THE PERMANENT PORTFOLIO

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THE IRRELEVANT INVESTOR, LLC
JULY 29, 2020

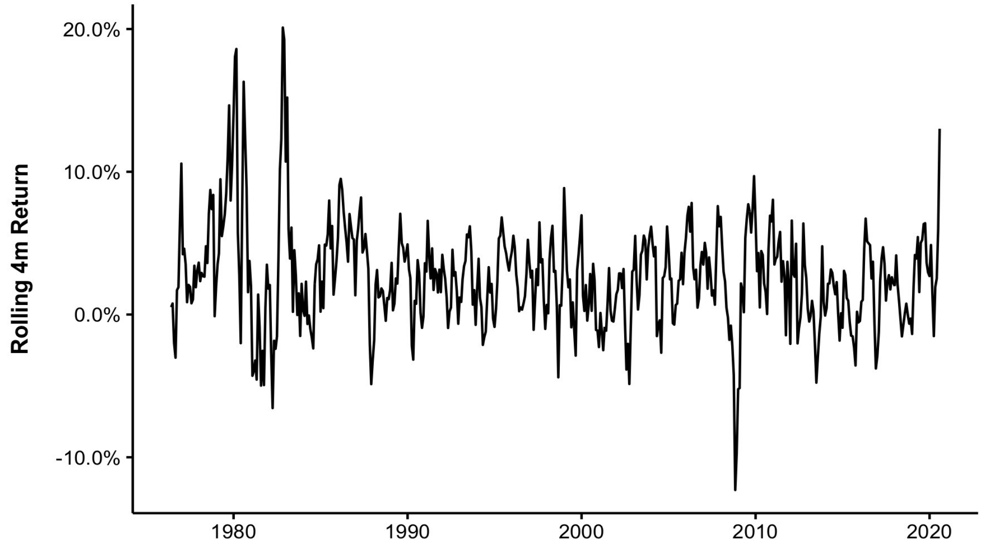
Everything is working.

Whether you're an equity investor, hiding out in bonds, or waiting for the dollar to collapse, you're making money. The permanent portfolio, which is an equal weighting of everything from stocks to bonds, gold, and cash, just had its best run in 40 years!

The main tenet behind this type of strategy is based on the old adage, "Don't have all your eggs in one basket." This means, by definition, that you'll be underexposed to the best basket—stocks in this case.

Since 1976, the S&P 500® Index gained 11.2% a year. The permanent portfolio gained 7.9% over the same time.

PERMANENT PORTFOLIO—ROLLING 4M RETURNS

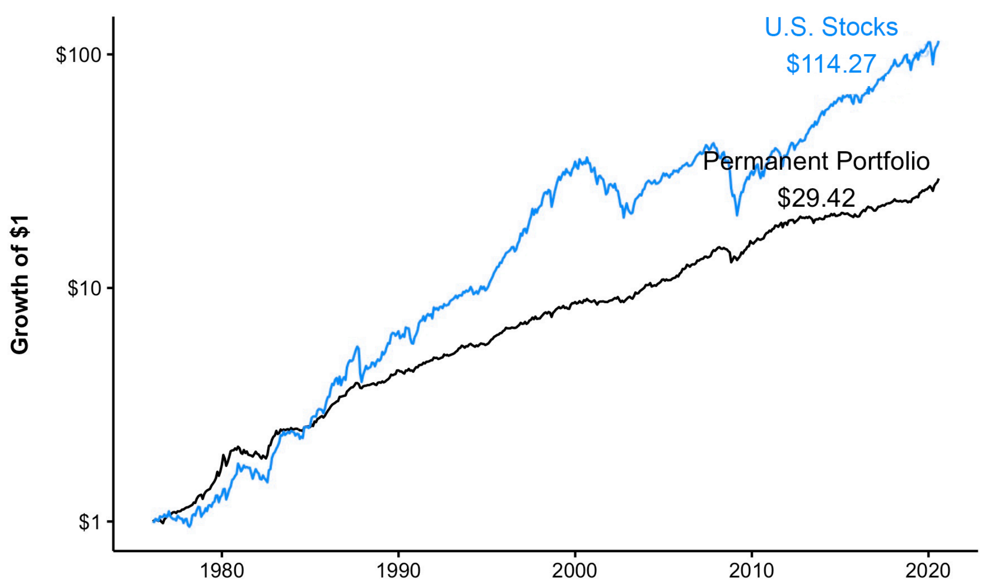


Past performance is not indicative of future results. Source: Returns 2.0. Note: The portfolio has a 25% allocation to stocks, bonds, gold, cash, and rebalances monthly.

The appeal of this portfolio, as I see it, is that it is an effective way to avoid a catastrophe. In the aftermath of the dotcom bubble, the stock market fell nearly 50%. The maximum drawdown of the permanent portfolio was 5%.

Stocks fell more than 50% during the Great Financial Crisis. The maximum drawdown for the permanent portfolio was less than 15%. And, during the most recent bear market, stocks fell more than 30%, while the maximum drawdown for the permanent portfolio was just 5%*.

PERMANENT PORTFOLIO VS. S&P 500 INDEX—GROWTH OF $1



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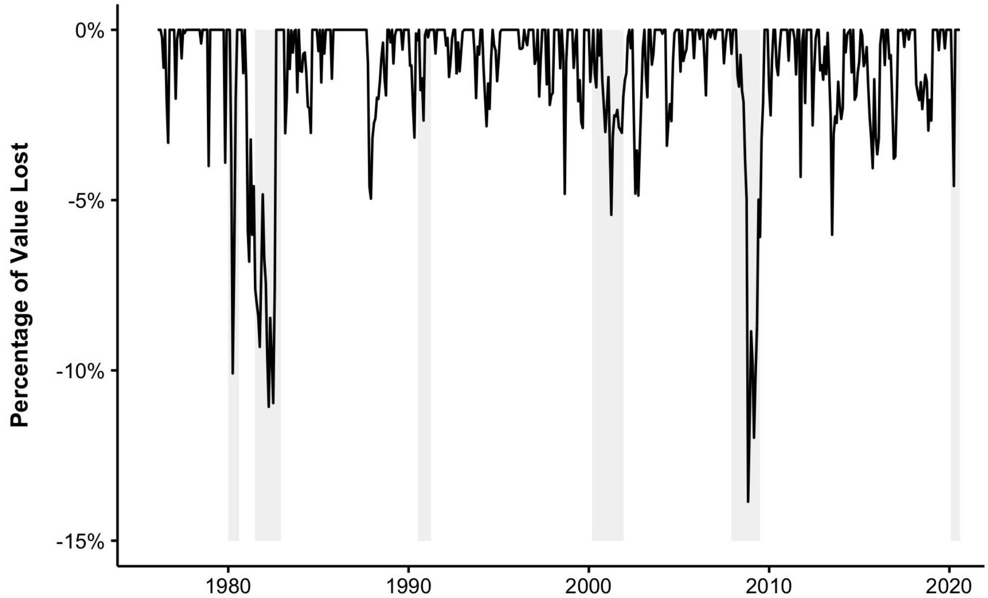
*I used monthly data for this. Using daily data, the max drawdown for 2020 was 6.8%. Still pretty great considering stocks fell more than 30%.

Sure, you gave up a lot of upside compared with stocks, but you also missed out on a lot of the downside.

PERMANENT PORTFOLIO—DRAWDOWNS AND U.S. RECESSIONS



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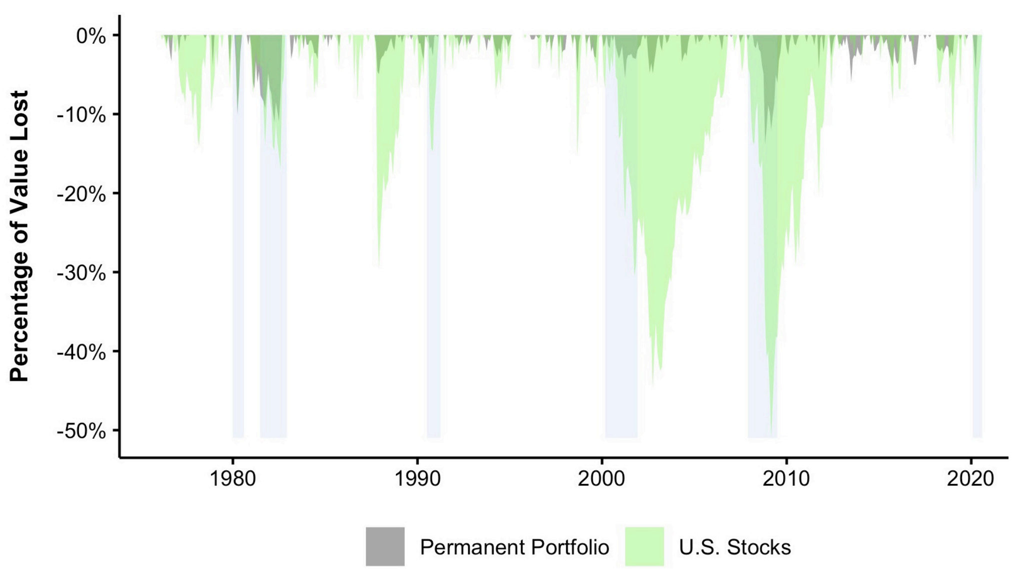
One of the biggest risks to the permanent portfolio is not the investments, but the investor. Boredom and fear of missing out make this a difficult strategy to implement in real life. I suppose these risks are not limited to the permanent portfolio, but considering that it would have underperformed the stock market 64% of the time, it takes a certain type of person to stick with this through thick and thin.

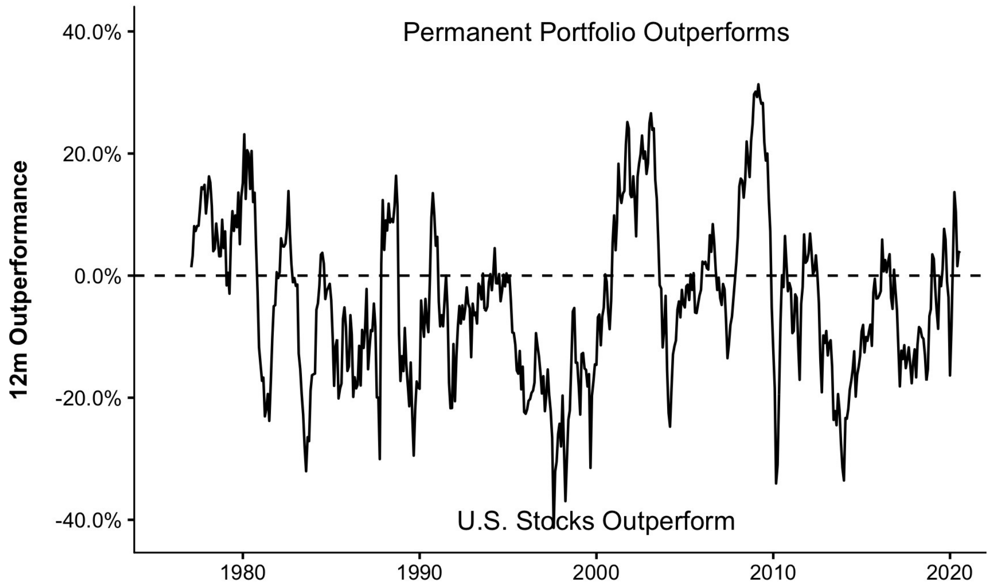
PERMANENT PORTFOLIO VS. S&P 500 INDEX—DRAWDOWNS AND U.S. RECESSIONS



Past performance is not indicative of future results. Source: Returns 2.0. Note: The portfolio has a 25% allocation to stocks, bonds, gold, cash, and rebalances monthly. U.S. recessions highlighted in light blue.

I think of this as a "set it and forget it" portfolio. A "sleep at night" portfolio. A "go live your life" portfolio. Or at least that's what it used to be. This is a different world we live in. With bonds giving you 1-2% and cash giving you zero, I wouldn't expect much upside from here. The good news is, if history is any guide, you shouldn't expect much downside either.

PERMANENT PORTFOLIO ROLLING 12M OUTPERFORMANCE OVER U.S. STOCKS



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To learn more, please contact us at 800-243-4361 or visit virtus.com.

The **Permanent Portfolio** is composed of 25% cash, represented by One-month T-bills (Total Return); 25% bonds, represented by the Bloomberg Barclay's U.S. Aggregate Bond Index (Total Return); 25% stocks, represented by the S&P 500® Index (Total Return); and 25% gold, represented by a Gold Continuous Futures Contract.

Maximum Drawdown—The peak-to-trough decline during a specific record period of an investment, fund, or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.

The **Bloomberg Barclays U.S. Aggregate Bond Index** measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The **S&P 500® Index** is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

All investments carry a certain degree of risk, including possible loss of principal.

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