

1st
Qtr.
2020



A UNIQUE
SET OF LENSES

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Is your glass half full or half empty? Everybody views the world through a unique set of lenses, which impacts their decision-making. The debate over the economic cycle's sustainability and durability has investors taking both sides of the argument. Additionally, a highly polarized political environment will likely divide investors along party lines leading up to the November election. Potential political and economic changes will grip the investment landscape and set the tone for the investment environment over the coming year.

Decision Making

In 2020, elevated political risks due to impeachment proceedings, the trade war, and the Presidential Election require investors to remain on guard. The outbreak of the trade war dampened capital expenditure (CAPEX) plans, moderated compensation growth and slowed the hiring process.

Economic considerations directly shape and persuade sentiment and decision-making.

Impeachment

Naturally, the prospects of impeaching a President can potentially unsettle markets and impact decision-making. We are less concerned about the mechanics of the impeachment process and more interested in the market's historical response. During the few comparable periods in political history, the underlying economic trends and factors had a greater influence on the markets.

Currently, optimistic investors remain focused on positive corporate earnings, low unemployment, and modest inflation as markets trade at all-time highs.

Global Economy

Slowing growth across global economies ignited civil unrest in many regions. The blowing winds of civil discontent increased political pressure on governments to take decisive actions to jumpstart economic growth. Furthermore, global central banks increased monetary stimulus to ward off a further deterioration of economic growth.

Time is necessary for these stimulus activities to take hold and be impactful.

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

Above & Beyond RETIREMENT PLANNING

Determining retirement goals, and the actions and decisions necessary to achieve those goals, is the first step in a successful retirement plan. However, it does not end there. A good plan needs to adjust along the way, adapting to changing circumstances. From managing assets and maximizing cash flows to dealing with deteriorating health and the expenses that go with it, Sabal Trust can provide expertise and guidance through it all.

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



Economic Signposts

Entering the economic expansion's 11th year requires you to carefully monitor the signposts, because history tells us that cycles inevitably shift. Leading Economic Indicators (LEI), including the Purchasing Managers Index (PMI), durable goods orders and consumer confidence, are highly correlated to the economic cycle. Recent weakness in the LEI's stemmed from the manufacturing sector due to disruptions from trade war uncertainty.

Slowing economic growth is evident and additional impacts from the trade war could show up in future data.

Search for Yield

A less sanguine view of the global economy, and modest inflation caused the Federal Reserve to lower interest rates during 2019 despite a positive economic backdrop. As investors debate the path of future interest rate policy, Fed officials are on hold as they continue to assess the economic environment. Investors largely anticipated these downward rate adjustments as they moved back along the risk curve in search of yield.

Focus on higher quality investments to protect capital at this stage of the cycle.

Valuation Levels

At the end of 2019, markets pushed through all-time highs. Will they continue to rise? The answer depends on the confluence of political and economic events that will shape the markets in 2020. Valuation, which is the price investors are willing to pay per dollar of earnings, matters. Much of this depends on your perspective of a company's future earnings growth rate. The market's current valuation as measured by the P/E ratio is reasonable given the underlying growth rates.

Investors should continually reassess earnings and valuation levels.

Market Volatility

We protect our clients' capital and position them to achieve investment success by remaining disciplined in our thought process, decision-making and investment approach. Discipline can be challenging in the face of adversity and in 2020 the political spectrum will generate heightened uncertainty for investors. Consequently, as we approach the Presidential election, the ebb and flow of investor emotion will influence market pricing.

Displaying patience and discipline will put you in a better position to achieve success.

Outlook

Investors seek clarity across the economic, political, and financial landscapes. Removing all risks associated with investing is impossible. As a result, investment decisions should be made against the backdrop of managing and controlling risks. As an investor, ask yourself "what risks am I willing to take" and more importantly, "what risks am I able to take". To control risk, remain focused on solid, predictable cash flows from high-quality, dividend paying companies and investment-grade fixed-income instruments.

This discipline will position you to successfully navigate the ever-changing environment with greater confidence.

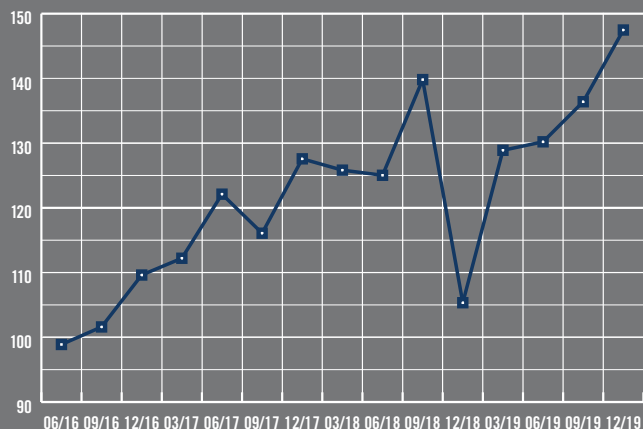


STOCK FOCUS:

United Technologies

Stock Symbol: **UTX** Market Capitalization: **\$46B** Dividend Yield: **2%**
Long Term Earnings: **9%** 2019 P/E: **17x** Return on Equity: **15.5%**

United Technologies is a premier commercial and defense supplier offering products including aircraft engines and aftermarket services for the commercial, military, business jet, and general aviation markets. The pending acquisition of Raytheon expands UTX's portfolio to include air and missile defense, cybersecurity, combat systems, and hypersonic technologies. UTX is well positioned to generate free cash flow that will be supportive of future earnings growth and dividend increases.



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