HAMLIN
CAPITAL MANAGEMENT, LLC

April 2020

First Quarter 2020 Update

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Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite was down 3.62% for the first quarter of 2020.[1] Faced with a historically volatile market driven by a global pandemic, we sought to first protect client capital and then opportunistically deploy cash where possible. We have outperformed many of our peers and we owe this outperformance to the years of disciplined construction of the existing portfolio. Maintaining our absolute return and spread discipline while never sacrificing credit quality or covenant requirements has served clients well this quarter and we believe that it will continue to do so going forward in what will be a volatile environment. As a reminder, we price the portfolio on a monthly basis with the next pricing date on April 30th. Although we generally do not provide intra-month performance updates, please feel free to contact us with any broader portfolio questions.

Figure 1: Fixed Income Performance

	HAMLIN BOND COMPOSITE (% Net of Fees)	Cumulative	BARCLAYS HIGH YIELD MUNICIPAL INDEX (% No Transaction Costs or Fees)	Cumulative
2001	4.54	104.54	4.45	104.45
2002	7.22	112.04	1.97	106.51
2003	9.14	122.20	13.22	120.59
2004	8.27	131.37	10.52	133.27
2005	7.94	141.81	8.58	144.71
2006	6.81	151.47	10.74	160.26
2007	4.27	157.93	-2.28	156.60
2008	-16.73	131.51	-27.01	114.31
2009	16.35	153.00	32.73	151.72
2010	7.06	163.81	7.80	163.56
2011	6.13	173.86	9.25	178.68
2012	7.43	186.78	18.14	211.10
2013	2.48	191.42	-5.51	199.47
2014	7.18	205.16	13.84	227.07
2015	4.80	214.97	1.81	231.18
2016	3.84	223.24	2.99	238.09
2017	8.22	241.59	9.69	261.17
2018	4.25	251.85	4.76	273.60
2019	8.69	273.74	10.68	302.82
2020 YTD	-3.62	263.83	-6.88	281.98
19.25 Years Annual Compound	**5.17**		**5.53**	

Source: Hamlin Capital Management. The performance provided is a preliminary estimate as Q1 2020 performance has not yet been examined by ACA Performance Services, and may be subject to change. Individual accounts may vary.

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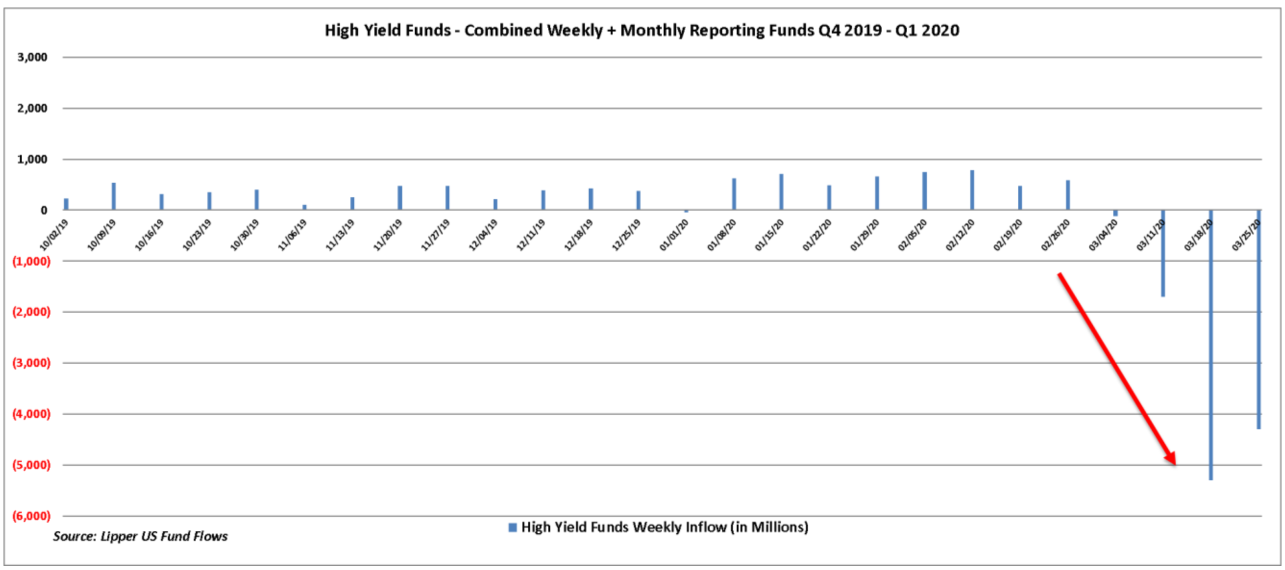
Fixed Income Commentary

When things turn, it can happen quickly – and this was certainly a turn for the ages. In a stunning reversal of a years long sanguine municipal market characterized by positive fund flows and ever lower interest rates, general muni market participants were caught in the COVID-19-driven frenzied selling. The sell-off affected everything from equities to Treasuries as investors sought cash in the middle of March. The volatility in the space affected municipal bonds across the credit spectrum, causing rates to shoot up before rallying strongly to end the month of March.

The March crisis in munis was a liquidity driven crisis – not a credit crisis. The fund flow numbers we cover in this quarterly column have been positive for years. As a reminder, fund flows in this context are the dollars in or out of open-ended municipal mutual funds. These dollars drive the buying and pricing of new deals in the primary market as well as the volume of secondary trades that occur as funds need to meet redemptions or put additional cash to work. Generally (in recent years), when mutual fund flows are positive, new deals in the primary price at absolute low yields and credit spreads are tight on secondary trades. 2019 saw positive flows of approximately $1.8 billion into all munis and approximately $400 million per week into high yield for annual totals of around $94 and $20 billion respectively. Unsurprisngly, in the general market for high yield and high grade municipals, rates were low and spreads were tight. This is why we were slow to call capital in 2018 and 2019 as we stayed away from Street deals. Instead, Hamlin sourced and negotiated deals away from the market at absolute rates and spreads that we believe compensated investors for the risk. While this discipline may have resulted in slower investment and higher cash balances through much of 2018 and 2019, it is contributing to 2020 performance and allowing us to deploy that dry powder now.

Figure 2: Fund Flows – 3Q 2019 through 1Q 2020



The rapid reversal of those flows in early to mid March created massive volatility and a vacuum in the space that those armed with capital were able take advantage of.

In early March, as it became clear that the COVID-19 crisis was going to broadly and dramatically affect the U.S., we started seeing cracks in the market as investors started raising cash where they could. For the week ended March 11, we saw $1.4 billion out of all municipals and $1.7 billion out of high yield munis. Over the next two weeks ending March 18th and March 25th, the dam burst as over $25 billion came out of all munis and almost $10 billion came out of high yield alone.

This historic cash grab forced rates up as funds sold at depressed levels across the municipal credit spectrum. Prior to the start of the sell-off on March 9th, the AAA MMD 30 Year rate was 1.38% - already down on the year from where it ended 2019 at 2.09%. As the liquidity crisis intensified, rates started gapping up on almost a daily basis, hitting a top of 3.37% on Friday March 20th – up more than 250% in 9 trading days. Hamlin was well prepared and excited to take advantage of this market opportunity. After peaking, rates then dropped dramatically on word that the Federal Reserve would step into the muni market and the oversold conditions in the market enticed buyers back into the space. We ended the quarter back below 2% - lower than where rates started the year (although not to pre-COVID lows). It was a round trip that destroyed value for folks that had previously piled into speculative, long dated/low coupon bonds but provided opportunity for those who had patience and were armed with cash.

While the market has been moving at a frenetic pace, your managers at Hamlin have been responsibly investing capital in quality credits in our core sectors. However, before we get into the details on market opportunity, we would like to discuss the existing portfolio. As COVID-19 sweeps across the country, we have spoken with a great many of you throughout the month (so hopefully much of this is familiar) and, given many of the questions and conversations, we thought the following would be helpful.

What HCM Clients Need to Know About Their Portfolios

1) We have been in frequent contact with all of our large senior living providers. As of Wednesday, April 1st, **none** of our major providers have had any Corona outbreaks at our facilities. While this may change, providers are taking significant precautions including but not limited to: full restriction on any outside visitors, daily testing of certain staff, and serving meals in rooms for the most vulnerable. To the extent that COVID-19 does make its way into a “Hamlin” facility, we feel our borrowers are now well prepared to handle the situation. Much of the senior living portfolio can draw on liquity support agreements from large not-for-profit parent organizations with quality balance sheets, giving these projects the ability to weather temporary disruption from the virus. As a reminder, our Skilled Nursing Providers are required to have an infectious disease protocol in place which is practiced and reviewed by regulators annually.

2) We have not had any monetary defaults in the portfolio as a result of the Corona virus. Senior Living revenues are generally secure (mostly private pay) and, from conversations with some of our large Charter School borrowers on a state-by-state basis, we understand these revenues to be secure for this school year including some of our larger states of Texas, Florida, Colorado, Maryland and Georgia.

3) Our charter schools are public schools funded by the state. Many of the projects (in states with strong charter laws) are set up with an irrevocable pledge of Department of Education dollars – the funds are

sent first to a corporate trustee who pays principal and interest before sending the balance to the school. This means bondholders get paid first.

4) Client projects are typically backed by a 1st mortgage on the property, plant, and equipment. If something does happen with a certain operator or management group on a project level, we generally have the ability to bring in someone else to run the asset.

5) Most of the recent price erosion in the portfolio is a mark-to-market loss. While the prices may move around as liquidity ebbs and flows, it is important to remember this is not a permanent loss. Absent a credit issue, a the price will move back closer to par s the bond approaches maturity. You will also notice that many bonds are fully amortizing (like a home mortgage). Regardless of the current market price, the borrower will continue to pay down a portion of their debt each year at par. This important feature helped bond prices recover fairly quickly from similar bouts of illiquidity in 2008 and 2011.

Market Opportunities and Deployment of Client Capital

The extreme liquidity crisis, mutual fund outflows, and subsequent rise in interest rates created a wave of selling from ETFs and mutual funds. This created an opportunity for our clients armed with the cash and unfunded commitments which we approached as follows:

- We sought to uptick the credit quality and liquidity of the portfolio. While the majority of our portfolio will likely remain Hamlin-sourced deals that we own substantially all of, we like to step into credits owned by mutual funds that are forced to sell to meet redemptions when the Street is selling en mass at drastically discounted prices. This gives us natural buyers for the bonds when they recover in price if we want to harvest gains. **We focused on two distinct opportunities:**

    1. First, we were able to purchase cheap pre-refunded bonds on the very short end. “Pre-res” are old bonds that are still outstanding but have been refunded with U.S. Treasury bonds that are funded into an escrow – meaning that the remaining interest and principal payments (until the call date) are invested in Treasuries until they are used to make those payments. In normal times they trade to the credit of the underlying Treasury but as various funds looked to sell them simultaneously to raise cash, the market dislocated and we were able to buy them at a significant discount. Many of these trades occurred at tax exempt yields north of 2% for clients on very short paper that will allow us to reinvest if the market legs down again. We focused on NY and CA bonds due to the considerable tax advantage.

    2. The second, and larger amount of invested capital, strategy was to buy longer maturity bonds on good projects (often investment grade) in our core sectors at discounts. This allows for an attractive cash yield as well as potential capital appreciation on the bond once markets normalize. Many of the bonds we purchased at a discount moved up in price as the market rallied. It also inherently means you are purchasing the underlying collateral assets at a price which we believe provides capital protection.

- Those two strategies range from producing almost riskless returns 200 bps over comparable Treasuries to often buying collateral assets at discounted prices with mid-6% yields. Both also allow for additional capital appreciation, potentially pushing the total return north of 7%; some purchases experienced some of that immediately.

- We also continue to close deals in the primary market. The outflows and lack of mutual fund participation in the general market provides us access to additional deals we may not see in more normal markets. We have historically been active in the primary markets in periods of dislocation, buying quality credits at attractive yields. This includes purchasing at original issue discounts on primary market bonds which allow for yield as well as capital appreciation.

We are committed to opportunistically deploying capital during this time of dislocation in places that we feel will benefit clients for years to come. However, our primary focus, as ever, is to protect capital. We look forward to sheparding the portfolio and our clients through this volatile enviroment which we expect to continue into the near future. We will do so with same thoughtful management you have come to expect from your money managers at Hamlin and that guided us through 2008, 2011, and 2013.

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.

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

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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 AAA MMD Curve is a proprietary yield curve that provides the offer-side of "AAA" rated state general obligation bonds, as determined by the MMD analyst team.*
- *The Barclays High Yield Municipal Index is an index of high yield, non-investment grade municipal bonds.*
- *CAGR is the compound average growth rate.*
- *Current yield is the gross of fee portfolio yield divided by the price.*
- *Federal Funds: Balances purchased in Federal Reserve accounts for more than a single day; term Federal Funds usually have a minimum term of 90-days. The rate at which large financial institutions borrow is known as the Federal Funds rate, also known as the interest rate, that depository institutions, or banks, lend money to one another.*
- *A Pre-refunding bond is a type of bond issued to fund another callable bond. With a pre-refunding bond, the issuer decides to exercise its right to buy its bonds back before the scheduled maturity date. The proceeds from the issue of the lower yield and/or longer maturing pre-refunding bond will usually be invested in Treasury bills until the scheduled call date of the original bond issue occurs.*

Hamlin Capital Management, LLC
Bond Only Composite
Annual Disclosure Presentation
January 1, 2001 through December 31, 2019

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
2019	4,706	814	260	8.69%	10.68%	0.99%	2.02	3.02
2018	4,253	789	245	4.25%	4.76%	0.64%	3.04	4.91
2017	4,553	733	234	8.22%	9.69%	1.67%	2.82	5.42
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%		

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 Bloomberg-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 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. Composite performance is shown net of custodial fees for the period prior to January 1, 2018, and gross of custodial fees and other charges that may occur as a result of a client's choice of service providers thereafter.

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 December 31, 2019. 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 December 31, 2019. 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.