



# Inflation Jitters? Power Up Your Portfolio With the Energy Sector

Feeling the pinch of rising prices? Inflation can erode your purchasing power, making your hard-earned money worth less. While there's no magic bullet, diversifying your portfolio with strategic investments can help you weather the storm. Enter the energy sector: a potential haven against inflation for savvy investors.

Here are four reasons why energy can help you beat the heat of inflation:

**Demand Remains Hot:** Energy is a fundamental need, powering everything from homes to industries. Regardless of economic cycles, people need energy, driving consistent demand and potentially pushing prices up alongside inflation.

**Production Lags Behind:** Expanding energy production takes time and investment. With demand constantly rising, even a slight supply crunch can propel prices further, potentially benefiting energy companies.

**Hedging With Dividends:** Many established energy companies, particularly the larger oil and gas giants, are known for generous dividend payouts. These regular income streams can help offset the erosive effects of inflation on your investment capital.

**Inflation-Linked Contracts:** Some energy companies, especially those in the midstream sector like pipelines and storage, have contracts linked to inflation indices. This means their revenue automatically adjusts as inflation rises, seeking to preserve their profitability and potentially benefiting investors.

## Be Wary of Risks and Regulations

But just like any investment, there are risks. Energy prices can be volatile, and what goes up, sometimes goes down. Oil and natural gas prices are also impacted by global factors, such as wars, blockades or embargoes. Rapidly changing prices — up or down — can impact company valuations and investor returns.

The push for clean energy and stricter regulations can also present challenges for traditional energy sources. The regulatory landscape can change rapidly, so energy sources and processes that were in favor could be banned in short order. One way to mitigate the risk is to identify companies investing in cleaner alternatives to traditional energy.

Most importantly, patience and a long-term view are necessary habits for successful investing. The energy sector is cyclical, and navigating its ups and downs requires a long-term investment horizon to weather short-term volatility and capture potential long-term gains.

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



## Lean on a Professional for Advice

A financial advisor can help you navigate this challenging sector and identify funds and ETFs that meet your investment goals and objectives. With guidance from a financial advisor, you can create a diversified portfolio that can help mitigate the effects of inflation, grow capital over time and deliver consistent income.

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