



TIME TO REFLECT

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Establishing a Framework

The New Year is a time to reflect on past decision-making activities. It is also an opportunity to consider the inputs that will shape the investing environment ahead. Establishing a framework to make investment decisions for the upcoming year allows you to reconfirm the progress being made toward accomplishing your goals and objectives. If necessary, it also serves as a catalyst for adjustment. **Investing is a journey filled with ebbs and flows which requires discipline, consistency, and control to achieve success.**

For over 30 years, Sabal Trust Company and our predecessor companies have been serving communities throughout Florida. Since our inception, Sabal Trust's vision was one of stability and lasting relationships that would stand the test of time. Indeed, many of the relationships we have forged have endured beyond a lifetime, some spanning three generations.

Interest Rates

Federal Reserve officials remain committed to increasing the level of benchmark interest rates, though they acknowledged that rates are closer to "neutral" levels. Decisions regarding additional policy accommodation must factor in the economic impact of ongoing trade negotiations. Also, recognizing that past rate increases take time to filter through the economy, future policy decisions will require time to assess. **While the Federal Reserve is closer to the end of the rate tightening cycle, we will see additional rate increases before the end of 2019.**

Shifting Winds

Market volatility returned last year after a period of dormancy and spared few corners of the investable landscape. For decades, bond investors enjoyed tailwinds, which are dissipating given the focus of the Federal Reserve as they remove policy accommodation and continue to increase interest rates. Bond prices move inversely to interest rates and many investors witnessed first-hand the price volatility that even a more conservative asset class could bring. **Selective exposure in high-quality, shorter maturity instruments is the best approach during this period of rate tightening.**

Global Trade

Trade challenges with China continue to influence strategic and tactical decision-making from corporations, businesses and investors. While the recent G20-Summit appeared to bring temporarily relief to the U.S. – China trade tensions, the difficult work of negotiations remains ahead. A brief window to negotiate tariffs, intellectual property protections, barriers to market access, cyberespionage, and other complex national security issues signals tremendous uncertainty about the ultimate outcome. **Policy risks pose a real threat to the trajectory of sustainable global growth.**

Energy Prices

Much attention is paid to OPEC output quotas. Yet, the U.S. is now the world's largest producer of crude, which could dampen the market impact of OPEC producers. After reaching their highest levels in over four years, energy prices fell at the end of last year and negatively pressured energy companies. **Lower energy prices benefit consumers by freeing up disposable income and support the broader economy by keeping inflation subdued as shipping, transportation and other input costs fall.**

Focus & Discipline

Achieving your long-term goals and objectives requires a steadfast focus, which is incredibly challenging, because short-term market fluctuations and behavioral influences inevitably affect decision-making. This is especially true during periods of greater volatility. 2018 marked the most volatile year since the 2008 financial crisis. Against this backdrop, it is easy to be consumed by the daily volatility. **However, remaining focused and disciplined are necessary ingredients for success.**

Portfolio Strategy

After several years of strong market gains, asset allocations could be stretched in favor of risk-assets. Consequently, investors should regularly revisit their ability and willingness to incur risk across their investments. Given the lingering political headwinds and the potential risk of exogenous shocks, asset allocation levels in portfolios should be carefully monitored. **Therefore, re-evaluating asset allocation targets and moving back to guidelines will help protect assets in the event volatility remains elevated.**

Housing Market

Throughout most of 2018, the growth rate of pending home sales declined and are now increasing at the slowest pace in over two years. Higher interest rates leading to the decline of mortgage applications, reduced housing inventory and elevated housing prices contributed to the weakness. Affordability indexes should be monitored as rising input costs (material, labor, and borrowing) further elevate the cost of purchasing a home. **Signs of softening housing demand could signal tougher economic times ahead.**

Our Outlook

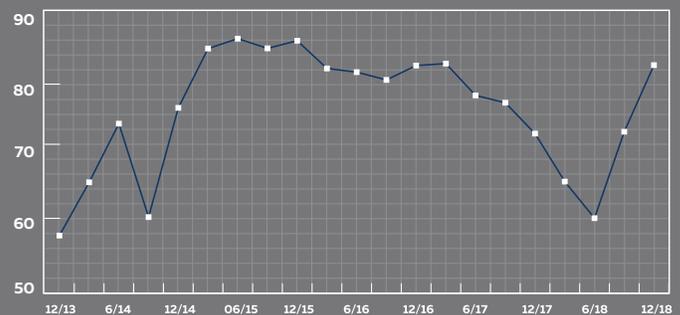
Economic tailwinds, including low unemployment, growing wages, record high consumer confidence and lower energy prices remain in place; yet, mounting questions about the economic cycle's sustainability remain unanswered. Without greater clarity about economic growth and trade policies, investors will be confronted with market volatility. **Uncertainty and volatility can be combated by managing risks through asset allocation, high quality investments and a growing stream of cash flows**

STOCK FOCUS:

Walgreens Boots Alliance

Stock Symbol: **WBA** Market Capitalization: **\$80.3B** Dividend Yield: **2.1%**
Long Term Earnings: **8.6%** 2018 P/E: **13.7x** Return on Equity: **18.8%**

Walgreens is the largest domestic retail pharmacy and reaches 75% of U.S. consumers with its geographic footprint. WBA benefits from the secular trend of an aging demographic, increased health care spending, and growing demand due to the expansion of medical coverage. WBA remains committed to returning cash to the shareholder in the form of a growing dividend that has seen +20% annual growth over the last three years.



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