

CALDWELL TRUST COMPANY

VOLUME XLII

PERSONAL • TRADITIONAL • INDEPENDENT

APRIL 2016

Investment letter

Growth in productivity is necessary to reverse decade of subpar growth in GDP

Real growth in the Gross Domestic Product has been lagging for a decade. What are the implications for our economy and investors?

3 percent GDP growth for 10 years and counting...

Quietly and with little notice or press, the U.S. clocked its tenth straight year of real growth in Gross Domestic Product (GDP) at below 3 percent according to a report in late February by the Bureau of Economic Analysis. In this investment letter we look at the implications of continued subpar economic performance.

What's at stake?

Between 2007 and early 2009 (and beyond), our nation took on a tremendous amount of debt to fend off a depression-like scenario. That debt seems to be a key factor in the GDP lag, and the one that keeps us in the investment department up at night. How will our nation pay down our debt, let alone keep entitlement promises and invest for the long-term—especially if economic growth remains below trend? We aren't sure. With debt service currently low (interest rates), the Federal Reserve and other central banks have papered over the debt issue (no pun intended) by printing money to buy Treasuries, thus keeping interest rates artificially low.

It is our view that for some time now debt has been at a tipping point and could make the transition from something that is productive or additive to growth to something that is a drag on growth. To us, it appears that in order to free ourselves as a nation from the massive debt load that has accumulated, a return to trend-line growth is critical.

As Warren Buffett has said in the past (and we paraphrase here), the U.S. historically has made huge promises regarding its debt and borrowing money, most notably borrowing from the French in the 18th century to fund our fight for independence from the King of England. We borrowed again in the buildup to America's entrance into World War II, this time to free the earth from tyranny. The U.S. has made good on its promises until now.

For those of us dealing with client investments, the way forward is murky. However, it is clear that it must include higher real GDP growth so that we can once again, as a nation, make good on our promises. (See projections from the Congressional Budget Office in Figure 1.)

What about productivity?

Among other key metrics that drive GDP growth, one of the missing links in this recovery has been growth in productivity. Capital expenditure (Capex) is the seed that grows productivity.

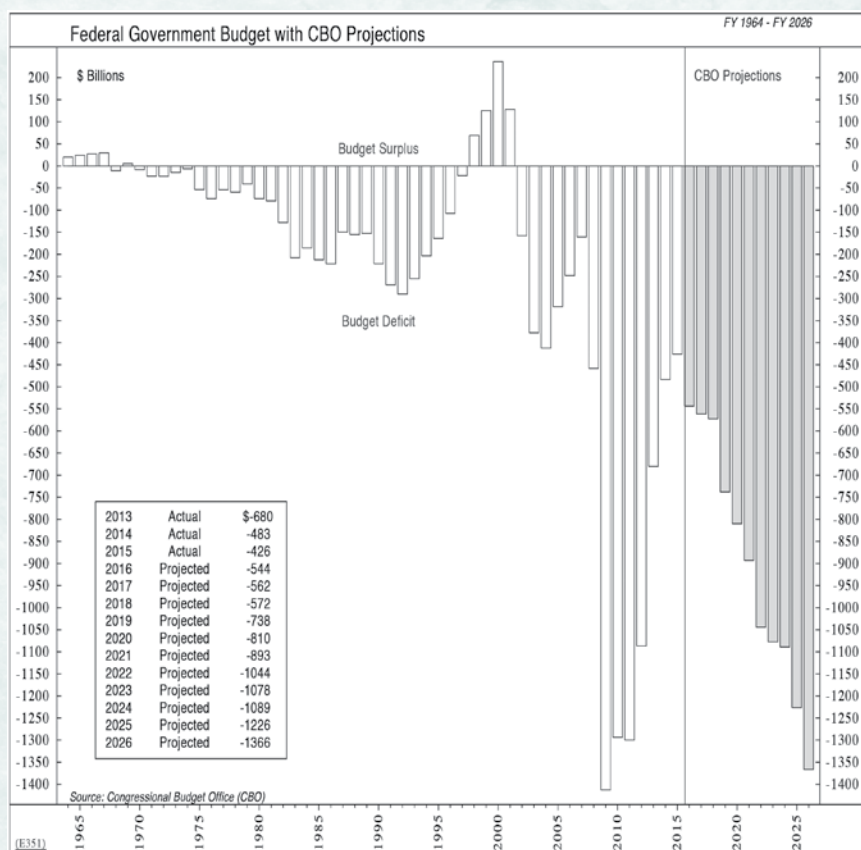


Figure 1. Congressional Budget Office projections through 2026*

In other words, Capex refers to the buildings and machines that people work on or in, and it has seen little growth this cycle. As a result, productivity growth has lagged other recoveries. (See Figure 2.)

Continued on page 2

Caldwell Trust Company moves ahead by looking back as founder Roland G. Caldwell meets with longtime and newer board members

Roland G. Caldwell, a founder of Caldwell Trust Company, was honored at a special dinner hosted by his son, Roland G. “Kelly” Caldwell Jr., CEO and president. The event was a first-time meeting with Roland and newer members of the board, a time for remembrances with longtime members and an occasion for reflection, planning and camaraderie for all. In the photo at left, Roland, third from left, is flanked by Kelly and Melissa Caldwell and Sheryl Vieira, assistant vice president of marketing. In the picture at right, Roland talks with James F. Gabbert, board chair.



Continued from page 1

Stocks may be near end of sag; still offer best forward-looking prospects for return

CONCLUSION

We don't have all the answers in our investment department, but it seems to us that our tax code (and the Fed) encourages borrowing and spending while it deters savings and investment, not only from individuals but also from companies.

Despite being dealt a hand that includes lackluster economic performance, we in the investment department still believe that stocks offer the best forward-looking prospects for return. The recent correction is likely closer to the end than the beginning of the cycle.

However, we are looking to the facts to direct our decision-making. Our sense is that the pause in stocks is setting the stage for the next leg up. Here's to the resumption of the bull market.

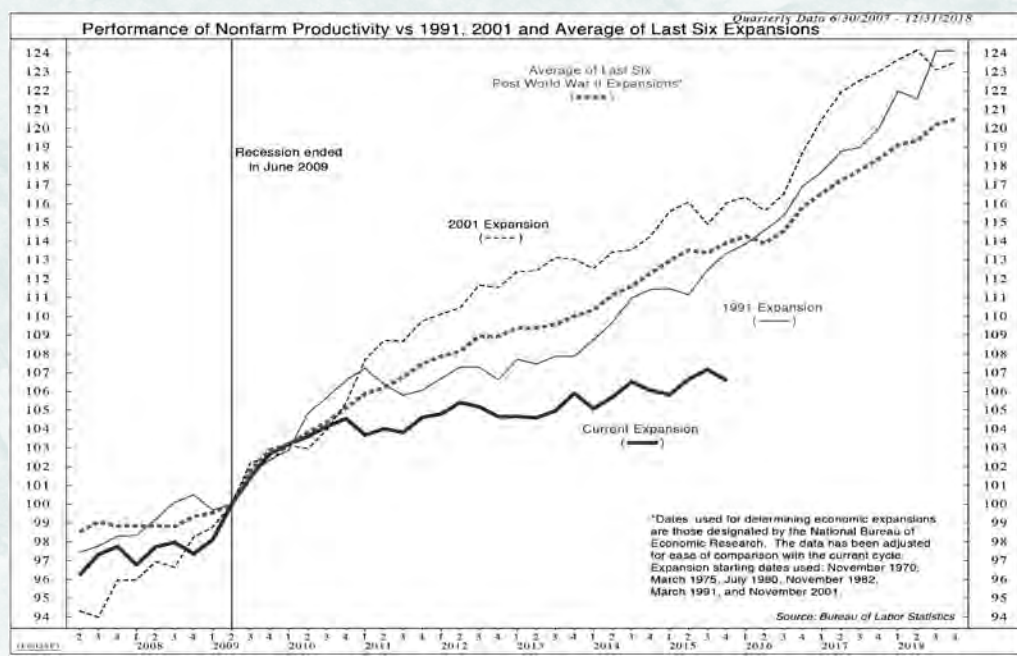


Figure 2. Performance of nonfarm productivity since 1991.*

*Charts copyright 2016 by Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

Caldwell cares about its community

“Hope Floats” for hungry when Caldwell, Freedom Boat Club and tennis team up

Caldwell Trust Company and Freedom Boat Club were presenting sponsors of “Hope Floats,” a food collection campaign conducted in partnership with the 4th Annual Tarpon Shores Dental Pro Tennis Classic. The tourney, held at Plantation Golf & Country Club in Venice on March 5, brought three tennis champions to Venice: former World #5 Jimmy Arias, former World #6 Aaron Krickstein and former French Open Doubles Winner Luke Jensen.

The official charitable partner of Hope Floats was All Faiths Food Bank of Venice, whose vision is that there are no hungry people in our community, according to Sandra Frank, CEO of All Faiths. “We are so happy when people have fun while supporting the Food Bank,” she said. “The fill-the-boat drive is such a creative way to help feed our families in need and we are grateful to be a part of such a grand event.”

Freedom Boat Club placed boats at various strategic locations in the community to secure food donations from sponsors’ employees, customers and businesses in close proximity. In addition, those attending the event were encouraged to bring food donations.

The Hope Floats campaign raised over 2,000 pounds of food



Caldwell Trust Company staff members display donations placed in a boat that Freedom Boat Club brought to the company’s headquarters in Venice. Caldwell and the boat club were presenting sponsors of Hope Floats, which included a food collection drive for All Faiths Food Bank of Venice. The campaign was conducted in partnership with the 4th Annual Tarpon Shores Dental Pro Tennis Classic, held at Plantation Golf & Country Club and featuring tennis champions Aaron Krickstein, Jimmy Arias and Luke Jensen.

according to Mark Macler, president of Skyland Events, the producer of the annual event.

Caldwell is signature sponsor for Tidewell Hospice 7th Annual Signature Luncheon

Caldwell Trust Company was the exclusive signature luncheon sponsor for the Tidewell Hospice 7th Annual Signature Luncheon held on Friday, February 12, at The Ritz-Carlton, Sarasota. Nearly 600 guests heard keynote speaker Joan Lunden, former host of Good Morning America. The entrepreneur, author, mother of seven and health and wellness advocate spoke of her incredible journey over the years as both a breast cancer survivor and caregiver. She shared her insights on how to overcome the important challenges that so many people face each day.



Marge Maisto addresses the audience at the Tidewell Hospice luncheon. A member of Caldwell’s board, she was president of Tidewell from 2000-2010.

Marge Maisto addressed the audience from her dual positions as a member of Caldwell’s board and president of Tidewell Hospice from 2000-2010. She, too, spoke of caregiving as well as some ways Tidewell and Caldwell partner to provide highly personalized, comprehensive services to meet the many client needs whether medical, social, financial or otherwise.



Joan Lunden, center, former host of Good Morning America, poses with Jan Miller, Caldwell executive vice president and trust officer, former Tidewell board chair and current vice chair, and R. G. “Kelly” Caldwell Jr., CEO and president.

Caldwell has been a lead sponsor for Tidewell’s annual fundraising luncheon since the event’s inception. “We’re thrilled to support Tidewell Hospice once again,” said R.G. “Kelly” Caldwell Jr., CEO and president. “Even more important, we’re grateful to have Tidewell as a vibrant, helping member of our community.”

Suzanne Thacker: software, soft voice, strong results

Over the course of their careers, Suzanne and Lee Thacker—a soft-spoken couple with charming drawls—have worked in financial-related positions from the Carolinas to Florida to Georgia. When Lee semi-retired, the Southerners (South Carolina for her, North Carolina for him) fondly remembered their time in Florida and decided to return. After exploring both coasts, they decided to move to Venice in early 1996. “We read an article about Roland Caldwell and the company he had founded,” Suzanne said. “It was right down the street from our new home so we met with him.” They were impressed and became Caldwell Trust Company clients. “Lee had gotten his CFP [Certified Financial Planner] designation and Roland invited him to ‘hang out’ to see what his company was doing. By late 1996 he was a Caldwell employee. (Lee is now senior executive vice president, secretary and trust officer.) Suzanne was still working for an Atlanta financial software developer at the time.

Her career path was almost a straight line from college to compliance coordinator for Caldwell. She got a job right out of high school and worked her way through the University of South Carolina. “I walked between classes and my job,” she said. She graduated *cum laude* as a Phi Beta Kappa—one of the first in her family to finish college. “I was going to be an English teacher but things didn’t work out that way and I’m glad they didn’t,” she said. Instead she began working at a bank. She completed its management training program, started the bank’s first documentation department and launched a writing career. Later she managed the documentation department of an insurance software developer. When Lee took a job in Orlando, Suzanne continued her technical writing with

a banking software developer there. Another opportunity took the couple to Atlanta, where she was a technical writer and online help developer for a credit union software firm. “All along, I was gaining skills I would eventually put to use for Caldwell,” she said.

“Kelly Caldwell saw that I had a substantial technical background and knew my way around a computer.

He hired me first as an independent contractor to develop the company’s first website, then as a Caldwell employee in late 1997,” she said. Kelly and a close associate were personally doing all the compliance filings—many involving software—with the SEC and State of Florida. “They realized that with some training I could do that, including the filings and financials for mutual funds advised by a Caldwell affiliate.”

Suzanne and Lee share many interests. Both are actively involved with the Boys & Girls Clubs and Lee supports another of her loves. “I really enjoy cooking,” she said. “Lee is my *sous chef*.” He surprised her with a trip to France and a cooking school in Provence. “It’s one of our most treasured memories,” she said.

They also treasure their relationship with Caldwell. “We’ve watched Caldwell serve its clients over the years and we know that if we ever need anything, Caldwell will be there for us too,” she said. “It’s a good feeling.”



CALDWELL TRUST COMPANY

PERSONAL • TRADITIONAL • INDEPENDENT

CHARTERED PRIVATE TRUSTEE

PROUDLY SERVING OUR COMMUNITY SINCE 1993

BOARD OF DIRECTORS

R. G. “Kelly” Caldwell Jr., CEO
John S. Booth III
James F. Gabbert, Chair
Christopher N. Gray
Mary Ann C. Kraut
Marge Maisto
J. Mack Reid
Thomas Stuhley
H. Lee Thacker Jr.
Kathleen Toale
James R. Woods

CONTACTS

Scott Antritt, scott@ctrust.com
Alan H. Blair, alan@ctrust.com
R. G. “Kelly” Caldwell Jr., kelly@ctrust.com
Sonya Kristie, sonya@ctrust.com
Wendy Fishman, wendy@ctrust.com
Marc Hanson, marc@ctrust.com
Susan H. Hines, susan@ctrust.com
Jan Miller, jan@ctrust.com
Leonard Nagel, leonard@ctrust.com
Sandra L. Pepper, sandy@ctrust.com
H. Lee Thacker Jr., thacker@ctrust.com
John Tufaro, john@ctrust.com
Tim Videnka, tim@ctrust.com
Sheryl Vieira, sheryl@ctrust.com

Venice Office: 1400 Center Road, Venice, FL 34292 • 941.493.3600 • Toll Free: 800.338.9476 • Fax 941.496.4660
Sarasota Office: 1561 Main Street, Sarasota, FL 34236 • 941.926.9336 • Toll Free: 877.926.9336 • Fax 941.926.9335

www.ctrust.com • info@ctrust.com

A LEGACY OF STABILITY