

April 2018

## First Quarter 2018 Update

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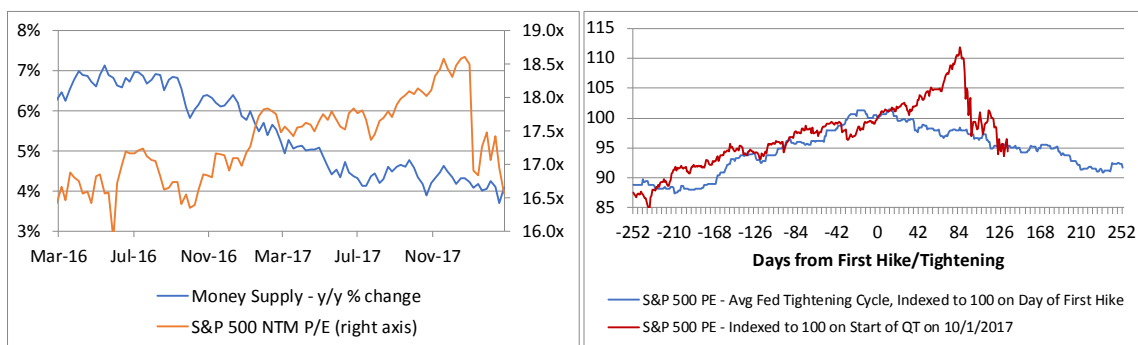
## Overview

Hamlin equity accounts decreased modestly in value over the last three months as value and income stocks underperformed the broader market for a fifth consecutive quarter. The S&P 500 Index swung from a 7.5% gain in late January to a 10% correction from the highs as inflation, global trade and technology stock jitters overwhelmed steady increases in earnings expectations.

## Equity Outlook

While protectionism and internet business model regulation concerns serve as the catalysts for the S&P 500 Index's first significant dip in two years, the economic cycle sowed the seeds for an inevitable equity market correction more than a year ago. History is repeating. Economic growth has accelerated, inflation is firming, and the Federal Reserve has taken action. Quantitative tightening and four interest rate hikes over the past twelve months have withdrawn excess liquidity. Money supply growth has slowed sharply from a 5-8% clip during the 2013-2016 period to 4% currently. PE ratios are contracting, as we had forecast, just as they have in past cycles.

**Figure 1: S&P 500 PE Compared to Money Supply Growth and Historical Fed Tightening Cycles**



Source: Federal Reserve Bank of St. Louis for money supply, Ned Davis Research and S&P Global for S&P 500 PE – Avg Fed Tightening Cycle, FactSet for S&P 500 NTM PE and for LTM PE around start of QT.

QT, or quantitative tightening, shows the S&P 500 LTM PE multiple around October 1 2017, when the Fed began to unwind QE and shrink its balance sheet. We believe QT is the more appropriate starting point for this Fed tightening cycle (as opposed to the first hike in Dec 2015) given that the Fed Funds rate was starting from near zero; we believe the size of the Fed balance sheet had a greater impact on monetary conditions this cycle. Copyright 2018 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

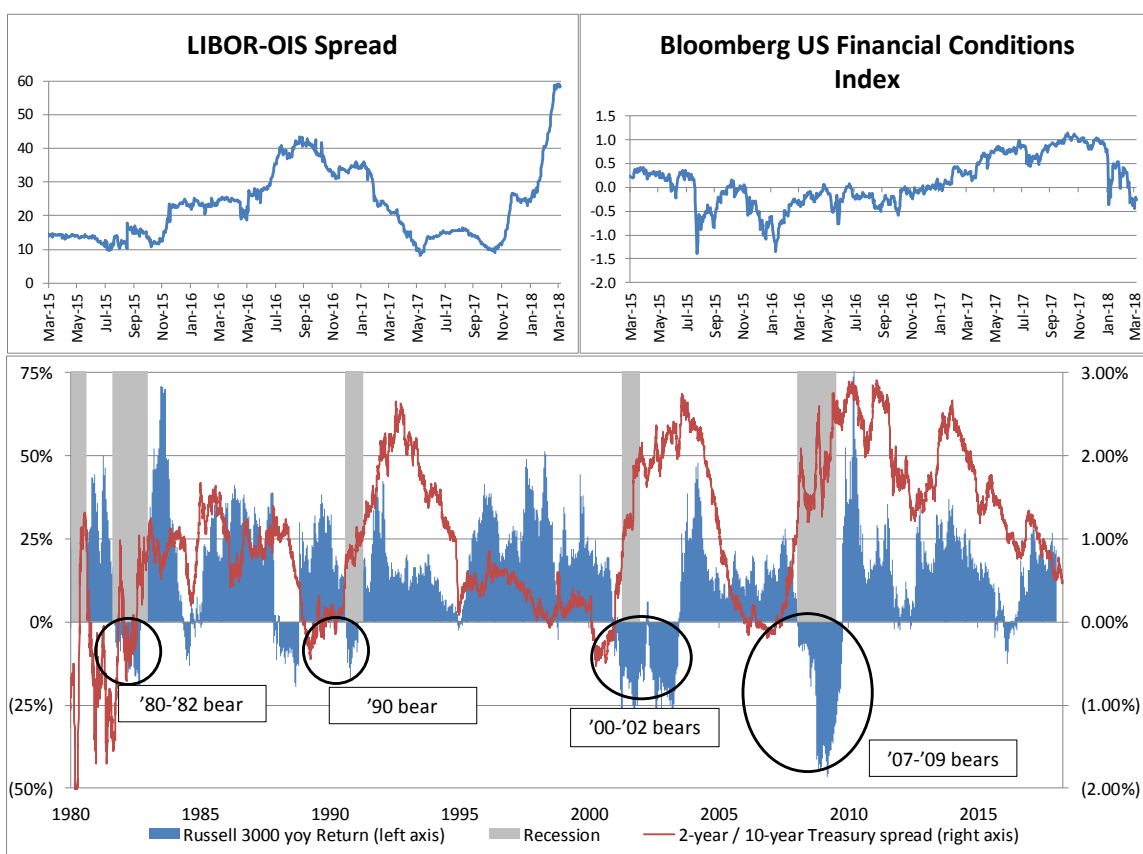
The stock market is down only modestly year-to-date because corporate earnings estimates have risen sharply. Wall Street consensus earnings estimates for 2018 have risen from \$146.47/share as of late December to \$157.28 today—a tad higher than Hamlin's seemingly optimistic \$155/share estimate for 2018 discussed in our last newsletter. Street earnings estimates imply more than 20% year-over-year growth for the next three quarters and 18.8% for all of 2018. Stocks no longer appear expensive on an earnings multiple basis. The market PE on 2019's consensus estimate of \$173.79 has dropped to 14.8x, just above the 14.1x average two-year forward PE over the last fifteen years.

Strong micro and macro-economic data underpin these attractive earnings expectations. Effective corporate tax rates are falling meaningfully; personal income tax rate reductions, steady job growth, and rising wages

support increasing consumption; growing foreign economies increase demand for U.S. company products and services; regulatory pressure is receding; and repatriation of up to \$400 billion earmarked for capital investment,<sup>1</sup> mergers and shareholder returns are bolstering executive confidence. It sure feels pretty good out there, and our portfolio company officers generally have been offering encouraging anecdotes about orders and demand.

Although coincident indicators are vibrant,<sup>2</sup> some important *leading* indicators are sending a mixed signal. Money supply growth is slowing as shown above; credit spreads are widening a bit; and the yield curve is flattening. The charts below raise the spectre that the Federal Reserve’s actions could impede economic growth sometime soon. Higher priced credit and yield curve inversion have coincided with peaks in both GDP growth and the stock market.

**Figure 2: LIBOR-OIS, Bloomberg Financial Conditions Index, Yield Curve vs. Russell 3000**



Source: Bloomberg, Federal Reserve Bank of St. Louis.

It remains quite possible that we have seen the highs for the market this year. Our best guess is a broad range. An incremental 12% sell-off to 2312 is possible were investors to contemplate an earnings plateau,

<sup>1</sup> Source: Wall Street Journal article citing Bank of America Merrill Lynch, Dec 25, 2017.

<sup>2</sup> Coincident indicators reflect the current condition of the economy, and include measures such as payroll growth, industrial production, and personal income.

perhaps anticipating a recession in 2019. Stocks could easily trade at the fifteen-year average PE of 14.7 times 2018's consensus estimate of \$157/share in earnings, an elegant 20% correction from the January 26 high of 2873. Conversely, a 12% rally to 2940 is possible were we to maintain the current year 17x PE on next year's optimistic \$173/share consensus estimate.<sup>3</sup> While we expect a near-term bounce as strong earnings and prospects for trade negotiation with China confront today's attractive multiples, meaningful progress appears unlikely before late October given the combination of a tougher seasonal period for equities and warranted November congressional election jitters.

## Equity Strategy

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As you know, we spend most of our time on company-specific research. Recall that Hamlin stocks should pay us a compensatory and growing cash return, and they should be managed by executives who demonstrate a commitment to increase future dividend pay-outs. We invest primarily in businesses with high dividend yields, manageable debt, attractive returns on equity, ample free cash flow, and prospects for growth. We are happy to announce that 20 of our holdings announced dividend hikes so far in 2018, with an average increase of 10.5%. This welcome action validates our research analysis and increases your portfolio cash flow. We expect most of our portfolio companies, on average, to increase their cash pay-outs faster than the rate of inflation in 2018 and beyond.

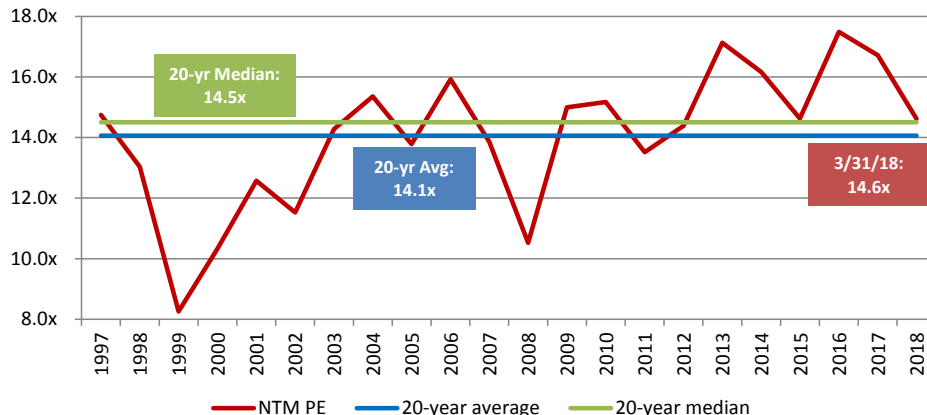
At quarter-end, our Equity Composite had an average current yield of 4.3% and traded at 13.7x and 8.1x 2018 earnings and EBITDA estimates, respectively. By comparison, the S&P 500 Index yielded approximately 2.0% and sold for 16.8x and 11.2x earnings and EBITDA estimates, respectively. Portfolio valuation also compares favorably to popular dividend-focused ETFs. The Dow Jones Select Dividend Index ETF (DVY) traded at 16.2x 2018 earnings and 9.5x EBITDA. Our current portfolio companies' average return on equity over the past three years is an attractive 19% and their balance sheets are healthy with an average net debt-to-capital ratio of 26%.

The portfolio's attractive discount to the broader market reflects, in part, the sale of some recent winners with richer valuations. Eager to maximize portfolio cash flow and unleash the power of compounding, Hamlin investment professionals are always trying to repopulate the portfolio with generous dividend payers trading at attractive prices. Amid the recent market volatility, the high dividend universe valuation has come back to its longer-term average.

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<sup>3</sup> 2312 and 2940 theoretical target levels refer to the S&P 500 Index, and % change refer to April 3, 2018 close of 2614.

**Figure 3: NTM PE of High Dividend Yield Stocks**



Note: Based on top 40% of stocks as ranked by dividend yield, i.e. top 2 quintiles of yielders. Source: Factset.

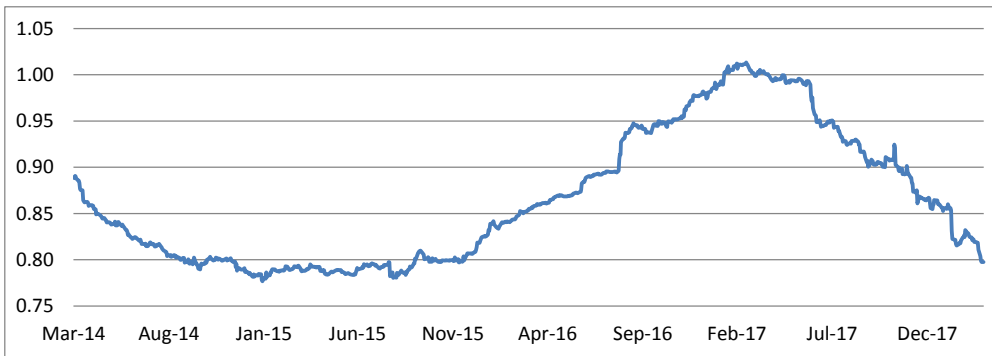
We are still identifying opportunities. Since last fall, the Hamlin Equity Team has been actively researching and visiting with more than 25 potential investments across all S&P sectors. As the bull market has turned nine years old, we are particularly focused on a list of high-yielding stocks with defensive business models and a history of lower-volatility stock price returns. We are excited about these stocks and their well-positioned businesses operating across the pharmaceuticals, consumer discretionary, materials, regulated utilities, retail, staples, and real estate industries. A few have earned a spot on the active roster. You will have noticed that our current cash balance, approximately 6.5% of client assets, has been nearly cut in half over the last few months. The market's long-awaited 10% dip from the highs provided an opportunity to add to existing positions and to initiate new investments.

Well aware that this bull market is older than all but one bull market since WWII,<sup>4</sup> we are pleased to see a common measure of our expected market risk dropping. While we cannot promise that lower portfolio beta augurs outperformance in a bear market,<sup>5</sup> investors *should* expect Hamlin to continue to lag the broader market in any future rallies. We are willing to sacrifice near-term upside in return for increased dividend stability and higher odds for reduced drawdowns.

<sup>4</sup> As of March 31 2018, 3,309 days have passed since the last 20% S&P 500 Index correction, the second longest on record and over three times the average bull market duration of 978 days. Source: Ned Davis Research.

<sup>5</sup> Low beta stocks are typically considered more resilient than the broader stock market during sell-offs. That said, beta is simply a measure of historical volatility and correlation relative to the overall market and does not guarantee future outperformance in down markets. General Mills, B&G Foods, Kellogg, and Altria are examples of low beta, high-yielding stocks that have lost 20% of their value at some point over the past year.

**Figure 4: HCM Rolling 12-month Beta to S&P 500**

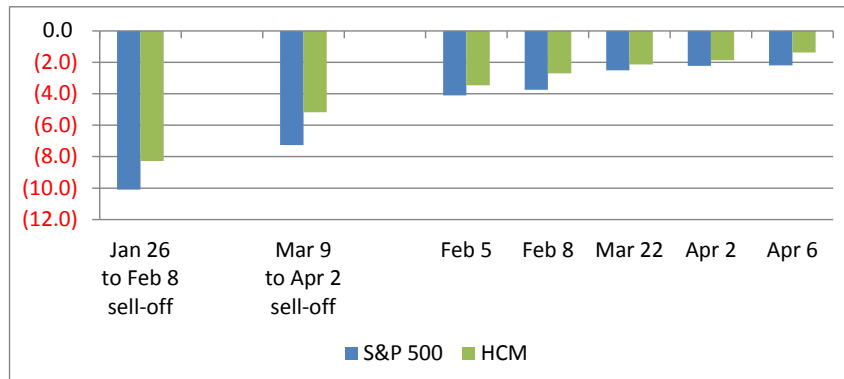


Source: HCM.

## Equity Performance

The Hamlin Equity Composite decreased 2.12% including dividends, net of fees, for the first quarter of 2018. While we beat the Russell 3000 Value Index’s -2.82% return, we lagged the S&P 500’s -0.76% total return. Our performance modestly outperformed the equity income benchmarks, with the Lipper Equity Income Index down 2.63% and the Dow Jones Dividend Index (DVY) down 2.69%. Higher yielding stocks were hit particularly hard with the S&P 500 Index’s top yield quintile delivering a -4.1% total return for the quarter. We were also pleased to outperform a bit when the going got tougher. Trade war anxiety and concerns over internet company consumer data monetization had a smaller impact on our portfolio relative to the broader market as shown below.

**Figure 5: HCM Performance During Biggest Down Days and Periods in 2018 YTD**

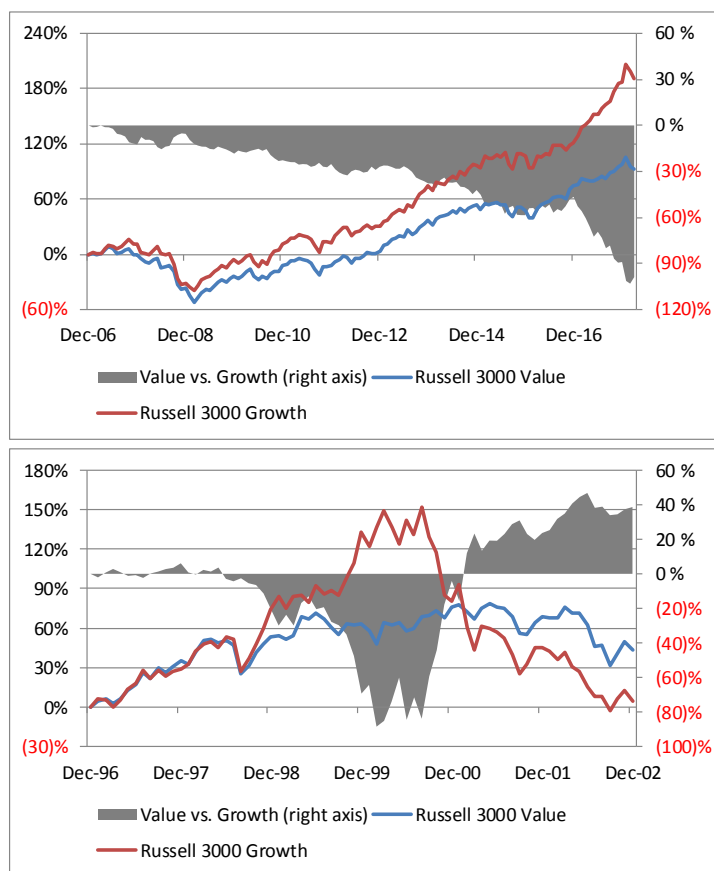


Source: FactSet. Please note that past performance does not guarantee that the equity strategy will outperform in future down markets.

Value strategies were out of favor once again in Q1 as the S&P was led by a handful of large cap technology growth stocks. Amazon, NVIDIA, Microsoft and Netflix, all uninvestable for Hamlin as they pay little or no dividends, contributed a positive 95 basis points to the S&P 500 Index’s return. The charts below show how humbling and one-sided the value versus growth investing contest has been over recent years. Sadly, it makes sense to us. Investors pay up for high probability growth as an economic cycle enters the late innings. Additionally, large cap technology shares have been delivering the goods: FANNGM

earnings growth has been spectacular, rendering PE-to-growth ratios enticing.<sup>6</sup> The chart also shows how quickly the tide can turn. Value stocks have lagged growth stocks by over 90% since the end of 2006, a level of underperformance last seen during the Dot Com Era. That gap more than reversed in a few short months as the tech bubble burst. Perhaps higher interest rates will be a catalyst, as discounted cash flow models for fast growing companies with lengthy perceived runways are particularly sensitive to higher discount rates.

**Figure 6: Value vs. Growth Performance Today and in the Tech Bubble**



Source: FactSet.

Although prospects for better relative performance may be improving, we remind you that we are not managing your account to track or beat an index. We don't select securities to align your portfolio with any index's sector weightings or holdings. We aim to construct a quality portfolio with high current income. *When making investment decisions, we think in absolute terms. We are trying to provide a solution, aspiring to compound client capital at high single digit rates over time in a tax-efficient manner while minimizing draw downs.* Our goal is to preserve our individual clients' lifestyles and help our institutional

<sup>6</sup> The PE-to-Growth ratio, or PEG, divides the standard PE (price/earnings) ratio by earnings growth to arrive at an adjusted valuation multiple that gives credit for faster growth. For example, Facebook currently trades at 20.5x NTM P/E and its average EPS growth has been 52% per year over the prior 3 years. As a result, its PEG ratio of just 0.4x compares favorably with the S&P 500's 4.1x and even Google's 2.0x. FANNMG stands for Facebook, Amazon, Netflix, NVIDIA, Google, and Microsoft.

clients meet their objectives while protecting against inflation with future dividend increases and long term capital appreciation.

Figure 7 below suggests that an actively-managed dividend portfolio can deliver attractive absolute and relative returns with acceptable volatility over time. We believe that high income stocks outperform over the long haul because dividend policies often act as a governor on the corporate capital allocation process and smooth investor returns in down markets.

**Figure 7: Equity Performance**

	<b>HAMLIN EQUITY COMPOSITE</b> (Net of Fees)	<b>Cumulative</b>	<b>S&amp;P 500</b> (No Transaction Costs or Fees)	<b>Cumulative</b>
2001	1.0	101.0	(11.9)	88.1
2002	0.9	101.9	(22.1)	68.7
2003	30.4	132.9	28.7	88.4
2004	22.8	163.2	10.9	98.0
2005	20.8	197.1	4.9	102.8
2006	7.9	212.7	15.8	119.0
2007	4.0	221.1	5.5	125.5
2008	(28.6)	157.8	(37.0)	79.1
2009	21.0	190.9	26.5	100.0
2010	20.7	230.3	15.1	115.1
2011	10.2	253.7	2.1	117.5
2012	11.0	281.7	16.0	136.3
2013	32.7	373.9	32.4	180.5
2014	10.9	414.8	13.7	205.2
2015	(4.5)	395.9	1.4	208.0
2016	14.9	455.1	12.0	232.9
2017	15.8	527.2	21.8	283.7
<b>YTD 2018</b>	<b>(2.1)</b>	<b>516.0</b>	<b>(0.8)</b>	<b>281.6</b>
<b>17.25 Years Annual Compound</b>	<b>9.98</b>		<b>6.18</b>	

Source: Hamlin Capital Management. Q4 2017 and YTD 2018 performance has not yet been verified by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report



## Fixed Income Commentary

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The fourth quarter proved to be an exciting finish to 2017 for the municipal market thanks to tax reform. As a reminder, there has been no change to the tax treatment of your existing Hamlin tax exempt portfolio and the tax code continues to allow 501(c)(3)s (Senior Living, Charter Schools, etc.) to issue Tax Exempt bonds. Client portfolios can continue to produce income and purchase new projects. The tax reform, however, still had a market impact as the uncertainty created by the process pulled billions of dollars of issuance from 2018 into the final months of 2017. This acceleration has resulted in a relatively quiet year thus far. While issuance was up more than three fold in December from the previous year, it was down in January more than 40% from January 2017. We expect to see some pick up in the second quarter. Largely due to one week of significant outflows, the municipal high yield market has taken in under \$100 million this year, while all municipal funds have seen over \$6.5 billion of inflows.

Despite positive asset flows and the decrease in issuance (largely a muni-specific phenomenon), we have seen municipal interest rates move up, following the increase in Treasury yields. This is the first time since mid 2016 that we have seen a significant and sustained move north. As before, this was largely driven by the Fed's recent tightening measures, including raising the Fed Funds rate and allowing the Federal Reserve's Treasury holdings to mature. The bond market exhibited some volatility on a variety of macro events but saw 10 year Treasury yield finish the quarter up about 30 bps. In muni land the magnitude of the move was similar. The 10 year benchmark muni bond yield increased 44 bps on the quarter and the 30 year was up 41 bps. Those moves reflect a shift up for the entire curve as the bottom has been reset by the Fed. The Fed has shown a willingness to continue to raise rates and the market expects two more increases this year. So does this mean we are in a period of rising interest rates? Nothing is certain but as long as German and Japanese bonds are yielding well below what their U.S. counterpart yields,<sup>7</sup> there may be an upward limit on U.S. rates. However, if rates do continue increasing, rest assured that Hamlin has been preparing your investment portfolio for this eventuality for many years.

Due to the unattractive general market pricing in place for several years, we have doubled down on our strategy of sourcing, structuring, and buying offerings away from the market. HCM bond clients continue to buy bonds with attractive absolute yields at above market spreads. We have also focused on shortening up the duration of the portfolio with an increased emphasis on shorter maturities and rate resets features. Some of our time tested strategies for dealing with a rising interest environment include:

- Higher coupons – Compounding large coupon payments in a rising interest rate environment is a defensive force and a potent tool for driving returns. As rates move up, the larger coupons Hamlin clients receive provide them more income to reinvest at the new higher market rates.<sup>8</sup>
- Amortization of debt – Hamlin bond projects actively pay their debt down during the life of the bond. The steady principal payments allow client portfolios to reinvest principal as rates rise.

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<sup>7</sup> Source: TM3/US Treasury

<sup>8</sup> Compounding Interest – The 8<sup>th</sup> Wonder of the World at <http://www.hamlincm.com/commentary/>

- Variable and adjustable rate debt – During this recent period of low interest rates, Hamlin has structured many deals that allow for floating or adjustable rate debt. This gives bondholders some interest rate protection (and coupon upside) when rates rise.
- Dollar cost averaging – New Hamlin clients are invested slowly over the course of months and even years. As rates move and the market adjusts, the bonds purchased by client portfolios will gradually reflect the higher rate environment.
- Yield discipline – In addition to spread discipline, we keep absolute yield levels in mind. This has been important recently as real interest rates are negative. We are committed to achieving minimum absolute yield levels of 6-7% for credit risk assumed on the long end of the yield curve and 5.25%-6% inside of 10 years.

We have worked especially hard to bring the option adjusted duration<sup>9</sup> of the portfolio down. We have focused on structuring bonds in recent years with a larger array of adjustable coupons – fixed for only a certain period of time that then reset to prevailing rates. That effort coupled with other variable rate securities, puts, calls, and simply shorter maturities has helped bring the duration of the portfolio down. We feel having a tax exempt yield greater than the applicable duration (while still keeping the outsized spread and coupon) should help protect clients.

<b><u>Bond Only 1 Year Composite</u></b>	Bonds Only	Total Account
Current Yield:	6.49%	6.17%
Tax Equivalent Current Yield:	10.54%	10.02%
Option Adjusted Duration:	5.91	5.62

<b><u>Short Bond Mandate Composite</u></b>	Bonds Only	Total Account
Current Yield:	5.71%	5.24%
Tax Equivalent Current Yield:	8.88%	8.14%
Option Adjusted Duration:	4.5	4.12

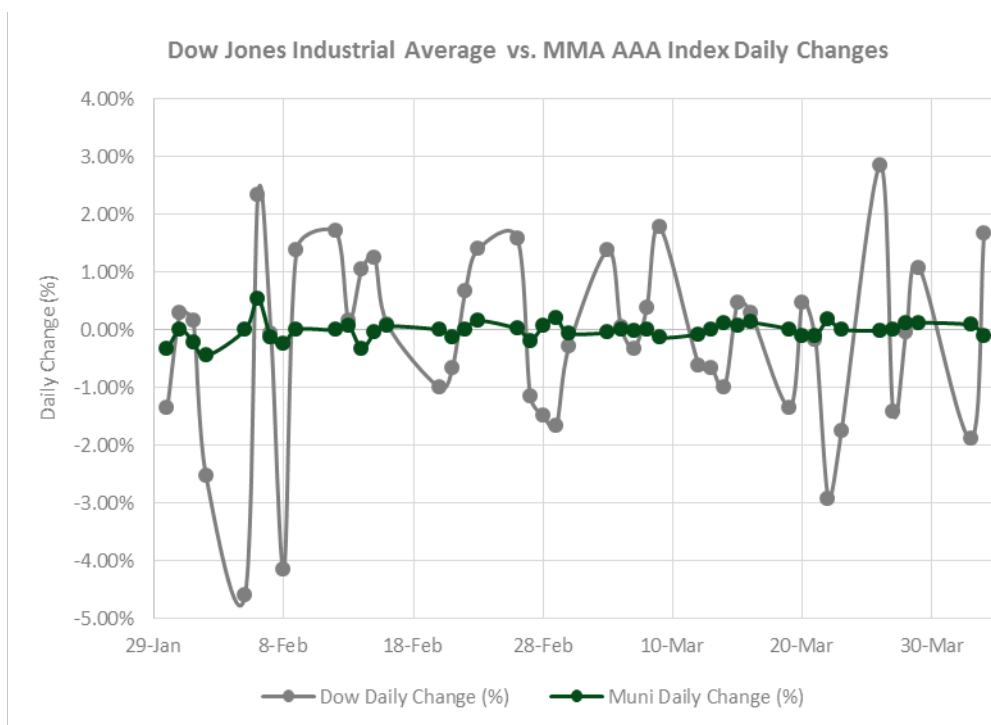
Source: Bloomberg, HCM. Data as of February 28, 2018. Tax equivalent yield assumes a marginal tax rate of 40.8%.

Finally, to the extent that some temporary capital depreciation may be inevitable in a rising rate environment, it is also important to remember the goal of this strategy and the nature of bond returns. Absent default, any bond purchased at par with a fixed coupon and held to maturity over time will return the investor exactly what the coupon has promised – the return in this case equals the coupon. So let’s test that against a rising rate environment: Imagine that a fixed rate bond is purchased at par and 6 months later interest later rates go up, and the bond’s price goes down. While the pricing may change your return in the near term, it **does not** change your total return over the life of the bond – all it does is defer some of that return to a later date. As the bond gets closer to maturity, the price will creep back up towards par –

<sup>9</sup> Duration is a measure of the sensitivity of a bond’s price to changes in the interest rate environment. The option adjusted duration incorporates other features that a bond may have other rather than purely yield, amortization, and maturity.

eventually returning that “lost” performance to you. The kicker is that the coupon hasn’t changed despite the decrease in price so that full coupon (and in our case some principal) can be reinvested at the new higher rates, increasing the yield and return of the portfolio.<sup>10</sup>

Finally there is some “peace of mind” that may be valuable to clients during these more volatile times in equity markets. While our market can be volatile and one can never predict the future, the below chart reminds us that steady income generation is a calming influence.



Source: Municipal Market Analytics Inc.

## Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite returned 0.47% for the first quarter of 2018. Interest rate movement up in the first quarter led to slight declines in pricing. As the market bounces around, we strive to continuously deliver a robust stream of tax exempt income to clients. As the Fed continues with their slow and steady position on hiking rates, we believe that we have positioned the portfolio in a way that will capture value for clients regardless of the direction interest rates take for the remainder of the year.

<sup>10</sup> Rising Rates: Dispelling the Myth Available Online at: <https://www.pimco.com/en-us/riseaboverates/rising-rates-dispelling-the-myth>

We remain dedicated to our fundamental credit analysis and research. In general, our portfolio holdings in essential social service projects in the Education and Senior Living sectors continue to perform well. HCM clients should rest assured that their bonds are generally secured by a first mortgage on property, plant, and equipment, not a pledge of *ad valorem* tax revenue. As always, we are committed to capital preservation and income generation.

**Figure 8: Fixed Income Performance**

	HAMLIN BOND COMPOSITE (% Net of Fees)	Cumulative	BARCLAYS HIGH YIELD MUNICIPAL INDEX (No Transaction Costs or Fees)	Cumulative
2001	4.5	104.5	4.5	104.5
2002	7.2	112.0	2.0	106.5
2003	9.1	122.2	13.2	120.6
2004	7.5	131.4	10.5	133.3
2005	7.9	141.8	8.6	144.7
2006	6.8	151.5	10.7	160.3
2007	4.3	157.9	-2.3	156.6
2008	-16.7	131.5	-27.0	114.3
2009	16.4	153.0	32.7	151.7
2010	7.1	163.8	7.8	163.6
2011	6.1	173.9	9.3	178.7
2012	7.4	186.8	18.1	211.1
2013	2.5	191.5	-5.5	199.5
2014	7.2	205.2	13.8	227.1
2015	4.8	215.0	1.8	231.2
2016	3.9	223.3	3.0	238.1
2017	8.5	242.2	9.7	261.2
2018 YTD	0.5	242.7	0.6	262.7
<b>17.25 Years Annual Compound</b>	<b>5.34</b>		<b>5.76</b>	

Source: Hamlin Capital Management. Q4 2017 and 2018 YTD performance has not yet been audited by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report.

As a reminder, Hamlin manages client assets based on the individual needs of each client. Please contact us if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your account or reasonably modify existing restrictions.

Thank you sincerely for your trust and confidence. Please call (212) 752-8777 with any questions or suggestions.

Joe Bridy Chris D'Agnes Charlie Garland Vivian Pan Mark Stitzer

Benjamin Kaufman Parker Stitzer Michael Tang

#### *IMPORTANT DISCLOSURES:*

*PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. Investing, particularly in equities, involves the risk of a loss of principal. Any projections, targets, or estimates in this report are forward looking statements and are based on Hamlin Capital Management, LLC ("HCM")'s research, analysis, and incorporate assumptions made by HCM. All expressions of opinion are subject to change without notice and HCM undertakes no obligation to update the statements presented herein. While HCM believes the sources of all data provided in this presentation are reliable, HCM does not guarantee accuracy, reliability or completeness. HCM does undertake any duty to update the information presented here.*

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#### *DEFINITIONS*

- *The S&P 500 Index is a market capitalization-weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation, with each stock's weight in the Index proportionate to its market value.*
- *The Russell 3000 Value Index is a market capitalization-weighted index of the value segment of the 3,000 largest U.S. public companies.*
- *The Russell 3000 Growth Index is a market capitalization-weighted index of the growth segment of the 3,000 largest U.S. public companies.*
- *The Barclays High Yield Municipal Index is an index of high yield, non-investment grade municipal bonds.*
- *Dow Jones U.S. Select Dividend Index is an index composed of relatively high dividend paying companies.*
- *PE: The Price-to-Earnings Ratio or PE ratio is a ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio can be calculated as: Market Value per Share / Earnings per Share.*
- *EPS: Earnings per Share.*
- *EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization is an indicator of a company's financial performance and earning potential.*

**Hamlin Capital Management, LLC**  
**Bond Only Composite**  
**Annual Disclosure Presentation**  
**January 1, 2001 through September 30, 2017**

Year	Total Firm Assets (mm)	Composite Assets (mm)	Number of Portfolios	Composite Net Return	BHYMBI Return	Internal Dispersion	Composite 3-Yr St Dev	BHYMBI 3-Yr St Dev
*YTD 2017	4,285	694	226	6.58%	7.72%	N.A.	N.A.	N.A.
2016	3,617	634	219	3.84%	2.99%	0.76%	2.54	5.96
2015	3,186	758	193	4.80%	1.81%	0.77%	0.99	6.35
2014	3,077	538	138	7.18%	13.84%	1.03%	1.14	6.22
2013	2,703	546	190	2.48%	-5.51%	0.84%	1.44	5.90
2012	2,029	474	172	7.43%	18.14%	1.39%	1.52	4.17
2011	1,623	442	173	6.13%	9.25%	0.86%	2.67	7.81
2010	1,033	314	124	7.06%	7.80%	0.84%		
2009	714	220	90	16.35%	32.73%	1.64%		
2008	584	181	67	-16.73%	-27.01%	1.80%		
2007	734	173	50	4.27%	-2.28%	0.96%		
2006	869	153	55	6.81%	10.74%	1.14%		
2005	716	86	53	7.94%	8.58%	1.84%		
2004	501	53	33	8.27%	10.52%	1.61%		
2003	130	18	27	9.14%	13.22%	2.19%		
2002	49	17	29	7.22%	1.97%	2.63%		
2001	21	17	31	4.54%	4.45%	15.07%		

\* Performance represents a non-annualized partial period return ending on September 30, 2017.

**Bond Only Composite** consists of fully discretionary bond only accounts that are comprised of any amount of bonds and cash. There is a 1 year waiting period to be included in the composite. There is no minimum account size for inclusion in the composite. The Barclays High Yield Municipal Bond Index (BHYMBI) is provided solely to allow for comparison to a widely recognized index. The index is in no way indicative of the strategy employed in this composite. It is the position of Hamlin Capital Management, LLC ("Hamlin") position that a meaningful benchmark is not available for this strategy due to the frequent and customized changes in allocation in individual accounts. Benchmark returns are not covered by the report of independent verifiers.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Investing entails the risk of loss of principal. The U.S. Dollar is the currency used to express performance. Returns are presented net of custodial and management fees and includes the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The management fee schedule is as follows: 1.00% on all assets. Actual investment advisory fees incurred by clients may vary.

Hamlin is an independent registered investment advisory firm. Hamlin invests in fixed income and equities for separately managed accounts, as well as funds. In January 2004, Hamlin merged with RRH Capital Management Inc. and the performance returns are linked. Hamlin maintains a complete list and description of composites, which is available upon request. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.

The Bond Only Composite was created April 1, 2006. Hamlin claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Hamlin has been independently verified for the periods January 1, 2001 through December 31, 2008 by Ashland Partners & Company LLP. ACA Performance Services began verification for Hamlin on January 1, 2009 through September 30, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Bond Only Composite has been examined for the periods beginning January 1, 2001 through September 30, 2017. The verification and performance examination reports are available upon request. The policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

**Hamlin Capital Management, LLC**  
**Equity Only Composite**  
**Annual Disclosure Presentation**  
**January 1, 2001 through September 30, 2017**

Year	Total Firm Assets (mm)	Composite Assets (mm)	Number of Portfolios	Composite Net Return	S&P 500 Return	Internal Dispersion	Composite 3-Yr St Dev	S&P 500 3-Yr St Dev
*YTD 2017	4,285	1,723	683	8.98%	14.24%	N.A.	N.A.	N.A.
2016	3,617	1,623	679	14.93%	11.96%	1.26%	11.05	10.59
2015	3,186	1,373	725	-4.54%	1.38%	0.66%	9.91	10.48
2014	3,077	1,414	704	10.93%	13.69%	0.51%	8.57	8.97
2013	2,703	1,234	624	32.72%	32.39%	1.04%	10.19	11.94
2012	2,029	798	480	11.03%	16.00%	1.12%	12.39	15.09
2011	1,623	584	388	10.16%	2.11%	0.71%	14.11	18.71
2010	1,033	191	220	20.65%	15.06%	2.22%		
2009	714	30	51	20.98%	26.46%	2.69%		
2008	584	12	30	-28.57%	-37.00%	4.45%		
2007	734	18	31	3.97%	5.49%	2.86%		
2006	869	29	48	7.90%	15.79%	5.93%		
2005	716	31	42	20.80%	4.91%	4.90%		
2004	501	19	26	22.80%	10.88%	7.67%		
2003	130	8	24	30.40%	28.68%	9.87%		
2002	49	5	29	0.90%	-22.06%	6.15%		
2001	21	6	34	0.99%	-11.93%	10.69%		

\* Performance represents a non-annualized partial period return ending on September 30, 2017.

**Equity Only Composite** consists of fully discretionary accounts that are comprised of any amount of common stocks and cash. There is no minimum account size or time period to be included in the composite. Returns include the effect of foreign currency exchange rates. The exchange rate source for the composite is IDSI/IDC – FT Interactive Data Corporation. The S&P 500 index is provided solely as a widely recognized index. The index is in no way indicative of the strategy employed in this composite. It is the position of Hamlin Capital Management, LLC (“Hamlin”) that a meaningful benchmark is not available for this strategy due to the frequent and customized changes in allocation in individual accounts. Benchmark returns are not covered by the report of independent verifiers.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Investing entails the risk of loss of principal. The U.S. Dollar is the currency used to express performance. Returns are presented net of custodial and management fees and includes the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign dividend withholding taxes, where applicable, for the period prior to October 1, 2016, and gross of foreign dividend withholding taxes thereafter. Composite performance accrues dividends starting October 1, 2016.

The management fee schedule is as follows: 1.00% on all assets. Actual investment advisory fees incurred by clients may vary.

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