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2023

WHY YOU DO
WHAT YOU DO

Our View

A QUARTERLY NEWSLETTER
from SABAL TRUST

Understanding why you do what you do is a thought exercise applicable to all aspects of our lives. Introspection helps us gain clarity on our goals and objectives. Architects develop blueprints to construct houses and buildings. Investors should also use blueprints to build, manage and maintain their investment portfolios. Life's unexpected twists and turns are inevitable. Embracing self-awareness and an understanding of where you are going provides foundational support for your investment journey.

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

Above & Beyond THE SECURE ACT. 2.0

In December 2022, the SECURE Act 2.0 was passed and signed into law. Below are some of the important changes.

- Required Minimum Distributions (RMD) age has been adjusted to 73 for people who were to begin those distributions in 2023. The bill also pushes the age to 75 in 2033.
- There were no provisions eliminating existing Roth strategies.
- SEP and SIMPLE plans can now be Roth beginning in 2023.
- In 2024, high-income earners who are contributing to workplace plans will be required to make catch-up contributions as Roth.
- The age for making qualified charitable distributions (QCD) remains at 70½.
- Beginning in 2024, individuals may transfer assets from a 529 plan to a Roth IRA without tax or penalty. There are restrictions.
- Maximum annual qualified charitable distributions are now indexed for inflation beginning in 2024.

For a complete list of changes or for any questions, please consult your tax advisor.

What is Normal?

Everybody desires normalcy. Investors are debating the "New Normal" even though clear definitions prove elusive. The post-COVID world is indeed different. We will never return to the way things were. Tectonic movements that impact everyone's lives are underway. These include shifting supply chains, deglobalization trends, geopolitical tensions and how investors interact with the financial markets.

As the world evolves, we protect clients by remaining diversified and focused on high-quality investments.

Return Profile

Part of the "New Normal" is the reality of muted future returns. For years, investors enjoyed the benefits of artificially low interest rates, which boosted stock prices. When buying shares of a stock, you are purchasing the future earnings stream of that company. Against a backdrop of low rates and inflation, investors are willing to pay more per Dollar of earnings. Historically, as rates increase, investors are no longer willing to pay a premium. 2022 saw big declines in long-duration assets such as technology stocks, growth stocks and long bonds, which are extremely sensitive to higher rates.

We protected our clients' portfolios against the worst of those declines by investing in assets that are less interest-rate sensitive.

Diversification

Investors incur risk while seeking investment returns. Every asset class carries some degree of risk which can't be eliminated completely, but only managed. **We use asset allocation to effectively manage risk for our clients.** Asset allocation provides diversification, which is a dynamic component of the portfolio management process. Diversification does not completely remove all investment risks, but it does prevent the disasters experienced with a concentrated portfolio.

How Do You Define Success?

Everybody defines success differently. Reasons for participating in the capital markets differ greatly based on goals and objectives, risk tolerance, income needs and investment time horizons. Why someone else invests is immaterial and irrelevant to your personal situation. **We remain patient and disciplined on behalf of our clients in the pursuit of their unique goals.** Patience involves recognizing the longer-term cyclical nature of the markets, while discipline incorporates a focus on long-term investment outcomes.

Interest Rates

Federal Reserve officials remain committed to battling inflation by keeping the level of benchmark interest rates higher for longer. Decisions regarding future policy-tightening activities will factor in monthly inflation data, a tight labor market and a slowing economy. The Federal Reserve is closer to the end of their rate-tightening cycle. **However, rates will stay higher for longer, increasing the risk of recession and negatively impacting asset prices.**

Dividends

Since 1940, dividends have contributed approximately 40% of the S&P's total return. This is a powerful proof statement. Dividend-paying companies provide the foundation for our equity investment strategy. Our clients own high-quality dividend payers like J.P. Morgan and McDonald's. **Dividend-paying companies offer the best opportunity to generate attractive long-run, inflation-adjusted returns.**

Bond Investing

Bond prices move inversely to interest rates. The decade-long tailwinds enjoyed by bond investors quickly evaporated last year due to higher interest rates. Fixed-income investors witnessed firsthand the price volatility that even a more conservative asset class could bring. However, we continue to believe bonds play an important diversification role in portfolios. **We continue to protect our clients through exposure to high-quality, shorter-maturity instruments during this period of interest rate adjustment.**

Outlook

Investor psychology influences decision making. Remember that the sentiment and decisions of others are not within your control. Only focus on what you can control. We believe a key element of control is achieved through a well-balanced portfolio of dividend-paying companies and investment-grade bonds.

Also, have a clear understanding of your vision and always think about why you do what you do.

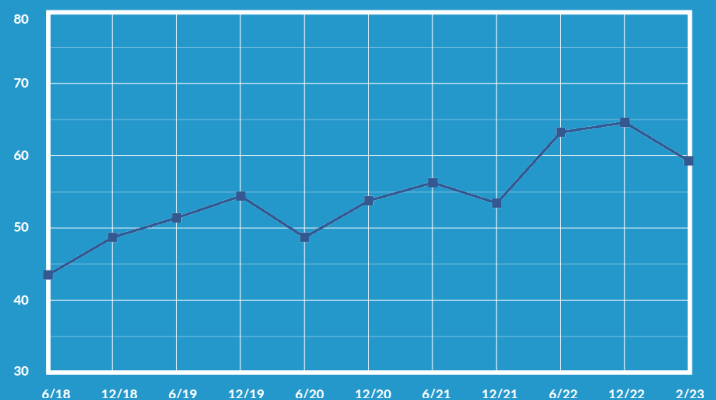


STOCK FOCUS: Coke

Stock Symbol: **KO**
Market Capitalization: **\$254B**
Dividend Yield: **3.1%**

10yr Dividend Growth: **+5.6%**
Long Term Earnings: **+5.7%**
2023 P/E: **22.9x**

Coke is the world's largest non-alcoholic beverage company. They offer a high-quality portfolio of products including soft drinks, hydration, sports, coffee and tea brands. The company maintains a strong balance sheet, possesses operation scale and exhibits pricing power to generate healthy profits. Product innovation and supply chain operational efficiencies should generate future earnings growth. Solid free cash flow each year continues to support 61 years of consecutive dividend growth enjoyed by their investor base.



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