

OUR VIEW

A QUARTERLY NEWSLETTER FROM SABAL TRUST COMPANY

“UNCERTAIN MARKETS, UNIQUE OPPORTUNITIES”

The relative calm of the 1st quarter, characterized by muted volatility and subdued trading volumes, was quickly replaced by increased uncertainty and rising volatility reflecting an investment environment that appears increasingly murky. Risk-off trading activity once again dominates headlines as investors attempt to weigh the impact of the positive market catalysts against the ever-present economic and geopolitical headwinds.

MARKET VOLATILITY:

Increased volatility and fluctuating investor confidence resurfaced due to the continuing financial crisis within the Eurozone, perceived pressures on the domestic economic recovery, increased political rhetoric as it relates to the U.S. Presidential election, and the prospects of a significant Chinese economic slowdown. ***During periods of heightened uncertainty, investor sensitivity toward risk escalates and short-term, emotionally influenced thinking trumps long-term investment strategies, which ultimately penalizes investors.***

ECONOMIC ENVIRONMENT:

The economic cycle grinds forward as data points, while mixed, continue to confirm a slow and modest recovery. Accommodative monetary policy, corporate profitability, and balance sheet cash represent positive economic drivers. Yet, the tenuous economic environment faces major hurdles over the coming months. Tepid hiring activity, stagnant wage growth and gyrating consumer confidence are dampening the cyclical recovery process. ***Amidst a clouded outlook, even restrained consumer and corporate spending should be sufficient to prevent the domestic economy from slipping into another recession.***

EUROZONE AND DOMESTIC POLITICS:

Austerity and stimulus related policy decisions across Europe and within the United States will continue to shape the investment landscape. The lack of fiscal prudence, the absence of political leadership, and sweeping electoral change across much of the Eurozone have only aggravated investor concern about the potential contagion the crisis could impose on the global economy. Domestically, political divisiveness continues unabated and the resulting inability of our political leadership to engage in meaningful reform is only going to be exacerbated during the Presidential election cycle.

SABAL TRUST INVESTMENT COMMITTEE

Heather R. Boone, CFA

Travis J. Brown

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

STOCK FOCUS: SYSCO

Stock Symbol: **SY**

Long Term Earnings: **7%**

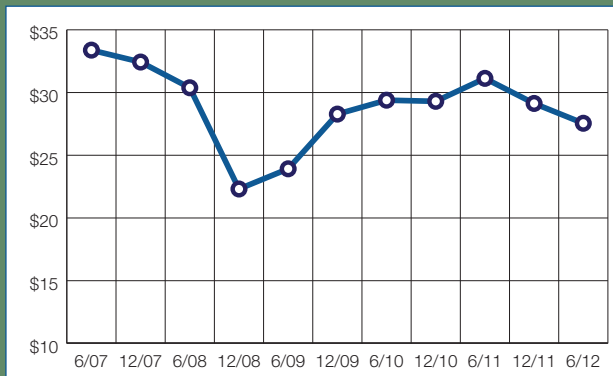
Market Capitalization: **\$16.7B**

2012 P/E: **13.8x**

Dividend Yield: **3.8%**

Return on Equity: **26.6%**

Sysco, the dominant North American food service company, maintains a customer base including independent restaurants, national chain restaurants, and institutional customers including hotels, hospitals, and schools. The firm enjoys a solid track record of stable earnings growth and they have increased their dividend for 42 consecutive years. Sysco is positioned for continued growth in a highly competitive industry through continued productivity enhancements and continued smaller "fold-in" acquisitions.



CASH FLOWS:

Portfolios with consistent, stable cash flows achieved through stock dividends and fixed income coupon payments afford investors the flexibility to endure volatile markets. Focusing on a growing stream of annual cash flows allows investors to fight against inflation and the erosion of purchasing power. **Building a stable, ever-growing cash flow stream fortifies a portfolio against the backdrop of economic and political instability.**

DIVIDENDS: A PROOF STATEMENT:

From 1926 through April 2012, stock returns averaged 9.4% annually. The fact often underappreciated by investors is that dividends accounted for approximately half of that total return. **Across different market cycles and through a myriad of economic environments, dividend-oriented investing and its compounding effects are critical to creating and sustaining wealth.** Dividends can provide a valuable signal to the markets about a company's underlying strategy and financial health. For companies to successfully maintain comprehensive dividend policies, the principles of accountability, discipline, and consistency of execution are essential ingredients.

SABAL EQUITY STRATEGY:

Uncertain markets create unique opportunities. Sabal Trust continues to focus on identifying high-quality companies whose transparent businesses generate solid cash flows, have a greater degree of earnings predictability and demonstrate consistency across business operations. Our discipline to these basic tenants is critical to the stability and predictability of portfolio total returns. **Returning capital to shareholders through increasing dividends is paramount to our strategy and over the last twelve months, 31 out of 32 companies held in the Sabal Dividend Growth Portfolio increased their dividend payouts.**

SABAL FIXED INCOME STRATEGY:

Our fixed income strategy focuses on cash flow generation, capital preservation, and reducing portfolio volatility. Despite the continued abnormally low interest rate environment, over-extending maturities and the inclusion of sub-investment grade credit quality in a portfolio should be avoided. **Appropriately structured fixed income portfolios are designed to mitigate price volatility when interest rates experience upward adjustments.**

OUR OUTLOOK:

Disruptive events deep within the global economic environment and across the vast political spectrum can transform markets. The current evolution of risk in this fluid environment requires a continued focus on the structural integrity of portfolios. **Controlling and managing risk is achieved through constructing well-balanced portfolios whose foundations are built on cash flow generation.**

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

Sabal Trust
Company

HERE TODAY. HERE TOMORROW.

sabaltrust.com