Westwood®

Power Up Your Portfolio: How the Energy Sector Could Drive Investment Growth

The energy sector might not be the flashiest investment theme, but don't underestimate its potential. From traditional oil and gas giants to renewable energy upstarts, this diverse industry offers compelling opportunities for both income- and growth-oriented investors. Here are a few reasons you might want to consider plugging into the energy sector:

Powering Progress: Energy is the lifeblood of the global economy, fueling everything from transportation and heating to manufacturing and technology. This fundamental demand helps ensure the sector's long-term relevance, regardless of economic cycles.

Diversification Beyond the Ordinary: The energy sector offers a broad spectrum of investment options, from large to small companies, from fast-growing startups to value opportunities. Established oil and gas companies provide steady dividends and some safety, renewable energy companies are poised for future growth, and midstream infrastructure firms providing energy transportation deliver consistent income. This diversity allows you to tailor your investment to your risk tolerance and preferences.

Consistent Income Streams: Many energy companies, particularly traditional oil and gas majors, are known for their generous dividend payouts. Other parts of the energy sector, such as Master Limited Partnerships (MLPs), are structured so they have to pay nearly all of their income out as dividends. This can be a valuable source of steady income to help reduce portfolio volatility.

Growth Potential With Green Shoots: While renewable energy — think solar, wind and batteries — accounts for a smaller portion of the sector, its growth potential is undeniable. These clean energy companies can offer exposure to a rapidly expanding market with significant long-term growth potential.

Inflation Hedge: Energy prices often rise with inflation, making energy investments a potential hedge against inflation's erosive effects. This can help preserve the purchasing power of your portfolio during periods of rising prices.

Remember, No Investment is Without Risk

Energy stocks can be impacted by changes in commodity prices, impacting valuations and returns. The energy sector is also impacted by geopolitical tensions and disruptions, which could increase volatility. And environmental concerns may trigger public and regulatory pressure, presenting a different challenge for some companies.

But, if you have a long-term perspective and can ride out short-term volatility, the energy sector could be a valuable addition to your portfolio. Many mutual funds and ETFs invest in the energy sector, so talk to your financial advisor about how you can potentially harness the power of the energy sector to fuel your investment portfolio's growth and income generation.

Diversification does not assure a profit or protect against loss in a declining market.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 800.994.0755. Please read the prospectus carefully before investing.

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There is no guarantee the holdings will continue to pay dividends. This investment may not be suitable for all investors and ETFs are subject to loss of principal.

Energy Sector Risk. The Fund will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the energy sector. Companies operating in the energy sector are subject to risks including, but not limited to, economic growth, worldwide demand, political instability in the regions that the companies operate, government regulation stipulating rates charged by utilities, interest rate sensitivity, oil price volatility, energy conservation, environmental policies, depletion of resources, and the cost of providing the specific utility services and other factors that they cannot control.

However, it's essential to understand that these funds come with inherent risks. Here's what you need to know:

Volatility: Energy prices can be highly volatile due to factors like geopolitical events, supply-demand dynamics, and technological advancements. As a result, energy mutual funds can experience significant fluctuations in value.
Cyclical Nature: Energy companies are often cyclical. Their profits tend to rise and fall with economic cycles. When the economy is booming, energy stocks may perform well, but during downturns, they can suffer.
Diversification: Diversifying your investments across different sectors can help mitigate risk. Consider combining energy funds with other types of mutual funds to create a balanced portfolio.

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