1st Qtr. 2022

WHAT MATTERS AND WHY?

Our View

A QUARTERLY NEWSLETTER *from* SABAL TRUST

January is the time when market pundits and economists offer projections and estimates for the upcoming year. Inevitably, most attempts at predicting the future fall short. Knowing the unknown is impossible. Since economic and market forecasting are inexact sciences, we approach this time of year differently, by asking "What Matters and Why?"

This thought exercise gives us more clarity on how we plan to protect our clients' assets.

COVID Variants

The global health pandemic impacted each of us deeply. Omicron, the latest variant to surface, likely will not be the last to influence our daily lives. As a result, adaptability is critical. Over the last 18 months, companies embraced technology and innovative approaches as they executed their business strategies. Individuals remained flexible as companies pivoted time and time again.

This adaptability tells us that with each COVID variant, the global community will emerge stronger.

Political Environment

Politics influences capital markets by shaping how individuals and businesses alike make decisions. We believe that balance is required as policy initiatives are implemented to minimize unintended consequences and disruption to the capital markets. The outcome of the 2022 mid-term elections will leave an indelible impact on the public policy debate.

Regardless of the election outcome, markets will remain resilient and present both opportunities and challenges to investors.

Supply Chain Bottlenecks

Low interest rates aided in the economy's healing from the ravages of COVID. As we move further along the path of recovery and away from the COVID-induced recession, the need for continued support is diminished. Investors know that interest rates can't remain artificially low in perpetuity. Yet, as the policy pendulum started moving, investment markets exhibited elevated volatility. A changing rate regime influences borrowing costs, savings rates and capital allocation decisions and shifts the attractiveness of asset classes.

The market's reaction depends on the pace of change and the degree to which rates move higher.

Investment Rationale

Reasons for investing vary greatly among our clients. What matters most is their specific investment rationale. Understanding why they invest creates a framework for our decision-making. Matching their investment goals with an appropriate risk profile supports our investment strategy.

Recognizing why each client invests allows us to remain patient and disciplined, leading to a more optimal investment outcome.

Risk Management

Risk is omnipresent. As investors, how we embrace and manage risk is critical to investment success. Answers from our clients to the following questions guide us toward the appropriate asset allocation: How willing are you to take risk? How much risk are you able to take? How much risk do you need to take?

We understand a client's willingness, ability and need to take risk, which provides clarity on the most appropriate way to structure their portfolios.

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

Wealth Access Portal

Sabal is pleased to announce a new on-line client portal, Wealth Access. This program securely gives clients the capability to view their Sabal account coupled with the ability to add outside holdings for a consolidated financial view. This information can easily be accessed through your desktop or mobile device.

If you have an interest in learning more about these new features, please contact your client service team.

For a short preview, follow this link or use the QR code:

bit.ly/sabal-wealth-access

The Wealth Access App can be downloaded through the App store on your IOS or Android mobile device. After searching for Sabal Trust, select the app icon with our green diamond logo. Use your Wealth Access sign-on data to have financial information at your fingertips.

Price to Earnings (P/E)

P/E is a valuation ratio measuring a company's price relative to its earnings. Today, the S&P 500 P/E is 23.5x compared to an average P/E of 16.1x since 1950 and 15.2x since 1882. Inflation and interest rates influence stock valuations. Rising inflation can result in higher interest rates, which can cause stock prices to decline. Since the 1950s, when inflation is less than 1.7%, the average P/E of the S&P 500 is 19.5x. When inflation falls between 2.9% and 4.4%, the average S&P 500 P/E is lower at 16.2x. A repricing of the market is not necessarily imminent.

However, we remain sensitive to valuation given the elevated inflation pressures and a changing outlook on interest rates.

Portfolio Positioning

We buy stocks of disciplined companies with predictable, stable cash flows that pay a growing dividend stream to their shareholders. We believe dividend-paying companies add value and create meaningful wealth over long market cycles. Bond instruments provide ballast against market volatility and predictable income streams. Our fixed income strategies incorporate high-quality, investment-grade bonds.

We continue to stay disciplined as we work with each client to determine the appropriate mix of stocks and bonds.

Looking Ahead

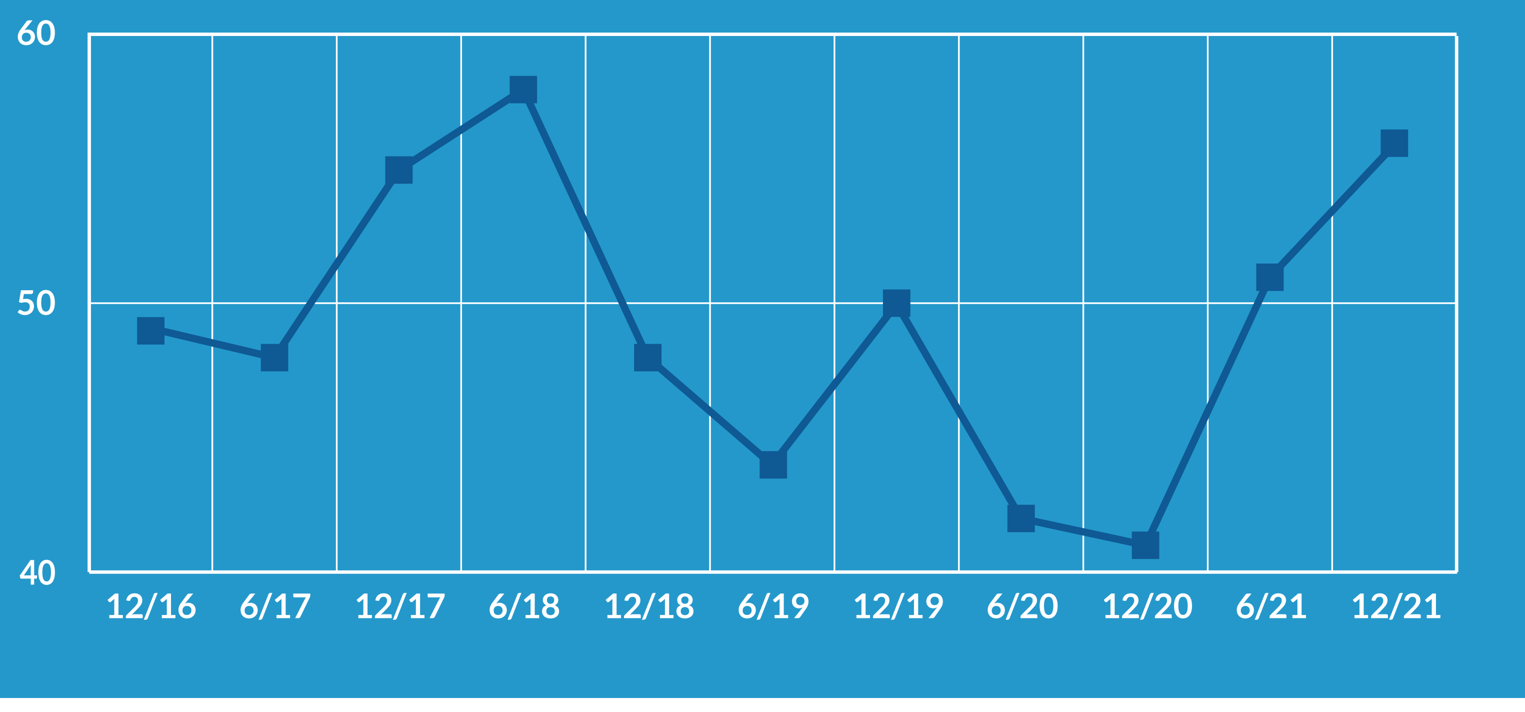
After surging on the back of strong corporate earnings and the ability of companies to pass along higher input costs, fears over higher interest rates and the Omicron variant fueled market volatility as we closed the year. Among other things in 2022, investors must navigate the mid-term elections, COVID, inflation, strained supply chains and shifting monetary policy.

Asking "What Matters and Why?" will better position our clients for this environment.

STOCK FOCUS:
Bank of New York

Stock Symbol: **BK** Market Capitalization: **$45.2B** Dividend Yield: **2.5%**
Long Term Earnings: **10.0%** 2022 P/E: **12.3x** Return on Equity: **8.4%**

Bank of New York (BK) is the largest custody bank with $41T in assets under custody/administration. Earnings are derived from fee-based investment services (asset servicing, clearing, active investment management, etc.). BK will benefit from rising interest rates without the associated credit risks. The bank has solid earnings growth that should lead to future dividend growth. The compounded annual dividend growth rate over the last five years is 12.7%.



Sabal Trust

St. Petersburg
727.824.8700
101 Central Avenue
St. Petersburg, FL 33701

Sarasota
941.556.0760
1800 Second Street
Suite 103
Sarasota, FL 34236

Tampa
813.229.2180
4211 W. Boy Scout Blvd.
Suite 190
Tampa, FL 33607

The Villages
352.751.2199
1060 Lake Sumter Landing
The Villages, FL 32162

Visit our website at SABALTRUST.COM