

# OUR VIEW

A QUARTERLY NEWSLETTER FROM SABAL TRUST COMPANY

## “APPETITE FOR CLARITY”

Starting the New Year involves anticipating a new set of investment experiences, which is comparable to cleansing the palate in preparation for the next course of a fine meal. Consequently, investors would gladly cleanse their memories of the volatility that dominated the investment landscape due to the uncertainty of global socio-political and economic events. Unfortunately, 2012 is likely to be an environment filled with many of the risks and pressure points that influenced the markets last year. ***Dramatic political and economic changes continue to grip the global landscape and will inevitably set the tone for the investment environment over the coming year.***

## DELEVERAGING AND AUSTERITY

Consumers, whose spending represents 70% of our GDP, remain in a retrenchment mode as they continue to pare back debt burdens. The deleveraging of consumer balance sheets requires individuals to make challenging decisions regarding spending, savings, and paying down debt. The unchecked growth of credit and the subsequent wide-spread debt burden that fueled the 2008 global financial crisis requires more time to unwind. ***Deleveraging, which is critical to set the stage for sustainable long-term growth, will continue to dampen short-run economic growth rates across the globe.***

## POLITICAL ENVIRONMENT

Globally, the winds of discontent continue to blow across the political landscape. The Arab Spring saw a wave of violent protest and uprisings across the Middle East that resulted in regime change in several countries. The demonstrations and discontent spread to Europe as the governments of Italy, Spain and Greece changed hands in the face of failed political and economic leadership. Within our own borders, the abject failure of Washington D.C. to demonstrate forward-thinking leadership and break out of self-serving partisan posturing further fueled negative sentiment. ***Politics and the prospects of change will be critical market drivers over the next year.***

### SABAL TRUST INVESTMENT COMMITTEE

Heather R. Boone, CFA

Lucas J. DeVicente, CFP®

William A. Eickhoff, CFA

Charles H. Kard, CFA

Gerard J. Lachnicht, CFA

Jennifer R. McClintic, CFA

G. Lowe Morrison, CFA

G. Bruce Mullin CFA, CFP®

Scott L. Pieper, CFA

Sabal Trust  
Company 

HERE TODAY. HERE TOMORROW.

[sabaltrust.com](http://sabaltrust.com)

# STOCK FOCUS: MCCORMICK

Stock Symbol: MKC

Long Term Earnings: 10%

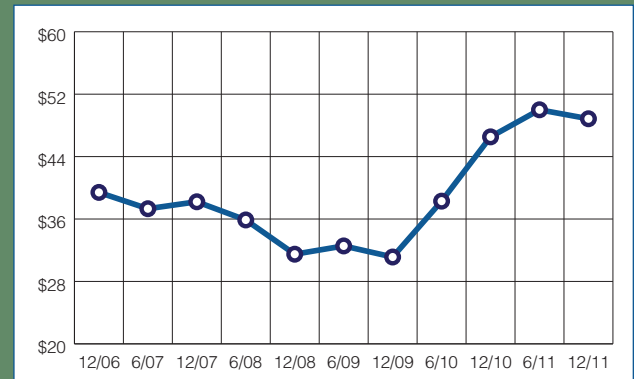
Market Capitalization: \$7.6B

2011 P/E: 15.7x

Dividend Yield: 2.5%

Return on Equity: 24.0%

McCormick & Company (MKC), a global leader in spices, seasoning, and flavor, markets an expansive portfolio of branded and private label products. MKC has been aggressively increasing its product exposure in the rapidly growing emerging international markets while expanding its domestic product mix to appeal to different ethnicities. The firm enjoys a history of predictable earnings growth coupled with a solid dividend history that includes 85 years of sequential dividend payments with the last 26 years reflecting dividend increases. During the last decade, the dividend growth has averaged 11%.



## EUROPEAN DEBT CRISIS

The markets are on edge due to uncertainty related to the debt crisis across the financially challenged countries in southern Europe. Memories of the 2008 financial crisis, fresh on the minds of most investors, have only served to increase the market tension and subsequent volatility as it relates to global contagion fears. Policy responses have failed to truly solve the fundamental problem that debt-driven growth is not sustainable and is a flawed model.

**Coordinated efforts, similar to the Central Banks working together to provide liquidity for the global financial system if needed, will likely be offered up as the debt drama continues to unfold.**

## INTEREST RATES & INFLATION

The Federal Reserve continues to maintain its accommodative posture with low interest rates and will do so at least into mid-2013. Inflationary concerns impact investor decision-making, and an environment experiencing increasing inflation could result in the Federal Reserve adopting a more restrictive monetary policy. **However, policy makers, content with the current benign level of inflation, are more focused on promoting sustainable economic growth and improving the employment picture.**

## INVESTMENT STRATEGY

Taking advantage of market opportunities requires focusing on core investment principals. Sabal Trust's philosophy is built around cash flow generation in portfolios from high-quality, dividend-paying companies and investment-grade fixed income instruments. We identify more defensive, less cyclical companies whose business models have been stress-tested at every part of the business cycle. **Deploying well-balanced portfolios to generate income enhances total return and acts to buffer price volatility that inevitably results from uncertain markets.**

## OUTLOOK

Displaying patience and waiting for the gradual improvement of the economic cycle will reward investors. The worst is past for many businesses as corporate earnings and profits remain strong. The recent economic success of companies as measured by their earnings, cash flows and dividend payouts confirms the disconnect between positive data and extreme negative investor sentiment. With greater economic and political clarity, confidence should gradually build among investors. A recovery in consumer spending and an increase of corporate spending will be critical to support the economic recovery. **By maintaining a steadfast focus on fundamentals including earnings, cash flows, and dividends, portfolios can benefit from an ever-evolving economic environment.**

### 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



HERE TODAY. HERE TOMORROW.

[sabaltrust.com](http://sabaltrust.com)