's 500-stock index lost 2.3 percent, and most domestic equity funds dipped into the red. But not all funds lost. Among the standouts was the conservative-allocation category, which returned 2.3 percent during the period. These allocation funds own a mix of stocks, bonds and other assets.

Plenty of advisors dismiss the conservative funds. In a typical example of the category, the portfolio manager sets the asset allocation—often putting most of the holdings into fixed income. This makes the funds unwieldy for advisors who want to set their own asset allocations. But the conservative funds can play useful roles. At a time when many clients may be fearful, a top-performing conservative allocation fund can help to stabilize a portfolio in downturns—while still offering some growth opportunities in better times. For children or clients with small portfolios, the funds may be ideal choices, providing a core holding that will protect their nest eggs.

Which fund is the best choice? To make a selection, *Wealth Manager* again turned to the eight-part screens developed by Donald Trone, chief executive of FI360, a consulting firm in Sewickley, Pa. Trone's due-diligence process seeks funds that have more than \$75 million in assets and are at least three years old. One- and three-year total returns must exceed the category medians, as must five-year results if the fund is that old. Alphas and Sharpe ratios must also

surpass the medians. The expense ratio must fall below the top quartile, and at least 80 percent of the fund's holdings must be consistent with the category.

The screens reduced the field from 554 down to 80 finalists. Among the top finishers were Franklin Income, Janus Balanced:



Best of Breed	Ticker	5-Year annlzd return	5-Year standard deviation	5-Year-rtn category % rank	3-Year annlzd return	3-Year-rtn category % rank	12-Mth total return	12-Mth-rtn category % rank	Gross expense ratio	Turnover ratio
Permanent Portfolio	PRPFX	14.1	7.8	1	12.8	1	15.0	1	1.11	7
Runners-up										
Franklin Income A	FKINX	12.6	6.8	1	6.6	4	-1.4	82.0	0.63	25
Columbia Thermostat	CTFAX	10.3	5.0	7.0	6.7	3	3.0	26.0	1.35	66
Benchmarks										
Morningstar Moderate Allocation Category	--	9.6	6.7	--	5.4	--	-0.2	--	1.58	68
DJ Moderate Portfolio	--	12.8	6.7	--	7.4	--	2.3	--	--	--

Golden Rainbow, and Columbia Thermostat. But we awarded the title to Permanent Portfolio, which had the highest alpha of the group.

Permanent Portfolio achieved its record by following an unusual strategy that is designed to stay broadly diversified. Manager Michael J. Cuggino always holds a range of asset classes, including investment-grade bonds, gold, silver, growth stocks, natural resources stocks, real estate investment trusts, and Swiss francs. "During the past two decades, every one of our asset classes has had bull and bear markets," says Cuggino. "But in any market environment, we are likely to have at least some assets that are doing well."

Cuggino does not attempt to outsmart the markets by dramatically shifting his bets. Instead, he keeps the allocation for each asset within a set range. While bonds can account for from 31 percent to 38 percent of assets, gold can make up 18 percent to 22 percent of the portfolio, and growth stocks comprise 13 percent to 17 percent of the fund. The aim is to maintain broad diversification.

During the 1990s' bull market, fund results were stodgy. Recently, however, the holdings of gold and natural resources have powered the fund to top returns. In all kinds of markets, Permanent Portfolio has recorded low volatility. The fund has not suffered a losing calendar year since 1994.

Its steady results have helped the fund attract a client base that includes conservative investors and retirees who seek to preserve assets. "These people want growth, but growth is not their first concern," says Cuggino.

In recent years, Swiss bonds have been a winning holding for the fund. As the dollar has declined, the value of Swiss assets has increased for U.S. investors. Cuggino

keeps 8 percent to 11 percent of the portfolio in Swiss securities. "The Swiss franc has a long history of retaining its value," says Cuggino. "The Swiss government protects its currency and doesn't run big budget deficits."

To take advantage of bull stock markets, Cuggino typically holds 30 to 50 high-quality growth shares. The stock holdings are diversified, including a broad collection of industries and stocks of all sizes. Cuggino

PERMANENT PORTFOLIO TOP 25 HOLDINGS

As of Dec 31, 2007 (not audited; for informational purposes)
Source: Morningstar Principia

Rank	Security name	Percent net assets
1	Gold Canadian Maple Leaf	8.0
2	Gold/US Golden Eagles	8.0
3	Silver Comex	4.5
4	Gold Comex	3.7
5	US Treasury Bond 6.25%	2.5
6	US Treasury Note 4.625%	1.8
7	US Treas Bd Stripped Prin Pmt	1.8
8	US Treasury Note 4.75%	1.8
9	US Treasury Note 4.5%	1.8
10	US Treasury Note 4.5%	1.8
11	US Treasury Note 4.75%	1.8
12	Switzerland (Government Of) 4.25%	1.5
13	Switzerland (Government Of) 4%	1.4
14	Switzerland (Government Of) 4%	1.4
15	Switzerland (Government Of) 3.5%	1.4
16	Switzerland (Government Of) 2.75%	1.4
17	Switzerland (Government Of) 3.25%	1.4
18	Freeport-McMoRan	1.1
19	Companhia Vale Do Rio	0.8
20	Chevron	0.8
21	ConocoPhillips	0.7
22	BHP Billiton (BHP)	0.7
23	Peabody Energy	0.6
24	Frontier Oil	0.6
25	Forest Oil	0.6

favors leading companies that seem likely to deliver earnings growth for sustained periods. He looks for experienced management teams that have records for delivering earnings. After buying a stock, he typically holds it for three to five years. A favorite holding is Hewlett-Packard: "The company is reducing costs and taking market share away from Dell," he says.

Cuggino is avoiding big banks because of their problems with loan defaults. But he has been buying brokers and other financial shares that have fallen in the general downturn. The fund holds Charles Schwab— "Schwab is the leader in its segment of the brokerage industry," says Cuggino. "They shouldn't be hurt much by the problems in the mortgage markets."

Permanent Portfolio owns natural resources shares along with growth companies. Holding the two groups provides diversification, says Cuggino, since the natural resources stocks sometimes thrive when growth shares are languishing. Natural resources stocks in the portfolio include Chevron and BP, integrated oil producers. "The big companies are controlling their costs and raising prices," says Cuggino. "The demand for energy is insatiable."

In his bond portfolio, Cuggino carefully avoids risk. He sticks with Treasuries and corporate bonds that have been rated A or higher by Standard & Poor's. Much of the fixed-income portfolio is in short-term positions that would not suffer much if interest rates rise. The bond holdings are designed to cushion the portfolio in stock downturns and deliver the kind of steady results that the fund's cautious shareholders have come to expect.

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Best of Breed	Best-fit index	Best-fit R sqrd	Best-fit alpha	Best-fit beta	3-yr Sharpe ratio	12-mth yield	Net assets (\$MM)	% Assets in top 10 holdings	Annual return 2007	Annual return 2006	Annual return 2005	Annual return 2004
Permanent Portfolio	AMEX Gold Miners	78	3.08	0.2	1.2	0.42	2191.1	38.1	12.4	13.8	7.6	12.0
Runners-up												
Franklin Income A	CSFB High Yield	78	2.53	1.24	0.38	5.97	33200.7	17.0	5.3	19.1	1.9	12.2
Columbia Thermostat A	DJ Moderate Port	85	0.27	0.67	0.55	3.98	52.2	100.0	8.2	10.6	5.3	8.9
Benchmarks												
Morningstar Moderate Alloc. Cat.	--	--	--	--	0.19	2.66	580.4	51.9	6.0	11.3	5.1	8.9
DJ Moderate Portfolio	--	--	--	--	0.53	--	--	--	8.0	11.9	7.3	13.2