Investing strategies for volatile energy markets

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Energy Investments: A Hedge Against Inflation?

When inflation took off, markets dropped, but energy prices soared. For many investors, this raises a question. Should they invest in energy to take advantage?

Buying into oil and gas could provide a hedge against falling stock prices elsewhere in their portfolios. But an oil-and-gas strategy can be risky. Sure, investors can get a short-term boost when prices are rising. Over time, though, oil and gas prices are inherently volatile.

Fortunately, natural resources and energy infrastructure are two choices with the potential to help investors share in some of the energy upside, while limiting risk. When considering natural resources, it's important to think beyond oil and gas. With inflation high, good alternatives can include metals, timber, and agricultural products.

Energy infrastructure investments such as utilities and pipelines may be less volatile than oil and gas companies, because their returns are less connected to the price of fuels. Utilities can pass energy cost increases on to consumers. And pipelines are paid on the volume of oil and gas moving through their system, regardless of changing energy prices.

In inflationary times, diversifying investments can pay off. Historically, natural resources and infrastructure returns have outpaced global equity returns during periods of high inflation.

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

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Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.