

3<sup>rd</sup>  
Qtr.  
2023

MEASURED  
AND PREPARED

# Our View

A QUARTERLY NEWSLETTER  
from SABAL TRUST

Investors face an endlessly shifting landscape. The constant state of motion in the world around us creates uncertainty. Sabal is in the preparedness business, not the projection business. We do not attempt to forecast future events. Instead, we prepare our clients to navigate through any given environment using the time-tested tools of asset allocation, high quality investments and a growing stream of cash flows.

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

## Above & Beyond TRUST SERVICES

### Current Landscape

The market environment continues to be dynamic and unpredictable, continuing to bear the distinct markers of the post-pandemic landscape and the consequences of excessive money printing. It's a period of change and adaptation, as businesses and governments alike respond to crosscurrents of inflation, technological adoption and banking stresses. Despite these challenges, our portfolio remains stable. Markets may have bottomed last year at a valuation that is typically seen mid cycle, not at the beginning of a cycle. ***It is questionable how long the markets can maintain this momentum and its elevated valuation.***

### Discipline

A small group of technology stocks is driving market performance in 2023. As dividend investors, times like this test one's resolve. When a strategy or style falls out of favor, there is a tendency to want to dispose of the process in favor of what is currently working. Instead, we remain focused and disciplined. We spend time with clients reconfirming the investment strategies they have in place, which are designed to protect their family legacies. ***We will not abandon a proven investment approach that delivers long-term value.***

The importance of choosing the right Trustee is often overlooked in the estate planning process. The benefits of an experienced corporate trustee to properly navigate and ensure your wishes are handled appropriately and timely can make all the difference. At Sabal Trust, we understand the role of trustee. As your appointed trustee, we dedicate ourselves to protecting your assets and ensuring that your intentions are carried out. When you become a trust client, a dedicated relationship management team will be assigned to oversee your account. Your team — with the necessary degree of sensitivity — will recommend courses of action and make prompt decisions on your behalf and on behalf of your beneficiaries.

### Dividends

We believe dividend-paying companies like Pepsi and Waste Management possess higher-quality earnings and more stable revenues compared to companies that do not pay dividends. Solid fundamentals allow these well-managed companies to strategically allocate capital by favoring the distribution of dividends. Paying dividends naturally influences management's decision-making because dividend-oriented investors expect regular and growing cash distributions. ***Across different market and economic cycles, dividends remain a meaningful contributor of total return.***

# Higher for Longer

Bond investors remain squarely focused on Federal Reserve policy. Stubbornly high inflation and slowing economic growth present a conundrum for policy makers. Markets are finally embracing the idea of rates being higher for longer. The “pause, then pivot” mantra is shifting to a pause and resume narrative. During June’s FOMC meeting, Chairman Powell confirmed the notion of pausing, then continuing to raise rates at later meetings. Higher interest rates for longer durations increase recession risks and introduce the likelihood of downside volatility for asset prices. **We continue to protect our clients by owning high-quality, shorter-maturity bonds during this period of interest rate adjustment.**



## Safeguards

Diversification is the first line of defense to protect our clients’ assets. Diversification helps spread risk across asset classes as well as the stocks and bonds of individual companies. We have on-going conversations with each client to determine the most appropriate mix of stocks, bonds and cash based on their unique goals, risk profile and income needs. **In fact, asset allocation is the most important determinant of total returns over longer market cycles.**

## Risk Management

Eliminating all investment risk is impossible. Known and unknown risks surface for investors in a seemingly endless number of ways. The unknown risks can be the most surprising and damaging. We have ongoing conversations with our clients and their families about risk and the potential impact on their assets. **Risk management involves tradeoffs and identifying which risks you are willing to take on.**

## Outlook

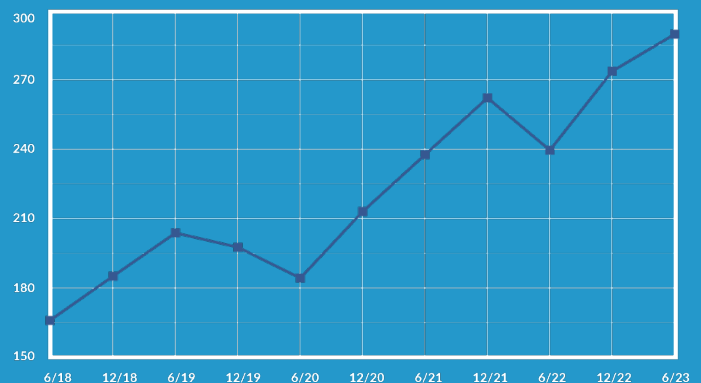
Sabal clients entrust us with protecting their family legacies. We are humbled by this responsibility. Because of our fiduciary duty, we take a measured and balanced approach to the markets as we safeguard their assets. Styles rotate in and out of favor, which is why we do not chase short-term performance. We work with our clients to develop investment strategies that are designed to reduce risk and enhance returns over long market cycles. Over time, our clients have been rewarded by owning dividend-paying companies and high-quality bonds. **Our approach toward reducing volatility, protecting capital and growing income prepares our clients for the unknown.**

## STOCK FOCUS: McDonald’s

Stock Symbol: **MCD**  
Market Capitalization: **\$250B**  
Dividend Yield: **2.2%**

10yr Dividend Growth: **+7%**  
Long Term Earnings: **+8.6%**  
2023 P/E: **25.4**

McDonald’s Corp., founded in 1955, is the largest global food service retailer in the Quick Service Restaurant (QSR) space. Strategic investments in technology to boost their digital platform, enhanced delivery services and efficient drive-through solutions continue to drive robust revenue and earnings growth. The company enjoys the strength of a premium brand and global scale that allows them to protect their profit margins. Solid free cash flows each year continue to support 46 years of consecutive dividend growth enjoyed by their investor base.



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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