



Inflation is Here, Now What?

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As we begin to return to normal, with many states beginning to lift restrictions amid rising vaccinations and falling COVID-19 cases, we are seeing economic growth pick up. And after years of remaining scarce, signs of inflation are creeping up all around us. Whether we are filling up our gas tanks or picking up groceries, we are seeing prices go up and, conversely, our buying power go down.



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Inflation, a measure of the rate of increase in the price of goods and services in the economy, occurs when prices rise due to higher production costs, such as raw materials and wages. Prices for everything from used cars to houses are rising at a rapid rate.

In this environment, what can investors do to protect their portfolios? A few commonly identified strategies are available to hedge against inflation, such as Treasury Inflation-Protected Securities, gold, and commodities, which are often cited as some of the best inflation-hedging investments to incorporate into a well-diversified portfolio.

Looking back to past inflationary periods, such as the mid-1960's to the early 1980's, natural resources stocks performed well. Commodity exposure such as oil and gas, agriculture, and metals and mining stocks outperformed the broader market during these periods. We are seeing similarities in the market today as commodity prices have rallied, driven by a 30% increase in the price of WTI oil since the start of the year. Copper and iron ore prices have also risen to record levels not seen in more than 10 years.

The Energy and Materials sectors have proven to offer a natural hedge against rising inflation. Adams Natural Resources Fund (NYSE: PEO) is an actively managed fund that offers exposure to both oil and gas investments and other natural resources. Approximately 70% of our holdings are in the Energy sector and 30% are in Materials, and we are committed to a 6.0% annual distribution rate. The Fund offers commodity exposure that can combat the effects of inflation on a portfolio.

Investors should always consult their financial advisors regarding their individual portfolios. Adams Funds has been around for more than 90 years, giving us experience managing portfolios in all types of economic conditions. Learn more to see if Adams Funds may be the right fit for your investment needs.

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