FIRST QUARTER 2013

OUR VIEW

A QUARTERLY NEWSLETTER FROM SABAL TRUST COMPANY

"SETTING THE STAGE"

Shaping and influencing the markets in 2013 will be the struggling economic recovery, political rancor in Washington D.C., the Eurozone crisis, lackluster consumer and corporate demand, and monetary policy strategy. With great anticipation, investors search for answers to these complex issues that will likely define the markets over the next year. For those investors diligently focused on the many variables influencing the financial and economic environment, the New Year denotes a "fresh start". In reality, it is a continuation of what developed over recent quarters.

LABOR MARKETS:

Cyclical and structural issues continue to elevate unemployment levels, exacerbate underemployment, and lower labor force participation rates. The well-documented cyclical impact of the recessionary cycle is natural. The more serious structural impairments include labor immobility, technical skills deficiencies, and cautious corporate managers, hesitant to accelerate hiring until they see sustainable demand materialize amidst greater economic and regulatory clarity. ***As part of the Federal Reserve's mandate to reduce unemployment to "acceptable" levels while creating economic stability, policy makers will remain active and accommodative.***

ECONOMIC DEMAND DRIVERS:

A healthy economy thrives on increasing the velocity of money, which indicates elevated consumption, expanding demand traction, and sustainable economic growth. The natural by-product of a severe recession includes the collapse of aggregate corporate and consumer demand for goods and services. ***Since early 2009, the absence of demand across the global spectrum forced policy makers to become highly active and engaged in the capital markets in an attempt to increase money velocity and jumpstart economic growth.*** The process of seeking economic equilibrium, an inexact science, is directly influenced by deploying a combination of fiscal and monetary policy tools designed to effect change. Only the variable of time will determine if policy makers will collectively coax the global economy back into a healthier state without triggering severe, unintended consequences.

INTEREST RATE EFFICACY:

Artificially suppressed interest rates, the result of on-going activist monetary policy, will continue to sculpt the investment backdrop. It could result in unintended consequences, including a truncated business cycle, altered expectations of market participants, and setting the foundation for future inflationary pressures. ***The lack of demand creation calls into question the efficacy of this unprecedented policy accommodation and the on-going commitment to future stimulus activities.***

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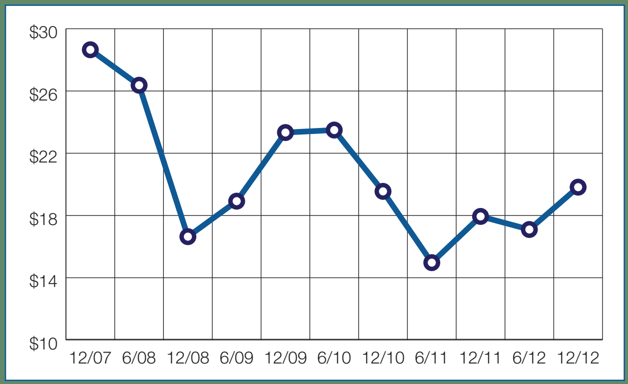
INVESTMENT MANAGEMENT   TRUST & IRA SERVICES   ESTATE SETTLEMENT

STOCK FOCUS: CISCO SYSTEMS

Stock Symbol: CSCO
Market Capitalization: $101B
Dividend Yield: 3.0%
Long Term Earnings: 10%
2013 P/E: 10.1x
Return on Equity: 20.1%

Cisco Systems (CSCO) is a dominant global designer and manufacturer of internet networking products including data, voice and video systems, switches and routers. Annual growth of internet traffic continues to drive demand for Cisco's networking solutions. The company's strong balance sheet contains over $48.7 billion in cash and only holds $16 billion in long-term debt. CSCO continues to demonstrate a long-term commitment to rewarding shareholders with a stated goal of returning at least 50% of free cash flow via dividends and share buybacks.



CORPORATE DEMAND:

Uncertainty heavily influences corporate decision-making, as companies continue to delay expansion activities, pare back expenses, and tightly manage inventories. ***Over the next several quarters, corporate spending, a dynamic component of economic activity, will be a critical determinant to the level of overall economic growth.*** Healthy corporate balance sheets, flush with cash, represent pent up future demand, a positive catalyst and future driver of economic growth. Dissipating uncertainty will positively correlate with capital deployment.

CONSUMER DEMAND:

Historically, consumer demand has represented 70% of the economy's growth rate. ***Consumer spending has not returned to anticipated levels for a traditional economic recovery.*** With a return of confidence, required to jumpstart spending activity, the consumer is more likely to re-engage and actively participate in the recovery. Growing confidence is predicated on a more robust job picture, growing disposable incomes, and a more optimistic outlook of the future.

INVESTMENT STRATEGY:

Investors remain watchful given on-going uncertainty related to recessionary fears, gridlock associated with the indelible ideological clashes and the firmly entrenched battle of political wills, uneven corporate earnings, and the lingering financial crisis impacting the European continent. ***Cash flow within portfolios generated by high-quality, dividend-paying companies and investment-grade fixed income instruments creates investment opportunities even in uncertain markets.*** Consistently revisiting and reconfirming financial goals, risk tolerance, investment time horizons, tax situations, liquidity needs, and other critical variables that impact the portfolio construction process is paramount to position for investment success.

OUTLOOK:

With intermittent stops and starts, the economic cycling process continues and during these periods of adjustment, investors will rationalize the environment and adjust future expectations. Recognizing the market strengths over the last year, ***we continue to make opportunistic changes, while waiting for stronger, sustained corporate earnings, to successfully position portfolios for success,*** especially as the economy develops a healthier footprint and greater clarity shines on the markets.

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