

Transcript of Permanent Portfolio Family of Funds Portfolio Manager Q&A Session with Michael J. Cuggino January 26, 2012

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

Participants

Michael J. Cuggino – President and Portfolio Manager
Jordan Clopton – Director of Institutional Sales and Marketing

Presentation

Moderator

Greetings, and welcome to the Permanent Portfolio Family of Fund's Portfolio Manager Q&A Session with Michael Cuggino. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation.

For compliance purposes, I will read the Fund's standardized performance for each of its portfolios and all relevant disclosure. For the period ended December 31, 2011, Permanent Portfolio's return before taxes for the one-year, five-year, and ten-year periods were 2.13%, 8.38%, and 10.94%, respectively. The return after taxes on distributions for the same time periods were 1.86%, 8.13% and 10.62%, respectively. The return after taxes on distributions and the sale of fund to shares were 1.67%, 7.17% and 9.63%, respectively.

Short-Term Treasury Portfolio's return before taxes for the one-year, five-year, and ten-year periods were -0.60%, 0.70%, and 1.11%, respectively. The return after taxes on distributions for the same time periods were -0.60%, 0.23%, and 0.72%, respectively. The return after taxes on distributions and the sale of fund shares were -0.39%, 0.33% and 0.74%, respectively.

Aggressive Growth Portfolio's return before taxes for the one-year, five-year, and ten year periods were -7.52%, -1.94% and 3.42%, respectively. The return after taxes on distributions for the same time periods were -8.43%, -3.30% and 2.10%, respectively. The return after taxes on distribution and the sale of fund shares were -3.64%, -1.82% and 2.82%, respectively.

Versatile Bond Portfolio's return before taxes for the one-year, five-year, and ten-year periods were 0.19%, 2.14%, and 2.04%, respectively. The return after taxes on distributions for the same time periods were 0.08%, 1.42% and 1.27%, respectively. The return after taxes on distributions and the sale of fund shares were 0.12%, 1.41% and 1.30%, respectively.

The expense ratios for each of the portfolios are as follows: Permanent Portfolio's gross expense ratio is 0.78% and the net expense ratio is 0.77%. Short-term Treasury Portfolio's gross expense ratio is 1.23% and the net expense ratio is 0.73%. Aggressive Growth Portfolio's gross expense ratio is 1.22% and Versatile Bond Portfolio's gross expense ratio is 1.21% and the net expense ratio is 0.83%.

All expense ratios quoted are for the year ended January 31, 2011 as stated in the most recent prospectus dated May 31, 2011. The net expense ratios reflect a contractual waiver of investment advisory fees in effect for the year then ended. The Portfolios' investment advisor has agreed to continue the waiver at least through June 1, 2012.

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 or by visiting the Fund's website at www.permanentportfoliofunds.com.



As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Jordan Clopton, Director of Institutional Sales and Marketing. Thank you, Mr. Clopton, you may now begin.

Jordan Clopton – Director of Institutional Sales and Marketing

Thank you. Thank you to everybody for joining us today. We appreciate you taking time out of your day to be on the call. I hope everybody's 2012 is off to a great start. Most of those folks that are on the phone are probably familiar with the call, but for those that are new, it's a real simple format. We're going to have Michael open up with some initial comments and then we're going to turn it over to your questions. The duration and direction of the call is really going to be determined by your questions.

So again, thanks for joining us. I'll turn it over to Michael. Go ahead, Michael.

Michael Cuggino – President and Portfolio Manager

Thanks, Jordan. I will echo the thank you for participating on the call, giving us your time and your investment in the fund, if your clients are in the fund, and your interest or if you're considering an investment in the fund for some point in the future for some of your clients. I'll spend a few minutes talking about 2011 and a few minutes talking about 2012, and then I will open it up to questions. I think they are going to be a lot more enlightening.

The man with the golden voice listed off all of our returns just a few moments ago. We had, in the Permanent Portfolio, a very interesting year, and I'll focus on the Permanent Portfolio. The other three portfolios, I think, were really good returns that were indicative of what the markets gave. Actually, let me change that, at least in the two bond funds. I'll spend a little bit of time talking about Aggressive Growth too, because I think some of the comments that are applicable to Permanent will also be applicable there.

We spent, I think for the most part, in a number of different asset classes, 2011 was spent almost running in place and spending a lot of effort exerting ourselves, but at the end of the day we didn't finish a whole lot different than where we started. And in some ways, 2011 mirrored kind of the ups and downs of 2010, but from an investment return standpoint, it definitely did not.

Equity markets started off very strong, weakened in the middle part of the year and then strengthened towards the end, but it was a very interesting market. While the overall indexes were only up slightly, certain areas of the market had very good years, the industrial names, technology names, consumers and such, while other areas of the equity markets really did not perform that well at all. Financial services continued to be a terrible area in 2011, natural resources also, while real estate investment trusts had a pretty good year. So if you look at our portfolio, the performance of the stock portions of our portfolio probably mirrored that in that while our real estate investment trust holdings and real estate stocks did very well, our energy and natural resource commodity type stocks had a very off year.

In our Aggressive Growth area, some of our names did very well, but many did not. And that extends to the Aggressive Growth Portfolio, as well, after hearing the returns in the Aggressive Growth Portfolio underperformed the S&P 500 by quite a bit last year, and very unusual for us. I attribute that to the fact that it's always which stocks you're in and when you're in them, but I think for us our belief in the global growth story, which still exists, our belief in the material and industrial names, the commodity names, the raw materials of economic activity. Those sorts of things really got punished last year and we noticed that even in our Aggressive Growth Portfolio.

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com



Financial Services as well. We're believers despite Frank-Dodd and despite the woes in the banking industry and the mortgage markets and the like. Our longer-term view is still that you can't have sustained economic growth without a viable, solid, and sound financial system, and that includes financial companies. So I think for us, it was difficult at times to stick with our longer-term strategy, of keeping that in mind, the global growth story, the belief in financials over the long term, in the environment that we're in, which was definitely punishing some of those areas.

Now interestingly enough, in the beginning of 2012 we've seen kind of a reversal in some of those sectors like raw materials, like commodities, like financials. They've really outperformed so far in January, and I'll caveat that by saying three weeks of a year doesn't really make a whole lot, but it is interesting that we've had some snap back provided and founded by good earnings to some of those names that were beaten down last year. And I think that speaks to the longer-term strategy and staying the course as well.

I think the issues that we saw with respect to politics, fiscal activity, regulation, all those areas were very uncertain through a good part of last year. The negotiations, while we were all on the beach in the summer time, with respect to deficit reduction, the S&P downgrade, the premature call, that that was going to be the death nail for the U.S., really did provide a lot of uncertainty to last year. And actually there was kind of a reaction in the markets that nobody expected in that almost as soon as the news of the S&P downgrade got out, low and behold people ended up buying treasuries across the curve.

Now to some of us, that was no surprise. I mean anybody that doesn't believe a whole lot in the ratings and what they represent and has never relied on them anyway, which describes us here pretty well, but many investors also, probably weren't surprised by these developments. Our belief has been that the market will dictate yields and prices, not rating services, and the rating services have gotten it so wrong over the last few years that why would you ever trust them again to give you anything.

I mean the ratings don't mean whole lot. They're political animals and they're an engrained part of the sort of financial system that sort of needs fixing. And maybe one of the few positives of Frank-Dodd is that it appears that the rating service, the weight that they're given in the Federal Securities laws is going to be reduced going forward. If there were any applauses in Frank-Dodd, that would be one. I'm not sure how much else there is, but that is definitely one area.

Then we've got the presidential election, the congressional elections, and that whole environment, which really kicked in, in the fall, and is ongoing now. It's crystallizing, I think, in the long term for investors, two different worldviews of where the United States needs to go, and it's going to be interesting to see how our electorate in 2012 decides. I mean you have currently economic growth in the states. I've argued publicly, and in discussions privately, that economic growth in the states exists, but it's anemic and undervalued. I've likened it to a sort of a stock that's waiting for a triggered event to unlock value.

You've got a lot of capital on the sidelines. You've got a lot of labor on the sidelines. All of that is itching to get put to work, but at the same time, you continue to have kind of an environment, an overall environment, out there that's negative towards success, negative towards production of income, negative towards investments, negative towards business, and heavy regulation along the way to sort of drill that point home. And net-net it's not a conducive environment to be doing business development. The returns just aren't there, and the aggravations to even get the returns just aren't there.

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

In addition, you have a philosophical argument going on as to why aren't U.S. companies hiring? Is it because the regulatory burden is so great they don't want to hire, with health care and all the uncertainties? Or is it because there is just no revenue or top-line demand right now so there's no need to hire people? It's an interesting debate with big names on probably both sides of that discussion.

I'm not sure what the right answer is, but the food for thought and where I would tend to come out on that is if you look at the history of economic development and growth in the United States, a lot of times products and services were created when markets didn't exist. They were brand new, and so top-line growth was not guaranteed. It was not something that you banked on. It was really something—products were built speculatively.

Look at what Apple has done over the years in technology. Look at somebody like 3M and Post-it Notes that came almost out of an accident. The examples go on and on and on about products and services that didn't exist and we didn't even know markets existed for this stuff, but ended up providing tremendous growth and profits and employments in a number of different areas.

I tend to come out on the side that we're probably more overburdened by regulation and uncertainty and the demonization of business, and that's one reason why businesses are being conservative and sitting on the sidelines with tons of cash and only doing enough business to sort of maintain the economy and grow at anemic rates. But there is an argument to be made on the other side that revenue growth has not been as robust as it could be, and therefore companies are not willing to make the big investments, whether its employment of people or capital, until they see more signs that we really do have sustained and viable economic growth.

But the decisions coming down for the electorate in the U.S. this year are going to be simply are we satisfied with this sort of economic model that we're currently operating under or do we have greater expectations and rates of return expectations for the capital and human and monetary that we have at our disposal in this country and want to make use of it? And I think that's the real story of the election, and I see the candidates on both side or the president and the candidates on the Republican side trying to crystallize this argument, and I continue to expect to see that happen.

Our own sense is that it's probably still too early to handicap what's going to go on out there. Although there is a strong likelihood that you could have a total regime change situation where the Republicans get all three, the House, the Senate, and the presidency. Or you could have a scenario where Obama retains the presidency, but you have the Republicans in control of Congress; or you could have a situation where it exists exactly right now with a razor thin or almost equal vote in the Senate, the House with a comfortable Republican benefit, and the presidency remaining where it is.

Those things all bode well for probably the lack of major new legislation and uprooting and upheaval like we saw in the last several years, but I think you're going to see more on the execution side regardless of what happens, whereby the laws that were passed continued to be flushed out with rules and regulations and federal agencies. For those of us operating in the day-to-day world, that's really where the meat of all this stuff is. I think there's still a lot of uncertainty with regard to health care, with regard to financial services. How much of a regulatory burden, how severe it's going to be, and how much it will impact.

I think the early returns are that it's not good and that a lot of it's unnecessary, and even some presidential candidates have suggested they might repeal a bunch of it, which I think is a great

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

idea personally, but it's a very difficult thing to get all the way there. So while that might be exciting conceptually, I'm not ready to believe that that's fully going to happen overnight.

So where does all of this leave the investment markets? Well, it leaves them in a state of uncertainty, which is sort of where we are. We've had a good start to 2012, but there's also an air of, "We're not quite sure what's going to happen next." The markets are one bad day's news out of Europe from probably correcting a little bit more. There's been an incredible focus on Europe. I think too much, and it's been at the expense of noticing what else has been going on around the world.

Certainly Europe's important. Certainly it impacts what goes on in the rest of the worldwide economy. We need to pay attention to it, but the watching of the day-to-day drama coming out of the various major cities in Europe and the drama hanging on every utterance of what comes out of Germany and France and Greece and Italy and Spain really is kind of crazy in that the world economic growth story still is happening.

We've talked about U.S. growth. It's anemic, but it's there. Emerging markets, whether it's in the Southern Americas or whether it's in the Asian area, are still there. The growth is robust. Now it doesn't have to be growing at 20% to 30% or 10% to 15%, but even high single digits is quality growth for the worldwide economy.

I always think of it as three legs of a stool, and right now the European leg is wobbly and it needs to be fixed and screwed in tighter, but the U.S. and Asia and emerging market legs still have some strength to them and aren't appearing to topple over at any time soon. And so that bodes well in the long term for the U.S. economy, especially those companies that are participating and many of them are. I think we see that in quarter-after-quarter of U.S. corporate earnings and the fact that the stock market has continued to hold its ground and even advance, primarily because the foundation of corporate earnings has been very strong. And so we would probably expect to see that continue.

I think on the monetary policy front, clearly we're in a continuation phase of what's been going on for a while. And the Fed's comments yesterday have done nothing to change that other than to extend the period. And not surprisingly in the last couple of days, gold and silver have had quite an aggressive run as the markets sort of exhale and say, "Okay, we've got more accommodative policy going into 2014—more dollars, more debt, more potential fed action, quantitative easing," or whatever name they chose to use today as to what they're doing to provide more liquidity. And potentially, in my view, and I do worry about this, for the U.S. Federal Reserve to get involved in what's going on in Europe.

And so I think you're going to continue to see, obviously with worldwide economic growth existing at certain rates, monetary policy being accommodative, and the uncertainties that pop up around the world every so often in some of these areas that produce commodities and raw materials, I think you're going to see continued increases in commodity prices. I think some of the declines we saw last year in some of the industrial commodities may be short lived, and we may go up from here. And I think gold is going to continue to be attractive as an alternative currency, given the monetary landscape around the world.

Permanent Portfolio, I think, in this environment—well, before we get into that, the bond market, I think, is going to continue to probably trade in the trading range. We know what the landscape looks like, and we've actually been in the trading range for a few years now. Recently we've been trading more at the higher end of that range. Earlier last year we were trading at the lower end of that range, but I think it's going to be an area where, from a historical basis, bonds are overvalued.

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com



They continue to be attractive as a diversifier against deflation, liquidity crises, a potential double dip recession or—I'm not even sure it would still be considered a double dip or a brand new recession at this point if we get there, but some sort of slowdown in activity. I think the way you've got to play that is to sort of be flexible with duration and manage your bonds to get a return while not going too far out on the yield curve to be exposed if rates do go up. But we continue to think that despite high values historically, bonds remain a great diversifier against negative economic activity.

In concluding there, I think Permanent Portfolio, in a year like this and in a period like we're in, continues to be attractive from the standpoint that we're driving down the middle of the road and there are a lot of things to look out—on either side of the car there is a lot to look out the window on, on either side, to keep your interest. But the thing that's going to get you to your destination is probably keeping at least part of your portfolio driving down the middle of the road, whether it's with us or somebody else. Our hope is that we fill the bill for many of you in that area. We'll continue to do so or maybe we'll do so for clients that haven't yet discovered us, and kind of go from there.

So thanks again for coming on the call. I think we'll probably get into some of these topics a little more in the questions. As always, if you have any questions with respect to portfolio management, feel free to give me a call. If you have any questions relating to materials, analysis, discussions with our sales guys, talk to Jordan or Dan Vayner or Patrick Moeller or Marc Santilli or Chris Horan, all part of Jordan's sales team. I thank you for your interest and your investment, and let's have a good 2012. So I'll open it up at this point to questions.

Operator

Our first question is from the line of Robert Mouro with Merrill Lynch.

Robert Mouro – Merrill Lynch

I've asked you this question before on your calls. I want to ask it again, and that is your fund continues to be very popular. How do you feel about the size of the fund, the amount of assets in the fund? Do you still have enough investment alternatives to stay in the middle of the road with the size of the fund right now?

Michael Cuggino – President and Portfolio Manager

Sure, Robert. Thank you. Yes, we do. As I've said several times, size and scale is a nice problem to have, but it is something you do need to address and take a look internally. I think with respect to us the answer to that question probably is unchanged.

At our size, we still are not at a level where we're pricing ourselves out of investment opportunities, and I think given the fact that we're in multiple asset classes, given that we're in very liquid asset classes, we don't appear to have any restriction of investment opportunities. I think at this point, I would say that we have not been restricted in our investments or I don't believe it's really shown up in our performance that we're being hindered in any way in executing our strategy. I can assure we that we continue to ask this question of ourselves, have done so, and will continue to do so if we're lucky enough to continue to grow assets.

Operator

Our next question is from Chris McLaren with Resonate.

Chris McLaren – Resonate

I appreciate your time and your efforts and we echo the prior gentleman's sentiments of the great past performance. One of our concerns is just the volatility. Could you speak a little bit to

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

how you see Permanent Portfolio maybe being positioned or trying to avert some of the potential volatility that we're seeing in the marketplace?

Michael Cuggino – President and Portfolio Manager

Sure, Chris. I think by portfolio construct, by definition, we are a volatility reducer because of the broad diversification that we have. So I think that's going to act—well historically it has, and I think it will continue to do so—will act as a mutation or a knob to turn down the level of volatility, of what's going on around the fund. So it is a good vehicle that should not be subjected to too much volatility and should protect you against that going on elsewhere in your portfolio, which is one of the reasons why it is an attractive core holding. Because you can afford to utilize it as a core and then take more speculative bets around it or take on more volatility knowing that this portfolio should not up that volatility by doing so. Thereby you'll put a balance on your overall portfolio volatility.

I don't see us changing. I've said many times, we're very disciplined about executing our investment objectives and our strategies here. That's not going to change. I think all we can do at any point in time in managing the fund is take what the marketplace is giving us in a number of different asset classes and do the best we can with it. We'll continue to do that, and I expect we'll continue to be able to do that.

Again, no guarantees; we can't predict the future, but I anticipate, given our disciplined history and those sorts of things, to continue to manage the fund in the same manner we have. That, I would expect, would help to reduce your overall volatility.

Operator

Our next question is from the line of Nathan Thompson with 4th River Financial Group.

Nathan Thompson – 4th River Financial Group

Question in relation to metals—more gold in particular—so frustrating continuing to see the close correlation between the S&P 500 and gold in general. Do you see those two breaking away from each other, maybe gold pushing higher and leaving stocks behind if things continue into 2012 with the Fed doing more things? I just wanted to get your feedback on that.

Michael Cuggino – President and Portfolio Manager

It certainly can do that, and in fact, I think for a good chunk of the second half of last year we actually did see a decoupling of equities in gold, with equities kind of trending up and gold actually trending down, which would be more of the natural historical relationship.

I think the unfortunate thing, let's just review gold for a second. I mean gold is a chameleon. We're always comparing it to some other measure of value when trying to value it. Sometimes we're measuring it against the dollar or the euro or some other currency. Sometimes we're measuring it against a barrel of oil or some other commodity. Sometimes we're just speaking about it in space and not really trying to compare it to anything. So it's naturally fluid in terms of how you compare it or what it may correlate to. I think all of those are true at one point or another and they're all strong correlations, and sometimes they're all very strong negative correlations. But I think the thing there is that they're all short term.

Right now you tend to have a strong correlation among the risk assets. I think if I hear the term "risk on" one more time I'm going to jump out my 41st floor window here, but there is some truth to it in the sense that risk assets are attractive right now because of the low cost of capital being provided by the world's central banks. And so unfortunately, we are going to probably see for a little while a continued high correlation among these risk assets. I would say commodities like

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

gold, like the stock market, may continue to correlate higher than what they would have done historically.

There's nothing we can do about that. That's just what the market is giving us at this point. I would also say that it's probably something that will adverse itself out. I would say it's temporary. Albeit, temporary could be a year or so. It could be even a little bit more, but it is temporary, and within that period you're probably going to also see even stronger correlations, positive and negative, to maybe other assets within that period of time.

I don't see that tendency going anywhere anytime soon given the monetary supply, I think will be my quick answer, but we've noticed it as well. We're watching it and we're doing the best we can in managing the portfolio to deal with that, although our mandate says that for many other reasons we want to be exposed to both of those asset classes at all times. So I don't see us getting out of any of those assets, despite the higher than normal correlation. I hope that helps.

Operator

Our next question is from the line of Jeff Wright with the Wright Financial Advisors.

Jeff Wright – Wright Financial Advisors

I just had a question. These are more short-run questions. I've been extremely happy with your fund. You had a great year-to-date running up until December, and then the fund pulled back a little bit in December. Now it's pulled kind of way up and it's done a nice job in January of recovering all of that. I was kind of wondering what are the components that are causing, what made December drop like that and what's made January, I mean you guys are almost, with the S&P, year-to-date.

Michael Cuggino – President and Portfolio Manager

I would say in the short term—while in the long term we're a less volatile investment. In the short term there's nothing that says—we're not cash. We can and have historically had periods of time that were more volatile than probably our historical norms. They're usually short lived and they usually sort of rectify themselves. I think the latter part of last year is one great example.

Probably the thing that drove us down during that period was the correction in precious metals. The selloff in Swiss francs after the Swiss National Bank decided to peg the currency to the euro, which I think in the longer term is healthy for the Swiss franc, but in the short term it caused the speculatives hot money to get out and it took a couple of months for that to evolve. We definitely experienced some of that as well.

And then thirdly, some of the stocks that we were in, which in the long term I believe is the right place to be, really got banged up during that period of time. I would point to the heavy commodity, raw material type stocks and financial services, as areas that got banged up in the short-term pretty good. And I think that collection of events is probably what gave us that down side.

Now, I would also say that for the year we remained positive for practically the whole year, and in fact ended the year positive. But you are right in that at a certain point in time last year we were up higher than where we ended the year. I think that those factors are probably what contributed to it. And interestingly enough, so far this year, those—like I mentioned earlier in the call, those factors have begun to rectify themselves, and it explains partly our strong start out of the gate so far in 2012.

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

Operator

Our next question is from the line of Forrest Smith with Merrill Lynch.

Forrest Smith – Merrill Lynch

My question is two parts, the second part being an A and a B. What is your view on where we are in beginning of secular bull market equities is the first part? The second part is the same question with the bond market. It's been in a 30-year bull market. When is that going to enter a bear market? What's that going to look like? And then the last part is kind of more of a philosophical question. Do you believe in a specie-backed currency? With the fed losing 70% of our value in a hidden tax as holders of dollars, how do you feel about that?

Michael Cuggino – President and Portfolio Manager

Let me take them one at a time. What's a specie-backed currency? I haven't heard that term.

Forrest Smith – Merrill Lynch

Just something behind the currency rather than a fractional reserve, like back when they backed it with gold.

Michael Cuggino – President and Portfolio Manager

So going back to like a gold standard type of situation?

Forrest Smith – Merrill Lynch

Exactly.

Michael Cuggino – President and Portfolio Manager

Okay. They're good questions. I think with respect to the bull market in equities, my own view is that the pieces are in place and the raw materials of such a move exist. And my analogy earlier on the call to sort of an undervalued stock, I think is a great way to look at it. But I think you need a trigger event. And I think until you get that trigger event, which I believe is going to be a wholesale change in thinking—a wholesale change in economic thinking—whether that's brought on by a regime change or not, I'm not sure, but you're going to have to unlock the raw materials of economic activity and provide the culture that you had in the 80s and 90s for stocks to perform.

Until you do that, stable money, stronger dollar, less regulations, favorable tax policy that we can plan on. You're not going to see a bull market in stocks with a two-month extension of payroll tax cuts. Let's be realistic. You need—I think the elections this year are focusing on taxes as an area for reform and structural upheaval and change and I think that's good, but the devil's going to be in the details. But that sort of environment and all the factors that go into fostering that environment are what's going to provide the sunshine and the water and the nutrients in the soil to provide for secular bull market. Right now it's not there.

I think you're going to see some outperformance with periods of corrections built in. Certain industries will do better than others and net-net may even provide gains for the stock market. Dividend yields are favorable right now with respect to bonds. You have income investors being interested so you have more capital potentially coming into stocks. You have a lot of liquidity on the sidelines that would probably love to get back into stocks, but just doesn't like the climate.

I think there are a lot of characteristics there for it, but until you have that trigger event I just don't see it happening. That's not to say it won't or it couldn't happen starting next week. I'm just not sure, where I sit here today, whether I see what's in place for secular bull market.

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

Conversely, on the bond market, I think for all the reasons I gave, it's one reason why interest rates haven't gone up faster than they should've and why money hasn't flowed out of the bond market quicker than it should've, given the low return expectations and the overvalued asset levels. There's still a tremendous amount of trepidation by investors to not take on too much risk because they're worried, especially among more retail investors that depend on income at some level or got burned multiple times in stocks. Those sorts of people are very slowly, if at all, coming out of the bond market.

And again, they're going to need to have the environment, they're going to need to feel comfortable that it's not raining anymore and they can open the front door and walk outside and not get soaked. I don't see that happening quite yet either. What I see is the sun peeking through the clouds every so often. Enough so that it's not raining, but it's definitely still overcast, and there are some dark clouds over there too that might result in a downpour anytime soon and, "Uh-oh, I'm not sure what I want to do yet. Maybe I'll just stay inside and play another game of Monopoly." It's that sort of an environment. Hopefully that tries to answer the secular market questions.

With respect to gold-backed currency, it's talked a lot about. I don't think there's enough gold in the world that we've got in reserve or currently above ground that would support the amount of money being created. So I don't think you'll ever fully have a fully backed currency.

I think the best you'd ever be able to do would be a multi-commodity, partial gold, partial silver, although there's probably not a lot of silver out there either, but a partially backed gold standard, but I don't even see the likelihood of that happening. I think we are stuck with the currency regime we have here in the states and abroad until there's some sort of dramatic event that reorders the entire currency system around the world.

I would also say that those events have happened historically, and the expansion of currency ends badly. If you can't sustain the value of the currency, it tends to end badly. It tends to result in economic crashes, wars, upheavals, a new ordering of the world order, etc., etc., and even in the last 100 years we've seen that. Go back to the 1920s in Germany. I don't see how we, living in this day and age, are any different than anybody that's come before us, and so, if we're not careful, these are the sorts of things in the longer term that we could have to worry about. But we also have some ability to reign in the problem if we make smart monetary policy decisions and the like. I'm hoping that in the longer term that's what we do.

We could all look back on this period ten years from now and say, "Yes, we expanded the heck out of credit for that 10 to 12 year period. We did it in the 2000s stupidly. We didn't need to. We had to really blow it up in the early part of the teens, but we were able to really bring it back down in the ensuing years to make it manageable." I hope that's the story we're telling ten years from now. I am very unconvinced at this point, which I think is one reason why it's prudent to have an alternative currency like gold in a portfolio. But I don't know if I see gold backing any paper currency any time soon, despite the attention it gets in the media. I hope that helps.

Operator

Our next question is from the line of Markham Dossett with Talon Asset Management.

Markham Dossett – Talon Asset Management

I'm wondering what your thoughts about China are? We follow that pretty closely in this office. Obviously, every growing large country ... been a problem, but they've got such discrepancies between top end and bottom end and relocation to the coast and infrastructural problems there.

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

You wonder about their ability to manage all of that in a market that looks like it's starting to contract a little bit.

Michael Cuggino – President and Portfolio Manager

Thanks for the question. I'm not an expert on China. My sense is that there's a constant push and pull between the needs of that country and the volume of people and the goods and services that they need and are going to need over the years. So the market opportunities there continue to be tremendous, but I think it's an economy that's subject to bursts of growth and then slowdowns. It's not a smooth and consistent growth story, but it is a growth story.

I also think that they've done a pretty good job of, at least to those of us that don't live in China, of potentially keeping the problem under control. They tend to, when things get a little bit overheated over there on the monetary front or on the growth side of things, they tend to sort of prick the bubble a little bit and then the world gets nervous. "China's correcting and the big growth story's over, over there," and, "Look out." And then quietly, things correct themselves and they move on and they grow at a reduced rate. I think they've done a very good job of managing those expectations.

My biggest fear in China is not the economic side of things, but it's the political things. It's the fact that as people obtain more disposable income, as they get more goods and services and take advantage of those things, as they use technology more, is the government infrastructure that's functioned for so long there going to be able to function in the same way it used to and still be successful? A, and then B, if not, what's going to result from that? And then to tie that all up, how is that going to affect that market's story for the rest of us that are looking at it as an avenue for growth, for goods and services and companies and the like?

I don't have the answers to those questions. I read stories about ghost cities and all of that stuff too. There are all kinds of frenzied activity but there's nobody taking advantage and everything's being built over there. There are still tremendous amounts of people still living in the country that don't have either running water sometimes. I think it's a multi-year structural issue with China. It is net-net a growth story but it's not going to come without problems. I think if we get wrapped up too much in the problems, you miss the bigger global growth story picture that China provides, but there are questions you need to be vigilant on as well. I would say that's probably how I see it.

I would also probably say that that narrative exists for several—India probably is another one that that narrative fits pretty well. Although the government situation in India is a little bit different, the politics are different, but I think you get that same story. You've got a growth story there. It's going to be a multi-year secular growth story, but it's going to have problems and growing pains and warts from time to time, and we're all going to have to live through those.

Operator

Our next question comes from Robert Loughlin with UBS.

Robert Loughlin – UBS

I'm a relatively new investor to your fund, but very happy with the results. Just a couple of questions on what is your view on gold stocks? Would you own them since you have a ... position? And also could you just give a little bit more description of your definition of aggressive growth, as far as that component of the allocation?

Michael Cuggino – President and Portfolio Manager

Sure. Thanks, Robert. First question first, we do not own gold miners or companies with predominant or the majority of their business is gold or silver mining for exactly the reasons you

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

mentioned. We own that metal in the physical form already so it would be sort of double dipping.

In terms of the concept of owning mining stocks, sure, I mean it's another way to have exposure to gold or other commodities. We definitely do it in the industrial commodity area, in energy and those sorts of things. But I would say that you have to be prepared that mining stocks don't always correlate the price and the move of the gold itself. Sometimes the mining stocks actually outperform. Sometimes they underperform.

But you have to remember that stocks are stocks. Mining stocks, like anything else, are subject to manage routine, shareholders, market conditions, operating a business cycle, etc. All of which complicate the price of their asset in the ground to move at exactly the same rate as the spot price of say gold. So I think you need to keep that—as a concept, I would say sure, and there are some good companies out there, but you've got to be prepared that you may not correlate to the price of gold itself. What are your true investment objectives? So that would be my take on that.

With respect to how we define aggressive growth stock, we don't follow the industry sort of growth and value tags. Our view would be that any stock could be considered a growth stock, and really it's just looking at characteristics that we think are good indicators of a good growth story, albeit growth and earnings, business, new products and services, all kinds of things.

I think one thing we've seen in the last several years is that some stocks that might have been considered value stocks, at one time, have turned out to be growth stocks, and some growth stocks have turned into sort of value stocks. Microsoft comes to mind, for example, in that they've been in a trading range for really 10 to 12 years now, although they have broken out recently, but still, still broken out within a trading range of the last 10 to 12 years.

I think those terms can be misleading. What we're looking to do is find a group of great long-term individual growth stories and aggregate them up into a portfolio. And that's how I would define aggressive growth for our purposes.

Operator

Our next question is from the line of Joseph Mahoney with U.S. Trust.

Joseph Mahoney – U.S. Trust

I have two questions for you with regards to the Permanent Portfolio. The first one is with regards to the six target percentages. Are those ever adjusted? I know the name of the fund's suggest that they're not, but I'm just curious. Are they ever adjusted at all or have they been the same going back to 1982? And then my second question is in regards to the rebalancing. Is that based on certain points in time or a percentage deviation from the target? How is that done?

Michael Cuggino – President and Portfolio Manager

First question first. The targets themselves are fundamental investment policies, and so this is a strategic model. They have never been changed, although that's not to say they wouldn't be. We've actually considered changing them at various points in the fund's existence, but after analysis and thought had decided not to change them.

The things that would cause us to change them would be something that changes in the structural DNA of the asset class or its relationship to the other asset classes or the markets in general. We would not change them for let's say a short-term anomaly like market trading. And I'm asked all the time, in the 90s it was, "You guys ought to own more stocks. You're

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

behind the times now. You've got to have more stock exposure." More recently it's been, "Bonds, I can't invest in you because you own all these bonds. Look at bonds. They're overpriced. You're fund's going to crash and it's just a matter of time." Well so far it hasn't.

To me, I think you could always make decisions and change your allocations based on market trading, but that's tactical. That's forecasting, and that's not what we're about. So the answer is yes, we can change them and if we felt it was appropriate we would. We have not done it, although we have thought about it in the fund's existence. If we were to do so, we would go to shareholders and say, "We want to make these changes to our strategic model. We think it makes sense. This is why, and we're asking you to allow us to do it so vote for us to do this. We think it's a good idea."

With respect to rebalancing, rebalancing is ongoing. It's not based on any formula. It's not based on any timetable. Our fund is not an index fund. It's not like we balance out to our target percentages every day. We're never far from our targets. Rebalancing is something that goes on in an asset allocation fund so we rebalance, but it's not scheduled. It's not timely. It's not a quarter end or a month end thing or once a week or if a certain number is X. That's not how it works. Hopefully that helps.

Operator

Our next question is from the line of Janet Montgomery with First Allied.

Janet Montgomery – First Allied

I was wondering with your gold, do you under allocate or over allocate depending on the price of gold?

Michael Cuggino – President and Portfolio Manager

It gets back to the previous question. Our strategy calls for us to be exposed to gold at a target rate of 20%. Give or take a couple of percentage points, we're always going to be fairly close to that. We may be underweighted or overweighted at any given time and usually are. It's very rare that we're at exactly 20%, but yes. So I guess the answer to the question is yes. We can be underweighted or overweighted to a degree. But again, we are an asset allocation fund so if we tend to have too much in gold we'll rebalance it back out or vice versa.

Janet Montgomery – First Allied

Would you tend to do that when it's high?

Michael Cuggino – President and Portfolio Manager

Well that would be one factor. If an asset class is running then it's usually run up in price so it would tend to probably be an over allocation in that instance and you'd want to trim it back. It's very difficult. There are a lot of factors that go into buy and sell decisions. So it's hard to really speculate on that, but that would be sort of one general instance where you would be doing it, yes. Yes. Sure. Thanks, Janet.

Operator

Our next question is from the line of Mark Hauserman with Strategic Capital Advisors.

Mark Hauserman – Strategic Capital Advisors

Would you constitute the pegging of the Swiss franc to the euro as a structural DNA change, ... the allocation?

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com



Michael Cuggino – President and Portfolio Manager

No I wouldn't. Actually, that's a good question and it's come up quite a bit in the last couple of months from people when the Swiss National Bank made their move. The Swiss National Bank, from time to time, has made all kinds of proclamations and policy changes with respect to the franc. They operate at a very interesting world over there, because, like England, they have their own currency, but their immediate trading partners are all doing business in euros. And so their economy is very sensitized towards what's going on in Europe even though they don't have the common currency.

The Swiss National Bank reacted to an acute supply/demand mismatch in Swiss franc. I mean keep in mind Switzerland's a small country. There was a period of time last year, the first half of the year, where a tremendous amount of world reserves were trying to buy francs and there just plain weren't enough of them to go around. So it was causing the franc to go up so much that they were throwing their own economy into recession. They acted in a way to protect their own economy. That is not a structural DNA change. That is a market-based change designed to deal with market conditions in the short term.

That's what occurred there. The Swiss National Bank can pull their pegs anytime they want. This is by no means something that's going to last forever. In fact, I doubt it will last forever. At some point, when it's in the best interest of Switzerland and the Swiss economy, they'll either quietly or with much fanfare, however they decide to get the most impact, pull that plug or do something else.

I think given the run up and the speculative bubble of the Swiss francs last year, I think it was a smart move. I think it protects the long-term value of the franc at the expense of short-term hot money that got in and then had to get out because the return was capped when they did that.

I actually don't have a problem with what the Swiss National Bank did. And like I said, in the long term, I think it's healthy for that currency, because again, the underlying intangible asset in any currency is the economy of that country. It's true in the states. It's true in Switzerland. A healthy Swiss economy is good for the franc. I don't think it's structural, and as a result, no changes were made for that circumstance.

Operator

We have no further questions in queue at this time.

Michael Cuggino – President and Portfolio Manager

I'd like to thank everybody again. Thanks for your investment and thanks for your interest. Feel free to call my cell or the sales team if you have any questions on the fund. Let's all hope for a good 2012. Thank you very much.

Jordan Clopton – Director of Institutional Sales and Marketing

Thanks, everyone. Thank you, Michael. If anybody on the phone needs anything, feel free to give our group a call and/or e-mail any of us and we'll get you whatever information you need. Here's to a good 2012 and thanks for taking time out of your day.

Operator

Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

The Fund'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 by visiting our website at www.permanentportfoliofunds.com. Read it carefully before investing.

Opinions expressed and securities mentioned are those of Michael J. Cuggino and are subject to change at any time, are not guaranteed, and should not be considered investment advice.

Fund holdings, and standardized performance figures, can be reviewed by clicking on the following Fund data sheet, [PPF](#), [AGP](#), [STP](#) and [VBP](#) data sheets. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

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. You cannot invest directly in an index.

Diversification does not assure a profit or protect against loss in a declining market.

Comments made by call participants are not representative of the experience of other clients and are no guarantee of future performance or success.

The Permanent Portfolio invests in foreign securities which will involve greater volatility and political, economic and currency risks and differences in accounting methods. The 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 Aggressive Growth Portfolio's stocks may appreciate in value more rapidly than the stock market, but they are also subject to greater risk, especially during periods when the prices of U.S. stock market investments in general are declining. The Portfolio also invests in smaller companies which will involve additional risks such as limited liquidity and greater volatility.

The Short-Term Treasury and Versatile Bond Portfolio's investments in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. An investment in the Short-Term Treasury Portfolio is not guaranteed by the Federal Deposit Insurance Corporation or any other government agency. It is therefore possible to lose money by investing in the Short-Term Treasury Portfolio.

Correlation is a statistical measure of how two securities move in relation to each other. Duration is a commonly used measure of the potential volatility of the price of a debt security or the aggregate market value of a portfolio of debt securities prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

Distributed by Quasar Distributors, LLC

Vcall

601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com