

[The Manulife Investment Management logo appears on the screen]

Inflation has increased the cost of living for all of us, and it's also one of the biggest risks for investors, since it's easy to overlook how it can erode returns, putting portfolios – and retirement plans – at risk.

We do believe the worst of inflation is behind us, and expect inflation to taper down for the rest of the year, though over the next few years, we expect a greater than 3% inflation figure to be in the cards.

While there's no single investment solution to solve the inflation problem, some asset classes and strategies can have a better ability to combat it than others.

We feel that U.S. mid cap stocks are an underappreciated asset class that may help fight inflation. Many mid caps have significant pricing power and dominant market positions—two factors that help with their ability to pass on rising costs to end consumers, thereby protecting their profitability.

Listed infrastructure can offer similar benefits: many infrastructure assets like pipelines, toll roads and even cell phone towers have inflation protection baked into their pricing, either due to government regulation or contracts that have price increases linked to Consumer Price Index. Even those without contractual inflation hedges often have the pricing power necessary to increase revenues, making them very resilient in this environment.

Finally, we think dividends are a great way to get cash in your portfolio. But while a high dividend is great, we think the key is to find companies that have shown that they can grow their dividends consistently over time. If we see an economic slowdown, these high-quality dividend paying stocks could be vital since they've shown an impressive ability to perform in tough economic times.

Inflation can be the silent portfolio killer if not managed well – for many investors, tilting towards strategies that can protect against and even take advantage of rising prices can be a major win for their portfolios.

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Manulife Investment Management

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