

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

In 2020, COVID-19 deeply tested the global community as we attempted to wrap our collective arms around the human, economic and financial impact of the virus. The extent of the damage the virus would unleash was unknown as people everywhere embraced a new reality of social distancing, isolation, testing, and trying to flatten the curve. Times of extreme uncertainty can shake us to our very core. Yet, people across the world responded to this historical challenge.

The realities of a vaccine are paving the way for healing and recovery.

COVID-19

The rapid development of a viable COVID-19 vaccine is a testament to the talent, scientific prowess and sheer will of the global pharmaceutical community. After the first vaccine approvals, now the challenging work of manufacturing the vaccine on a global scale and tackling the distribution logistics lies ahead. Even with progress on a vaccine, the **sobering reality is that another COVID-19 wave is upon us**, which will tax our nation's health care infrastructure, change consumer behavior, and alter decision-making activities heading into 2021.

Policy Support

Last summer, the economy found itself in a severe, virus-induced recession. Unparalleled policy support from both Congress and the Federal Reserve prevented the economic environment from becoming even more dire. A paradigm shift emerged when both Republicans and Democrats embraced the notion of large-scale government spending as **the population asked the government to "do whatever it takes."**

Interest Rates

During the nadir of the COVID-19 crisis, the Federal Reserve provided a backstop for the credit markets by setting policy rates at zero and becoming an active purchaser of fixed income instruments. Borrowing costs reached historically low levels, which resulted in corporations accessing the debt markets at levels never-before seen.

Companies are using the debt markets to lower their borrowing costs, which gives them greater financial and operating flexibility.

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

Above & Beyond MULTI-GENERATION PLANNING

Sabal Trust's experts often work with generations of families, providing trusted advice on family wealth and proactively helping to meet families' current needs, as well as protecting wealth across generations. From offering guidance on the most tax-advantaged ways to pass along wealth in line with your current goals, as well as educating the younger generations on the potential and preparation for sudden windfalls, we are there to help provide for a streamlined transition of wealth and goodwill from one generation to another.

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

The Most Important Factor

COVID-19 brought with it a host of valuable lessons. The primary investment lesson is the ability for asset allocation to better protect portfolios during extremely volatile markets. In the short term, determining the correct mix of stocks, bonds and cash allows you to navigate market volatility.

From a long-term perspective, *asset allocation is the most important decision influencing returns and allows you to focus on protecting your assets and future quality of life.*

Stock Focus

The focus of Sabal's equity strategy remains on predictable and stable cash flows as our portfolio's income grows even during periods where stock prices fluctuate. Strong companies survive challenging times. Specifically, we invest in high-quality, dividend-paying stocks because these businesses are well run by their management teams. They exhibit financial discipline, have higher quality more consistent earnings, and generate robust cash flows supporting distributions to shareholders.

We believe that dividend-paying companies add value and create meaningful wealth over long market cycles.

Fixed Income Focus

Bond instruments provide both ballast against market volatility as well as predictable income streams. *We always center our fixed-income strategies around high-quality, investment-grade credits.* History tells us that lower-quality companies are more susceptible to business risk and financial stress. Exogenous shocks such as COVID-19 exert tremendous pressures on all companies. While the Federal Reserve essentially backstopped the credit markets with a myriad of policy initiatives, lesser-quality companies face greater financial stress points and have higher probabilities of failure.

Unintended Consequences

Over the last two decades, the economy operated in a benign inflationary environment due to globalization, increased productivity and the widespread embracing of technology. COVID-19 led to technology adoption, which, when combined with direct-to-consumer government distributions, is deflationary and will play tug-of-war with the inflationary aspects of increased government spending and low rates. While the extent and degree are unknown, we will likely see additional spending activity in 2021 on top of the record levels of debt accumulated to provide support for businesses during the pandemic.

Policy initiatives, even those with the best intentions, can result in unintended consequences that influence the economy and the broader market environment.

Looking Ahead

Everybody desires normalcy, but COVID-19 turned normal on its head. The rapid spread of the virus across the globe, the draconian measures implemented to slow its spread, and the historic policy responses were incomprehensible a year ago. Yet, as a nation, we are resourceful, adaptable and determined. While we are on the path to normalization, the process will continue to take time and be uneven in its progression.

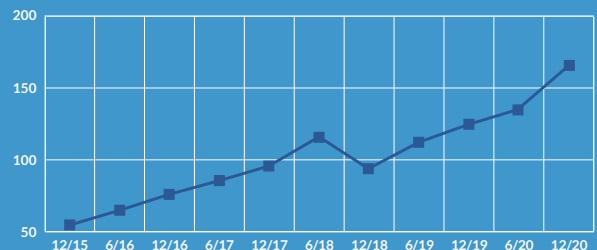
We look toward 2021 with optimism, anticipation and humility.

STOCK FOCUS:

Texas Instruments

Stock Symbol: **TXN** Market Capitalization: **\$149B** Dividend Yield: **2.5%** Long Term Earnings: **7.4%** 2021 P/E: **28.1x** Return on Equity: **60.1%**

Texas Instruments produces industry-leading analog and embedded processors as well as chips in electronic equipment and devices. Applications include autos, industrial machinery, consumer electronics, communications devices and calculators. Secular growth in auto chip content and industrial automation supports a strong balance sheet and provides stable, high free cash flow which should provide support for future dividend growth.



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