PORTER STANSBERRY'S
Permanent Portfolio

OCTOBER 16, 2024

The Lowest-Risk Portfolio Strategy Of All

How to Make Harry Browne's Permanent Portfolio Even Better
A Basket of Investments With Perpetually Good Returns

Editor's Note

More than 50 years ago, one of Porter's most important mentors, Harry Browne, devised a revolutionary way of building a portfolio. His concept was to create a set of assets that were balanced, so that, no matter what might happen in the markets, the overall value of the portfolio would continue to increase. The concept was called The Permanent Portfolio. It was the basis of a successful mutual fund (The Permanent Portfolio Family of Funds) that was launched in 1982. In the late 1980s, these ideas were used again, as the foundation for what became the world's largest hedge fund, the All Weather fund at the investment firm Bridgewater Associates.

The strategies applied by Browne and Bridgewater Associates are world class, because they offer stock market-like returns (over the long term) with much less volatility than the market. The approach is exceptionally valuable for investors who want to continue to grow their wealth – but who cannot withstand the volatility of the stock market. Those who follow this approach can apply these concepts with more aggressive allocations (or even with leverage) to produce consistent, market-beating results.

This report will introduce you to the core ideas that guide the portfolio's strategy. We'll present *Porter's Permanent Portfolio* allocations and model portfolio, which we'll update as necessary. However, one of the hallmarks of this portfolio – called "permanent" for a reason – is that it's designed to be set-and-forget, featuring an all-star roster of holdings that should serve investors for decades.

In the report that follows, we outline the strategy of how Porter built the portfolio, the rationale behind its four sections, the holdings and allocations for each section, and finally an overview of each company and ETF in the portfolio. The report concludes with answers to what we anticipate to be frequently asked questions (FAQs)

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The Lowest-Risk Portfolio Strategy Of All

How to Make Harry Browne's Permanent Portfolio Even Better

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All Andrew Galambos wanted to do was launch a rocket taxi service to and from the moon.

He ended up starting a cult instead.

Along the way – while charging through the nose for a series of mysterious courses called "This Is The Way to the Stars," swearing his acolytes to secrecy, and boring them to distraction with rambling four-hour lectures – he (unwittingly) planted the seeds for *Porter Stansberry's Permanent Portfolio*.

More on that in a minute…

Before that, though, Galambos shot for the moon – and landed among the nuts. A Hungarian immigrant born in 1924 who studied physics in New York City, he got his start in the 1950s as an astrophysicist at the Los Angeles aerospace company Ramo-Wooldridge Corporation. In the late '50s, his bosses, more interested in developing Cold War-era missiles, turned down his proposal to build his passion project, the moon taxi.

Galambos sulked – and blamed the bureaucracy-industrial complex for killing his dream. If we were all truly free, he believed, we could do whatever we wanted. So in 1961 he left the aerospace industry and started his cult – an unaccredited "private teaching business" called the Free Enterprise Institute ("FEI").

The theme of Galambos' courses was "how to be free" – and he posited that the way to do that was to opt out of society altogether, and to take complete control of your physical and intellectual property. And, as befitted the 1960s, it was all pretty "far out"…

Galambos rubbed shoulders with prominent libertarian thinkers of his day – like author and philosopher Ayn Rand, economist Ludwig von Mises, and business journalist Henry

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Hazlitt – but his ideas were extreme even for libertarianism. Galambos didn't advocate just for limited government. He preferred *no* government. And his ideas on the sanctity of intellectual property were so rigid that he forbade his students from even using Free Enterprise Institute ideas outside the classroom. You could pay, you could learn, but God forbid that you put that knowledge to use in the real world.

Students paid thousands of dollars per class (adjusted for inflation) to sit through meandering lectures punctuated by Galambos loudly sucking crushed ice from a soda straw. They also got a front-row seat to his pitches for investment products that he'd developed. And they sat in silence as he used other thinkers' ideas without giving them credit – despite his stern defense of his own intellectual property.

The course may have been "The Way to the Stars," but it was also a fast track to insanity.

And – unexpectedly – it served as the launch-pad for one of the greatest libertarian thinkers of the 20th century.

Harry Browne Takes Off

Young Harry Browne lasted about a year at FEI before he couldn't take it anymore.

When he first got entangled with the cult, 31-year-old Browne was an up-and-coming writer and speaker who'd recently been hired as editor-in-chief of the well-known libertarian publication *Freedom Magazine*. He found his way to FEI in late 1963, and spent a few months suffering through Galambos' long lectures. Eventually, Browne asked for – and received – permission from Galambos to present his own economics course at the Institute.

Browne's class was popular and well-attended… and Galambos got jealous. He started calling Browne on the phone, yelling for hours, and falsely accusing him of plagiarism.

As Browne told the story in libertarian journal *Liberty* years later:

> *"Because I believed he was an important person and we were doing important things, I tolerated all this for about six months. And then I informed him – in the spring of 1965 – that I would no longer give my course under his auspices. He told me I couldn't unilaterally terminate the relationship – although we*

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> *had no agreement that prevented me from doing so. In effect, he claimed I had to continue working with him until he no longer wanted me to. But I simply refused to put up with him anymore... I never saw him again."*

Galambos died of Alzheimer's disease in 1997, having alienated all his friends and coworkers (and leaving behind a massive pile of lecture notes for "This Is The Way to The Stars"). Harry Browne went on to become a respected figure in the world of economics and politics. He ran for president twice on the Libertarian Party ticket, and wrote 12 books that have sold over 12 million copies – including his 1973 classic *How I Found Freedom in an Unfree World*, and 1999's *Fail-Safe Investing*.

In addition to being successful, Browne was also generous. He wrote a 1997 obituary tribute to Galambos called "The Unknown Libertarian," giving the would-be man on the moon a surprising amount of credit for his own success.

> *"Although I paid a high price then, my life is far better for having met Andrew Galambos. Although much of what I consider valuable wouldn't be what he'd want credit for, I did learn much from him. For one thing, my writing became more precise, better organized, and – learning negatively from him – more considerate of the reader. And probably no one influenced the course of my personal life and career as much as he did. His ideas prodded me to make several major changes."*
>
> *Most of all, he inspired and encouraged me to give courses – which led to my writing 11 [later, 12] books – which led to everything else worthwhile that has happened to me over the past 35 years."*

And – although Galambos would absolutely *hate* this unauthorized use of his intellectual property – it's pretty clear that some of his ideas on freedom from "This Is the Way to the Stars" also found their way into Harry Browne's best work...

Freedom in an Unfree World – like Galambos' lectures – is about taking control of your life by avoiding "traps" like government, religion, and social niceties. (A classic 1970s mindset, for sure!) And *Fail-Safe Investing* shows you how to take control of your property and

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financial future by diversifying your assets between stocks, bonds, gold, and cash. That way, you can avoid the "traps" of inflation, deflation, and recession… and, as Galambos envisioned, stay fully free.

And that's how we get from crazy Andrew Galambos to what we believe is the world's sanest method of asset allocation.

Porter Stansberry first met Harry Browne at the 1996 New Orleans Investment Conference at the speakers' dinner, where Harry explained these concepts in person. Browne, along with Doug Casey, Bill Bonner, and Jim Rogers, began a long association along with Porter as leading libertarian speakers, economists, and financial analysts. They had many memorable evenings together at the New Orleans Investment Conference and other similar meetings all around the world.

Harry Browne's Permanent Portfolio, which he first conceptualized in the 1970s and later outlined in Fail-Safe Investing, is the direct inspiration for *Porter's Permanent Portfolio*. Importantly, though, our version leans heavily on an area of the markets that Browne didn't understand well, the property and casualty (P&C) insurance industry. Just as Harry Browne's portfolio strategy was based on mitigating risks, these businesses are directly involved in pricing and mitigating risk. As a result, they offer investors an efficient way of producing market-beating returns with low volatility.

The Permanent Portfolio: Setting Up For Success

Harry Browne's Permanent Portfolio is a "permanent" approach to investing.

Using this strategy, you don't have to buy and sell (or very rarely), and you don't have to follow the news or worry about the future. The portfolio is structured in a way that makes it difficult – essentially impossible – to lose money, no matter what happens to the economy, or to individual stocks.

You might think that's impossible. But in the late 1980s, Browne's ideas were put into practice by Ray Dalio, at his investment firm, Bridgewater Associates. These ideas, and the consistent, low-volatility results they achieved, helped Bridgewater become the world's largest hedge fund, managing more than $100 billion.

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Harry Browne's core idea – mimicked later by Dalio, as we'll explain – is deceptively simple. He suggested a four-part portfolio: 25% in stocks, 25% in bonds, 25% in gold, and 25% in cash.

What Harry Browne figured out was that in a global economy dominated by one government's paper money, there would be a never-ending cycle of inflation, punctuated by short periods of deflationary recessions. As a result, Harry surmised, stocks would generally appreciate, but every now and then stocks would tumble, along with interest rates. And during those brief, deflationary periods, bonds would be the strong performers. Likewise, Harry understood that cash would help moderate the volatility of both the stocks and the bonds in the portfolio – but that never-ending inflation would erode the value of money. Therefore, holding gold would fight inflation and pay off over time.

In short, you own stocks. You hedge them with bonds. And you hedge both of them with gold.

How has that worked?

The Permanent Portfolio mutual fund (PRPFX), based on Browne's concept, has compounded at around 7% a year since 1987, with extremely low volatility. Its largest peak-to-trough decline since 1989 is only 27.2% (132 days) in 2008. The long-term average return for the overall stock market is 8% a year while the largest stock market drawdown was 50.4% from September 2007 to March 2009. What Browne invented was a way of capturing virtually all of the upside of the stock market, with much less of the volatility.

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Source: Bloomberg

All Weather, Bridgewater's name for its Permanent Portfolio, expanded slightly on Browne's allocations. All Weather has: 30% in stocks, 40% in bonds, 15% in intermediate-duration fixed income (in lieu of cash), 7.5% in commodities, and 7.5% in gold.

Dalio's strategy produced slightly higher long-term compound results, of 7.5% a year. But, that slightly extra performance came with a cost: more volatility. Its maximum annual decline was 21.5% in 2022.

The Goal of Our Permanent Portfolio: A Better Sharpe Ratio

Our goal with *Porter's Permanent Portfolio* was to improve the portfolio's average returns without increasing the volatility of the portfolio, to create a superior Sharpe Ratio. That's a ratio that measures how much return is achieved per unit of risk. We're trying to create a portfolio that can produce returns in the most efficient way possible, with the least amount of volatility.

Bridgewater's Ray Dalio figured that because Harry's portfolio had much less volatility than the S&P 500, it could be leveraged safely and would then reliably beat the market's annual return. To understand why this is so, you have to know some basics about the stock market and how volatility is measured.

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Professionals in finance like using Greek words so that they can sound smart, but the reality is that these mathematical concepts are incredibly basic. Any sixth grader can understand these ideas, once you know what the words mean.

Beta is the Greek word that finance professionals use to define how volatile a given financial instrument is. Beta isn't a fixed constant, like, say, the speed of light. Instead, beta is defined as the volatility of the S&P 500 stock index, measured monthly. If a given mutual fund, or individual stock, or portfolio strategy has a beta of 1.0, that means its volatility is equal to the S&P 500's volatility. Likewise, if its beta is 1.5, then it's 50% more volatile than the stock market.

Harry Browne's Permanent Portfolio has a beta of 0.60. That means it is about 40% less volatile than the S&P 500. If you applied leverage (borrowing money to invest) in this portfolio, you could increase the returns (to above 10% annually) while still having *less* volatility than the stock market as a whole. You could, in theory, get market-beating results consistently, while not taking any additional risk beyond what investors normally face in the stock market.

Dalio put this theory into action. His All Weather fund used virtually the same allocations as Harry's Permanent Portfolio, without any leverage.

Then, Dalio took this supersafe portfolio and applied leverage to it, to increase the beta up to the market's level of around 1. If you know that Harry's portfolio has a beta of 0.6, then if you apply leverage of, say, 50%, you'll increase the volatility by 50%. You'll then have a fund with a beta of 0.9 – still less volatile than the market. *But because the portfolio has such a high Sharpe Ratio, you'll see the annualized returns beat out the market*. Leveraged 50%, Harry's portfolio will earn almost 2x what the market does!

And that's how Dalio built what he calls Pure Alpha at Bridgewater, which is the best-selling hedge fund of all time.

But the portfolio we've built will perform even better than that.

Porter Stansberry's Permanent Portfolio is designed to increase Harry's returns by 2x, without increasing the risk, at all, and without using any leverage.

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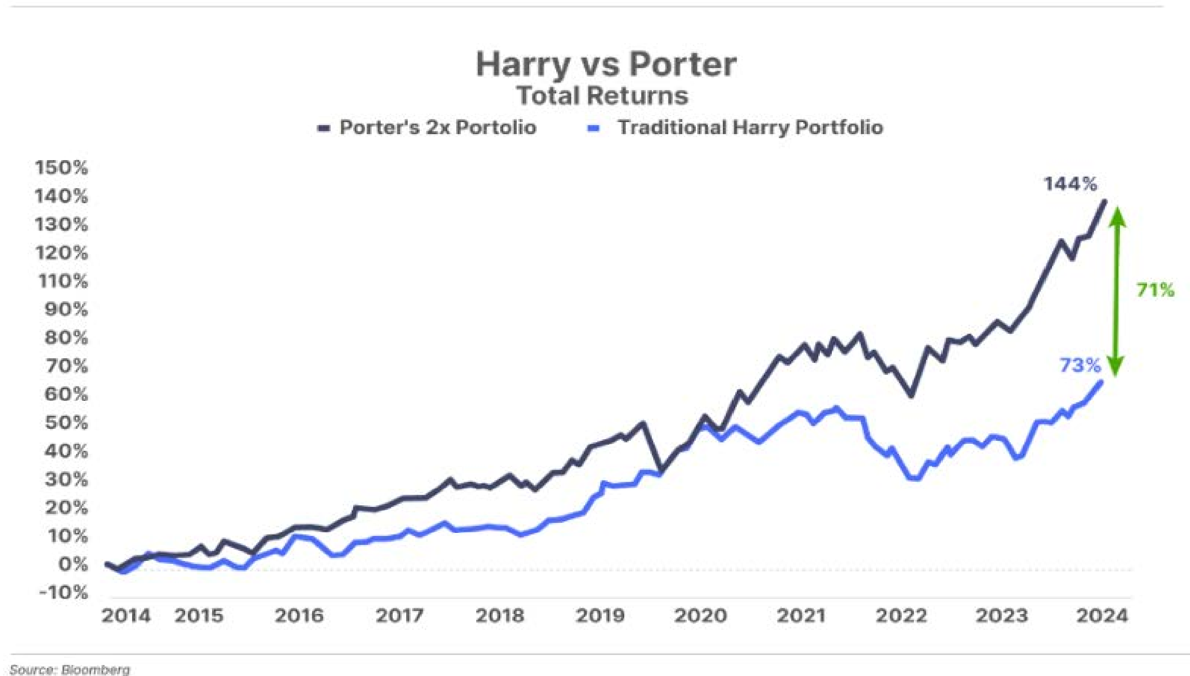

Source: Bloomberg

How to Increase Harry's Returns by 2x:
Porter's Permanent Portfolio

There are two parts to creating a market-beating, low-risk portfolio that you can safely hold for the long-term.

The first part, as Harry Browne and Ray Dalio have proven, is by diversifying into four asset classes that "hedge" one another. Regardless of what the economy or financial markets throws at these portfolios, there is always one part of the portfolio that will perform well.

Borrowing heavily from Harry Browne, we could construct a portfolio that is essentially just like the Permanent Portfolio: 25% stocks; 25% bonds, 25% gold, and 25% cash.

Today you could build a very low-cost Permanent Portfolio using only four ETFs:

- **Stocks (25%):** S&P 500 ETF (SPY)
- **Bonds (25%):** 20+ Year Treasury Bond ETF (TLT)
- **Gold (25%):** Gold Shares ETF (GLD)
- **Cash (25%):** 1-3 Year Treasury Bond ETF (SHY)

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If you re-balanced these positions each year, you'd achieve very low-risk returns that are close to the market's returns.

But… we think there's a few simple ways to improve these results substantially, without increasing risk. Here's how. We will start off *Porter's Permanent Portfolio* with a notional $1 million that we will spread across the different segments.

First, rather than simply allocating 25%, or $250,000, of the portfolio to long-term government bonds, which are at risk from inflation, we believe investors should own high-quality property and casualty (P&C) insurance companies instead.

These firms, which have a proven track record of underwriting risk successfully, own and actively manage huge portfolios of bonds. These firms are, more or less, a gigantic pile of bonds with an underwriting unit on top. Owning these companies gives investors the stability of the bond market, but with active management (to help avoid losses due to inflation) and the additional underwriting profits that may accrue.

Our portfolio will still own a huge amount of bonds – but indirectly, through the "wrapper" of an insurance company.

And, there's another *enormous* advantage to owning an insurance company that most investors never understand: It's almost like these businesses cheat because they get access to capital, for free.

As you know if you've ever bought insurance, clients must pay their insurance premiums in advance. That means, until you file a claim and until that claim is settled, the insurance company can use your capital, for free. Plus, while the insurance industry as a whole pays out more in claims than it collects in premiums, there are some companies that nearly always pay out less. These firms – the well-run, high-quality underwriters in the industry – not only gain access to huge amounts of capital, for free, but they also get to keep billions of it forever. Investing this "float" – that's the capital they got to use for free – creates a virtual perpetual money machine, which, over time, produces stupendous amounts of wealth.

Owning the right insurance companies – instead of merely owning bonds – allows us to apply significant amounts of leverage to our portfolio, without actually borrowing any money.

Our returns will be bolstered by the operating leverage of these businesses inside the portfolio. You may recall that Warren Buffett has devised essentially the same structure

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for his Berkshire Hathaway (BRK) holding company. Berkshire is roughly half insurance companies and the other half being stocks, operating companies, and cash.

Second, rather than simply holding the S&P 500 for our 25% equity allocation, we believe long-term investors should focus on holding the tiny minority of individual stocks that can dramatically outperform the overall stock market. These winners, which we call The Lindy Forever Companies, have proven over decades that they will outperform the overall market. (See below for more about these long-term outperformers.)

How is this possible? Why do some kinds of businesses produce so much better long-term results? These are businesses where the demand for their products or services are so ingrained into the marketplace, that they're immune from even the most deep-pocketed competitor, or the threat of technological change. By focusing exclusively on these rare businesses, it's virtually certain that we can produce market-beating results over time.

(We have written about these businesses that Warren Buffett, the greatest stock picker of all time, calls "Inevitables." You can learn more about what makes a business an "Inevitable" **here**.)

Relatively few companies in the world actually meet this lofty standard. But when we find one that does, it's like discovering an untapped gold mine. Some well-known examples include Coca-Cola (KO), Johnson & Johnson (JNJ), and Philip Morris International (PM), which is why we have included them (along with others) in *Porter's Permanent Portfolio*.

And, again, by adding these low-volatility, high-quality individual stocks instead of an index funds, we create operating leverage inside our portfolio, rather than borrowing additional capital.

So, while we're matching Harry Browne's 25% ($250,000) recommended equity allocation, we're making a subtle, though significant, change to the strategy by only owning "inevitables," rather than the entire market.

Third, we recognize that there's a new form of gold on the world's markets – Bitcoin.

While we're not going to delve into a full explanation for why we believe Bitcoin will remain a fixture in the world's economy for centuries, we believe it has many advantages over

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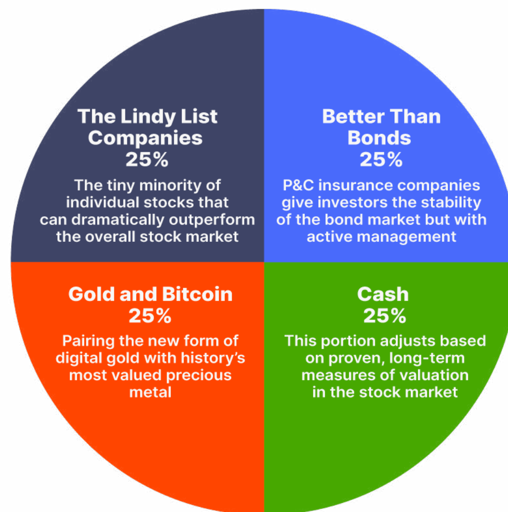
gold that will continue to attract investors. Bitcoin is, like gold, a peer-to-peer method of exchanging value. Bitcoin, like gold, is no one else's liability. It is a tangible form of value, representing a "proof of work" that is every bit as real as the gold's. But, even more so than gold, it enables privacy and instant exchange, across the entire world. It exists fully outside the scope of governments and central banks, making it the most legitimate international reserve currency of all.

That's why we believe every investor should have some exposure to both Bitcoin and gold as the ultimate stores of value and safe havens against currency debasement, so we are allocating 25%, or $250,000, here.

Fourth, while Harry Browne's Permanent Portfolio constantly rebalanced (annually) to have 25% in cash, we believe in adjusting the cash portion of the portfolio based around well-proven, long-term measures of valuation in the stock market.

Every quarter, we'll examine several measures of value, such as Tobin's Q, the market's price-to-sales ratio, and the value of the S&P 500 relative to the size of the total U.S. economy (Buffett's favorite measure). When the market is deeply undervalued, we'll hold almost no cash. And when the market is extremely overvalued, we'll hold at least 25% ($250,000) in cash. Our willingness to modulate the amount of cash in our portfolio should provide us with significant improvements to long-term results.

Porter's Permanent Portfolio Composition



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And... there's one more thing.

There's a secret to our equity-selection process. It's an idea that's definitely not widely accepted on Wall Street, but that we firmly believe is an immutable function of human nature. And it gives us a huge advantage over investors who don't understand it.

What Comedians' "Lindy's Law" Means For Investors

Here's an odd question for investors to consider:

Do comedians have a limited amount of humor in their brains, or is the production of humor limitless in the human mind?

This question, which doesn't seem to be of much importance to investors, was of paramount importance to the stand-up comics of the 1960s.

Writing comedy is extremely difficult. Good comics might develop, test, and prove out two or maybe three hours of good material – in their entire careers. Before the emergence of TV shows, this amount of material could carry them for a long time, as they went from one live audience to the next. As using the same routine for years was common, most comics believed that there was a finite amount of humor in their brains. Once it was used up, they thought, it would be gone.

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In New York City, local comics would gather after their sets at Lindy's – a late-night deli at 51st Street and Broadway. Here they worried about this stark reality: if they took a high-paying TV gig, it would only be a matter of time before they ran out of jokes, and then their careers would be over. At Lindy's they proposed a theory – "Lindy's Law." They believed the length of their careers on television would be inversely proportional to the frequency of the broadcast… that is, the more exposure to the public, the shorter their professional lifespan.

But in 2012, philosopher, investor and author Nassim Taleb hypothesized that the exact opposite was true and used mathematical proofs to support the following thesis:

According to Taleb, if something is inanimate (without a natural life span), its continued usage indicates it is more likely to continue to be used. For example, if a book has been in print for 40 years, then it's more likely than not to be in print for another 40 years. Taleb's key insight was: *things that do not have a natural life span "age" in reverse*. For nonperishable things, he said, every year that passes without extinction doubles the expected lifetime.

This idea, as it applies to corporations, holds valuable implications for investors. If you're trying to produce (or protect) wealth with common stocks, the longer the business survives and continues to compound your wealth, the better.

Looking at the past, we see that most publicly traded companies don't survive past 20 years. They get acquired by another firm, they go private, or they go out of business.

Out of the 29,000-plus common stocks that were publicly traded in America between 1925 and today, only about 5,000 survived more than 20 years. Along those lines, research into the stock market shows, *most of the profits accrue to a very small number of companies*.

Various studies show that about 1% of stocks will create about 70% of all the wealth. And what is the most important factor? Time.

Investors in the original Philip Morris (PM) turned every $1 invested into $2.6 million from 1925 until today, a 16% annual compound return for almost 100 years. No other business even comes close to generating so much wealth. For reference, chip maker Nvidia

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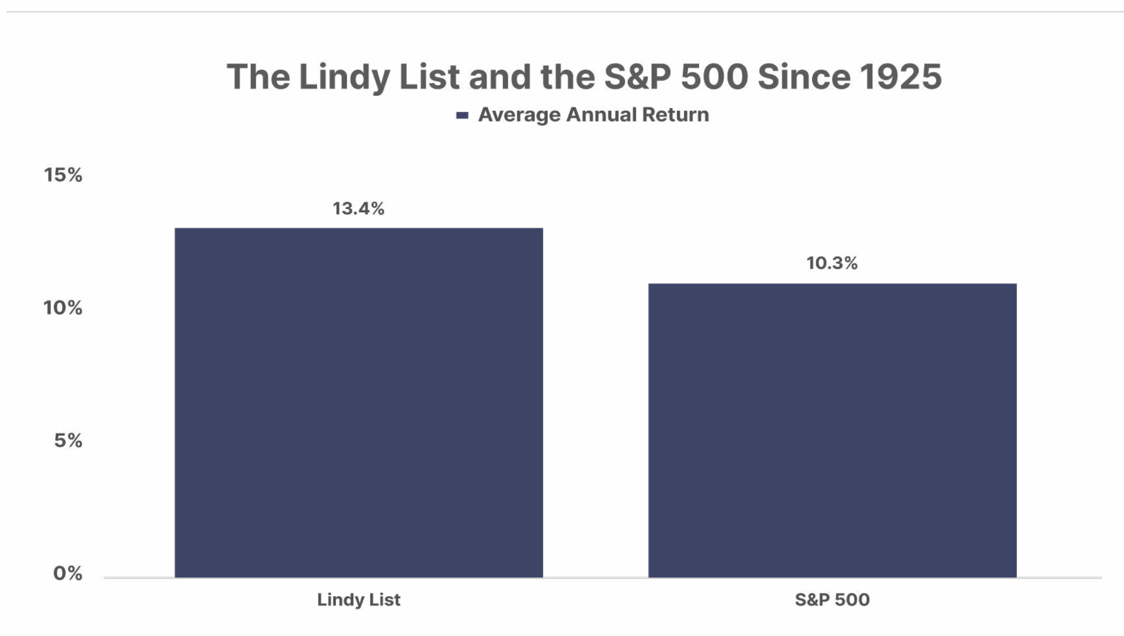
(NVDA), which has created a huge amount of wealth, has so far "only" turned every $1 invested into $1,316, a compound annual return of 33% a year since 1999.

That's good… but Philip Morris' results are 2,000 times better!

That's why I believe investors should seek to own businesses that have both excellent economics and long (at least 20-year) track records. It's these businesses – we'll call it The Lindy List – that give you the best odds of producing substantial wealth.

Notable long-term performers include (annual compound return since 1925 unless otherwise noted): Vulcan Materials (VMC, 14%), Kansas City Southern (14%), General Dynamics (GD, 13% since 1926), Boeing (BA, 15% since 1934), IBM (IBM, 13%), Eaton (ETN, 13%), Coca-Cola (KO, 12.7%), Abbott Laboratories (ABT, 14% since 1937), Deere & Company (DE, 13% since 1933), The Hershey Company (HSY, 12.3% since 1927), Johnson & Johnson (JNJ, 15% since 1944), Northrop Grumman (NOC, 16% since 1951), Exxon Mobil (XOM, 11.5%), Caterpillar (CAT, 12% since 1929), Emerson Electric (EMR, 13.5% since 1944), Bristol-Myers Squibb (BMY, 12% since 1933), and Pfizer (PFE, 13.7% since 1944).

The chart below compares the average annual return of Lindy List businesses that have been operating since 1925 with the S&P over that nearly 100-year period.



The Lindy List includes stocks listed above that date back to 1925.

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And more recent excellent long-term performers include: The Home Depot (HD, 25% since 1981), Microsoft (MSFT, 26% since 1986), and UnitedHealth (UNH, 24% since 1984).

For companies with excellent economics, a long history is a hugely valuable intangible asset – put it to your advantage.

We want our equity allocation to focus on companies that have been around for decades, that have proven track records of double-digit annual returns, and that are capital efficient and therefore generous to their shareholders.

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The Lindy Forever Companies

Equities – 25% Portfolio Allocation

The table below shows the 11-stock allocation of individual stocks that will make up the equity allocation (25%) of the portfolio, in line with the approach outlined above. Note that we will use individual stocks elsewhere in the portfolio, but these stock holdings are designed specifically to replace the stock market index component used in the traditional Permanent Portfolio approach. (See the Index to this report for a description of each of these holdings.)

The Lindy Forever Companies

	Ticker	Segment Allocation	Portfolio Allocation	Price per Share	Position Value	Number of Shares
Philip Morris International	PM	15%	3.75%	$121.69	$37,500	308
Coca-Cola	KO	15%	3.75%	$71.45	$37,500	525
McDonald's	MCD	15%	3.75%	$300.47	$37,500	125
Johnson & Johnson	JNJ	10%	2.50%	$160.60	$25,000	156
Caterpillar	CAT	10%	2.50%	$378.25	$25,000	66
Deere & Company	DE	10%	2.50%	$406.93	$25,000	61
EQT	EQT	5%	1.25%	$35.16	$12,500	356
Texas Pacific Land	TPL	5%	1.25%	$927.73	$12,500	13
Taiwan Semiconductor	TSM	5%	1.25%	$182.35	$12,500	69
Alibaba	BABA	5%	1.25%	$95.46	$12,500	131
Tencent	TCEHY	5%	1.25%	$52.40	$12,500	239
The Lindy Forever Companies			25.00%		$250,000	

Note: Prices as of market close September 25, 2024

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Better Than Bonds

Replacing Treasuries With P&C Insurers – 25% Portfolio Allocation

The other major departure we're making from the traditional permanent portfolio approach is eliminating government bonds from the asset mix.

Why? Because the sovereign bonds of developed economies across America, Europe, and Asia – which have historically provided safe havens during market panics – are no longer an appropriate hedge… at least not against the biggest financial threat looming, which is the coming insolvency of major Western governments, and their desperate attempts to inflate away their problems.

The math simply doesn't work for these governments. There's not enough tax revenue to repay their sovereign bonds with honest money, and thus the only way out will come from inflating away the debt via runaway currency depreciation. So while bond yields can temporarily go lower in a crisis, they're virtually guaranteed to lose money in real terms over the long run. Thus they deserve no place as a permanent-portfolio allocation.

Well-run P&C insurance companies offer an alternative. These P&C companies are, essentially, giant piles of bonds. The big advantage of P&C insurance companies, though, is that they buy government bonds (and other investments) using negative-cost leverage, in the form of insurance float. As we mentioned before, float is the revenue these companies collect upfront from issuing an insurance policy, but which they don't pay out in the form of claims for many years down the road (and sometimes, never). In the meantime, they get to invest this float into safe, fixed-income investments, like Treasuries and corporate bonds.

But there's one important caveat: this will only create value for top-tier insurance companies that consistently underwrite policies that generate more in premiums versus what they pay out in claims. Companies that do this effectively get paid to borrow money and invest the proceeds, creating the magic of negative-cost leverage. We've created an entire guidebook that explains more about how this process works, **which you can find here**.

We'll plan to replace the 25% allocation to government bonds used in the traditional portfolio with our top-rated P&C insurance companies. These will include many of the

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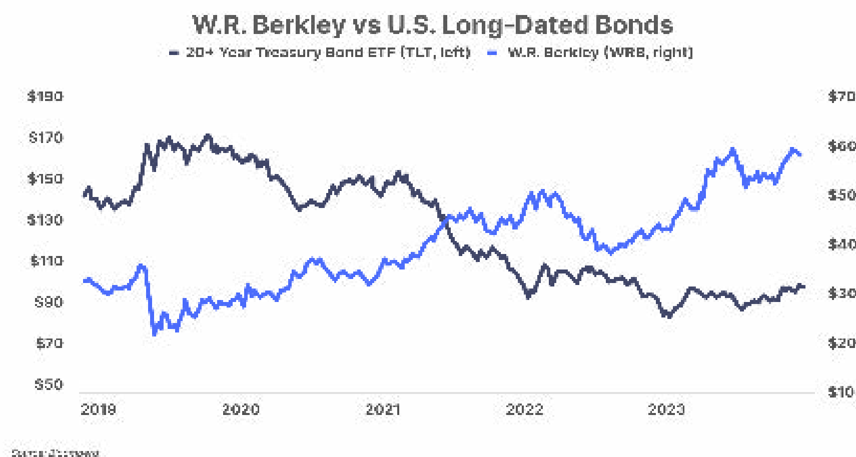
same P&C insurers we've recommended in *The Big Secret on Wall Street* portfolio, which has been our top-performing portfolio sector to date, and outperformed the overall stock market by a wide margin.

These firms produce incredible risk-adjusted returns and offer high-quality bond management, for free. While the share prices of these firms will not be quite as stable as actual fixed income, they are much less volatile than most stocks because of the size of their bond portfolios.

In fact, through the active management of their bond portfolios, it's safer to own insurance companies than to own bonds directly. Government bonds are an asset class that's increasingly hurt by inflation. Below is a five-year chart of W.R. Berkley (WRB), a solid P&C insurance company that we will put into our portfolio, and the long-dated U.S. Treasury ETF (TLT), which shows a decline from $170 per share four years ago to about $80 per share at the end of 2023. When the "safe" part of your portfolio declines 50% over four years, there's a problem. Our approach avoids that weakness.

When William Berkley saw what the government was doing during COVID, he got his insurance firm, W.R. Berkley, out of long-dated bonds and into short-term notes, avoiding huge losses when bonds collapsed in 2022. In fact, in the chart below, you can see the impact of that active bond management. Shares of WRB (in blue) were closely correlated with the 20+ Year Treasury Bond ETF. When COVID hit, WRB suffered a short, sharp drop (along with virtually every other stock) but then recovered quickly and has outperformed the bonds massively.



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So, instead of buying a bond ETF, in *Porter's Permanent Portfolio* we're going to buy a basket of high-quality P&C insurance companies, some of which we currently have in our *Big Secret on Wall Street* portfolio. Others like Chubb (CB) and Arch Capital (ACGL) have long track records of strong performance. We will add a lot of solid performance by picking only the best underwriters. (See the Index of this report for a description of each individual holding in the Better Than Bonds segment of *Porter's Permanent Portfolio*.)

Each of these businesses enjoy durable competitive advantages over the competition, routinely growing their policy premiums at above-market rates for decades. It's important to note that many insurance companies have historically taken market share through aggressive risk taking, which inevitably backfires with large losses. These companies don't suffer from that defect, all of which have historically maintained industry-leading loss ratios (or the percentage of every dollar lost on the policies they issue). Their combination of best-in-class growth and underwriting discipline is what makes these a cut above the rest.

PORTER STANSBERRY'S PERMANENT PORTFOLIO

Better Than Bonds

	Ticker	Segment Allocation	Portfolio Allocation	Price per Share	Position Value	Number of Shares
Chubb	CB	20%	5.00%	$290.33	$50,000	172
W.R. Berkley	WRB	20%	5.00%	$56.39	$50,000	887
Kinsale Capital	KNSL	15%	3.75%	$448.97	$37,500	84
Arch Capital	ACGL	15%	3.75%	$113.07	$37,500	332
Essent	ESNT	15%	3.75%	$63.23	$37,500	593
Markel	MKL	15%	3.75%	$1,557.69	$37,500	24
Better Than Bonds			25.00%		$250,000	

Note: Prices as of market close September 25, 2024

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Gold and Bitcoin

Perfect Together – 25% Portfolio Allocation

Next up is improving on Harry's allocation of gold: Hold gold *and* Bitcoin, not just gold, for 25% of *Porter's Permanent Portfolio*

Gold is the ultimate time-tested store of value, with an unmatched track record of preserving wealth over more than 5,000 years of endless social and economic upheaval.

Bitcoin, the cryptocurrency launched in the wake of the Great Financial Crisis in January 2009, is the digital version of gold. But it's also much more than a store of value.

Bitcoin is a decentralized, digital monetary network that allows seamless transfers to anyone around the globe with the click of a button. This peer-to-peer transfer mechanism exists outside the scope of governments and central banks, making it the most legitimate international reserve currency.

That's why we believe every investor should have some exposure to both Bitcoin and gold as the ultimate stores of value and safe havens against currency debasement.

Today, it's easier than ever to own both, thanks to both gold and Bitcoin ETFs.

Split the allocation between the leading gold-royalty company Franco-Nevada (FNV) and a gold (GLD) ETF and a Bitcoin ETF, putting 12.5% of the portfolio into the two gold positions (6.25% each) and 12.5% in Bitcoin. For Bitcoin, there are several ETFs to choose from. The one with the lowest fees (0.19%) is the Franklin Templeton Digital Holdings Trust (EZBC).

Gold and Bitcoin

	Ticker	Segment Allocation	Portfolio Allocation	Expense	Price per Share	Position Value	Number of Shares
Franco-Nevada	FNV	25%	6.25%	NA	$129.96	$62,500	481
SPDR Gold ETF	GLD	25%	6.25%	0.40%	$245.73	$62,500	254
Franklin Bitcoin ETF	EZBC	50%	12.50%	0.40%	$36.66	$125,000	3410
Gold and Bitcoin			25.00%			$250,000	

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Cash Is King...

If Managed Well – 25% Portfolio Allocation

Manage your cash position (starting at 25% of *Porter's Permanent Portfolio*) depending on market conditions.

Where we agree with Harry most strongly is having a large cash portion. Yes, it will, at times, be a drag on performance, but having cash on hand when there's a market panic will pay huge dividends over time, enabling you to buy high-quality companies when there is blood in the street.

We recommend actively managing the cash portion of the fund, using a variety of valuation metrics to determine if the market (overall) is cheap, fairly priced, or overvalued. Adjust your cash allocation to 25% when stocks are really expensive and take that down to 15% when they're priced normally, and then down to 5% when there's a crisis, or, like in late March 2020 (at the COVID bottom), when they're at decade lows. We're starting *Porter's Permanent Portfolio* at a 25% cash allocation.

For the cash portion of the fund (25%), stick with the U.S. short-term note ETF (SHY), the mid-term EFT (IGSB), and a short-duration, high-yield ETF (FHYS).

Cash

	Ticker	Segment Allocation	Portfolio Allocation	Yield	Expense	Price per Share	Position Value	Number of Shares
iShares 1-3 Year Treasury Bond ETF	SHY	33%	8.33%	3.67%	0.15%	$83.22	$83,333	1,001
iShares 1-5 Year Investment Grade Corporate Bond ETF	IGSB	33%	8.33%	3.72%	0.04%	$52.64	$83,333	1,589
Federated Hermes Short Duration High-Yield ETF	FHYS	33%	8.33%	6.50%	0.51%	$23.22	$83,333	3,589
Cash			25.00%				$250,000	

These are the four segments that make up *Porter's Permanent Portfolio*: Equity (The Lindy Forever Companies), Insurance (Better Than Bonds), Gold and Bitcoin, and Cash. Below we provide additional detail about the companies or funds that we have allocated to each portion of the portfolio.

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The Lindy Forever Companies

25% Portfolio Allocation

Philip Morris International (NYSE: PM) – 3.75% Portfolio Allocation

Philip Morris International (NYSE: PM) is one of the largest tobacco companies in the world, with products sold in 180 countries. Over the past decade, the company has invested heavily in less-harmful alternatives to traditional tobacco products. These investments have made Philip Morris the global leader in less-harmful nicotine consumption, including its hit IQOS and ZYN brands. Unlike traditional tobacco companies suffering from declining sales, Philip Morris' smoke-free business is delivering double-digit revenue and earnings growth.

The company is highly capital efficient, with 40% operating margins and a 27% average return on capital. It's also one of the most recession-resistant businesses ever.

Philip Morris is a great forever stock trading at just 19x earnings and paying a 4.5% dividend yield. This makes it a great, safe choice for the inaugural *Porter's Permanent Portfolio*. Important to note, it is one of Porter Stansberry's favorite stocks of all time.

Philip Morris International (PM) — **Portfolio Weighting: 3.75%**

			Select Financials	**2023**	**2024E**	**2025E**
Current Price		$120.46				
52-week range	$87.23	$128.22	Revenue ($billions)	$35.2	$37.5	$40.1
			EBITDA ($billions)	$13.9	$15.6	$17.0
Market Cap. ($billions)		$187.3	*EBITDA Margin*	*39.5%*	*41.7%*	*42.4%*
Enterprise Value ($billions)		$233.4	Net Income ($billions)	$7.8	$9.6	$10.9
Dividend Yield		4.5%	*Net Margin*	*22.2%*	*25.7%*	*27.3%*
Exchange		NYSE	EPS	$5.59	$6.40	$7.04
Cash & Equity ($billions)		$4.8	Free Cash Flow ($billions)	$7.9	$9.5	$10.5
Total Debt ($billions)		$49.1	*FCF Margin*	*22.4%*	*25.3%*	*26.3%*
Net Cash (Debt) ($billions)		($44.3)	**Valuation**			
			Price-to-Sales	5.3	5.0	4.7
ROIC		23.5%	EV/EBITDA	13.3	14.9	13.5
ROIC 10-yr Avg.		36.9%	Price-to-Earnings	21.6	18.8	17.1

Share Price
$130
$120
$110
$100
$90
$80
2021
2022
2023
2024
Source: Bloomberg

Data as of October 1, 2024

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Coca-Cola (NYSE: KO) – 3.75% Portfolio Allocation

Coca-Cola (NYSE: KO) is the owner of the iconic Coca-Cola brand. It also owns several of the world's top soft-drink brands, including Sprite, Fanta, Coca-Cola Zero Sugar, and Diet Coke/Coca-Cola Light. In addition to soft drinks, it markets water, sports, coffee, and tea; other top brands it owns include BodyArmor, Minute Maid, Powerade, Dasani, and Vitaminwater. With 33.3 billion unit cases of products sold, Coca-Cola reaches consumers in more than 200 countries. Nearly 65% of its sales come from outside the U.S. Headquartered in Atlanta, Coca-Cola has about 315 production facilities, distribution and storage facilities, as well as some 1,595 retail stores across the globe.

The company's key competitive advantages are its brand power, and the sheer size and scale of its business as the world's largest soft drink maker with 48% global market share. This size advantage gives Coca-Cola a dominant marketing budget, which further cements its brand into the mind share of consumers around the world each year. Last year, the company spent approximately $5 billion on advertising.

In 2023, the company had a total revenue of $45.8 billion, a 6% increase from the previous year. Net income in 2023 was $10.7 billion, a 12% increase from the previous year, and its cash balance at the end of 2023 was $9.4 billion. Operating activities generated $11.6 billion, while investing activities used $3.3 billion, mainly for purchases of investments. Financing activities used another $8.3 billion, primarily for dividends.

Coca-Cola (KO) — Portfolio Weighting: 3.75%

			Select Financials	2023	2024E	2025E
Current Price		[illegible]				
52-week range	$57.55	$73.53	Revenue ($billions)	$45.8	$46.0	$48.2
			EBITDA ($billions)	$13.0	$15.1	$16.1
Market Cap. ($billions)		$308.5	EBITDA Margin	28.0%	32.8%	33.5%
Enterprise Value ($billions)		$335.9	Net Income ($billions)	$10.7	$12.0	$13.0
Dividend Yield		2.7%	Net Margin	23.4%	26.0%	27.0%
Exchange		NYSE	EPS	$2.85	$3.05	$3.04
Cash & Equity ($billions)		$14.0	Free Cash Flow ($billions)	$9.7	$9.3	$9.6
Total Debt ($billions)		$43.6	FCF Margin	21.3%	20.1%	19.9%
Net Cash (Debt) ($billions)		($29.6)	Valuation			
			Price-to-Sales	6.8	6.7	6.4
ROIC		11.9%	EV/EBITDA	25.1	22.5	21.2
ROIC 10-yr Avg.		10.1%	Price-to-Earnings	[illegible]	25.2	23.7

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McDonald's (NYSE: MCD) – 3.75% Portfolio Allocation

McDonald's (NYSE: MCD) is the world's largest fast-food brand, with 40,000 stores across 100 countries. The wonderful thing about McDonald's is that it doesn't own or operate most of its stores. Instead, it franchises 95% of its U.S. stores and 80% of its international locations, with a long-term goal to reach 95% franchised locations globally.

This franchise model is incredibly capital efficient. McDonald's relies on its franchisees to make the upfront investment to open each store, as well as paying the ongoing operating expenses like rent, salaries, and food costs. McDonald's avoids all of these costs in its franchised locations, and simply collects a royalty equal to 5% of every dollar that flows through the register. This makes McDonald's a high-returning and capital-light business, with 21% returns on capital and 33% profit margins.

In 2023, the company generated total revenue of $25.5 billion, a 10% increase from the previous year. Net income in 2023 was $8.5 billion, a 37% increase from the previous year.

The company's cash balance was $4.6 billion at the end of 2023. Operating activities generated $9.6 billion. Investing activities used $3.2 billion, mainly for capital expenditures. Financing activities used another $4.4 billion, primarily for common stock dividends.

McDonald's (MCD) — Portfolio Weighting: 3.75%

Current Price		$303.66
52-week range	$243.53	$306.96
Market Cap. ($billions)		$217.8
Enterprise Value ($billions)		$269.0
Dividend Yield		2.3%
Exchange		New York
Cash & Equity ($billions)		$0.8
Total Debt ($billions)		$52.0
Net Cash (Debt) ($billions)		($51.2)
ROIC		20.4%
ROIC 10-yr Avg.		19.4%

Select Financials	2023	2024E	2025E
Revenue ($billions)	$25.5	$26.1	$27.3
EBITDA ($billions)	$15.2	$14.0	$14.8
EBITDA Margin	*59.5%*	*53.8%*	*54.3%*
Net Income ($billions)	$8.5	$8.4	$9.0
Net Margin	*32.2%*	*32.1%*	*32.8%*
EPS	$11.83	$11.80	$12.73
Free Cash Flow ($billions)	$7.3	$7.9	$8.4
FCF Margin	*28.5%*	*30.4%*	*30.6%*
Valuation			
Price-to-Sales	8.5	8.3	8.0
EV/EBITDA	16.9	18.3	17.3
Price-to-Earnings	25.7	25.7	23.9

Share Price

$320
$300
$280
$260
$240
$220
$200
2021
2022
2023
2024

Source: Bloomberg

Data as of October 1, 2024

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Johnson & Johnson (NYSE: JNJ) – 2.5% Portfolio Allocation

Johnson & Johnson (NYSE: JNJ) is engaged in the research and development, manufacturing, and sale of a broad range of healthcare products. Its Pharmaceuticals segment is focused on manufacturing medicines for immunology, infectious diseases, neuroscience, cardiovascular, metabolism, pulmonary hypertension, and oncology ailments. Its MedTech segment includes a broad portfolio of products used in the Orthopaedic, Surgery, Interventional Solutions (cardiovascular and neurovascular), and Vision fields. The company operates worldwide and makes about 55% of its revenue in the U.S.

Headquartered in New Brunswick, New Jersey, J&J operates some 60 manufacturing facilities worldwide, with 55% of revenue in the U.S., approximately 25% from Europe, about 15% from the Asia-Pacific and Africa region.

In 2023, the company had a total revenue of $85.2 billion, a 6% increase from the previous year. Net income in 2023 was $35.2 billion, a 96% increase from the previous year.

Johnson & Johnson (JNJ) — **Portfolio Weighting: 2.5%**

			Select Financials	2023	2024E	2025E
Current Price		[illegible]	Revenue ($billions)	$85.2	$88.5	$91.2
52-week range	$143.13	$168.85	EBITDA ($billions)	$29.1	$31.5	$33.8
Market Cap ($billions)		$389.3	EBITDA Margin	34.2%	35.6%	36.8%
Enterprise Value ($billions)		$405.3	Net Income ($billions)	$35.2	$19.4	$21.4
Dividend Yield		3.1%	Net Margin	41.3%	21.9%	23.5%
Exchange		New York	EPS	$8.47	$10.02	$10.71
Cash & Equiv ($billions)		$25.5	Free Cash Flow ($billions)	$18.2	$21.4	$24.4
Total Debt ($billions)		$41.5	FCF Margin	21.4%	24.1%	26.6%
Net Cash (Debt) ($billions)		($16.0)	Valuation			
			Price-to-Sales	4.6	4.7	4.3
ROIC		15.1%	EV/EBITDA	13.9	12.7	11.5
ROIC 10-yr Avg.		16.3%	Price-to-Earnings	19.0	16.1	15.1

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Caterpillar (NYSE: CAT) – 2.5% Portfolio Allocation

Originally organized as Caterpillar Tractor Co. in 1925 and reorganized as **Caterpillar (NYSE: CAT)** in 1986, the company makes construction and mining equipment, which includes excavators, loaders, and tractors as well as forestry, paving, and tunneling machinery. It manufactures diesel and natural-gas engines, industrial gas turbines, and diesel-electric locomotives. Subsidiary Caterpillar Financial Services offers financing products and services for dealers and customers, allowing the company to be a top U.S. exporter. Its Energy & Transportation segment supports customers in oil and gas, power generation, marine, rail and industrial applications, including Cat machines. The U.S. supplies around 45% of revenue.

Caterpillar (CAT)

Portfolio Weighting: 2.5%

Current Price		$392.39	**Select Financials**	**2023**	**2024E**	**2025E**
52-week range	$223.76	$397.22	Revenue ($billions)	$67.1	$63.2	$64.9
			Operating Income ($billions)	$15.3	$15.6	$15.6
Market Cap. ($billions)		$190.3	*Operating Income Margin*	*22.8%*	*24.7%*	*24.1%*
Enterprise Value ($billions)		$195.4	Net Income ($billions)	$10.3	$10.5	$10.6
Dividend Yield		1.4%	*Net Income Margin*	*15.4%*	*16.6%*	*16.3%*
Exchange		NYSE	EPS	$21.20	$22.09	$22.77
Cash & Equity ($billions)		$4.3	Free Cash Flow ($billions)	$9.8	$9.3	$9.4
Total Debt ($billions)		$37.3	*FCF Margin*	*14.6%*	*14.7%*	*14.6%*
Net Cash (Debt) ($billions)		($33.0)	**Valuation**			
			Price-to-Sales	2.8	3.0	2.9
ROIC		19.46%	EV/EBITDA	10.9	10.8	10.8
ROIC 10-yr Avg.		8.5%	Price-to-Earnings	18.5	17.8	17.2

Share Price

$450
$400
$350
$300
$250
$200
$150
$100

2021 2022 2023 2024

Source: Bloomberg

Data as of October 1, 2024

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Deere & Company (NYSE: DE) – 2.5% Portfolio Allocation

Deere & Company (NYSE: DE) is the largest seller of agricultural equipment in the world, with 18% global market share. In its key U.S. geography, Deere controls roughly 60% of the market in tractors and combines. And its leading brand power developed over the last two centuries has translated into unmatched customer loyalty. Deere consistently ranks at the top of the brand-loyalty rankings from Progressive Farmer, one of America's longest-running agricultural magazines. Survey results from the publication indicate 52% of Deere customers are brand loyal, compared with 42% for its next closest competitor.

Historically, Deere's distinguished brand and customer loyalty provided its greatest competitive advantage. But today, the company's sheer size compounds that strength.

Deere currently generates $61 billion in annual sales – more than double the $24 billion in sales from its next closest competitor, CNH Industrial (CNHI), and more than four times its next closest rival AGCO (AGCO).

This larger revenue allows Deere to invest more in research and development (R&D). Deere currently plows about $2 billion into R&D, or roughly 50% more than the combined R&D budget of CNH and AGCO.

Deere & Company (DE) — Portfolio Weighting: 2.5%

Current Price		$416.44
52-week range	$340.20	$420.47
Market Cap. ($billions)		$113.9
Enterprise Value ($billions)		$116.1
Dividend Yield		1.4%
Exchange		NYSE
Cash & Equity ($billions)		$8.1
Total Debt ($billions)		$65.9
Net Cash (Debt) ($billions)		($57.7)
ROIC		12.9%
ROIC 10-yr Avg.		8.2%

Select Financials	2023	2024E	2025E
Revenue ($billions)	$61.3	$44.9	$43.3
EBITDA ($billions)	$17.6	$9.7	$9.2
EBITDA Margin	*28.7%*	*241.5%*	*21.2%*
Net Income ($billions)	$10.2	$6.9	$6.0
Net Margin	*16.6%*	*15.3%*	*13.8%*
EPS	$35.14	$24.95	$22.81
Free Cash Flow ($billions)	$4.1	$4.9	$5.6
FCF Margin	*6.7%*	*10.9%*	*13.0%*
Valuation			
Price-to-Sales	1.9	2.5	2.6
EV/EBITDA	6.2	11.3	12.7
Price-to-Earnings	11.8	16.7	18.3

Share Price

$475
$450
$425
$400
$375
$350
$325
$300
$275
2021
2022
2023
2024

Source: Bloomberg

Data as of October 1, 2024

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EQT (NYSE: EQT) – 1.25% Portfolio Allocation

EQT (NYSE: EQT) is America's largest natural gas producer, supplying 5.3 billion cubic feet of gas each day, or about 5% of total U.S. output. The company's production is centered on the largest natural-gas reserve in the world, the Marcellus Shale, covering parts of West Virginia and Pennsylvania. As of year-end 2023, EQT had 18 trillion cubic feet of gas reserves.

This company sits on a resource that's so big and is growing production so much that it will become the world's most important energy company over the next decade. EQT is positioning itself to emerge stronger on the other side of today's oversupplied market, by becoming the first fully vertically integrated U.S. gas producer. This means controlling every stage of the gas value chain, from production to transportation into end-demand centers. In July 2024, the company made further progress toward this goal by completing the acquisition of Equitrans Midstream, a pipeline business that will add more than 2,000 miles of pipelines to its previous 4,000 miles of capacity. This will reduce EQT's breakeven price to $2 per million British thermal units ("MMBtu") – $0.75 below its peer average.

EQT (EQT) — Portfolio Weighting: 1.25%

Current Price	$36.25	**Select Financials**	**2023**	**2024E**	**2025E**
52-week range	$30.02 $45.23	Revenue ($billions)	$5.6	$6.0	$8.1
		EBITDA ($billions)	$4.1	$3.3	$5.2
Market Cap. ($billions)	$21.5	*EBITDA Margin*	*72.2%*	*55.5%*	*63.4%*
Enterprise Value ($billions)	$26.5	Net Income ($billions)	$1.7	$0.5	$2.0
Dividend Yield	1.7%	*Net Margin*	*30.7%*	*8.0%*	*24.6%*
Exchange	NYSE	EPS	$2.28	$1.35	$3.06
Cash & Equity ($millions)	$30	Free Cash Flow ($billions)	$1.2	$0.5	$2.1
Total Debt ($millions)	$4,952	*FCF Margin*	*20.5%*	*7.5%*	*25.7%*
Net Cash (Debt) ($millions)	($4,922)	**Valuation**			
		Price-to-Sales	3.8	3.6	2.6
ROIC	4.8%	EV/EBITDA	4.7	10.4	6.4
ROIC 10-yr Avg.	1.6%	Price-to-Earnings	15.9	26.8	11.8

Share Price

$60 $50 $40 $30 $20 $10 $0

2021 2022 2023 2024

Source: Bloomberg

Data as of October 1, 2024

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Texas Pacific Land (NYSE: TPL) – 1.25% Portfolio Allocation

In business for 136 years, **Texas Pacific Land (NYSE: TPL)** is the largest private landholder in the Permian Basin – America's most important oil basin spread across West Texas and New Mexico, responsible for nearly 50% of total U.S. oil production. But Texas Pacific doesn't engage in the capital-intensive business of drilling for oil. Instead, it leases the rights to its 880,000 acres of land for drillers to produce oil and gas on its property. In exchange for leasing this land, Texas Pacific collects a percentage of the oil and gas produced on its land, known as royalties.

This makes Texas Pacific an incredibly capital efficient business model, with profit margins regularly exceeding 60%. Last year, it generated $675 million in revenue and $450 million in net income. The $22 billion business operates with just 100 employees, meaning it generates $4.5 million in earnings per employee.

Texas Pacific also makes money from supplying water to drillers from the aquifers underneath its land, a business segment that has boomed due to rising water demands from hydraulic fracturing during the shale revolution. The company also makes money from produced water, which is a byproduct of oil and gas production. When drillers send their produced water across Texas Pacific's land for disposal or to treatment plants for recycling, the company collects royalties on that water, providing another source of high-margin revenue.

This business has become one of the longest-running success stories in the American stock market. An initial investment of $3,000 at its formation in the late 1800s would have grown into $2 billion today. And despite its incredible track record of wealth creation, few investors have ever heard of it.

This obscure security has no coverage from Wall Street analysts, for one simple reason: it doesn't need to hire banks to raise new capital. That's because this incredibly capital efficient business generates all the cash it will ever need, with plenty left over for consistent dividend payouts and share repurchases. In fact, due to its unusual structure, it was originally formed with the sole objective of returning capital to investors.

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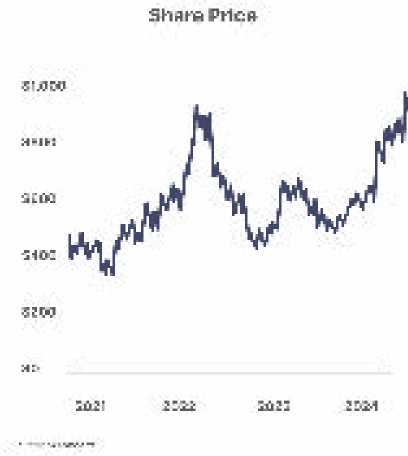
Texas Pacific Land (TPL)

Portfolio Weighting: 1.25%

			Select Financials	2023	2024E	2025E
Current Price		[illegible]				
52-week range	[illegible]	[illegible]	Revenue ($billions)	[illegible]	[illegible]	[illegible]
			EBITDA ($billions)	$0.4	$0.6	$0.5
Market Cap. ($billions)		[illegible]	EBITDA Margin	[illegible]	86.7%	73.4%
Enterprise Value ($billions)		[illegible]	Net Income ($billions)	$0.3	$0.4	[illegible]
Dividend Yield		[illegible]	Net Margin	[illegible]	[illegible]	64.2%
Exchange		NYSE	EPS	[illegible]	$15.26	$17.50
Cash & Equity ($billions)		$0.9	Free Cash Flow ($billions)	$0.2	$0.4	[illegible]
Total Debt ($billions)		$0.0	FCF Margin	55.2%	[illegible]	66.6%
Net Cash (Debt) ($billions)		$0.9	**Valuation**			
			Price-to-Sales	46.6	31.5	33.5
ROIC		[illegible]	EV/EBITDA	[illegible]	22.3	[illegible]
ROIC 10-yr Avg.		[illegible]	Price-to-Earnings	[illegible]	47.5	52.0



Taiwan Semiconductor Manufacturing (NYSE: TSM) – 1.25% Portfolio Allocation

Taiwan Semiconductor Manufacturing (NYSE: TSM) is the world's largest semiconductor manufacturer. Taiwan Semiconductor ("TSM") produces 90% of the world's most advanced sub-10 nanometer (nm) computing chips. Thus, for many of the world's leading chip designers like Nvidia (NVDA), Apple (AAPL), Qualcomm (QCOM), and others, TSM is the only game in town for manufacturing these high-end semiconductors.

TSM's monopoly-level pricing power generates returns on par with some of the world's most capital efficient businesses. Over the last three years, TSM has averaged a 32% return on equity and 19% free cash flow margins. TSM shares have generated a compounded annual return of 22.5% since first going public on the Taiwan stock exchange in 1994.

Fueled by rising demand from today's parallel-processing boom, analysts expect TSM will grow revenue 59% from $69 billion last year to $110 billion in 2025. Net income will increase 63% from $27 billion last year to $44 billion in 2025.

TSM currently trades at a market capitalization of $790 billion. Relative to the $44 billion it is expected to earn in 2025, that gives it a forward price-to-earnings valuation multiple of just 18x.

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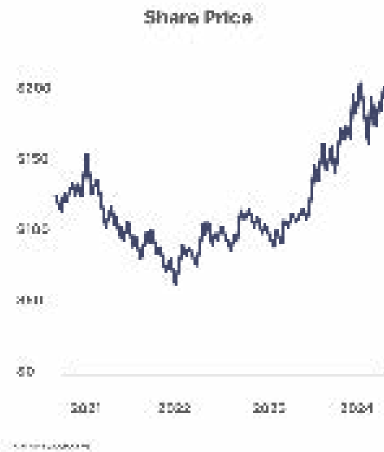
Taiwan Semiconductor (TSM) — **Portfolio Weighting: 1.25%**

Current Price		$172.07
52 week range	$84.55	$193.47
Market Cap. ($billions)		$892.4
Enterprise value ($billions)		$881.9
Dividend Yield		1.1%
Exchange		New York
Cash & Equity ($billions)		$103.2
Total Debt ($billions)		$31.7
Net Cash (Debt) ($billions)		$31.5
ROIC		19.1%
ROIC 10-yr Avg.		21.1%

Select Financials	2023	2024E	2025E
Revenue ($billions)	$70.4	$88.9	$108.3
EBITDA ($billions)	$45.6	$59.1	$73.0
EBITDA Margin	67.2%	66.8%	66.4%
Net Income ($billions)	$28.9	$34.3	$43.3
Net Margin	37.8%	38.6%	39.9%
EPS	$1.03	$1.33	$1.69
Free Cash Flow ($billions)	$10.7	$21.4	$30.4
FCF Margin	15.5%	[illegible]	27.6%
Valuation			
Price-to-Sales	13.2	10.1	8.2
EV/EBITDA	12.5	14.5	11.5
Price-to-Earnings	30.2	[illegible]	[illegible]



Alibaba (NYSE: BABA) – 1.25% Portfolio Allocation

Alibaba (NYSE: BABA) is one of the world's largest retail and e-commerce companies. But that's just the start. The China-based company also owns its own logistics network for shipping products around the world, in addition to a thriving cloud-computing business. The company reinvests a significant portion of its operating profits, which have ballooned in size to a massive $133 billion portfolio – making it one of the largest venture-capital and investment firms in the world. Through its asset management arm, the company holds significant investments in some of China's most valuable companies. This includes a 33% stake in the Ant Group, which is the second largest financial-services company in the world behind Visa (V).

The company operates in seven operating segments: China commerce (some 70% of sales), Cloud (about 10%), International Commerce (over 5%), Local Consumer Services, Cainiao, and Digital Media and Entertainment (some 5% each).

Company's revenue for fiscal 2024 increased to $131 billion, up 8% from $127 billion the year before. Net income for fiscal 2024 rose 13% to $18.1 billion compared with $15.7 billion the prior year.

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Alibaba completed its initial public offering ("IPO") on the New York Stock Exchange in 2014, which valued the company at a $231 billion market capitalization. This made it the largest IPO in history at the time. As the shares rallied from there, it went on to become the second Chinese company in history to become worth more than $500 billion, before a bear market in Chinese stocks pushed its valuation back down to $270 billion today. With a net cash balance of $60 billion, Alibaba trades at an enterprise value of $210 billion, or just 8x its EBITDA (earnings before interest, taxes, depreciation, and amortization) of $25 billion over the last 12 months.

Alibaba (BABA)

Portfolio Weighting: 1.25%

			Select Financials	2023	2024E	2025E
Current Price		$112.74				
52-week range	$66.63	$112.79	Revenue ($billions)	$131.3	$143.7	$155.9
			EBITDA ($billions)	$23.5	$27.7	$30.6
Market Cap. ($billions)		$270.6	*EBITDA Margin*	*17.9%*	*19.3%*	*19.6%*
Enterprise Value ($billions)		$207.7	Net Income ($billions)	$11.2	$15.0	$17.4
Dividend Yield		0.9%	*Net Margin*	*8.5%*	*10.5%*	*11.2%*
Exchange		New York	EPS	$7.12	$9.16	$10.27
Cash & Equity ($billions)		$107.3	Free Cash Flow ($billions)	$21.0	$21.4	$27.7
Total Debt ($billions)		$28.6	*FCF Margin*	*16.0%*	*14.6%*	*17.8%*
Net Cash (Debt) ($billions)		$78.7	**Valuation**			
			Price-to-Sales	2.0	1.9	1.7
ROIC		5.1%	EV/EBITDA	5.6	8.5	7.4
ROIC 10-yr Avg.		9.7%	Price-to-Earnings	15.5	12.3	11.0

Share Price

$200
$150
$100
$50
$0
2021
2022
2023
2024

Source: Bloomberg

**Fiscal year ended March 31, 2024*

Tencent (OTC: TCEHY) – 1.25% Portfolio Allocation

Tencent (OTC: TCEHY) is a Chinese holding company that provides services including social network, music, gateway websites, e-commerce, mobile gaming, payment systems, entertainment, artificial intelligence, and technology solutions through its subsidiaries. Tencent serves customers worldwide with interests in 700 portfolio companies, including about 100 that are publicly traded, but it has transformed into a Chinese super app, becoming one of the most well known brands in the region.

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Tencent is best known for WeChat, a messaging service with more than 1.3 billion monthly users. WeChat is one of the most successful super apps that offers a broad range of services from gaming to content subscriptions. By creating an ecosystem between its messaging app and content services, Tencent attracted and scaled its ecosystem to build a popular super app. As an early mover, Tencent expanded to adjacent services that it could easily embed into its messaging app and gaming products such as cloud software, payments, and advertising for enterprises. By offering so many services from shopping online to shopping to banking to even utilities, Tencent's super app has become the one stop shop for all of these services and many more in China.

Tencent's WeChat ecosystem is deeply integrated into the daily lives of Chinese users, making it difficult for competitors to displace. Plus, its diversification into gaming, social media, cloud computing, fintech, and entertainment help minimize risk to a single industry's downturn making it a perfect addition for *Porter's Permanent Portfolio*.

The company also boasts a strong financial performance highlighted by an average return of 28% on equity over 10 years and 28% average revenue growth over the same period. Trading at roughly 18× 2024 earnings, the stock lists at a discount relative to its 22x five-year average.

Tencent (TCEHY)

Portfolio Weighting: 1.25%

Current Price		[illegible]
52-week range	$38.10	$57.36
Market Cap. ($billions)		$533.7
Enterprise Value ($billions)		$540.3
Dividend Yield		0.7%
Exchange		OTCUS
Cash & Equity ($billions)		$93.2
Total Debt ($billions)		$50.[illegible]
Net Cash (Debt) ($billions)		[illegible]
ROIC		11.7%
ROIC 10-yr Avg.		12.2%

Select Financials	2023	2024E	2025E
Revenue ($billions)	$86.0	$94.2	$102.3
EBITDA ($billions)	$30.9	$35.0	$38.3
EBITDA Margin	35.9%	37.1%	37.8%
Net Income ($billions)	$16.3	$26.1	$29.3
Net Margin	18.9%	27.7%	28.5%
EPS	$1.00	$3.17	$3.51
Free Cash Flow ($billions)	$28.5	$28.3	$32.7
FCF Margin	33.1%	29.9%	31.9%
Valuation			
Price-to-Sales	6.2	5.7	5.2
EV/EBITDA	11.0	15.6	14.1
Price-to-Earnings	31.5	18.1	16.3

Data as of October 1, 2024

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Better Than Bonds

25% Portfolio Allocation

Chubb (NYSE: CB) – 5% Portfolio Allocation

Chubb (NYSE: CB) sells commercial and personal property and casualty (P&C) insurance, personal accident and supplemental health insurance (A&H), reinsurance, and life insurance to a diverse group of clients. The world's largest publicly traded P&C insurer, Chubb primarily provides those lines of insurance to commercial and personal customers in some 55 countries and territories. Chubb holds total assets of approximately $240 billion.

Its largest business segments are North America Commercial P&C Insurance, with about 40% of net premiums earned, and Overseas General Insurance, which accounts for about 30% of net premiums (the amount of premiums paid by customers minus the sales and administrative expense to earn it). Chubb's customers range from individuals and small businesses to multinational corporations and other insurance companies.

The company's revenue for fiscal 2023 increased by 15% to $51 billion compared from the prior year. Net income was a record $9.0 billion compared with $6.5 billion in 2022. Net income in 2023 was driven by strong P&C underwriting results, including growth in net premiums earned and improvements in its loss and loss expense ratios.

Cash held by the company at the end of fiscal 2023 increased to $2.45 billion. Cash provided by operations was $12.6 billion while cash used for investing and financing activities were $7.7 billion and $4.5 billion, respectively.

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Chubb (CB) — Portfolio Weighting: 5.0%

			Select Financials	2023	2024E	2025E
Current Price		$292.12	Revenue ($billions)	$50.0	$56.5	$60.5
52-week range	$204.15	$294.18	Operating Income ($billions)	$10.2	$9.0	$9.8
Market Cap. ($billions)		$118.0	*Operating Income Margin*	*20.4%*	*15.9%*	*16.2%*
Enterprise Value ($billions)		$135.0	Net Income ($billions)	$9.0	$8.8	$9.7
Dividend Yield		1.2%	*Net Income Margin*	*18.0%*	*15.7%*	*16.0%*
Exchange		NYSE	EPS	$21.80	$21.57	$23.49
Cash & Equity ($billions)		$2.4	Combined Ratio	87%	87%	87%
Total Debt ($billions)		$15.8	**Valuation**			
Net Cash (Debt) ($billions)		($13.4)	Price-to-Sales	2.4	2.1	2.0
ROIC		18.0%	Price-to-Earnings	13.4	13.5	12.4
ROIC 10-yr Avg.		8.6%	Price-to-Book	2.0	1.8	1.7

Data as of October 1, 2024

Price-to-book (P/BV) is the valuation technique we prefer for insurers like Chubb. P/BV provides a measure of the price of the company relative to its net asset value based on its current balance sheet (the sum of all assets, net of liabilities). See our **Insurance Valuation Monitor** for details on how we value P&C companies.

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W.R. Berkley – 5% Portfolio Allocation

W.R. Berkley (NYSE: WRB) is a standout P&C insurance company with a multi-decade track record of creating tremendous value for shareholders. It is among the best insurance underwriters in the industry, generating significantly more revenue from policy premiums versus its expenses and losses paid out via claims for the majority of its life.

W.R. Berkley (WRB)

Portfolio Weighting: 5.0%

Current Price		[illegible]
52-week range	[illegible]	[illegible]
Market Cap ($billions)		[illegible]
Enterprise Value ($billions)		[illegible]
Dividend Yield		[illegible]
Exchange		NYSE
Cash & Equity ($millions)		[illegible]
Total Debt ($millions)		[illegible]
Net Cash (Debt) ($millions)		[illegible]
ROIC		[illegible]
ROIC 10-yr Avg.		[illegible]

Select Financials	2023	2024E	2025E
Revenue ($billions)	[illegible]	[illegible]	[illegible]
Operating Income ($billions)	[illegible]	[illegible]	[illegible]
Operating Income Margin	[illegible]	[illegible]	[illegible]
Net Income ($billions)	[illegible]	[illegible]	[illegible]
Net Income Margin	[illegible]	[illegible]	[illegible]
EPS	[illegible]	[illegible]	[illegible]
Combined Ratio	[illegible]	[illegible]	[illegible]
Valuation			
Price-to-Sales	1.8	1.5	1.5
Price-to-Earnings	[illegible]	[illegible]	[illegible]
Price-to-Book	[illegible]	2.6	[illegible]

Well-run P&C insurance companies enjoy a financial benefit like no other business: they have a negative "cost" of capital, meaning they effectively get paid to borrow money.

Unlike traditional financial companies, like banks or investment funds that must pay for borrowing capital, P&C insurance companies like W.R. Berkley receive all the capital they need from its policyholders. That's because when W.R. Berkely collects insurance premiums by writing new policies to its customers, it typically won't pay out claims on those policies for many years into the future (and in some cases, it may never pay out a dime in claims). In the meantime, W.R. Berkley gets to invest that capital, known as float, into safe fixed income investments and earn a return.

As long as the company underwrites its policies well – that is, it collects more in premiums versus its operating expenses and losses from claims – this float acts like a

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source of negative cost capital. We can measure the success of an insurance company's underwriting process through the combined ratio.

As with any P&C insurance company, when the policies it sells cover both the cost of the customer's claims and the company's operating costs, the firm's combined ratio will be less than 100% of its premiums.

W.R. Berkley nearly *always* produces a combined ratio that's less than 100% of its premiums, which means W.R. Berkley starts out every year with a huge advantage against its peers and against all other companies in the S&P 500. That's the primary reason why, since the company was listed in 1974, the average annual gain in book value per share has been 16.3% – roughly double what the S&P 500 has produced in the same period.

The company invests a significant portion of its $22.9 billion investment portfolio in high-quality bonds, avoiding the pitfalls of chasing higher yields of riskier companies. This cautious approach has paid off, especially in recent years as interest rates have risen, allowing W.R. Berkley to reinvest maturing bonds at higher yields. Additionally, the company emphasizes organic growth, preferring to build new business units internally rather than through acquisitions, which aligns with its focus on long-term stability and profitability.

W.R. Berkley has consistently delivered substantial returns to shareholders through dividends and share repurchases while generating an 18% return on invested capital, making it one of the most attractive investments in P&C insurance… and an ideal fit for the *Porter's Permanent Portfolio*.

Kinsale Capital (NYSE: KNSL) – 3.75% Portfolio Allocation

Kinsale Capital (NYSE: KNSL) focuses on a subsegment of P&C insurance known as excess and surplus (E&S), a specialty market that insures against risks that standard P&C carriers won't cover.

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Kinsale Capital (KNSL) — Portfolio Weighting: 3.75%

Current Price		$479.86
52-week range	$325.01	$548.47
Market Cap. ($billions)		$11.2
Enterprise Value ($billions)		$11.2
Dividend Yield		0.1%
Exchange		NYSE
Cash & Equity ($millions)		$171
Total Debt ($millions)		$184
Net Cash (Debt) ($millions)		($13)
ROIC		30.0%
ROIC 10-yr Avg.		22.9%

Select Financials	2023	2024E	2025E
Revenue ($millions)	$1,224	$1,579	$1,869
Operating Income ($millions)	$394	$299	$353
Operating Income Margin	*32.2%*	*18.9%*	*18.9%*
Net Income ($millions)	$308	$375	$420
Net Income Margin	*25.2%*	*23.8%*	*22.5%*
EPS	$12.50	$15.23	$17.85
Combined Ratio	75%	80%	80%
Valuation			
Price-to-Sales	9.1	7.1	6.0
Price-to-Earnings	38.4	31.5	26.9
Price-to-Book	8.8	7.7	6.1

Share Price

$580
$530
$480
$430
$380
$330
$280
$230
$180
$130
2021
2022
2023
2024

Source: Bloomberg

Data as of October 1, 2024

The advantage of writing E&S insurance is that regulators classify these policies as "non-standard" due to the higher risks involved and don't tie them up with burdensome regulations, unlike "standard" P&C contracts that have strict regulatory guidelines.

E&S insurers have greater freedom to do things like charge higher premiums, elevate deductibles according to risk, and be restrictive with to, and protect their downside through high deductibles and policy exclusions. This is why non-standard E&S policies suffer lower losses versus standard P&C policies. And that means higher profits.

Kinsale is the most profitable underwriter among its E&S peers, with its highest average combined ratio of 78.5% for the years from 2015 to 2023.

The management team has a strong track record at keeping loss ratios low, through conservative underwriting and by fully maintaining risk management in-house. Its fully integrated, custom-built, data-management system enables a high degree of automation that has unlocked a structural cost advantage, making it the low-cost industry leader. Removing inefficiencies and emphasizing throughput enables Kinsale to process 2.6x more insurance premiums than its top competitor.

Kinsale is a fast-growing, low-cost industry leader that's aggressively taking market share from its competitors. Its growth trajectory still has plenty of upside, as it currently

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holds less than 2% of the U.S. E&S market. Trading at a 30% discount to its historical 10-year valuation, we see massive upside potential from today's prices given Kinsale's long runway for profitable growth and market share gains ahead.

Arch Capital (Nasdaq: ACGL) – 3.75% Portfolio Allocation

Arch Capital (Nasdaq: ACGL) provides P&C insurance and reinsurance, which is insurance sold to other insurers in order to offload a portion of the risk from their policies. The company is a global leader in the industry, with operations spanning the U.S., Canada, Europe, and Asia. It offers insurance across a range of industries including marine and aviation, professional liability, health care, and other specialty lines. The company distributes its products through both wholesale and retail brokers.

Fortuitous timing helped the company as it transformed itself starting in 2000 when what was Arch-U.S. sold off the assets of its Risk Capital Reinsurance to Folksamerica Reinsurance. It retained the core of the company and used it to form Arch Capital Group. As a freshly formed company, it did not face the load of claims that hit more established insurers following the events of September 11, 2001. Arch Capital commenced underwriting in October 2001 and capitalized on soaring rates and the need for fresh reinsurers. Earlier in that year, the company formed Arch Reinsurance and had acquired other insurance operations too.

As part of its transformation the company has sold off operations that no longer fit, including its non-standard automobile business, merchant banker Hales & Company, which specialized in insurance mergers and acquisitions, and P&C insurer American Independent Insurance.

The transformation turned Arch into one of the most consistently profitable insurers in the industry. Over the last two decades, it has generated an average combined ratio of 88.5, meaning it earns 11.5 cents of every dollar in policy premiums collected. And over that same time period, the company has never reported a single year combined ratio exceeding 100.

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Arch Capital (ACGL) — Portfolio Weighting: 3.75%

			Select Financials	2023	2024E	2025E
Current Price		$113.51	Revenue ($billions)	$13.6	$16.6	$18.2
52-week range	$72.85	$114.69	Operating Income ($billions)	$3.5	-$0.2	$0.6
Market Cap. ($billions)		$42.7	*Operating Income Margin*	*25.8%*	*-1.0%*	*3.1%*
Enterprise Value ($billions)		$45.2	Net Income ($billions)	$4.4	$4.0	$3.6
Dividend Yield		0.0%	*Net Income Margin*	*32.6%*	*23.8%*	*20.1%*
Exchange		NASDAQ	EPS	$18.88	$9.04	$9.04
Cash & Equity ($billions)		$1.0	Combined Ratio	79%	83%	86%
Total Debt ($billions)		$2.7	**Valuation**			
Net Cash (Debt) ($billions)		($1.7)	Price-to-Sales	3.1	2.6	2.3
ROIC		19.2%	Price-to-Earnings	6.0	12.6	12.6
ROIC 10-yr Avg.		10.2%	Price-to-Book	2.4	2.0	1.7

Share Price

$120
$100
$80
$60
$40
$20
2021
2022
2023
2024

Source: Bloomberg

Data as of October 1, 2024

Essent Group (NYSE: ESNT) – 3.75% Portfolio Allocation

Essent Group (NYSE: ESNT) makes sure mortgage lenders don't get left holding their hat when homeowners can't pay off their mortgage. The company, through subsidiary Essent Guaranty, is one of seven private mortgage insurers licensed to operate in the U.S. Essent Guaranty counts about 800 mortgage lenders as customers and is licensed to write mortgage insurance policies in all 50 states and Washington, D.C.

Since going public in 2013, it has grown revenue eight-fold, while earnings per share have increased by 7x. Despite the company's rapid growth, it trades at a discounted valuation of less than 10x earnings.

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Essent (ESNT) Portfolio Weighting: 3.75%

			Select Financials	2023	2024E	2025E
Current Price		$63.82	Revenue ($millions)	$1,110	$1,246	$1,318
52-week range	$45.63	$65.34	Operating Income ($millions)	$853	-$871	$898
Market Cap. ($billions)		$6.8	*Operating Income Margin*	*76.9%*	*69.9%*	*68.1%*
Enterprise Value ($billions)		$7.0	Net Income ($millions)	$696	$761	$763
Dividend Yield		1.8%	*Net Income Margin*	*62.8%*	*61.1%*	*57.9%*
Exchange		NYSE	EPS	$6.56	$7.01	$7.16
Cash & Equity ($millions)		$197	Combined Ratio	28%	28%	33%
Total Debt ($millions)		$422	**Valuation**			
Net Cash (Debt) ($millions)		($225)	Price-to-Sales	6.1	5.4	5.1
ROIC		12.6%	Price-to-Earnings	9.7	9.1	8.9
ROIC 10-yr Avg.		16.1%	Price-to-Book	1.3	7.8	6.1

Data as of October 1, 2024

Markel (NYSE: MKL) – 3.75% Portfolio Allocation

Markel (NYSE: MKL) is a leading global provider of specialty insurance and reinsurance. Founded in 1930, the company provides a wide range of policies including P&C, marine, and aviation.

Markel (MKL) Portfolio Weighting: 3.75%

			Select Financials	2023	2024E	2025E
Current Price		$1,572.72	Revenue ($billions)	$15.8	$15.9	$16.4
52-week range	$1,295.65	$1,670.24	Operating Income ($billions)	$2.8	$2.8	$2.4
Market Cap. ($billions)		$20.4	*Operating Income Margin*	*18.0%*	*17.4%*	*14.7%*
Enterprise Value ($billions)		$22.4	Net Income ($billions)	$2.0	$1.9	$1.8
Dividend Yield		0.0%	*Net Income Margin*	*12.6%*	*12.1%*	*10.7%*
Exchange		NYSE	EPS	$242.30	$100.18	$111.23
Cash & Equity ($millions)		$3,511	Combined Ratio	98%	96%	96%
Total Debt ($millions)		$4,400	**Valuation**			
Net Cash (Debt) ($millions)		($889)	Price-to-Sales	1.3	1.3	1.2
ROIC		13.2%	Price-to-Earnings	6.5	15.7	14.1
ROIC 10-yr Avg.		10.6%	Price-to-Book	1.4	1.3	1.2

Data as of October 1, 2024

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Headquartered in Glen Allen, Virginia, Markel manages its global operations through a network of subsidiaries throughout the U.S., Bermuda, the UK, Europe, Canada, Asia, and the Middle East. The company generates 65% of its revenue from policies issued in the U.S. with the remaining 35% of sales coming from international markets around the world.

Total revenue for 2023 was $17.3 billion, a 31% increase from the previous year. Net income in 2023 increased to $3.2 billion, up 256% from $900 million in 2022.

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Gold and Bitcoin

25% Portfolio Allocation

Franco-Nevada (NYSE: FNV)

Franco-Nevada (NYSE: FNV) is the leading gold royalty company, providing financing for mining companies to do the capital-intensive work of pulling rocks out of the ground, in exchange for a percentage of the mine's output.

Franco-Nevada (FNV)

Portfolio Weighting: 6.25%

Current Price		[illegible]
52-week range	$102.29	$142.60
Market Cap ($billions)		[illegible]
Enterprise Value ($billions)		$22.[illegible]
Dividend Yield		1.2%
Exchange		NYSE
Cash & Equity ($billions)		$1.4
Total Debt ($billions)		$0.0
Net Cash (Debt) ($billions)		$1.4
ROIC		[illegible]
ROIC 10-yr Avg.		[illegible]

Select Financials	2023	2024E	2025E
Revenue ($billions)	$1.2	$1.1	$1.3
EBITDA ($billions)	-$0.2	$1.0	$1.1
EBITDA Margin	[illegible]	84.7%	84.2%
Net Income ($billions)	-0.5	$0.[illegible]	$0.7
Net Margin	[illegible]	[illegible]	[illegible]
EPS	[illegible]	$3.21	$3.72
Free Cash Flow ($billions)	$0.[illegible]	$0.[illegible]	$1.1
FCF Margin	[illegible]	[illegible]	[illegible]
Valuation			
Price-to-Sales	19.7	21.3	18.8
EV/EBITDA	N/A	22.7	19.3
Price-to-Earnings	[illegible]	[illegible]	[illegible]

As a result, Franco-Nevada is highly capital efficient, generating 57% free cash flow margins. Its world-class management team has established one of the best track records in the industry.

Franco-Nevada shares sold off in October 2023 when the Panamanian government shut down a large copper mine that is one of the company's largest royalty assets. The Cobre Panama mine contributed 20% of Franco-Nevada's revenue and 16% of net asset value in 2023.

The shares regained some of what they lost after the mine was shut down, but they remain 27% lower than 2023 highs, effectively pricing in a total loss of Cobre Panama.

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SPDR Gold Shares (GLD) – 6.25% Portfolio Allocation

SPDR Gold Shares is an exchange-traded fund that reflects the performance of the price of gold bullion, less the fund's expenses.

Franklin Bitcoin ETF (EZBC) – 6.25% Portfolio Allocation

Franklin Bitcoin ETF is an exchange-traded fund that seeks to reflect the performance of the price of Bitcoin.

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Cash

25% Portfolio Allocation

iShares 1-3 Year Treasury Bond ETF (SHY) – 8.33% Portfolio Allocation

iShares 1-3 Year Treasury Bond ETF is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years.

iShares 1-5 Year Investment Grade Corporate Bond ETF (IGSB) – 8.33% Portfolio Allocation

iShares 1-5 Year Investment Grade Corporate Bond ETF is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. dollar-denominated investment-grade corporate bonds with remaining maturities between one and five years. The ETF seeks to track the ICE BofA 1-5 Year U.S. Corporate Index.

Federated Hermes Short Duration High-Yield ETF (FHYS) – 8.33% Portfolio Allocation

Federated Hermes Short Duration High Yield ETF is an exchange-traded fund incorporated in the U.S. that invests primarily in a diversified portfolio of U.S. dollar-denominated, high-yield, fixed-income instruments.

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Porter Stansberry's Permanent Portfolio

The Lindy Forever Companies

	Ticker	Segment Allocation	Portfolio Allocation	Price per Share	Position Value	Number of Shares
Philip Morris International	PM	15%	3.75%	$121.69	$37,500	308
Coca-Cola	KO	15%	3.75%	$71.45	$37,500	525
McDonald's	MCD	15%	3.75%	$300.47	$37,500	125
Johnson & Johnson	JNJ	10%	2.50%	$160.60	$25,000	156
Caterpillar	CAT	10%	2.50%	$378.25	$25,000	66
Deere & Company	DE	10%	2.50%	$406.93	$25,000	61
EQT	EQT	5%	1.25%	$35.16	$12,500	356
Texas Pacific Land	TPL	5%	1.25%	$927.73	$12,500	13
Taiwan Semiconductor	TSM	5%	1.25%	$182.35	$12,500	69
Alibaba	BABA	5%	1.25%	$95.46	$12,500	131
Tencent	TCEHY	5%	1.25%	$52.40	$12,500	239
The Lindy Forever Companies			**25.00%**		**$250,000**	

Better Than Bonds

	Ticker	Segment Allocation	Portfolio Allocation	Price per Share	Position Value	Number of Shares
Chubb	CB	20%	5.00%	$290.33	$50,000	172
W.R. Berkley	WRB	20%	5.00%	$56.39	$50,000	887
Kinsale Capital	KNSL	15%	3.75%	$448.97	$37,500	84
Arch Capital	ACGL	15%	3.75%	$113.07	$37,500	332
Essent	ESNT	15%	3.75%	$63.23	$37,500	593
Markel	MKL	15%	3.75%	$1,557.69	$37,500	24
Better Than Bonds			**25.00%**		**$250,000**	

Gold and Bitcoin

	Ticker	Segment Allocation	Portfolio Allocation	Expense	Price per Share	Position Value	Number of Shares
Franco-Nevada	FNV	25%	6.25%	NA	$129.96	$62,500	481
SPDR Gold ETF	GLD	25%	6.25%	0.40%	$245.73	$62,500	254
Franklin Bitcoin ETF	EZBC	50%	12.50%	0.40%	$36.66	$125,000	3410
Gold and Bitcoin			**25.00%**			**$250,000**	

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Cash

	Ticker	Segment Allocation	Portfolio Allocation	Yield	Expense	Price per Share	Position Value	Number of Shares
iShares 1-3 Year Treasury Bond ETF	SHY	33%	8.33%	3.67%	0.15%	$83.22	$83,333	1,001
iShares 1-5 Year Investment Grade CorporateBond ETF	IGSB	33%	8.33%	3.72%	0.04%	$52.64	$83,333	1,589
Federated Hermes Short Duration High-Yield ETF	FHYS	33%	8.33%	6.50%	0.51%	$23.22	$83,333	3,589
Cash			25.00%				$250,000	
Total Portfolio Value							**$1,000,000**	

Note: Prices as of market close September 25, 2024

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Frequently Asked Questions (FAQs)

How often will the portfolio be updated?

Porter's Permanent Portfolio is designed to be a set-and-forget portfolio. We don't anticipate making modifications unless there is an unexpected – historically unprecedented – development in one of the holdings, or unless we adjust the cash position. We will communicate to subscribers whenever we make a change to the portfolio.

How often will there be updates sent to subscribers?

Updates will be sent quarterly via email, even if there are no changes to the allocations, or more frequently if there are changes to report.

What is the start date of Porter's Permanent Portfolio?

The positions were established at the close of the market on September 25, 2024.

Will the portfolio use any type of trade stops?

No, it's a permanent portfolio, designed to set and forget and ride out the volatility in the market.

Is the portfolio designed to dollar-cost average into positions?

No, we are not dollar-cost averaging, only buying once.

What happens with income?

Income is reinvested into the position.

Why are there no distressed bonds in the portfolio?

While distressed bonds are an excellent addition to many portfolios, Porter's Permanent Portfolio is designed to be just that: Permanent. Individual bonds have a set term, which would require us to reallocate cash. The Better Than Bonds segment of the portfolio is in lieu of bonds, or of distressed bonds.

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A Note to Readers

The idea of a Permanent Portfolio is based on theories of Harry Browne, the legendary free-market economist, author, and two-time Libertarian Party presidential candidate.

Harry was a friend and mentor to Porter, after they met at the 1996 New Orleans Investment Conference. Harry thought and wrote about the long-term negative externalities of our fiat-currency monetary system for decades. He had a huge impact on Porter's investment philosophy and his approach to life, especially his book *How I Found Freedom in an Unfree World*. Brown's allocation strategy, known as the Permanent Portfolio, was designed to protect investors against the inevitable booms and busts of our inflation-driven economy. By minimizing volatility (instead of trying to maximize total returns) the goal of the strategy is to allow all investors – no matter how risk adverse – to protect themselves from the long-term degradation of the U.S. dollar.

This approach to investing isn't so much about which stocks are in the portfolio, but instead how the portfolio is "internally hedged." In fact, as we explain in our report, investors can build a permanent portfolio with as few as four ultra-low cost ETFs.

The real secret to the portfolio's performance is in its perfectly balanced allocations. This is an approach that's designed to minimize volatility, while, over the long-term, achieving almost the same results as the overall stock market. Historically this approach has delivered about 80% of the return of stocks in any given year, with about half the volatility.

Just as Ray Dalio at Bridgewater took these ideas and adjusted them based on his experience and worldview (includin≠g by adding leverage to juice the results in his Pure Alpha Fund), our team at Porter & Co have taken Browne's basic idea and attempted to make it better, mainly by using property and casualty (P&C) insurance stocks (which own actively managed portfolios of bonds) rather than government bonds, and by including Bitcoin and gold royalty companies, rather than simply gold bullion. Likewise, rather than using the S&P 500, we've built a portfolio of high quality, capital efficient "Lindy Forever Companies," businesses that we believe will outpace the market over time.

We believe these changes will create significant amounts of operating leverage, increasing results without having to actually use margin loans. Improving the internal returns on equity in this way should create better returns over time, without a material increase to volatility.

All of this comes with two important caveats. One, this is a "permanent" portfolio. If you want to set up a trust for your grandkids or if your heirs won't know what to buy and hold after your death, this is a great portfolio approach to use.

I wouldn't worry about trying to match exactly the same stocks. Again, what's important is the allocations. If you have, for example, other insurance stocks already, then you can use them to build your permanent portfolio. Or if you have other, high quality, long-lived blue chip consumer stocks, like McDonald's (MCD) then you can, of course, use them

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instead of the companies we've suggested. Again, the strategy isn't about the particular businesses. It's about the dynamics of these assets overall and how they respond to changes in our inflation-driven, paper money economy. (And, keep in mind, operating businesses make up a relatively small part of the portfolio.)

Why bother picking individual stocks then? Well, first because the P&C insurance ETF isn't well designed and our P&C recommendations have trounced the ETF going back to 2012 when we began recommending these stocks.

And secondly, because I believe (but can't prove) that the Lindy Effect is real and valuable and will allow us to select much better investments over the long-term.

In addition to the stocks we have selected currently for *Porter's Permanent Portfolio*, we continue to publish a recommended list of stocks in our other Porter & Co. portfolios that we believe will produce good results in different categories. We rank all of those recommendations by risk 1-5 (with 1 being the least risky and 5 being the most). We do so that you can build a portfolio that's right for you. "Forever Stocks" and "Battleship Stocks" that are low risk (ranked 1 or 2) are suitable for inclusion in a Permanent Portfolio.

I'd recommend only including stocks with at least 25 years of consistent annual increases to their dividends.

We hope all subscribers will understand: the success of this approach isn't tied to particular individual stocks, but instead it depends mostly on allocation and secondly on the type of stocks being used. It requires P&C insurance stocks (for their bond holdings) and long-lived, high quality consumer brand stocks and similar "inevitable" stocks that have excellent economics and operate in stable industries.

We offer the Permanent Portfolio as one example of how you might construct an ultra-high-quality, ultra-low-volatility portfolio that should serve you very well over the long term. The exact components of your portfolio could (and over time, probably should) contain different specific stocks than this one. So, as things change, see our recommended list for investments that fit these criteria and build your version of *Porter's Permanent Portfolio*.

To minimize volatility, you should rebalance the asset allocation each year; but I would recommend allowing your best performing stocks to compound. You could add additional capital to rebalance or sell the stocks that haven't performed to do so.

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