

*The*  
**PERMANENT<sup>®</sup>**  
**PORTFOLIO**  
*Family of Funds*

A CASE FOR GOLD

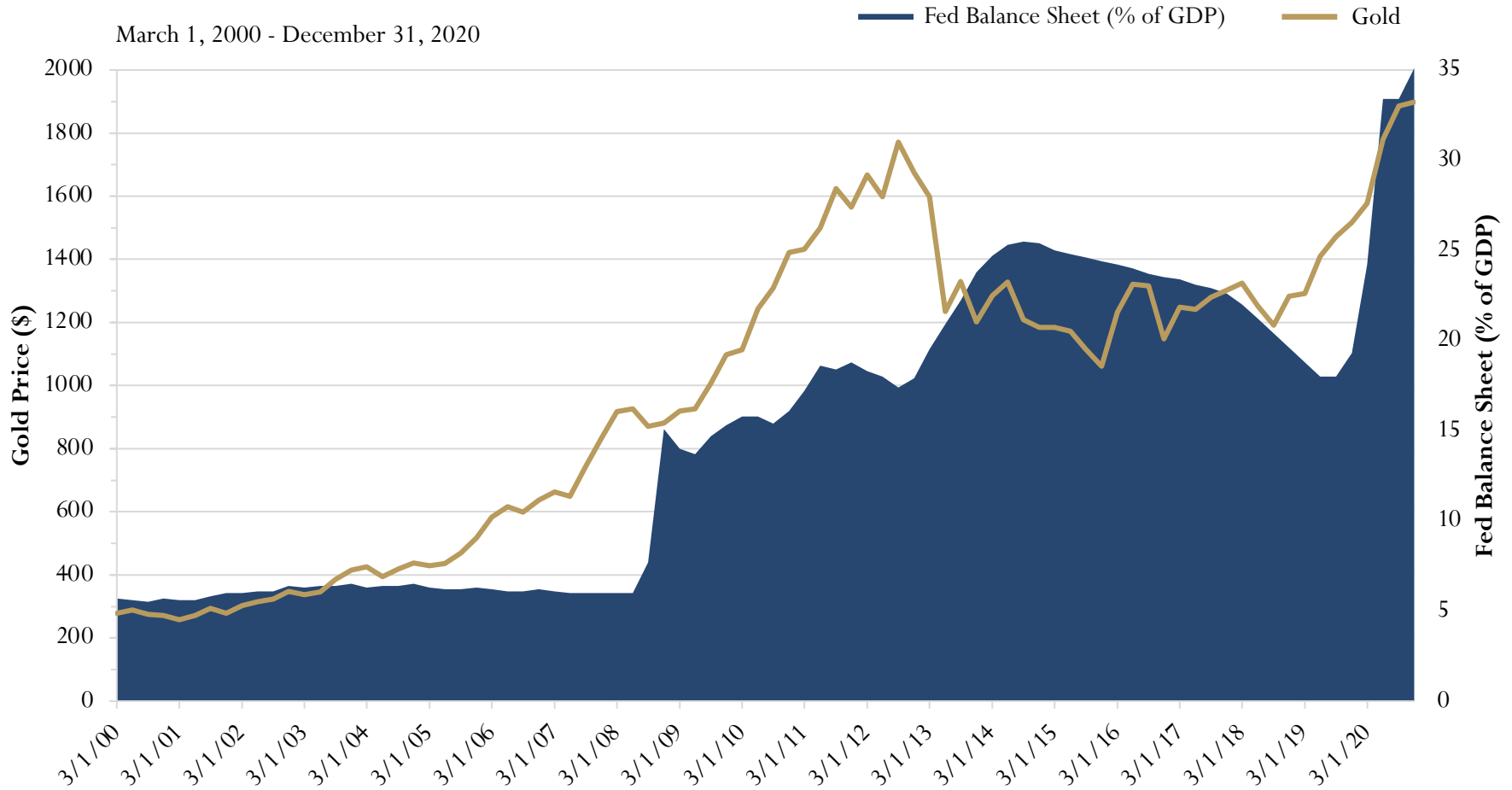


# GOLD CONSIDERATIONS

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- Gold and the Fed Balance Sheet
- Correlation of Gold to Interest Rates, the Fed, and Equity/Bond Markets
- It's Not Just About Inflation
- Cost of Gold Compared to Stocks
- Last Interest Rate Hike Cycle – Gold & Other Real Assets
- Our Dislike of Bitcoin & Crypto
- Other Positives For Gold
- How Permanent Portfolio® (PRPFX) Uses Gold

# FED BALANCE SHEET AS A PERCENTAGE OF GDP VS. GOLD



# CORRELATION OF GOLD PRICES TO FED FUNDS

## Common misconceptions about gold:

- When interest rates  then gold prices 
- When interest rates  then gold prices 

## In reality, there is very little correlation between Fed action and gold prices:

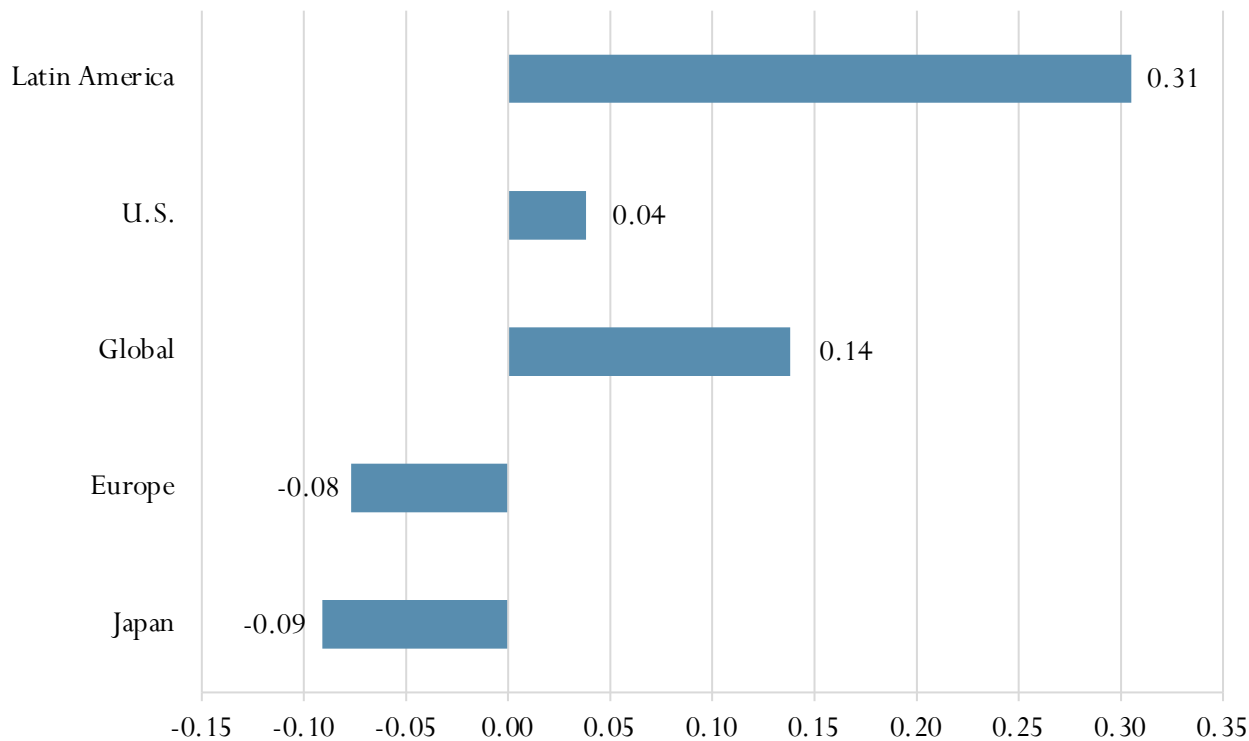
- Since 1978 (as measured over 171 quarters),  $R$  (Correlation) =  $-0.10$ <sup>1</sup>

<sup>1</sup>Fed Funds Effective Rate Start of Quarter (FEDL01) vs. Spot Gold End of Quarter (XAU)

# GOLD CORRELATION TO EQUITY MARKETS – LOW TO NEGATIVE SINCE 2000

## EQUITY MARKET CORRELATION TO GOLD

December 31, 1999 - December 31, 2020



Correlation calculations are derived from monthly total return indices in U.S. dollars.

Latin America: MSCI EM Lat Am

U.S.: S&P 500 Total Return

Global: MSCI ACWI Index

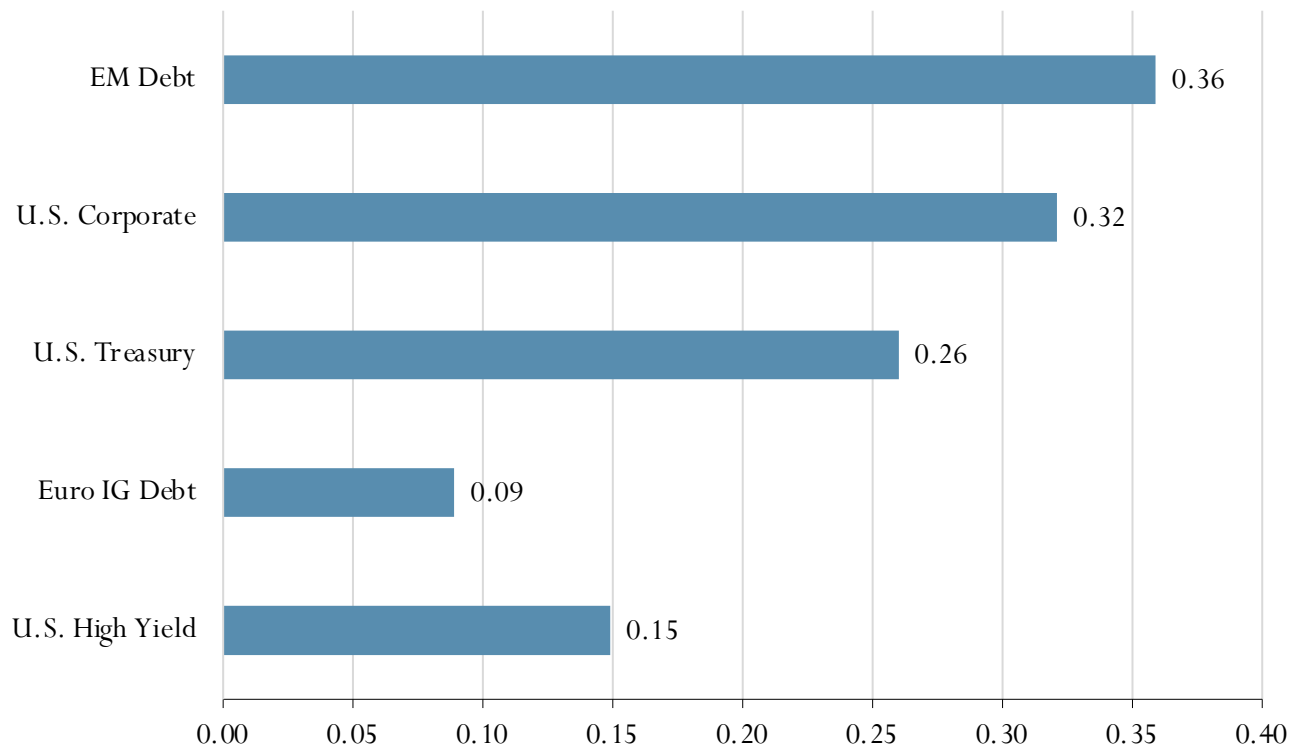
Europe: MSCI Europe Index

Japan: MSCI Japan Index

# GOLD CORRELATION TO MAJOR BOND MARKETS – LOW SINCE 2000

## BOND MARKET CORRELATION TO GOLD

December 31, 1999 - December 31, 2020



Correlation calculations are derived from monthly total return indices in U.S. dollars.

EM Debt: Bloomberg Barclays EM Markets USD Agg Bond Index

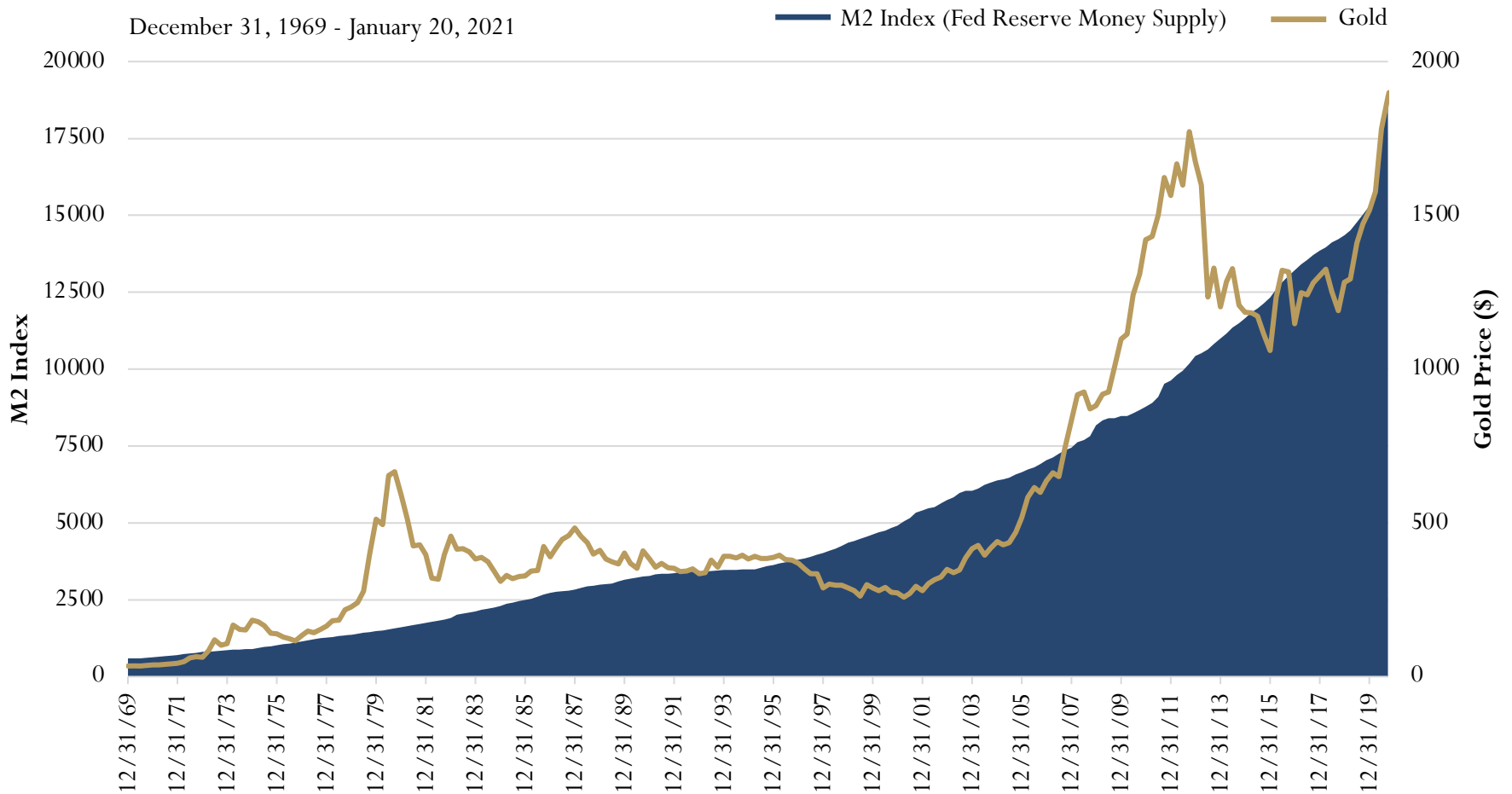
U.S. Corporate: Bloomberg Barclays US Corporate

U.S. Treasury: Bloomberg Barclays U.S. Treas TR

Euro IG Debt: Bloomberg Barclays Pan Euro Agg Corp TR

U.S. High Yield: Bloomberg Barclays Corporate HY

# MONEY SUPPLY AND GOLD – LAST 50 YEARS



# COST OF GOLD COMPARED TO STOCKS

## SPOT GOLD/S&P 500 RATIO

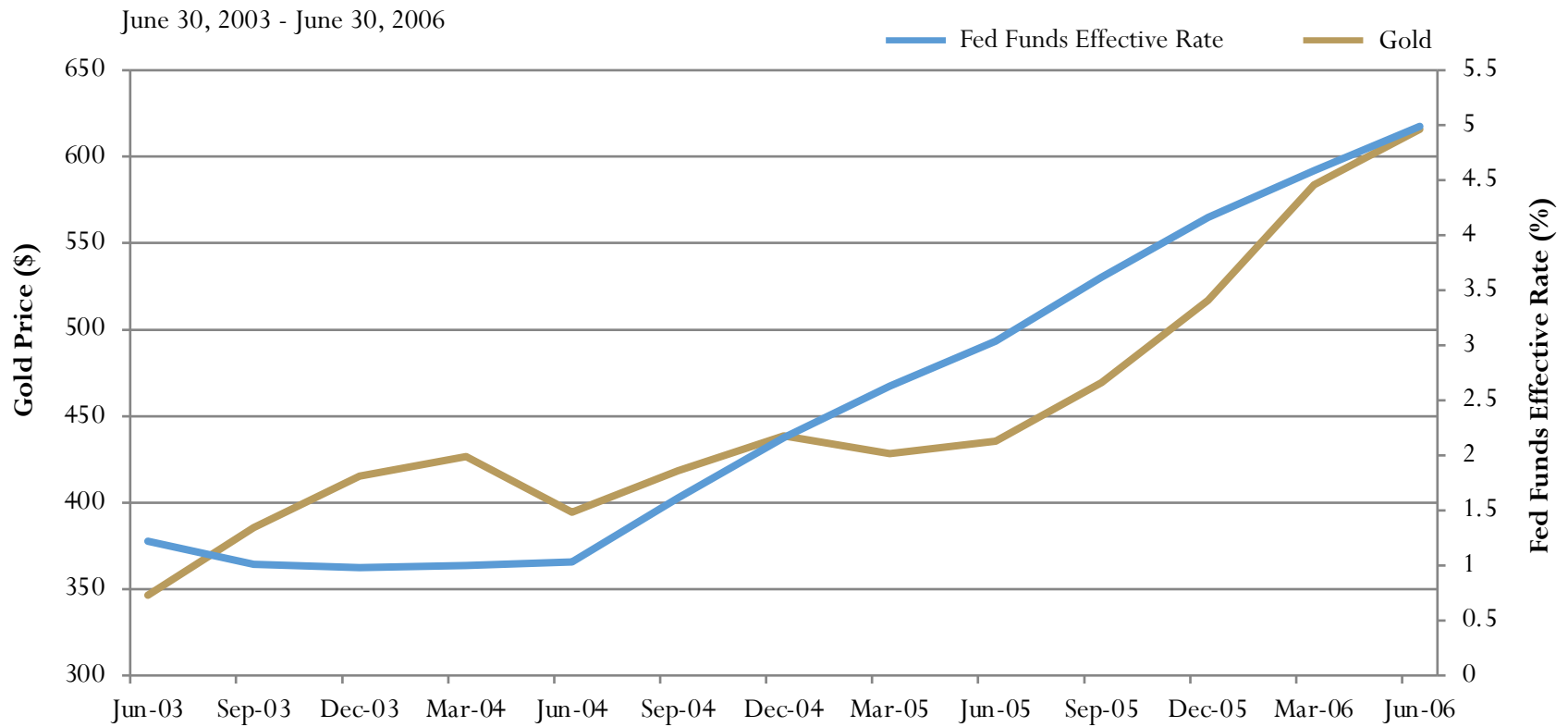
September 1, 2000 - December 31, 2020





# 17 INTEREST RATE HIKES 2003 - 2006

## WHAT DID GOLD DO?



# ADMITTEDLY, WE ARE NOT FANS OF BITCOIN / CRYPTO

Why? For a number of reasons, but our main concern is security ...



“Massive Hack Exposes Bitcoin’s Greatest Weakness”

Source: Forbes



“Over \$280M Drained in KuCoin Crypto Exchange Hack”

Source: coindesk



“15-year-old hacker and crew of ‘evil geniuses’ accused of \$24 million crypto theft”

Source: Bloomberg



Cryptocurrency Exchange (QuadrigaCX) says it can’t access \$190 million after CEO unexpectedly dies.

Source: NPR



It’s estimated that in 2018, \$1.1 billion in cryptocurrency was stolen or simply went “missing.” Nearly half of that was the result of a \$530 million hack/theft that targeted the Japanese cryptocurrency exchange.

Source: CNBC | CNN Business



In January 2014, Mt. Gox handled nearly 70% of bitcoin transactions worldwide. By the end of February 2014, Mt. Gox was bankrupt. Nearly \$460 million, apparently stolen by hackers.

Source: Wired

## OTHER POSITIVES FOR GOLD

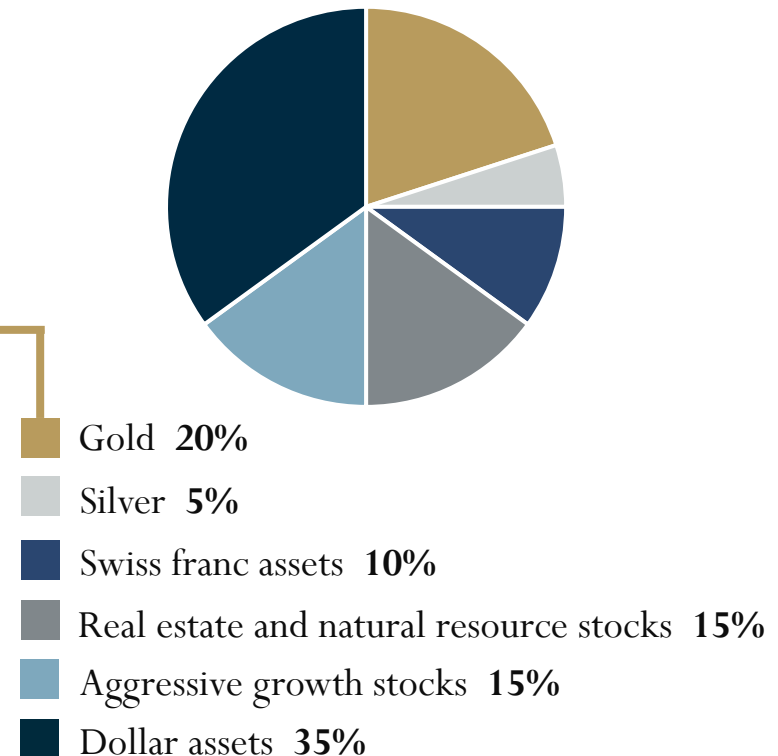
- + COVID-19 driven stimulus may drive inflation risk in the U.S.
- + Weaker U.S. Dollar, recovering oil prices and recovering base metal prices could drag the price of gold higher.
- + Central bank buying – based on a recent World Gold Council survey – nearly 20% of central banks intend to increase their gold reserves. **“22 central banks were net buyers of gold last year, up from only 8 in 2010”** – Bloomberg | Elena Mazneva | May 15, 2020
- + **“Turkey & UAE increase gold reserves to all-time highs”** – Bloomberg | Ranjeetha Pakiam | May 19, 2020

# HOW PERMANENT PORTFOLIO (PRPFX) USES GOLD

- Created in 1982 in an era of stagnant economic growth and rampant inflation.
- 38-year track record in live markets, not assumptions on a spreadsheet.

- Alternative currency
- Inflation *and* deflation hedge
- Unknown monetary policy and financial crises
- Low correlation to other asset classes
- Hedge for global central banks vs. their dollar, yen and euro holdings

## Disciplined Diversification Target Allocation



## EXPERIENCED ASSET MANAGEMENT TEAM

### PRESIDENT & PORTFOLIO MANAGER



MICHAEL J. CUGGINO

Mr. Cuggino has served as the President and Portfolio Manager of Permanent Portfolio Family of Funds since his investment advisory firm, Pacific Heights Asset Management, LLC, began managing the Fund's four Portfolios on May 1, 2003. Mr. Cuggino has served as a trustee of the Fund since 1998, as its Chairman of the Board and President since 2003 and as its Secretary since 2006. From 1993 through 2007, Mr. Cuggino served as the Fund's Treasurer. Mr. Cuggino serves as the manager and sole trustee of the sole member (also as the President and Chief Executive Officer) of Pacific Heights since its founding in 2002. Mr. Cuggino previously served in various accounting, auditing and taxation capacities at Ernst & Young LLP and one of its predecessor firms, Arthur Young & Company, from 1985 through 1991. Mr. Cuggino is a Certified Public Accountant (inactive) and received his undergraduate degrees in accountancy and management from Bentley University.

### SENIOR INVESTMENT ANALYST



DEREK D. HYATT, CFA


Mr. Hyatt has served as a Senior Investment Analyst at Pacific Heights Asset Management, LLC since 2010. Prior to joining Pacific Heights, Mr. Hyatt served as a Senior Vice President, Fixed Income Sales at Jefferies & Company, Inc. from 2009 through 2010, as a Vice President, Middle Markets Fixed Income Sales at Merrill Lynch, Pierce, Fenner & Smith, Inc. from 1996 through 2009 and as an Associate, Institutional Sales at R.W. Pressprich & Company, Inc. from 1994 through 1996. Prior to that, Mr. Hyatt served as a Project Engineer at Orth-Rodgers & Associates, Inc., a civil engineering firm. Mr. Hyatt received his undergraduate degree in industrial engineering from Lehigh University. He is a CFA Charterholder and a member of the CFA Society Boston.

# FOR MORE INFORMATION

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## VISIT US ONLINE

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[permanentportfoliofunds.com](http://permanentportfoliofunds.com)

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*The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The Prospectus and Summary Prospectuses contain this and other important information. They may be obtained by calling (800) 531-5142 or by visiting [permanentportfoliofunds.com](http://permanentportfoliofunds.com). Read carefully before investing.*

Permanent Portfolio invests in foreign securities, which will involve greater volatility, political, economic and currency risks, and differences in accounting methods. The fund will be affected by changes in the prices of gold, silver, Swiss franc assets and U.S. and foreign aggressive growth, real estate and natural resource stocks. The fund is non-diversified and thus may be able to invest more of its assets in fewer issuers and types of investments than a diversified fund. Investing a higher percentage of its assets in any one or a few issuers could increase the fund's risk of loss and its share price volatility. The fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. The Fund's investments in gold will generate no interest or dividends, and the return from investments in gold will be derived solely from the gains and losses realized by the Portfolio upon sale. The price of gold may fluctuate, sharply or gradually, and over short or long periods of time. The price of gold may be significantly affected by factors such as changes in inflation or expectations regarding inflation in various countries, the availability of supplies and demand, change in the attitude of speculators and investors towards gold, changes in industrial and commercial demand, developments in the mining industries, sales by governments, central banks or international institutions, and the investment and trading activities of market participants. Diversification does not assure a profit nor does it protect against loss in a declining market.

Target allocation shows the Target Percentages for Permanent Portfolio. Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. As of December 31, 2020, Permanent Portfolio held 13.16% in Gold Bullion and 7.89% in Gold Coins, as a percentage of net assets. Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Any forward-looking statements speak only as of the date they are made and the Fund assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements. Dow Jones Industrial Average (DJIA) is an average of the stock prices of thirty large companies and represents a widely recognized unmanaged portfolio of common stocks. EM Debt - The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. U.S. Corporate - The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. U.S. Treasury - The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. Euro IG (investment grade) Debt - The Bloomberg Barclays Pan-European Aggregate Index tracks fixed-rate, investment-grade securities issued in the following European currencies: Euro, British pounds, Norwegian krone, Danish krone, Swedish krona, Czech koruna, Hungarian forint, Polish zloty, and Slovakian koruna. U.S. High Yield - The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded. Latin America - The MSCI EM Latin America Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. U.S. - S&P 500 Total Return Index is calculated intraday by S&P based on the price changes and reinvested dividends of the index with a starting date of January 4, 1988. Global - MSCI ACWI Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. MXWD includes both emerging and developed world markets. Europe - The MSCI Europe Index in EUR is a free-float weighted equity index measuring the performance of Europe Developed Markets. It was developed with a base value of 100 as of December 31, 1998. Japan - The MSCI Japan Index is a free-float weighted equity JPY index. It was developed with a base value of 100 as of December 31, 1969. S&P 500 is a market-capitalization weighted index of common stocks and represents an unmanaged portfolio. CBOE Volatility Index (VIX) is a measure of expected price fluctuations in the S&P 500 Index options over the next 30 days. U.S. Dollar Index (DXY) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. An index is unmanaged and is not subject to fees and expenses. You cannot invest directly in an index. Correlation is a statistical measure of how two securities move in relation to each other. M2 is a calculation of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds, and other time deposits. These assets are less liquid than M1 and not as suitable as exchange mediums, but they can be quickly converted into cash or checking deposits.

**Mutual fund investing involves risk; loss of principal is possible. Not FDIC Insured. No Bank Guarantee. May Lose Value.** Pacific Heights Asset Management, LLC ("Pacific Heights") is the investment adviser to Permanent Portfolio Family of Funds, a Delaware statutory trust ("Fund"). The Fund is distributed by Quasar Distributors, LLC ("Quasar"), a member of FINRA. Quasar is not affiliated with Pacific Heights. Permanent Portfolio®, The Permanent Portfolio Family of Funds®, A Fund for All Seasons® and The Permanent Portfolio Family of Funds logo are registered trademarks of Pacific Heights. Copyright © 2021 Permanent Portfolio Family of Funds. All rights reserved.