



Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Investors have never experienced a year like 2020. Yet, we all face another hurdle ahead: The Presidential Election. Approaching November, the investment community will carefully analyze the potential market impact of different electoral outcomes. The results will inevitably influence the debate on how our political leaders fundamentally handle the domestic economy, wage growth, and position the U.S. on the global stage.

We can better define the risks that lay ahead when clarity eventually shines on the uncertain political backdrop.

Monetary Policy

The Federal Reserve's extraordinary policy accommodation continues to impact the capital markets. Policy makers recently announced a change in their core mandate framework. They plan to manage inflation by focusing on a 2% average over time and not an absolute target. This departure from Bernanke inflation targeting is designed to allow the economy to expand before any policy tightening activities. Regarding their employment mandate, instead of focusing on the aggregate unemployment rate, they will use qualitative measures to increase opportunities for marginalized segments of the labor force.

These tactical shifts signal that interest rates will remain lower for longer than originally anticipated, which will create a challenging environment for bond investors.

Politics & Capital Markets

Politics directly and indirectly influences capital markets by shaping the decision-making of individuals as well as impacting how business allocate their limited resources.

Furthermore, the enhancement or disruption of capital market flows can be directly tied to political activity. Consequently, balance is required as policy initiatives are crafted and implemented. Allowing the regulatory pendulum to swing too far to either extreme becomes unhealthy. The oppressive nature of over-regulation can be as harmful as a laissez faire approach to managing the economy and markets.

Political Reality

Political initiatives can bring unintended consequences which create winners and losers in the marketplace. This election will be no different. Voters will have a clear choice to make in November based on the dissimilar policy platforms. The election outcome will inevitably influence the debate on how the political leaders handle the challenges associated with the COVID-19 induced recession.

Regardless of who wins the White House, we believe that longer-term, the markets will remain resilient and continue to follow their cyclical patterns which present both opportunities and challenges to investors.

Each quarter, we'll highlight one of the many ways we help enrich your life and legacy.

Above & Beyond ESTATE SETTLEMENT

The estate settlement process can be overwhelming; the multifaceted and often time-consuming tasks involved in settling an estate require experienced counsel. Detailed work occurs between the gathering of estate assets, filing tax returns and making final distributions to beneficiaries where personal representatives are faced daily with legal and tax decisions. It is important to select a fiduciary who fully understands the complexity of state law and the tax issues surrounding estate administration. Equally important is selecting someone who has the compassion to work closely with surviving family members during a difficult time. Sabal Trust has the depth of resources and professional experience needed to handle the complex and detailed responsibilities associated with your unique estate, including the expertise to settle estates with closely held businesses, commercial real estate and other unique assets.

SERVICES OFFERED

- Retirement Planning
- Investment Management
- IRA Services
- Trust Administration
- Estate Administration/Settlement
- Bill Payment
- Multi-generation Planning
- Charitable Gift Planning
- Real Estate Owned in Trusts

Portfolio Strategy

Portfolios with consistent cash flows achieved through stock dividends and fixed income coupon payments are a measured and prudent approach to investing across all types of market cycles. Also, focusing on a growing stream of annual cash flows allows investors to fight against inflation and the erosion of purchasing power.

Building a stable, ever-growing cash flow stream fortifies a portfolio against the backdrop of economic and political instability.

Government Spending

While the consumer represents 70% of all GDP growth, government spending also should be factored into economic growth projections. Every President since the Kennedy Administration has implemented a sizable fiscal stimulus package designed to ignite economic growth.

Fiscal policy, including spending on infrastructure projects, could be a positive influence on the domestic economy next year.

Priced to Perfection?

Price/Earnings (P/E) is a valuation measurement representing how much investors are willing to pay for a company's future earnings. History is marked by periods of investor "irrational exuberance" resulting in asset classes reaching over-valued states with unsustainable valuations. Today, historic fiscal and monetary support measures continue to positively influence the economic recovery process. **Due to low interest rates and modest inflation, the broader markets are fairly valued.** Multiples could remain elevated for some time until there is a catalyst that dampens earnings growth or ignites inflation leading to higher interest rates.

Outlook

On January 1st, few could have imagined the events that would transpire during 2020 and permanently influence all aspects of the global community. The lessons learned from this experience will influence decision-making for years to come. The economy continues the arduous repair process from the ravages of COVID-19, but any complete return to "normal" is unlikely. Instead we will adapt, which is the key to success for individuals and businesses alike. Even against a healthier stock market backdrop, **human behavior remains unpredictable, which should serve as a reminder that the investment environment can change quickly and requires you to remain on guard by being patient and disciplined.**

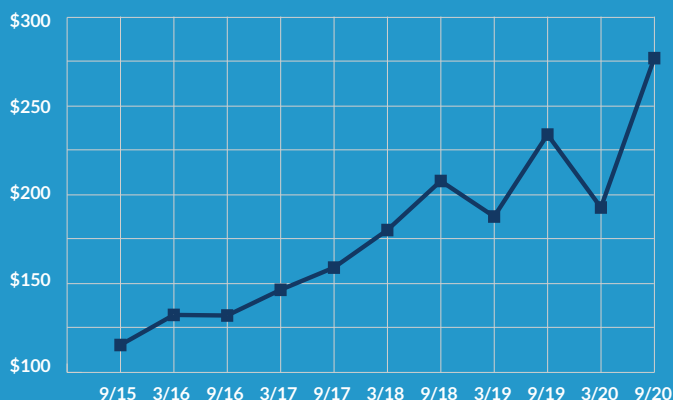


STOCK FOCUS:

Home Depot

Stock Symbol: **HD** Market Capitalization: **\$289B** Dividend Yield: **2.2%**
Long Term Earnings: **6.4%** 2021 P/E: **23.7x** Return on Assets: **20.1%**

Home Depot, the world's largest home improvement retailer, sells appliances, electrical, lumber, tools, plumbing, paint, and other home-improvement supplies. Revenue and earnings growth should be supported by growing DIY millennial demand, a strong housing market, a robust technology platform and an omni-channel shopping experience. A strong balance sheet, robust FCF generation should fund future dividend growth.



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