OUR VIEW

A Quarterly Newsletter from Sabal Trust Company

First Quarter 2017

"AREAS OF TRANSITION"

Political change after a highly contentious Presidential election will inevitably set the tone for the investment environment over the coming year. Against this backdrop, investors will position investments for an ever-evolving landscape and frame the catalysts and drivers likely to shape and define the markets.

CURRENT ENVIRONMENT:

The November election dramatically adjusted the domestic political landscape. The impact of upcoming policy decisions will dictate the direction of the nation from an economic, political, and social perspective. Because ideological divisions run deep, stir great passions and fuel perpetual debate, it is important to embrace the fundamental tenants of economic resiliency and cyclicality. High quality companies display resiliency by managing through ever-evolving operating environments. ***Elements of political discontent are unlikely to dissipate causing various degrees of market stress; therefore, prudence and a focus on a longer-term horizon is paramount***.

ECONOMIC ROAD MAP:

Uneven economic activity since the "Great Recession", coupled with stagnant wage growth, fueled voter discontent resulting in one of the most-surprising electoral outcomes in our nation's history. The incoming Trump administration ***plans to chart a new course built on policies designed to accelerate economic growth*** by reducing impediments and hurdles to capital flows. A key element to the Trump stimulus plan will likely focus on tax reform by lowering the highest corporate tax rate of any developed economy. The effectiveness of this and other policy initiatives will be carefully measured.

POTENTIAL HEADWINDS:

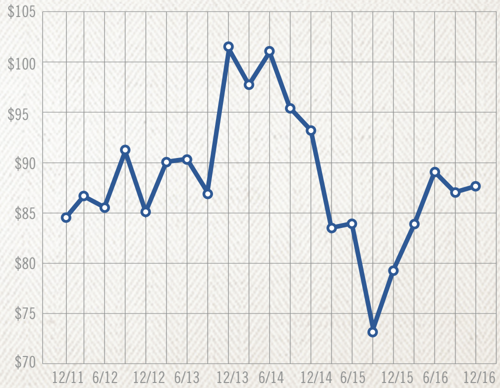
It is critical for investors to recognize the risks associated with transition and change. The domestic economy continues to receive support from a resilient consumer, buoyed by greater levels of household wealth, a positive housing market, and growing income levels. However, negative rhetoric surrounding the prospects of a trade war, questionable growth across international economies, and the specter of geopolitical tests on the new administration could negatively shift consumer and business sentiment.

ENERGY MARKETS:

The economic cycle, specifically consumption and demand, directly effects energy. Supply influences, including production and capacity levels, oil reserves, inventories as well as geopolitical events also exert their pressures on the energy markets. Commodity price volatility over the last

Stock Focus: Exxon

Exxon engages in the exploration, development, and distribution of oil, gas, and petroleum products. The company's operational scale and geographic diversification makes it one of the world's most efficient integrated oil companies. Exxon's strong balance sheet and excellent cost controls signal financial flexibility and a greater capacity for continued future dividend growth. The company has increased its dividend for 33 consecutive years.



Stock Symbol: **XOM**
Market Capitalization: **$362B**
Dividend Yield: **3.4%**
Long Term Earnings: **6.1%**
2017 P/E: **20.5x**
Return on Equity: **5.3%**

several years, largely a function of supply and demand imbalances, placed tremendous pressure on energy companies. ***A more accommodative environment toward fossil fuels could lead to greater North American energy production with the intent to stabilize energy prices and drive future economic growth.***

MONETARY POLICY:

Federal Reserve policy makers, content with benign inflation levels, have focused on removing slack from the labor markets and promoting sustainable economic growth. Currently, shifting policy toward higher interest rates is anticipated because of the improved labor market conditions and early signs of inflationary pressures. ***A greater confidence in more robust economic data confirms the likelihood of moving down the path of interest rate normalization.***

FISCAL POLICY:

The change in political leadership brings a renewed enthusiasm for increased engagement and spending by the Federal government. Every administration since the Kennedy era has enacted major fiscal stimulus initiatives in their first year. ***However, investors must temper expectations of the true long-term, sustainable impact on economic growth from government stimulus activity.***

BOND MARKETS:

A structural shift involving rising interest rates creates headwinds for bond investors. Fixed income investing becomes a more challenging balancing act between principal protection, income needs, and liquidity in the face of volatility because of the inverse relationship between interest rates and bond prices. ***To mitigate volatility, continue to focus on capital preservation and greater degrees of stability through higher-quality, shorter-term bonds.***

OUTLOOK:

The stock market, a leading indicator of the economy, and investors continue to factor into their decision-making pending policy initiatives from the new administration. While tailwinds and stimulus initiatives could positively impact the economy going forward, a realistic assessment of public policy outcomes requires investors to maintain their focus on ***risk reduction, controlling asset allocation, and purchasing the stocks and bonds of high quality companies.***

ST. PETERSBURG
200 Central Avenue, Suite 220
St. Petersburg, Florida
33701
727-824-8700

SARASOTA
1800 Second Street, Suite 103
Sarasota, Florida
34236
941-556-0760

TAMPA
4211 West Boy Scout Boulevard,
Suite 190
Tampa, Florida
33607
813-229-2180

THE VILLAGES
1060 Lake Sumter Landing
The Villages, Florida
32162
352-751-2199

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