



Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Investing is a life-long journey marked by emotional paradoxes. Over time and through experience, we discover that most of the external environment is beyond our direct control. Instead, we focus on what we can control: our responses and behavior. Understanding why you invest and place your assets into the capital markets is an important part of the investment process. **This thought exercise allows you to reconfirm your investment goals, filter out “noise”, and focus on what really matters for you and your family.**

Economic Environment

Economic headwinds continue to stir as the impact from tax cuts and other stimulus measures fade. Global economic growth is slowing even while governments and central banks increase stimulus through policy initiatives. Slower growth is not unusual as you move deeper into an economic cycle. High utilization, low unemployment, and animal spirits eventually give way to caution and rationalization. The current expansion is 10 years in length and is now the longest on record. Cycles inevitably shift between growth and contraction and while some economic indicators point to continued growth, others reflect the realities of trade tensions with China, rising levels of corporate debt, and demand exhaustion. **Given the uncertain trade backdrop, investors should moderate expectations about economic growth amidst a shifting landscape.**

Trade Dispute

Trade deals are complex. Compounding the economic issues are varying political agendas and populist overtones. We believe that fair trade agreements are critical for all parties; yet, the economics of a trade war are clear. Tariffs increase costs, influence decision-making, and disrupt purchasing patterns. Businesses ultimately pass on higher costs to consumers. **Increased input costs from tariffs and trade barriers ultimately will dampen global trade, slow economic momentum and lead to a market repricing.**

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

Above & Beyond IRA SERVICES

Sabal Trust can provide expertise, guidance and administration of your Simple, Traditional, Roth, Inherited, SEP or Rollover IRA. We can help you with IRA tax planning, charitable gifts and ensuring your Required Minimum Distribution is completed. We always construct a portfolio using our asset allocation strategies to achieve your goals. Additionally, we coordinate your IRA with your other accounts and communicate with you regularly.

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



Monetary Policy

Since the outset of the year, the Federal Reserve adopted a noticeably more dovish tone and confirmed their desire to be “patient” and “data-dependent” in their assessment of a slowing global economy. This resulted in parts of the yield curve inverting for the first time in over a decade. 10-year Treasury yields recently plunged in the face of a less optimistic outlook for global economic prospects. Going forward the Federal Reserve must weigh the economic impact of the on-going trade negotiations. Bond investors tend to possess a more dispassionate view than their stock market counterparts. **They now appear even less sanguine about economic growth prospects as the credit markets continue to factor in rate cuts as part of the next policy move.**

Investment Strategy

Bond portfolio structures, specifically duration targets, should be reviewed given the changing interest rate environment, as the yield curve remains flat-to-inverted. For equity investors, dividend-paying companies—particularly those with the earnings and capital to support a growing dividend—offer the best opportunity to generate attractive inflation-adjusted returns over the long-term while protecting from loss. In an environment of slowing economic growth, shifting monetary policy, and increased trade tensions, **we continue to believe investing with an eye toward downside protection is prudent.**

Information Ambiguity

We live in a world of uncertainty. As economic agents, each of us makes choices based on readily available information. No decision-maker has a perfect set of data as all decision-making occurs with certain degrees of information ambiguity. The extent to which investors methodically collect, assimilate and analyze data determines their degree of success.

Remain focused on why you are invested as it will provide you with balance as you deal with imperfect information.

Putting It All Together

Given the multitude of cross currents and variables that influence asset prices, building and managing a portfolio can be a daunting task. This is especially true in an environment shaped by elevated risks and uncertainty. We believe that building a portfolio of complimentary stocks and bonds versus a random collection of securities is most impactful for you and your family.

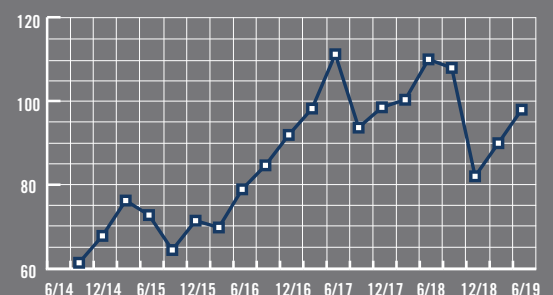
The former is proactive and allows you to position ahead of an evolving environment compared to the latter which causes you to be reactionary in an event driven market. Which approach do you want to take to protect your family legacy?

STOCK FOCUS:

Quest Diagnostics

Stock Symbol: **DGX** Market Capitalization: **\$13B** Dividend Yield: **2.2%**
Long Term Earnings: **4.8%** 2019 P/E: **15x** Return on Equity: **15.7%**

Quest Diagnostics is one of the largest clinical laboratories in the U.S. with a network of 2,200 patient service centers and 10 high volume processing centers. Through its network, the company processes more than 150 million specimens per year, touching one third of the US population. Scale allows Quest to earn margins that are 2x its competitors in the hospital and independent market segments. DGX trades at 14x earnings with a low payout ratio of 37% and annual dividend growth of 11% over the last 5 years.



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