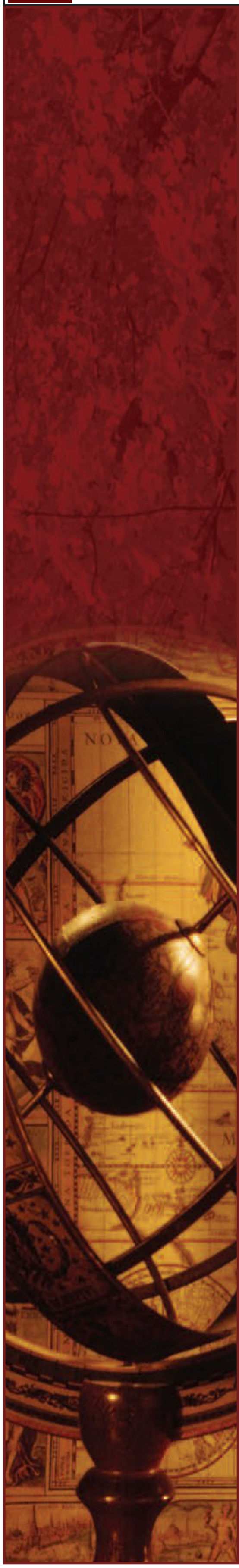
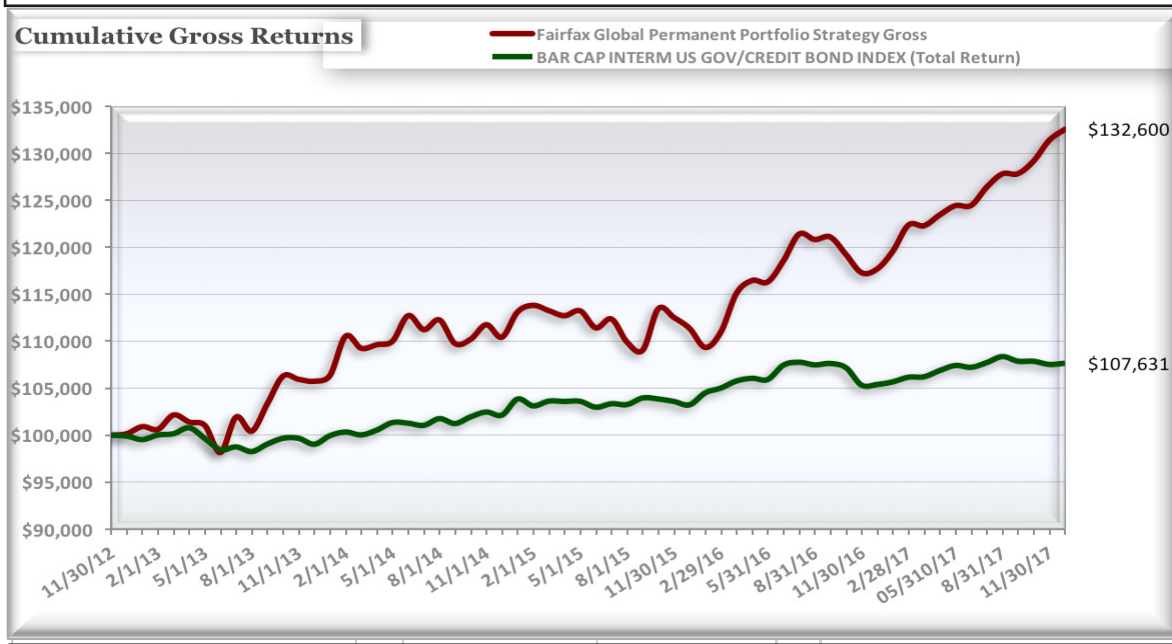


# Fairfax Global Markets LLC

# Permanent Portfolio

## A Conservative Bond Alternative Investment Strategy

**Fairfax Global Permanent Portfolio Performance**
**November 30, 2012 (inception) to December 31, 2017 (Gross of Fees)**

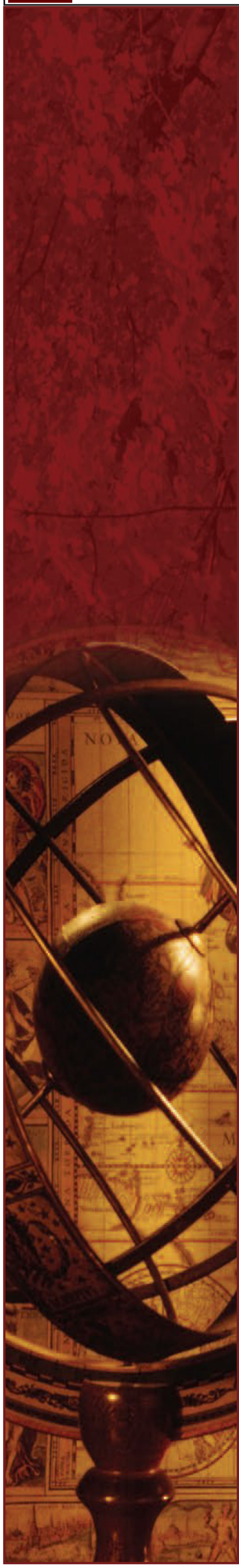



| Annualized Returns | Strategy Return: | | Barclays Cap Intermediate |
|---|---|---|---|
| Returns as of December 31, 2017 | | | US Gov/Credit Bond Index |
| | Net of Fees | Gross of Fees | (Total Return) |
| | | | |
| Quarter-To-Date | 3.19% | 3.70% | -0.20% |
| Year-to-Date | 10.47% | 12.64% | 2.14% |
| **One Year** | **10.47%** | **12.64%** | **2.14%** |
| Three Year | 4.24% | 6.28% | 1.76% |
| Five Year | 4.03% | 5.77% | 1.50% |
| Since Inception: 12/01/2012 | 3.99% | 5.71% | 1.46% |
| | | | |
| **Risk Metrics** | | | |
| **as of December 31, 2017** | | | |
| | | | |
| Alpha | 0.21% | 0.37% | |
| Beta | 0.4194 | 0.4198 | |
| Sharpe Ratio | 0.5200 | 0.5997 | |
| Standard Deviation | 1.99% | 1.99% | |

See Disclosures On Last Page



2 West Washington Street, PO Box 1078, Middleburg, VA 20118 (800) 416 2053 www.Fairfax-Global.com



# Fairfax Global Markets LLC

# Permanent Portfolio

## Investment Strategy Overview

## A Conservative Bond Alternative Investment Strategy

**A BOND BEAR MARKET**

For almost 30-years investors have benefited from a bull market in bonds. Few remember the last bond bear market in the 1960's and 1970's when bonds suffered significant price declines.

The price of currently owned bonds is likely to decline as the Federal Reserve starts to increase rates.

Investors have become used to volatility in the stock market after the S&P 500 Index declined 49% in 2000 to 2002 and 57% in 2008-2009. But most investors are not prepared for similar declines in their bond portfolios. Most investors view their bond positions as the "anchor" of their investment accounts, an investment that rarely goes down and always makes a small amount of income. That has been the pattern during the last 30-years of the current bond bull market.

Unfortunately, that is likely to change as the Fed starts to raise rates.

**For Investors Looking For A Very Conservative Approach To Growing Their Investments**

Investors need an alternative strategy to protect them from a declining bear market in bonds.

**THE SOLUTION: THE FAIRFAX GLOBAL PERMANENT PORTFOLIO**

This "Permanent Portfolio" is designed to ensure that your retirement assets are safe and growing and will outlive your life and that of your spouse.

As a "Bond Alternative Investment Strategy," this portfolio is designed to avoid substantial losses if investors once again experience stock market declines like 2000-2002 or 2008-2009 or a new bear market in bonds. (See graph of historical backtested performance)

The Fairfax Global Permanent Portfolio holds four broad investment allocations that are NOT correlated to each other or to all economic environments.



2 West Washington Street, PO Box 1078, Middleburg, VA 20118 (800) 416 2053 www.Fairfax-Global.com

- Therefore, any event that negatively impacts one investment should be offset by one or more of the other asset classes.

- Designed so that no investment allocation can devastate the entire portfolio—because no one investment makes up more than 25 percent of the portfolio.

**THE FAIRFAX GLOBAL PERMANENT PORTFOLIO STRATEGY**

The free-market investment analyst, Harry Browne, first invented this strategy in the 1970's. The Permanent Portfolio Strategy is designed to hold an investor's money in a diversified portfolio of stocks, bonds and gold in order to avoid significant losses in the market.

This portfolio generally holds **(1)** 25% in stocks; **(2)** 25% in short-term treasuries; **(3)** 25% in long-term bonds; and **(4)** 25% in gold and precious metals.

This conservative, "all-weather," broadly diversified asset allocation is designed to protect an investor's capital under any and all economic conditions. These non-correlated investment allocations are designed to work during bull and bear markets, and in periods of inflation, deflation, and in periods of recession and depression.

**On top of all this, at Fairfax Global Markets, we add an additional layer of Risk Management—when one of these four asset classes declines below its 200-Day Moving Average, that allocation is moved to cash as a component of the Fairfax Global Markets active risk management strategy.**

**PERMANENT PORTFOLIO INVESTMENT METHODOLOGY:**

- 25% of the portfolio is generally invested in global stock ETFs, to provide a strong return during bull markets and periods of prosperity.

- 25% of the portfolio is generally invested in long-term treasury bond ETFs, which generally do well during periods of prosperity and during periods of deflation.

- 25% of the portfolio is generally invested in short-term 1-3 year treasury bond ETFs. Much like cash, this allocation hedges against periods of "tight money" in a recession or depression.

- 25% of the portfolio is generally invested in gold & precious metals ETFs to provide protection during periods of inflation.

# This Is A 40-Year Independent Historical Backtest Of The Permanent Portfolio Investment Strategy From December 31, 1972 to June, 30, 2013 (Gross of Fees)

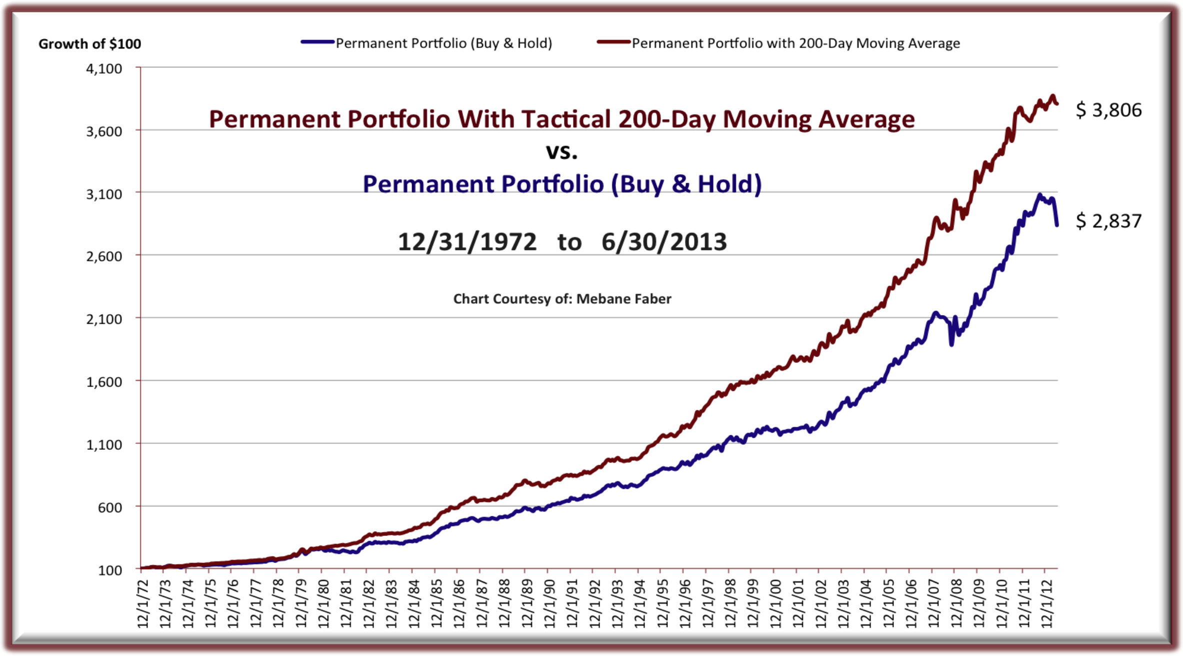



***CHART DISCLOSURES:*** *The chart above is provided courtesy of Mebane Faber and used with his permission. Mebane Faber has popularized the 10-month moving average system in his book, "The Ivy Portfolio: How To Invest Like The Top Endowments And Avoid Bear Markets." The Permanent Portfolio tables, figures and returns are a demonstration of theoretical performance by applying a particular investment strategy to historical financial data. The chart above is an independent backtest from 12/31/1972 to 6/30/2013 of the Permanent Portfolio Strategy and does not represent the actual returns of the Fairfax Global Permanent Portfolio. There are inherent limitations when using historic data with the benefit of hindsight. Fairfax Global Markets investors have had investment results different from the results above because of the addition of investment management fees. Fairfax does not claim to have achieved these results.*

*The chart above compares the Permanent Portfolio Strategy With 200-Day Moving Average vs. the Permanent Portfolio Strategy (Buy & Hold) performance from 12/31/1972 to 6/30/2013. The chart above is for illustrative purposes only. These results were not achieved through actual trading. It comes from the research of Mebane Faber. The performance information does not represent the actual performance of any portfolio. Results will differ when the strategy is applied to different market or economic conditions. The stated returns and figures include reinvestment of income and dividends. They do not include any transaction or management expenses, which would reduce actual investor returns. As demonstrated, the strategy during certain periods has the potential to lose investor's money.*

*For the chart in the backtest above, stock market indexes were used to represent the 25% allocations each in stocks (S&P 500 Index), gold (Gold Price Index), long-term Treasury bonds (30-Year Treasury Bond Index) and short-term Treasury bills (13-Week Treasury Bill Index) for the almost 41-year period from 12/31/1972 to 6/30/2013.*

*The Permanent Portfolio (Buy & Hold) performance represents the performance of buying and holding the 25% allocations of each of the four asset classes' indexes during the period. The Permanent Portfolio With 200-Day Moving Average performance was calculated when an index in the four asset classes fell below its 10-month moving average at month-end, the position was sold and held in "cash" (T-bills were used as a substitute for cash). When it closed the month above its 10-month moving average, the index was purchased at the stated allocation.*



2 West Washington Street, PO Box 1078, Middleburg, VA 20118 (800) 416 2053 www.Fairfax-Global.com

## COMPOUNDED ANNUAL RETURNS & RATIOS

| Stats | Permanent Portfolio (Buy & Hold) | Permanent Portfolio W/200-day MA | TBILLS | S&P500 | 30 Year Bond | GOLD |
|---|---|---|---|---|---|---|
| Compound Annual Growth | 8.59% | 9.38% | 5.34% | 9.93% | 8.30% | 7.51% |
| TBill Compund Annual Growth | 5.34% | 5.34% | 5.34% | 5.34% | 5.34% | 5.34% |
| Standard Deviation | 7.31% | 5.88% | 0.96% | 15.62% | 12.88% | 20.92% |
| Sharpe Ratio | 0.44 | 0.69 | - | 0.29 | 0.23 | 0.10 |
| Maximum Drawdown | -12.74% | -8.13% | 0.00% | -50.95% | -25.84% | -64.97% |
| % Positive Months | 64.40% | 69.34% | 99.79% | 61.32% | 58.64% | 50.62% |
| $100 becomes | 2,837.13 | 3,806.17 | 825.74 | 4,659.08 | 2,545.36 | 1,891.32 |
| Inflation Compund Annual Growth for period | 4.28% | 4.28% | 4.28% | 4.28% | 4.28% | 4.28% |

Source: Table & Figures Courtesy of Mebane Faber. Period from 12/31/1972 to 6/30/2013. ***(See additional disclosures at end.)***

In this almost 41 years of this backtested performance, the PERMANENT PORTFOLIO USING THE 200-DAY MOVING AVERAGE has had a compounded annual average return of **9.38%**, which is just slightly lower performance than staying fully invested in the S&P 500 INDEX (9.93%) during that period.

**We believe that one of the advantages of being invested in the PERMANENT PORTFOLIO USING THE 200-DAY MOVING AVERAGE over the S&P 500 INDEX is that you would have had a much lower beta—lower risk. According to Mebane Faber's research, the PERMANENT PORTFOLIO USING THE 200-DAY MOVING AVERAGE has only had one negative down year—in 1990 when the strategy was down -2.6%. The MAXIMUM DRAWDOWN during any period for the PERMANENT PORTFOLIO WITH THE 200-DAY MOVING AVERAGE was -8.13% versus -50.95% drawdown for the S&P 500 INDEX.**

Again, this portfolio helps clients sleep well at night because they are invested in a strategy that is designed to avoid the sharp bear market declines that drive most investors crazy—and often out of the market.

**See Disclosures On Last Page**



2 West Washington Street, PO Box 1078, Middleburg, VA 20118 (800) 416 2053 www.Fairfax-Global.com

Please call **FAIRFAX CUSTOMER SUPPORT SERVICES**
**1-800-416-2053 if you need assistance.**

# Paul Dietrich
# Investment Manager

PAUL DIETRICH is CEO and Chief Investment Officer of FAIRFAX GLOBAL MARKETS LLC (FAIRFAX). Paul Dietrich was previously CEO and Chief Investment Officer of FOXHALL CAPITAL MANAGEMENT INC.

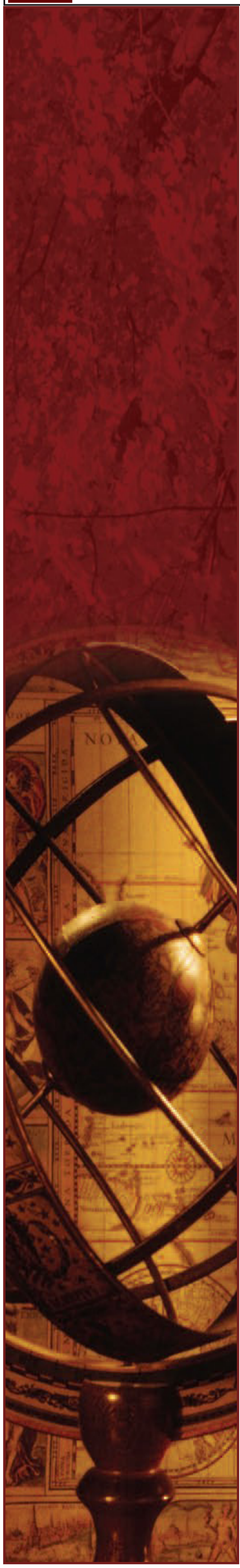
FAIRFAX manages investments for private investors, retirement funds, and private institutions throughout the United States.

Mr. Dietrich is an international corporate attorney and was formerly associated with two Washington DC law firms, SQUIRE, SANDERS & DEMPSEY and JONES DAY. As an attorney, he has been an advisor on privatization and economic development issues to the World Bank, as well as to several governments in Asia, Eastern Europe and the former Soviet Union.

Before entering the practice of law, he served as Publisher and Editor in Chief of SATURDAY REVIEW, one of the United States' oldest cultural magazines. He also served for four years as an elected State Representative (Republican from St. Louis County) in the Missouri General Assembly.

Mr. Dietrich is a frequent commentator on CNBC, Fox Business News, CNN and Bloomberg TV. He has also been a frequent contributor to the editorial pages of the WALL STREET JOURNAL, WASHINGTON POST, LONDON TIMES, INTERNATIONAL HERALD TRIBUNE, SINGAPORE TIMES and the SOUTH CHINA MORNING POST. From 1994 to 1997, he was editor of both REUTERS EMERGING MARKETS GUIDE and REUTERS ASIAN STOCK SOURCEBOOK.

He is also President of the INSTITUTE FOR INTERNATIONAL HEALTH AND DEVELOPMENT (founded in 1982 by Nobel Peace Prize Laureate, David Morse). He has served as a member of the Board of Trustees of the CATHOLIC UNIVERSITY OF AMERICA in Washington, DC, was a member of the NATIONAL ADVISORY BOARD OF HARVARD UNIVERSITY'S SCHOOL OF PUBLIC HEALTH'S AIDS INSTITUTE and a member of the Advisory Group on International Health Systems Assessment of the NEW YORK ACADEMY OF SCIENCES. He has been a member of the Advisory Board of the JOHN TEMPLETON FOUNDATION. He has also served as a member of the Development Committee of the PAN AMERICAN HEALTH ORGANIZATION (PAHO), and as a member of the Board of Directors of the U.S. CONGRESSIONAL HUMAN RIGHTS FOUNDATION and the AMERICAN-EUROPEAN COMMUNITY ASSOCIATION. He is also the Editor of the award winning book, A GUIDE TO AMERICAN FOREIGN POLICY (1982) and the author of the forthcoming book, GLOBAL ACTIVE INVESTING: HOW TO MAKE MONEY IN BOTH BULL & BEAR MARKETS (to be published in 2014).



## DISCLOSURES

Fairfax Global Markets LLC is a registered investment adviser with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. For a detailed discussion of Fairfax and its investment advisory fees, see the firm's Form ADV Part 1 and 2A on file with the SEC at www.adviserinfo.sec.gov.

The composite Fairfax Global Permanent Portfolio Strategy (creation date 11/30/2012) has a target equity allocation of 25%; however, the portfolio may move entirely to non-equity holdings as a defensive position during major market declines or economic recession. The portfolio may also increase the equity allocation during a fixed income bear market. A complete list and description of all firm composites are available upon request.

**Standard Deviation Definition:** Is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

**Sharpe Ratio Definition:** A ratio to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as that of the 10-year U.S. Treasury bond - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

**Maximum Drawdown Definition:** This is the peak-to-trough decline during a specific record period of an investment. A drawdown is usually quoted as the percentage between the peak and the trough. Drawdowns help determine an investment's financial risk.

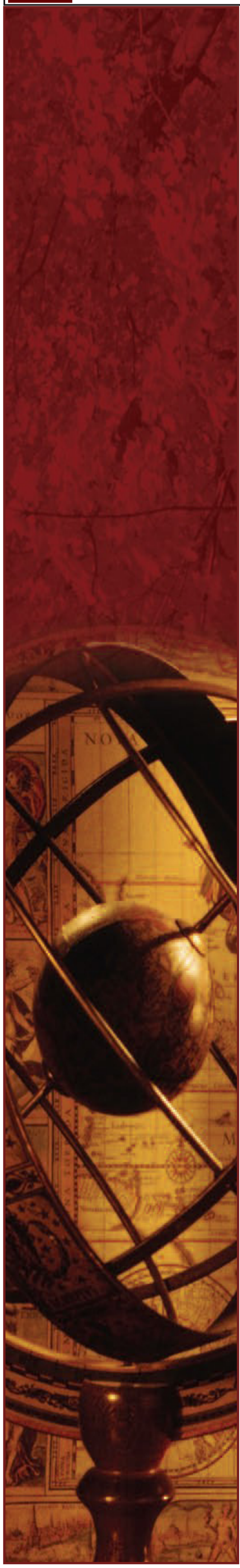
The minimum portfolio size to open an account is $30,000. The benchmark for the Permanent Portfolio Strategy is the Barclays Capital Intermediate US Government/Credit Bond Index. The volatility of this Index may materially differ from that of the strategy depicted, and the holdings in the strategy may differ significantly from the securities that comprise the Barclays Capital Intermediate US Government/Credit Bond Index. Indices are unmanaged, and investors cannot invest in an index directly.

Net-of-fees returns are calculated using actual management fees (bundled fee accounts use maximum allowable fee) that were paid and are presented before custodial fees but after management fees, all trading expenses, and withholding taxes. The Firm's maximum management fee is 2.5%. Fees may be subject to negotiation where special circumstances warrant. Tax withholding on ADR dividends and capital gains are taken at the time of the dividend payment.

Internal dispersion is calculated using the asset-weighted standard deviation of all accounts included in the composite for the entire year; it is not presented for periods less than one year or when there were five or fewer portfolios in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

As with any investment strategy, there is potential for profit as well as the possibility of loss. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. Valuations and returns are computed and stated in U.S. dollars and include the reinvestment of all dividends. Individual portfolios are revalued monthly. Additional information regarding policies for calculating and reporting returns is available upon request. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

**Please call Fairfax Customer Support Services**
**1-800-416-2053 if you need assistance.**



**Please call Fairfax Customer Support Services**
**1-800-416-2053 if you need assistance.**

**Fairfax Global Markets**
**PO Box 1078**
**2 West Washington Street**
**Middleburg, Virginia 20118**
**(203) 891-8377**