

3rd
Qtr.
2021



SELF-FULFILLING
PROPHECY

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

What a difference the passage of time makes. The midpoint of 2021 is a stark contrast to the challenging environment the global community faced a year ago. We were learning a new lexicon that included social distancing, contact tracing, case counts and trying to “flatten the curve.” Today, vaccine rollouts, economic re-openings, dramatically improved health metrics and greater mobility are drivers of a healthier economy and sources of great optimism.

As the economy continues to rebound and confidence levels grow, it is important to recognize that considerable work lies ahead to repair the deep fissures created by COVID-19.

Positioned Appropriately

Perform a mid-year portfolio assessment to ensure you are positioned appropriately. Reconfirm your investment goals. Verify that your asset allocation strategy remains appropriate for your objectives because determining the correct mix of stocks, bonds and cash is the most important decision influencing long-term returns. As you focus on protecting your future quality of life, examine the risk profile of your assets. It should be commensurate with your ability to take risks. After robust equity market gains over the last 12 months, allocations could be skewed toward riskier assets and misaligned with your investment objectives.

Proactive positioning allows you to better deal with an ever-changing market environment.

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

Above & Beyond BILL PAYMENT

Each life stage presents its own set of complexities and emotions. There may come a time when even the smallest task — such as paying monthly bills — becomes challenging and overwhelming to manage. Whether you're struggling with an illness, demands of caretaking, inability to understand your bills, or late fees due to forgetfulness in timely payment, we can step in and pay your bills from your Sabal Trust account. This is just another way we go above and beyond and are here for you in times of need.

Clairvoyance

Crystal balls originated during the time of the Druids, and while they do not provide true clairvoyance, there are other ways to assess the future. Markets and underlying stock prices offer important signals into investor expectations and psychology. Markets are forward looking and incorporate factors such as economic growth, interest rates, public policy and other influences. The expectation of future earnings is part of the calculus used to derive stock prices. As investors try to determine intrinsic value, it is important to separate the wheat from the chaff and focus on high-quality companies that we believe are fairly priced. Future catalysts, including inflation, interest rates and higher taxes, will be digested by the markets.

Investors should remain on guard as these issues are assimilated into investment decisions and market pricing.

Self-Fulfilling Prophecy

Expectations of the future influence companies and individuals alike. This is especially true as it relates to inflation. The anticipation of higher inflation can result in higher prices themselves. Companies expecting higher costs (wages, inputs, transportation) in the future might pre-emptively increase prices to preserve profit margins, which is inflationary. Rising prices erode purchasing power and make today's Dollars more valuable. Inflation expectations impact consumers who in turn might accelerate purchasing activity before the on-set of higher prices. Elevated demand could then embolden companies to increase selling prices.

Inflation expectations can become a self-fulfilling prophecy.

Dividend Stability

Reflecting on lessons learned intensifies your focus on the portfolio construction process. At Sabal, we strive to identify and invest in well-run, high-quality businesses that exhibit financial discipline, maintain strong balance sheets and generate robust cash flows. Companies with better earnings visibility and greater financial flexibility better position our clients for success.

We believe that companies paying a growing dividend stream exhibit greater stability and are the types of investments we want to own for our clients.

Lessons Learned

Investing is a life-long endeavor. We learn lessons from our collective experiences, which provide wisdom and insight to deal with the ever-evolving environment. Even as investors look ahead and assess the markets, reviewing the past allows you to learn important lessons about decisions that worked and those that resulted in sub-optimal outcomes. Valuable lessons we have learned over the years include the importance of income growth, the protection of capital and the reduction of portfolio volatility.

Embrace humility as you engage in this activity, and you can learn lessons to improve your decision making.



Outlook

Everybody views the world through a unique set of lenses. Experiences shape our perceptions and impact how we make decisions. Emerging from the shadows of COVID-19, everyone longs for some degree of normalcy. What is the "new normal"? We believe there is a permanence to some of the changes brought on by COVID-19. An altered business landscape, interpersonal and professional relationships and communication methods, among other differences, are forcing investors to think differently about the world.

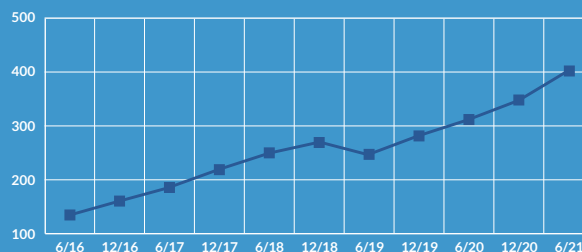
Adapting to the shifting landscape involves embracing change and transformation as we collectively chart a new path forward.

STOCK FOCUS:

United Health

Stock Symbol: **UNH** Market Capitalization: **\$109B** Dividend Yield: **1.2%** Long Term Earnings: **12.0%** 2021 P/E: **19.6x** Return on Equity: **15.3%**

United Health is the largest publicly traded, managed-care company (health care benefits, health services, data analytics and a robust technology platform). Increased network coverage and an aging demographic are secular tailwinds driving top-line growth and expanded margins. UNH's network has operational scale, vertical integration capabilities and solid earnings growth. The compounded annual dividend growth rate over the last five years is 21.6%.



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