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BEST ETFS & MUTUAL FUNDS

How An Aggressive Growth Manager Outruns The Market

Bold calls that diverge from the indexes give aggressive fund an edge

MUTUAL FUND PROFILE

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FOR INVESTOR'S BUSINESS DAILY

If you want to beat the stock market, you can't copy it. That's the investment mindset of Michael Cuggino, manager of Permanent Portfolio Aggressive Growth **(PAGRX)**.

Cuggino's main objective is to post better returns than the broad market.

To that end, the top-performing fund manager rips up the benchmark sector weightings of the S&P 500. The fund's top 10 holdings aren't a copy-cat version of the benchmark stock index or other growth funds.

Permanent Portfolio Aggressive Growth, an IBD 2025 Best Mutual Funds Awards winner, is not a so-called index-hugging fund. Instead, Cuggino's portfolio marches to its own beat.

"We're not ghost indexing," said Cuggino. "We basically throw out the weightings and we do our own."

Only three of the S&P 500's top 10 holdings showed up in Permanent Portfolio Aggressive Growth's top 10, as of Sept. 30, according to fund-tracker Morningstar Direct. Notably absent from Cuggino's top 10 are Magnificent Seven stocks and S&P 500 top 10 stalwarts like Microsoft **(MSFT)**, Apple **(AAPL)**, Amazon.com **(AMZN)**, Alphabet **(GOOGL)** and Tesla **(TSLA)**.

And while Permanent Portfolio Aggressive Growth owns $5 trillion market cap behemoth Nvidia **(NVDA)**, the most-heavily weighted stock in the S&P 500, the AI chipmaker is the fund's third-biggest holding. Nvidia makes up 4.7% of Cuggino's portfolio versus a 7.95% weight in the S&P 500.

Permanent Portfolio Aggressive Growth's top holding as of Sept. 30 is Palantir Technologies **(PLTR)**, a software company that provides data operations and AI infrastructure platforms, with a 6.9% weighting, according to Morningstar. The fund's second-largest holding is AppLovin **(APP)**, which helps developers monetize their apps. In the past 12 months those two stocks are up 382% and 276%, respectively, Morningstar data shows.

Also showing up in the fund's top holdings are non-tech names like defense contractor Lockheed Martin **(LMT)**, big-box retailer Costco **(COST)** and landowner Texas Pacific Land **(TPL)**.

And in a business where performance numbers don't lie, the truth is Permanent Portfolio Aggressive Growth's idiosyncratic strategy works. When Cuggino's stock-picking and portfolio construction fires on all cylinders, big outperformance follows.

The top-performing fund is outpacing the broad market by a wide margin this year. It is up 33.5% year to date through Oct. 31, nearly doubling the S&P 500's 17.5% gain, according to Morningstar.

And like all IBD Best Mutual Funds Awards winners, Permanent Portfolio Aggressive Growth has outpaced the S&P 500 in all the past one, three, five and 10-year periods. In fact, the fund ranks in the top percentile in all those time periods, outpacing 99% of funds in its peer group.

The outperformance over the past 10 years is hard to ignore, a review of Morningstar data shows. The fund's 44.3% gain in the past year tops the S&P 500 gain by 23 percentage points. Its three-year total return of 39.3% tops the market's 22.6% return. The five-year 24% gain bests the S&P 500's 17.6% return. And if you go 10 years out, Permanent Portfolio Aggressive Growth's 17.3% return is 2.7 percentage points better than the benchmark index.

And that raises the question, what's Cuggino's secret sauce?

Permanent Portfolio Aggressive Growth I

Michael J. Cuggino

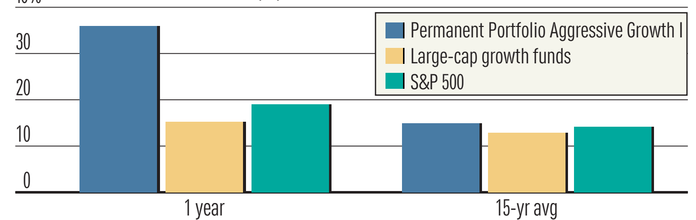
- Load: None
- Expenses: 1.21%
- Symbol: PAGRX

Total returns as of 11/5/2025

2024:	44.49%	3-yr. avg.:	38.52%
YTD:	33.54%	5-yr. avg.:	21.57%
		10-yr. avg.:	16.85%

Sector weightings
Fund as of 9/30/25

	% of stock assets	% of S&P 500
Cyclical	**25.65%**	
Basic materials	9.79	1.47%
Consumer cyclical	7.22	10.66
Financial services	7.58	12.58
Real estate	1.05	1.84
Economically sensitive	**64.38**	
Communication services	13.16	10.38
Energy	6.80	2.79
Industrials	14.85	7.40
Technology	29.57	36.88
Defensive	**9.98**	
Consumer defensive	3.48	4.68
Health care	6.49	8.96
Utilities	0.00	2.34



Source: Morningstar Direct

How A Top-Performing Fund Beats The Stock Market

It starts with a focused strategy. You won't see hundreds of stocks on the Permanent Portfolio Aggressive Growth's holdings list. "It's a fairly focused strategy," said Cuggino. "We tend to only hold 30 to 50 names."

At the end of the third quarter, Permanent Portfolio Aggressive Growth held 42 stocks. But it's widely diversified, typically with exposure of up to 12 different sectors. But Cuggino says there's no need to be overly diversified.

"You can dilute performance by having too many names," said Cuggino.

That said, every stock in the fund plays a role in the fund's overall fund performance. Diversification is key to smoothing out returns.

"If tech sells off or semiconductors sell off, I don't want the entire portfolio to tank because of that," said Cuggino. "Now, you will feel (a tech sell-off) performance-wise because you've got exposure there. But there's enough exposure in other places so that the portfolio doesn't fall off a cliff. That's what diversification is."

Long-Term, Tax-Efficient Focus

Cuggino says he's not a trader. "We're investors," he said. Turnover, a term to describe the rate at which stocks in a portfolio are bought and sold, is very low. Fund turnover is just 3%, according to Morningstar, which equates to a buy-and-hold strategy.

"Our turnover numbers are historically low because we're looking for growth stories that we can buy and then hold for a while," said Cuggino.

The emphasis on less rather than more trading is intentional, says Cuggino. The reason? It allows the fund to operate with high-tax efficiency. By not jumping in and out of stock positions, Permanent Portfolio Aggressive Growth avoids creating taxable distributions that result in bigger tax bills for fund shareholders due to more realized capital gains.

"A lot of trading doesn't help performance," said Cuggino.

Unlike funds with strict rules as to how big a position can grow,

Cuggino says sell decisions are based on the judgment of the investment team. “We don’t just trim for trim’s sake,” said Cuggino.

Emphasis On Revenue Growth And Cost Controls

Like most aggressive growth fund managers, Cuggino looks for companies in growth segments of the economy with the potential to profit from addressable markets that will grow.

The ability for a company to control and grow revenue streams is also important. A company that has massive future new business potential or one that can capture a larger share of an existing or new market is more appealing to own than one with fewer growth options. Cuggino also likes companies that can control their costs.

“On the cost structure side, we’re looking at efficient operators with high-margin businesses,” he said.

Focus On Attractive Stock Market Price Entry Points

Cuggino isn’t a buyer of growth stocks when they’re trading at nosebleed valuations. “We don’t want to overpay,” said Cuggino. “We try to buy growth at a reasonable price,” a strategy better known as GARP.

A good example of Cuggino’s opportunistic buy strategy is No. 2 holding, AppLovin. “We haven’t even owned it for a full year yet,” said Cuggino.

Cuggino pounced on AppLovin when it dropped back in April when the market suffered a sharp downturn due to angst over the U.S. and China trade war.

“We took advantage of the market dynamics in April and bought that name when it was very cheap,” said Cuggino. How cheap? The stock hit an early-year peak of 510.13 on Feb. 14 but cratered 57% to 219.37 on April 4. “And while the stock was still rich, we see a lot of earnings growth,” said Cuggino. Morningstar cites April 30 as the fund’s purchase date when AppLovin shares closed at 269.31. Shares closed on Oct. 31 at 637.33, up 140% since the fund’s initial entry point.

Permanent Portfolio Aggressive Growth also bought growth stock ARM Holdings **(ARM)**, which designs and licenses chip technology, on April 30 when it was selling 37% below its previous 2025 high. The stock is up 49% since Cuggino added it to the portfolio. “ARM is another new name for us,” said Cuggino.

During the spring sell-off, Cuggino also added to longer-held positions in chipmakers Nvidia and Broadcom **(AVGO)**.

“We try to be opportunistic and buy these names when they’re selling at reasonable prices,” said Cuggino.

Buying Into Growth

That said, he’s not afraid of buying into great growth stories when valuations are elevated — if the company has what it takes to grow revenue and profits at a pace in the future that makes a high P-E today seem reasonable a year or two later.

“We want to see how a company is going to grow into a reasonable multiple,” said Cuggino.

A good example is Permanent Portfolio Aggressive Growth’s major holding, Palantir. “Palantir has had strong growth over the last couple of years,” Cuggino explained. “It’s increasing revenues. It’s increasing sales. The stock has run. So, on a P-E basis it looks crazy expensive.”

But looks can be deceiving.

“We see a very large addressable market,” said Cuggino. “There’s a lot of runway for Palantir over the next few years. We expect those trends to continue, thereby creating a multiple that’s more reasonable.”

Palantir’s data analytics and predictive analysis business is benefiting from the buildout of AI. And its software, which is used by the federal government, is now seeing more commercial applications as businesses look to process mountains of data.

Picking Winners To Stick With

The same logic applies to another large holding of Permanent Portfolio Aggressive Growth, Meta Platforms **(META)**, said Cuggino.

“This is another one of our tech names where the multiples were pretty high at one point, but they’ve come down to a much more reasonable market multiple for a growth stock,” said Cuggino.

Cuggino laments not jumping on the Amazon.com train. He uses the so-called Amazon model when trying to figure out if a growth company can grow into its multiple by growing its existing business and addressable markets into much larger ones.

“That translates into longer-term growth and earnings,” said Cuggino.

Stay Fully Invested And Don’t Mark Time

Cuggino doesn’t have a crystal ball and says he’s no smarter than anyone else on Wall Street when it comes to predicting the future and the direction of stock prices. As a result, Permanent Portfolio Aggressive Growth holds very little cash.

“If (investors) want stocks, they’re going to get stocks for better or worse,” said Cuggino.

Cuggino cites research that shows being out of the market on its biggest up days can be a drag on performance.

“One way to guarantee you’re going to capture the market upside is to be (in the market),” said Cuggino. “What’s the old adage, 90% of success is showing up, right? “

While tech has been powering the stock market higher again in 2025, Cuggino fills the portfolio with names from other less go-go stock sectors.

A good size holding, for example, is mining company Freeport-McMoRan **(FCX)**. “It’s obviously completely different than a Palantir,” Cuggino said.

Commodities and raw materials like copper have good supply and demand characteristics, says Cuggino. “Copper is used in so many manufacturing processes globally,” said Cuggino. “You can only extract so much of it out of the ground. Some of it comes from places that are hard to get to. Freeport-McMoRan has been a very efficient operator for a very long time.”

Other fund holdings include Canadian oil and gas company Ovintiv **(OVV)**, and Texas Pacific Land **(TPL)**, a large Texas landowner that generates revenue on royalties on natural resources like oil and gas. “It’s a low capex (capital expenditures) revenue generator,” said Cuggino. Rideshare and food delivery giant Uber **(UBER)** is another stock Cuggino likes.

Doesn’t See A Bubble In The Stock Market

Talk of a stock market bubble isn’t rattling Cuggino.

“Equities, as a general rule, are pretty rich,” said Cuggino. But he notes that there is bifurcation between the market’s big winners and the broader market.

And while Cuggino says the market is probably due for a correction or consolidation, he says that’s very different from a bubble.

“I think the bubble talk is maybe limited to more speculative names that don’t quite have the revenue or business prospects,” said Cuggino.

He says calling successful Magnificent Seven stocks bubble stocks misses the mark, due to their strong fundamentals.

“Some companies like Nvidia are not trading at extraordinary multiples,” said Cuggino. “They’re rich because they’re in growth areas and people want to buy what’s making money. But if you look at the quarterly reports of these companies, revenue growth is strong, earnings growth is strong, order backlogs are strong, business prospects are strong and addressable markets are still very large. So, it’s hard to say you’re in a bubble.”

Minding The Risks Of The Stock Market

That’s not to say there are no risks for the market. A recession is always a risk, says Cuggino. Tariffs and the trade war could be a negative if downsides assert themselves. Geopolitics and conflicts around the world are not good for stocks either, says Cuggino.

If a downturn does hit, investors should be looking to buy shares of companies with still-good growth prospects selling at lower prices, Cuggino added.

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