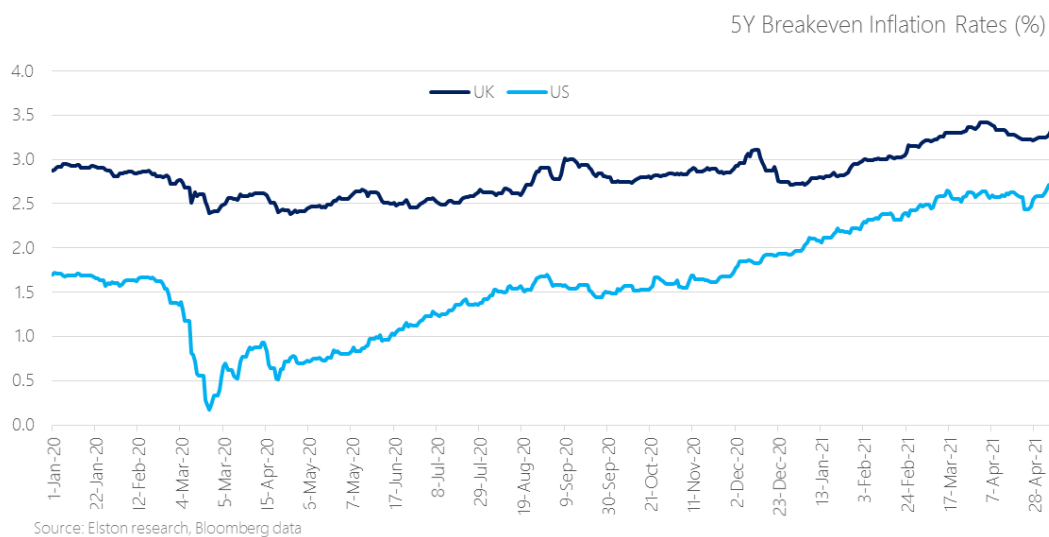


Let's talk inflation

- Inflation is on the rise
- It matters more over time
- Real assets can help

Inflation is on the rise

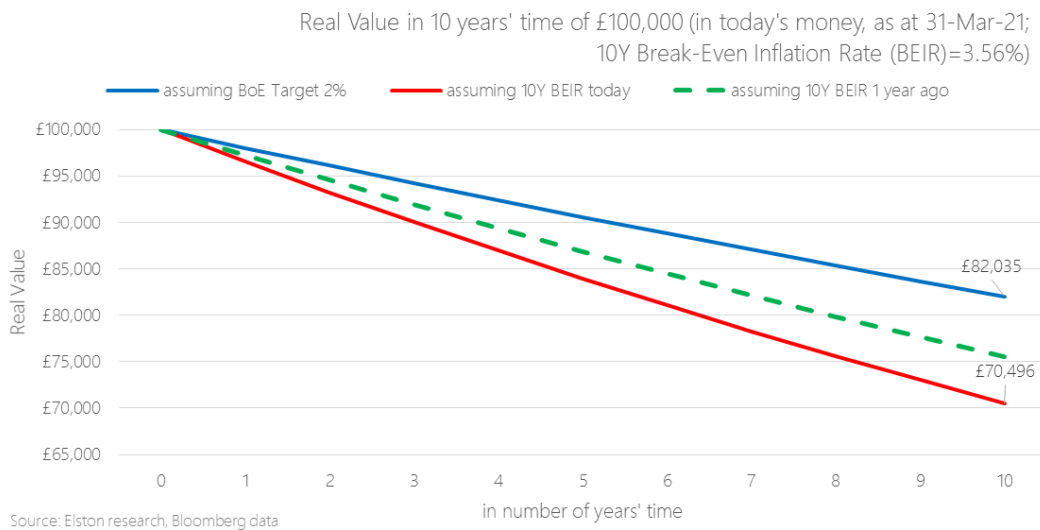
Easy central bank money, pent up demand after lockdowns and supply-chain constraints mean inflation is on the rise. Will Central Banks be able to keep the lid on inflation? The risk is that it could persistently overshoot target levels.



It matters more over time

Inflation erodes the real value of money: its "purchasing power". If inflation was on target (2%), £100,000 in 10 years' time would be worth only £82,035 in today's money. But on current expectations, it could be worth a lot less than that.

(see chart below)



Real assets can help

A bank note is only as valuable as the value printed on it. This is called its “nominal value”. Remember the days when a £5 note went a long way? When inflation rises, money loses its real value.

By contrast, real assets are things that have a real intrinsic value over time whose value is set by supply, demand and needs: like copper, timber, gold, oil, and wheat.

Real assets can also mean things that produce a regular income which goes up with inflation, like infrastructure companies (pipelines, toll roads, national grid etc) and commercial property with inflation-linked rents.

Rethinking portfolio construction

Including “real assets” into the mix can help diversify a portfolio, and protect it from inflation. Obviously there are no guarantees it will do so perfectly, but it can be done as a measured approach to help mitigate the effects of inflation. The challenge is how to do this without taking on too much risk.

To find out more about our Liquid Real Assets Index, please visit our website or contact us.

<https://www.elstonsolutions.co.uk/our-indices.html>

<https://www.elstonsolutions.co.uk/contact.html>



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