

4th
Qtr.
2019

A METHODOICAL
RESPONSE

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Investing is emotional. Think for a moment about the range of emotions you have experienced over time as they related to various investments. In an everchanging world, the market ups and downs can elevate investor emotions and spark both fear and greed. Understanding what influences markets helps to create an investment framework that reconciles emotions with the realities of risk and return. Recklessly embracing risk is imprudent, but it is equally irresponsible to ignore long-term investment opportunities. Consistent and methodical risk management through the cycle is the best way to protect and grow capital over time.

Economic Cycle

Earlier this summer, broader stock market averages touched all-time highs on the back of solid domestic growth and moderate inflation. An aging business cycle as confirmed by steady GDP growth and record low unemployment continues to support consumer and business confidence.

The impact of trade and political headwinds on confidence and sentiment measures will be important to monitor as we assess the durability and sustainability of the cycle.

Trade Challenges

The Administration's negotiating tactics are designed to combat unfair competition stemming from years of questionable trade policies. However, an unconventional and highly combative approach risks damaging U.S. trading relationships and imperiling global growth. Trade related disruption has thus far been modest in the U.S., where manufacturing has declined in importance; yet, severe in economies with large trade surpluses like Germany and China. Risks remain as protectionism builds barriers, impedes established supply chains, and elevates uncertainty. Conversely, a resolution to the trade impasses could lead to a snapback in global economic activity as inventories replenish, benefiting all market participants.

Only the pace and success of ongoing negotiations will dictate the ultimate impact on global trade and economic momentum.

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

Above & Beyond TRUST ADMINISTRATION

The importance of choosing the right Trustee is often overlooked in the estate planning process. The benefits of an experienced corporate trustee to properly navigate the process and ensure your wishes are handled appropriately and timely can make all the difference. As your appointed trustee, we dedicate ourselves to protecting your assets and ensuring that your intentions are carried out. When you become a trust client, a dedicated relationship management team will be assigned to oversee your account. Your team, with the necessary degree of sensitivity, will recommend courses of action and make prompt decisions on your behalf and on behalf of your beneficiaries.

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

Federal Reserve

A more accommodative Federal Reserve continues to influence the behavior of market participants. Slowing global growth and escalating trade conflicts resulted in proactive easing by central banks around the world.

Going forward, the policy bias remains firmly toward lower rates with greater uncertainty around the magnitude and pace of future rate changes.

Asset Allocation

It is natural for market volatility to be unnerving, especially as you focus on protecting your family's legacy and future quality of life. Over the last year, markets experienced a shift from a low volatility regime to more normal levels. Sizable intra-day price swings have become more commonplace leaving investors with greater unease. Removing all investment risk from a portfolio is impossible and may undermine long-term investment returns. Focusing on an extended time horizon and cash flow generation helps buffer against emotional volatility.

Along these lines, the most important decision to influence long-term returns and effectively manage risk involves determining the correct mix of stocks, bonds and cash.

Independence

As Federal Reserve officials attempt to navigate through a tumultuous period, they face difficult decisions as they address mixed economic signals coupled with political pressure from the Administration. Diversity of opinion is healthy and encourages a vigorous debate. While monetary and fiscal policy should work in concert, the current Administration created negative tension through their public commentary, which will not have positive implications.

Let there be no mistake: central bank independence is critical for the effective design and implementation of policy.

The Consumer

A healthy consumer fuels the domestic economic engine and confidence influences spending. Resilient confidence levels, even against a backdrop shaped by trade war salvos and questions about the economic cycle, point to continued economic growth. Furthermore, the economy appears to be operating at full employment with historically low unemployment rates and improving labor force participation.

The level of consumer confidence, personal incomes and spending will directly influence the durability of the economic cycle.

Positioning for the Future

A diversified portfolio of high quality, dividend paying companies and short-term investment grade bonds will allow you to weather a backdrop characterized by low rates and economic uncertainty. Portfolios generating consistent cash flows through stock dividends and fixed income coupon payments are also a proven approach to dealing with greater volatility while offering inflation protection.

We believe that building a stable, increasing cash flow stream fortifies a portfolio through market cycles and allows you to remain disciplined as you protect your family's assets.

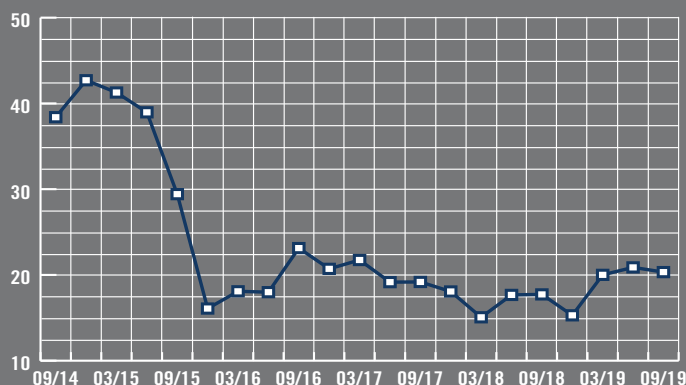


STOCK FOCUS:

Kinder Morgan, Inc.

Stock Symbol: **KMI** Market Capitalization: **\$46B** Dividend Yield: **5%**
Long Term Earnings: **7%** 2019 P/E: **9x** Return on Equity: **12%**

Kinder Morgan is one of the largest energy infrastructure companies in North America with 84,000 miles of pipeline and 160 product terminals. Robust cash flows are supported by fee-based, take-or-pay contracts and an interstate natural gas pipeline system that handles 40% of all gas consumed in the US. The company has committed to increase its dividend to \$1.25 by 2020, equating to an expected yield of over 6%.



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