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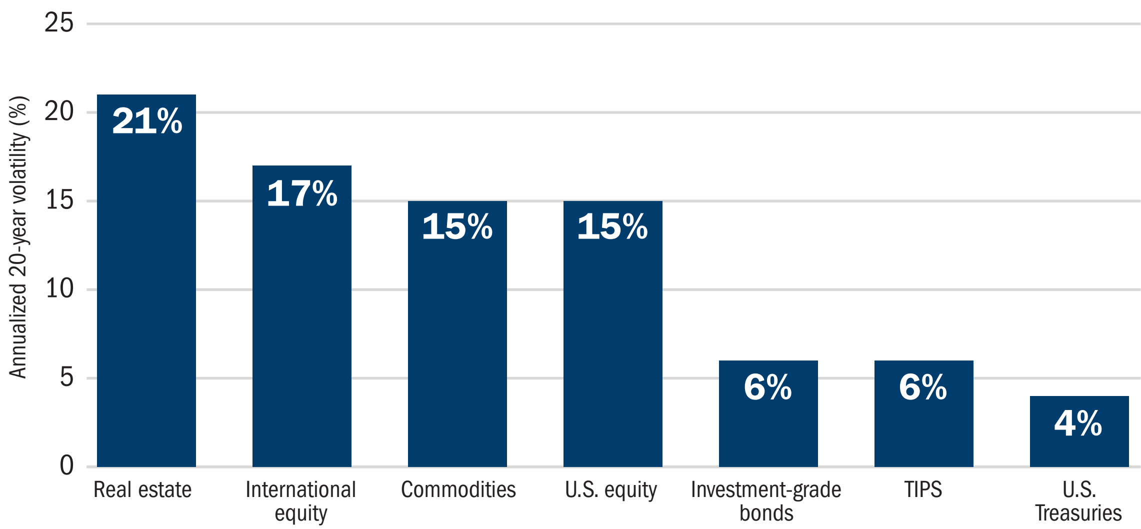
Inflation-hedging your portfolio? Beware of unintended consequences

Traditional inflation hedges like commodities and real estate have higher levels of volatility



Investors may be concerned about how to protect their portfolios from the impact of higher inflation.

Investments such as commodities, real estate and equities have historically outperformed when prices rise. But performance doesn't tell the whole story. These asset classes are also characterized by higher volatility, exposing a portfolio to greater loss if the markets turn negative.

Calibrating a portfolio for inflation can be complicated — especially in a year when the Fed is experimenting with a new response mechanism to higher prices and growth. An actively managed fund or ETF can help investors balance both volatility and return across inflation environments.

Source: Bloomberg. Data reflects the period June 30, 2001 through June 30, 2021. Past performance is not a guarantee of future results. Asset classes are represented by the following indices: The FTSE NAREIT REITs Index **(Real estate)** reflects performance of all publicly traded equity real estate investment trusts; the MSCI EAFE **(International equity)** captures large- and mid-cap stocks across developed markets countries around the world, excluding the U.S. and Canada; the Bloomberg Commodity Index **(Commodities)** is a broadly diversified index composed of commodities traded on U.S. exchanges; the S&P 500 Index **(U.S. equity)** tracks the performance of 500 widely held, large capitalization U.S. stocks; the Bloomberg Barclays U.S. Corporate Investment Grade Index **(Investment-grade bonds)** measures the investment-grade, taxable corporate bond market; the Bloomberg Barclays U.S. Treasury Inflation Notes Index **(TIPS)** measures the performance of the U.S. Treasury inflation protected securities market; the Bloomberg Barclays U.S. Treasury Index **(Treasuries)** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. It is not possible to invest directly in an index.

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