

# Hedge Against Inflation



Higher inflation can pose a risk to investors' goals, because it chips away at real savings and investment returns over time. Allocating a portion of an investment portfolio to certain asset classes may help preserve the value of the portfolio during high inflationary environments. Historically, inflation levels tend to align with the different stages of the market cycle. Timing market cycles may be difficult, so investors may consider hedging inflation risk now – and over the longer-term.

## Inflation reduces purchasing power

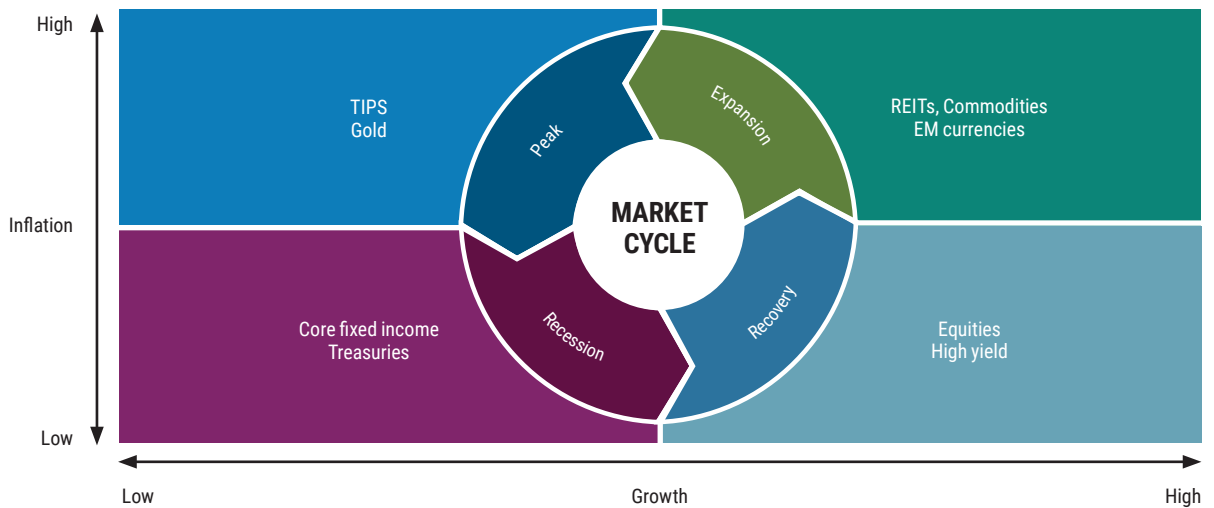
EXAMPLE

Portfolio returns	Inflation	Real return
<b>6%</b>	<b>– 5%</b>	<b>= 1%</b>



## TOP PERFORMERS ACROSS MARKET ENVIRONMENTS

This chart highlights the four stages of a full market cycle: recovery, expansion, peak, and recession. You'll see that the expansion and peak stages tend to also be higher inflationary environments, when TIPS, REITs and commodities have historically been top performers, providing attractive real return, or returns after inflation.



**For Illustrative Purposes Only. Past performance is not a guarantee or a reliable indicator of future results.**

Source: PIMCO, Survey of Professional Forecasters. Based on realized inflation and GDP relative to forecasts based on the Survey of Professional Forecasters (conducted by Federal Reserve Bank of Philadelphia). Data from 1970 onward. Core fixed income: Bloomberg U.S. Aggregate Index; TIPS: Bloomberg U.S. TIPS Index; Bloomberg Commodity TR Index; EM currencies: JPMorgan ELMI + Unhedged; High yield: ICE BofAML US HY BB-B Rated Constrained; Treasuries: Bloomberg U.S. Treasury Index; Equities: S&P 500 Index; Gold: Bloomberg Commodity Gold TR; REITs: Dow Jones US Select REIT Index. It is not possible to invest directly in an unmanaged index



## POSITIONING TO HEDGE INFLATION

Thoughtful portfolio construction is key. In uncertain market environments, consider the important diversification benefits of allocating to one or more asset classes that may help preserve portfolios against inflation. These can include TIPS and other inflation-linked bonds, commodities and REITs – all of which can be accessed via actively managed solutions designed to protect purchasing power.

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