Fourth Quarter 2011

OUR VIEW

A QUARTERLY NEWSLETTER FROM SABAL TRUST COMPANY

"CHALLENGES CREATE OPPORTUNITIES"

Shaping one's vision of the future involves analyzing the external world as well as turning inward to draw upon past experiences. Recently, heightened uncertainty fueled increased volatility across global markets testing investors' resolve regarding their expectations about the economic environment. The stark reality that it will take longer and be more challenging to repair the damage caused by over-leverage and unchecked private and public spending continues to weigh on the global markets. Against that pessimistic backdrop, a fundamental concept should be embraced: markets, economies, and asset classes cycle, which is a natural process presenting investors with both opportunities and challenges. This time is no different.

CURRENT ENVIRONMENT

Domestic and global markets continue to struggle under the weight of numerous pressure points. Economic data, including ISM manufacturing, construction spending and lowered GDP estimates clearly indicate the economic environment is slowing. However, stable revenues, excellent profitability, and healthy balance sheets leave corporations flush with cash reserves as they continue to monitor the ever-changing regulatory and public policy landscape and the absence of core demand. Close to $2.1 trillion of cash exists on corporate balance sheets, which represents approximately 8% of total assets (the highest levels in 60 years). The consumer, a key economic growth driver, continues their transformational spending shift toward sustained net savings and debt reduction strategies. ***It is important to note, business cycles experience fluctuations and the economy can encounter slower growth without falling into recession.***

CREDIT DOWNGRADE

The drama in Washington D.C. regarding the debt ceiling and the inability to manage our nation's fiscal affairs has been on display over the last several months. The subsequent downgrade of U.S. sovereign debt to AA+, will press the federal government sector to implement austerity measures just as many foreign governments as well as state and local entities have been forced to do. ***Despite the credit downgrades, global investors continue to favor highly liquid and secure Treasuries due to the lingering global uncertainties.***

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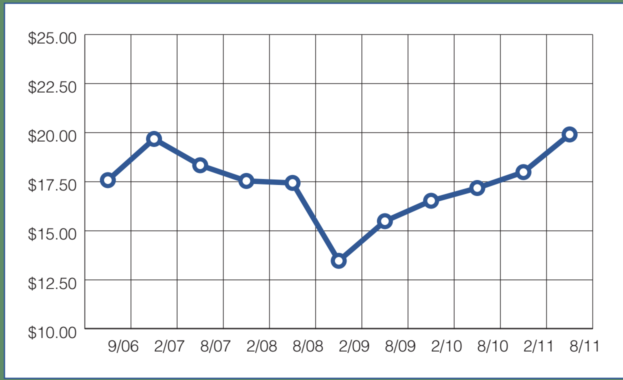
STOCK FOCUS: DUKE ENERGY

Stock Symbol: DUK
Market Capitalization: $25B
Dividend Yield: 5.3%
Long Term Earnings: 4%
2011 P/E: 13.0x
Return on Equity: 8.8%

Duke Energy (DUK), one of the largest holding companies of regulated gas and electric utilities, maintains a diverse revenue stream across operating units and geographic regions. DUK also transmits, distributes and sells electricity, manages non-regulated merchant power plants and also operates nuclear assets. The pending acquisition of Progress Energy should strengthen the firm's already solid financial position and allow for continued cost savings. Core regulated utilities provide earnings stability and DUK has solid relationships with state regulators.



DEBT CEILING DEBATE

Annual deficits and a large national debt are not unusual. However, the ugly, embarrassing debt ceiling debate exposed our politicians' inability to impose fiscal discipline and apply even moderate constraints. Partisan politics clearly took precedence over thoughtful debate and the development of a cohesive, long-term strategy to fix our nation's financial picture. ***This serious situation is extremely complex and short-term, politically-driven solutions designed to provide fleeting relief for global markets are not surrogates for comprehensive, long-term strategies.***

MONETARY POLICY

Investors loathe any uncertainty clouding the economic, political or financial landscapes. While the removal of all risks and uncertainty associated with investing is impossible, the Federal Reserve attempted to provide clarity on interest rates by telegraphing short-term rate policy intentions through mid-2013. With rates at historically low levels, it is abundantly clear that the next coordinate move will not take place for two years and the question now is related to the timing and magnitude of the next rate increase. ***The commitment to holding short-term rates low removes some policy uncertainty and allows investors to make tactical fixed income decisions with a greater degree of confidence.***

EUROPEAN DEBT

Europe's debt travails, coupled with uncoordinated, inconsistent policy responses to serious structural challenges, have only exacerbated the market tension via contagion fears throughout the Eurozone and other corners of the global financial markets. ***Only austerity measures, tough fiscal decisions, debt restructuring strategies, and the passage of time will position the members of the European Union on a path to recovery.***

OUTLOOK

Given the global structural challenges, corporate and consumer deleveraging, and the fundamental problems created by decades of excess, developed countries, including the U.S., face a long period of below normal economic growth. While the financial system is stronger today than in 2008, memories of the financial crisis and market turmoil linger. It is challenging to completely push these negative emotions aside and engaging in major portfolio adjustments during these periods of volatility could prove particularly damaging to a long-term investment strategy. ***Remaining focused on a well-balanced mix of high-quality investments is paramount during this time period.***

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