

4<sup>th</sup>  
Qtr.  
2023



TRUE  
WISDOM

# Our View

A QUARTERLY NEWSLETTER  
from SABAL TRUST

Investing is a humbling process. Socrates stated, “the only true wisdom is knowing you know nothing,” which is a lesson for all investors. The passage of time gives us clarity on the past. What was once uncertain and unknowable only becomes clear after the fact. We attempt to view the world with an open mind, avoiding hubris and complacency, as we strive to become better stewards of our clients’ assets. Our primary focus is managing risks for our clients. *Some of the greatest risks are the “unknown unknowns” requiring us to be disciplined.*

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

## Above & Beyond CHARITABLE GIVING

Contributing personal resources to causes we believe in often brings greater satisfaction and personal joy than spending on ourselves. Charitable gift planning involves strategic decision-making about how much to give and selecting the organizations and causes to support. Sabal can help. Whether your focus is helping current community projects, gifting appreciated or unique assets to favored charities, or leaving a charitable legacy in your estate plan, a conversation with your Sabal Trust team is encouraged. We welcome the opportunity to partner with you and your legal and tax advisors to create a charitable giving plan that complements your personal goals, minimizes taxes, and maximizes your philanthropic impact.

## Fear of Missing Out

Fear and greed can sway investors, which affects how they make investment decisions. These emotions are natural and inevitable, but they can be controlled. Be aware of your emotional tendencies so you can improve the ability to manage your emotions. The “Fear of Missing Out,” or FOMO, is a common trap for investors during periods of euphoria and excess. *Do not succumb to the urge to follow the crowd and discard proven investment strategies that have worked well over long market cycles.*

## Market Snapshot

High-quality, defensive stocks and sectors underperformed so far in 2023. Beaten-down growth names started the year at their best valuations in the last decade. This led to a surge of buying and a rotation out of safety and defensive stocks. While virtually all the market gains were concentrated in the “Mega-Cap 8” stocks during the first half of the year, the market gradually broadened out over the last few months. Even so, more conservative strategies continue to trail the broader markets. *Patience is required to capitalize on the inevitable rotation between investment styles due to the cyclical nature of the markets.*

## Policy Lag

Interest rates are at their highest levels in 22 years even as Federal Reserve officials remain committed to fighting inflation. Policy changes take time to materialize. Rate hikes during the current cycle have not fully impacted the economy. Policy makers expected higher rates to slow economic activity. Yet, persistent economic growth and a stubbornly tight labor market present a conundrum. Chairman Powell recently reconfirmed that more hikes are possible even if they cause economic distress. *Embrace the reality of higher rates for longer and the likelihood of unintended consequences as policy makers aggressively fight inflation.*

# Credit Downgrade

Fitch's downgrade of the U.S. credit rating reflects increased concerns over growing debt levels. The negative consequences of running persistent deficits are not trivial. Politicians continue to demonstrate their inability to prudently manage our government's finances. **Absent a cohesive, long-term strategy to stabilize our nation's financial picture, market volatility will remain a reality for investors.** As a result, we continue to focus on building high-quality bond portfolios for our clients.

## Bond Strategy

Our fixed-income strategy aims to generate steady cash flows and protect our clients' capital. We do not chase higher yields by prematurely extending the duration or lowering the quality of our bonds. We believe fixed income is a critical component of any diversified portfolio as bonds provide ballast in unsettled markets. **We continue to lock in robust cash flows for our client portfolios given today's interest rate environment.**

## Define Success

How do you define success? **Success means different things to different people.** For our clients, we help them achieve success in three ways. First, we safeguard the wealth they have worked hard to build over the years. Second, we minimize the risk of losing their wealth in unpredictable markets. Third, we build a growing stream of income so they can live the lifestyles they want to live.

## Why Dividends?

Dividends are a valuable indicator of a company's prospects. To sustain an appealing dividend policy, companies need to adopt high standards of financial management, accountability, and transparency. Dividends help investors deal with periods when markets exhibit elevated volatility by providing a consistent and growing source of income. **Companies like Air Products and Realty Income generate healthy cash flows and provide growing dividends to investors allowing them to "wait out" volatile market periods.**

## Outlook

The nation's economy continues to normalize post-COVID. Challenges from supply chain disruptions, inventory imbalances and demand fluctuations have eased. Greater visibility allows investors to make more-informed decisions. A diversified portfolio of high-quality investments can help you navigate any environment. However, you should also be mindful of the psychological factors that influence human behavior and market sentiment, which can be volatile and unpredictable. **True wisdom embraces being patient and disciplined in your investment approach and understanding who you are and who you are not.**

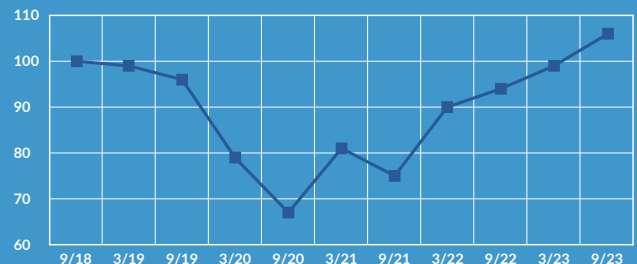


STOCK FOCUS:

## Aflac Inc.

Stock Symbol: **AFL** Market Capitalization: **\$44B** Dividend Yield: **2.3%** 10yr Dividend Growth: **9.2%** Long Term Earnings: **6%** 2023 P/E: **12.1**

Aflac, Inc. offers financial protection and insurance solutions to customers around the world, covering accident, life and health risks. AFL has a stable and predictable business model that generates consistent revenue and earnings growth. The company also has strong cash flows and is committed to returning capital to its shareholders, reflecting its superior fundamental performance. AFL has raised its dividend for 40 consecutive years.



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