A BACKDROP OF OPTIMISM

Our View

A QUARTERLY NEWSLETTER *from* SABAL TRUST

For investors, the New Year brings a sense of optimism. It should also be a moment for deep reflection. We spend time with our clients reviewing comprehensive plans designed to protect their family legacies. This helps create a framework for investment decisions during the upcoming year. It also allows us to reconfirm the progress being made toward accomplishing their long-term goals.

"Know Thyself"

The ancient inscription "Know Thyself," found in the Temple of Apollo, is an important adage for all investors. Understanding who you are at your very core allows you to make measured and informed decisions impacting your investments. Defining goals, risk tolerances and income needs, as well as your emotional strengths and weaknesses, all contribute to this thought exercise. ***Being aware of oneself and why you invest will give you peace of mind and clarity when the environment around us becomes more challenging.***

Market Snapshot

For most of 2023, high-quality defensive stocks and sectors underperformed the broader markets. Investors moved money out of safety and defensive stocks into growth companies. As a result, virtually all the market gains were concentrated in the "Mega-Cap 8" stocks. The rally over the last several weeks of the year saw the market gradually broaden, which included high-quality dividend companies. ***We believe dividend-paying stocks are trading at meaningful discounts and could provide solid, total rates of return ahead.***

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

Above & Beyond

PERSONAL REPRESENTATIVE SERVICES

Personal Representative services include the tasks involved in settling your estate. The role of the Personal Representative (PR) is complex and often time-consuming. The PR must make crucial decisions during an emotional time, and for this reason, many clients turn with confidence to Sabal Trust. Sabal Trust is also one of the few corporate trustees with experience settling estates with closely held businesses, commercial real estate and other unique assets. Turning to a corporate entity to handle the affairs of your estate protect and support your loved ones during an emotional and difficult time.

As Personal Representative, Sabal Trust is responsible for handling the administration of your estate including:

- Paying bills and claims against the estate
- Marshalling and safeguarding of assets
- Selling real estate and other assets as necessary
- Transition of closely held businesses
- Working with your existing advisors
- Distributions
- Reviewing the investment portfolio

Presidential Election Cycle

For decades, investors and the markets faced uncertainty and volatility due to the inability of politicians to address the fiscal challenges of the country. Events such as "fiscal cliffs," sequestrations and government shutdowns resulted from the lack of cooperation and compromise in our Nation's Capital. As the Presidential election approaches in November, investors can expect more gridlock and polarization. ***It is unlikely that any meaningful legislation will pass in D.C. as politicians focus more on their electoral prospects than on their governing responsibilities.***

Interest Rates

The Federal Reserve made great progress in their fight against the generationally high inflation that plagued our economy after COVID. However, policy makers indicate their work is not complete as more time is required to see the true economic impact. Bond investors continue to anticipate multiple rate cuts, which is dramatically different than comments from Federal Reserve policy makers. ***Reaching the end of the rate-hiking cycle does not necessarily translate into near-term rate cuts.***

Cash Flows

How should investors navigate markets that are influenced by variables beyond anybody's control? A growing stream of cash flows gives investors a critical element of control. Dividend-paying companies consistently grow their distributions to shareholders over long market cycles. This gives investors more income each year regardless of the level of stock prices. ***A high-quality company like McDonald's generates solid, free cash flow each year, supporting 46 years of consecutive dividend growth enjoyed by our clients.***

Bonds are Back

After several years of being left behind due to abnormally low interest rates, bonds are back. Investors searching for yield no longer have to purchase riskier assets such as stocks to capture income. Creating a laddered portfolio of individual bonds allows investors to control quality and cash flows. ***We continue to invest our clients' assets in high-quality bonds exhibiting lower price volatility while providing a secure income stream.***

Portfolio Positioning

Since the rate hiking cycle appears to be peaking, we are opportunistically locking in solid yields for our clients from high-quality bonds. In 2024, there is also the chance to incrementally extend maturities in bond portfolios to position for total return when rates begin to decline. More defensive equities (e.g., dividend-paying stocks) should be benefactors of lower interest rates and slowing economic growth due to their stable business models and ability to generate predictable cash flows. ***2024 will be a year of opportunity for investors to strategically reposition portfolios.***

Economic Environment

The Federal Reserve has a poor track record of trying to navigate the economy to a "soft landing" using monetary policy tools. Even so, the most anticipated economic recession is yet to occur. Growing signals point to a mild recession in 2024. Yet, a recession does not have to derail the prospects of high-quality stocks. ***Companies like Duke Energy with high-quality earnings and cash flows support a growing dividend stream even as economic growth slows.***

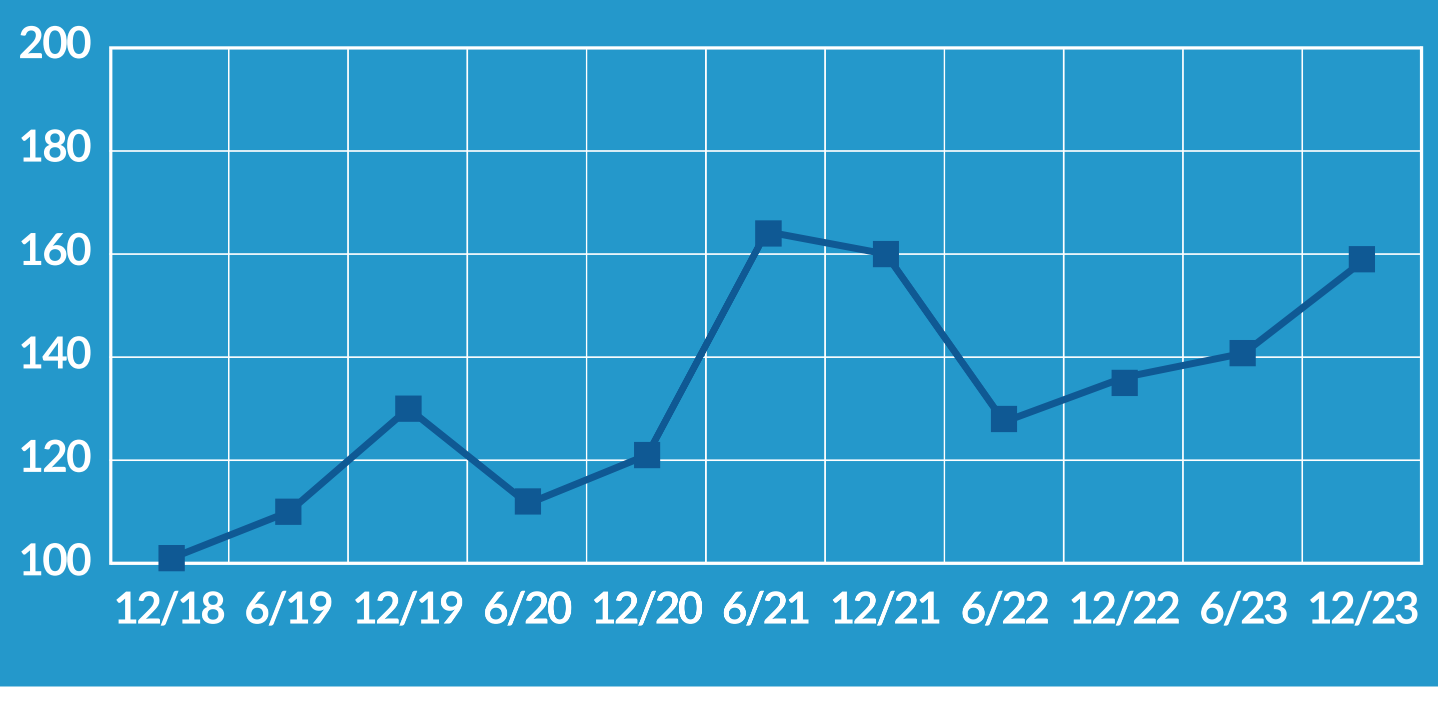
Outlook

The New Year dawns against a backdrop of optimism. It is an excellent time to be opportunistic when selecting high-quality stocks and bonds. Even so, lingering questions about interest rates, the economy, the Presidential election and geopolitical tensions remain unanswered. ***For this reason, it is important to spend time in deep reflection and to "Know Thyself."***

STOCK FOCUS:
J.P. Morgan

Stock Symbol: **JPM** Market Capitalization: **$453B** Dividend Yield: **2.7%**
10yr Dividend Growth: **12.8%** Long Term Earnings: **5%** 2023 P/E: **10.2**

JPMorgan is a premier, global money-center bank providing a wide range of financial and investment banking services across the capital markets. JPM has a well-diversified revenue stream including corporate and investment banking, consumer banking, private equity and wealth management. The bank has a strong balance sheet, global scale and strong cash flows that should support a growing dividend payout over the coming years.



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