

Versatile Bond Portfolio

A SHORT-TERM CORPORATE BOND FUND

Portfolio Statistics

Maximum Sales Charge ¹ :	No Load
Inception Date:	9-27-91
Symbol:	PRVBX
Cusip:	714199403
Current NAV Per Share:	\$60.27
Portfolio Manager:	Michael J. Cuggino
Minimum Initial Purchase:	\$1,000
Minimum Subsequent Purchase:	\$100
SEC Standardized 30-day Yield ² :	
Subsidized (After Fee Waiver)	0.24%
Unsubsidized (Before Fee Waiver)	-0.13%
Portfolio Turnover*:	88.01%
Expense Ratio*:	
Net (After Fee Waiver)	0.89%
Gross (Before Fee Waiver)	1.27%

* For the year ended January 31, 2009, as stated in our most recent prospectus, dated June 1, 2009, as amended July 27, 2009. The Net Expense Ratio reflects a voluntary waiver of investment advisory fees in effect for the year then ended. The Portfolio's investment adviser has assured the Portfolio that it intends to continue the waiver at least through the end of calendar year 2009.

Other Portfolio Characteristics

Average Maturity:	0.89 Years
Average Duration ³ :	0.86 Years
Average Credit Rating ⁴ :	A+

Top Ten Holdings

AIT Wireless Services Inc. 7.88% 3-01-11	5.85%
American Home Products Corp. 6.95% 3-15-11	5.83%
Morgan Stanley 5.05% 1-21-11	5.64%
Philips Petroleum Co. 8.75% 5-25-10	5.62%
Cisco Systems Inc. 5.25% 2-22-11	4.49%
PepsiAmericas Inc. 5.63% 5-31-11	4.33%
Ecolabs Inc. 6.88% 2-01-11	4.31%
General Electric Cap. Corp. 6.13% 2-22-11	4.31%
Chugach Elect. Assoc Inc. 6.55% 3-15-11	4.30%
Northwest Nat. Gas Co. 7.45% 12-01-11	4.29%

The Portfolio's holdings are subject to change at any time and are not recommendations to buy or sell any security.

Investment Objective

To earn high current income for the Portfolio, while limiting risk to principal.

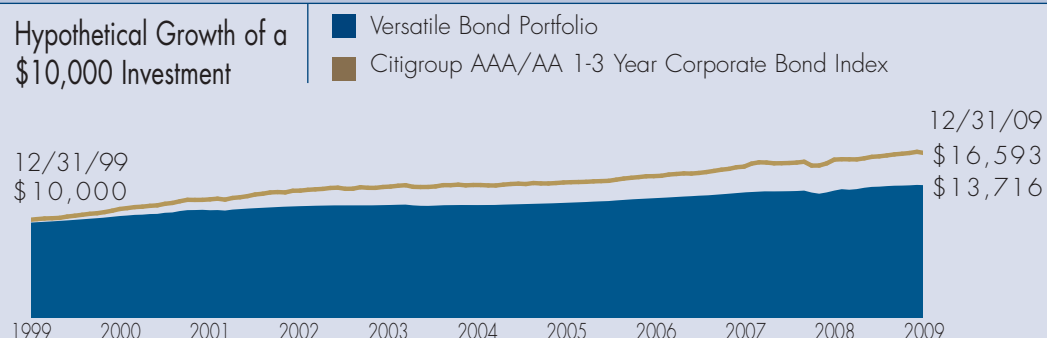
Investment Strategy

The Portfolio invests at least 80% of its assets in a diversified portfolio of corporate bonds rated "A" or higher by Standard & Poor's and having a remaining maturity of twenty-four months or less. Unlike most short-term bond funds that pay out dividends periodically, the Portfolio follows a dividend policy that permits (but does not assure) its net asset value per share to rise.

Performance

As of December 31, 2009

Hypothetical Growth of a \$10,000 Investment



	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 9-27-91
Versatile Bond Portfolio						
Return Before Taxes	4.07%	4.07%	3.35%	3.12%	3.21%	3.81%
Return After Taxes on Distributions	3.54%	3.54%	2.48%	2.42%	2.20%	2.77%
Return After Taxes on Distributions and Sale of Portfolio Shares	2.64%	2.64%	2.35%	2.26%	2.15%	2.66%
Citigroup AAA/AA 1-3 Year Corporate Index						
1-3 Year Corporate Index	4.07%	4.07%	5.05%	4.30%	5.19%	5.76%

(Reflects no deductions for fees, expenses or taxes)

Performance shown in the chart and table above represents past performance and does not guarantee or imply any future performance or results. The chart illustrates the performance of \$10,000 invested in Versatile Bond Portfolio shares ten years ago compared to performance of the Citigroup AAA/AA 1-3 Year Corporate Bond Index over the same period and does not reflect the deduction of taxes an investor would pay on Portfolio distributions or on the redemption of Portfolio shares. Returns for the Versatile Bond Portfolio reflect reinvestment of all dividends and distributions and deduction of all fees and expenses, except the \$35 one-time account start-up fee. If such start-up fee were reflected, returns would be less than shown. Investment returns and principal values of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investment performance, current to the most recent month-end, may be lower or higher than the performance quoted, and can be obtained by calling the Shareholder Services Office at (800) 531-5142. Pacific Heights Asset Management, LLC became the Versatile Bond Portfolio's investment adviser on May 1, 2003. Prior to that, an investment adviser unrelated to Pacific Heights Asset Management, LLC managed the Versatile Bond Portfolio. The Versatile Bond Portfolio's returns reflect voluntary fee waivers in effect. In the absence of such fee waivers, total returns would be reduced. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. In particular, after-tax returns are not relevant to investors who hold their shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. The Citigroup AAA/AA 1-3 Year Corporate Index is a component of the Citigroup Broad Investment-Grade (BIG) Bond Index. It is market-capitalization weighted and includes bonds rated AAA or AA by Standard & Poor's or Moody's with maturities of one to three years and a minimum amount outstanding of \$100 million. You cannot invest directly in an index. Returns shown for the Citigroup AAA/AA 1-3 Year Corporate Bond Index reflect reinvested interest as applicable, but do not reflect a deduction for fees, expenses or taxes.

For more information, please visit www.permanentportfoliofunds.com or

Over, please

Individual Investors may call our
Shareholder Services Office at (800) 531-5142
or our Transfer Agent at (800) 341-8900

Financial Advisors may call our
Institutional Sales Office at (866) 792-6547
or our Distributor at (800) 236-4424

Versatile Bond Portfolio

Three reasons you should consider the Versatile Bond Portfolio for your short-term corporate bond investment

- 1 **Conservative Strategy.**
 The Versatile Bond Portfolio follows a conservative strategy for investors seeking high current income with minimal risk. The Portfolio only invests in high-grade bonds (rated "A" or higher by Standard & Poor's) with maturities of two years or less to help limit exposure to interest-rate fluctuations. While there are no guarantees of future performance, such bonds have historically out-paced the yields on other shorter term debt securities by a substantial margin, and with only a relatively small increase in risk.
- 2 **Higher Yields and Credit Standards.**
 Since the Versatile Bond Portfolio's inception, yields on high-grade corporate bonds eligible for purchase by the Versatile Bond Portfolio have consistently outperformed the yields on U.S. Treasury bills of similar maturity. Only corporate bonds, rated "A" to "AAA" by Standard & Poor's are considered for investment. The Portfolio avoids "junk" bonds entirely. The Portfolio's share price will fluctuate due to changes in interest rates, market conditions and other factors. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.
- 3 **Tax Planning.**
 The Versatile Bond Portfolio is managed to reduce the tax burden on you, the investor. Instead of paying out all of its income in the form of dividends to shareholders each year, the Portfolio pays out only the minimum dividend needed for the Portfolio to qualify for favorable tax treatment available to investment companies. Until you choose to redeem, the portion of your return not paid out as dividends can accumulate, compound and grow free of current income tax. The money is available to you at any time – but is not subject to income tax until you decide to take it.

Management



MICHAEL J. CUGGINO
 President and Portfolio Manager

Mr. Cuggino has served as the President and Portfolio Manager of Permanent Portfolio Family of Funds, Inc. and the Versatile Bond Portfolio since his investment advisory firm, Pacific Heights Asset Management, LLC, began managing the Fund on May 1, 2003. Mr. Cuggino has served as a director of the Fund since 1998, its Chairman of the Board and President since 2003 and its Secretary since 2006. From 1993 through 2007, Mr. Cuggino served as the Fund's Treasurer. Mr. Cuggino is a Certified Public Accountant and is a graduate of Bentley University.

Fund

PERMANENT PORTFOLIO FAMILY OF FUNDS, INC.
 600 Montgomery Street, 27th Floor
 San Francisco, California 94111-2702
 Phone: (415) 398-8000
 Michael J. Cuggino
 President

Investment Adviser

PACIFIC HEIGHTS ASSET MANAGEMENT, LLC
 600 Montgomery Street, 27th Floor
 San Francisco, California 94111-2702
 Phone: (415) 398-8000
 Michael J. Cuggino
 President and Chief Executive Officer

¹ While the Versatile Bond Portfolio is no load, there are management fees and operating expenses that do apply.

² The SEC standardized yield is based on a thirty-day (or one month) period and is computed by dividing the net investment income (i.e., dividends and interest earned during the period less expenses accrued for the period, net of reimbursements) per share earned during the period by the net asset value per share on the last day of the period, using the average number of shares outstanding during the period, deducting all fees and expenses except the S35 one-time account start-up fee, and then annualizing the result. Net and Subsidized Yields reflect voluntary fee waivers.

³ Average Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Debt securities of longer duration tend to be more sensitive to interest rate changes, usually making them more volatile than shorter duration debt securities of comparable quality. When interest rates rise, prices of debt securities generally fall; when interest rates fall, prices of debt securities generally rise.

⁴ Average Credit Rating is an indicator of credit risk calculated by taking the average of credit ratings assigned to the Versatile Bond Portfolio's holdings by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. The Standard & Poor's AAA, AA and A ratings are the highest ratings assigned by Standard & Poor's to a debt security and indicate, in Standard & Poor's judgment, an extremely strong, very strong and strong capacity, respectively, of a debt security to timely pay principal and interest.

The Versatile Bond Portfolio's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (800) 531-5142, or by visiting our website at www.permanentportfoliofunds.com. Read it carefully before investing.

Mutual fund investing involves risk; loss of principal is possible.

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For more information, please visit www.permanentportfoliofunds.com or

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