

July 2017

## Second Quarter 2017 Update

**Contact Information:**

Mark Stitzer  
640 Fifth Avenue, 6<sup>th</sup> Floor  
NY, NY 10019  
Tel: 212.752.8777  
Fax: 212.752.5698

## Overview

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Hamlin equity accounts advanced over the last three months. The S&P 500 gained 3.1% during the second quarter, defying skeptics. Stocks celebrated strong Q1 corporate earnings performance, shrugging off uneven economic data, obstruction of justice charges, and another delay in healthcare reform. Hamlin bond accounts also increased in value over the last three months. Our absolute yields and wider spreads delivered commendable relative performance as rated municipal and treasury yields declined modestly.

We are returning to a “question and answer” format for the summer-time newsletter. We have tried to answer the questions posed most frequently by our clients and business partners over the last few months.

## Performance

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### Equity Performance

The Hamlin Equity Composite increased 0.90% during the second quarter, lagging the S&P 500 Index’s 3.1% quarterly return. As discussed below, value stocks are out of favor. Our 4.48% return year-to-date is more in line with the Russell 3000 Value Index’s 4.67% gain. Hamlin is also 1.8% behind the Lipper Equity Income Index of our largest actively-managed peers, largely due to our all-cap focus vs the predominantly large-cap nature of that index. While we are frustrated by the relative underperformance, please remember that we are not managing your account to track or beat any 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. Our goal is to preserve client capital, while protecting against inflation with future dividend increases and long-term capital appreciation. We are satisfied with our 12.5% compound annual net return over the last five years given the duration and strength of the current bull market. These numbers exceed our 8-10% annual return target.

As stock market valuations continue to climb, we hope that you find comfort in knowing that Hamlin stocks pay a compensatory and growing cash return. We believe that our holdings are managed by executives who demonstrate a commitment to increase future dividend payouts. We are investing in businesses with high dividend yields, manageable debt, attractive returns on equity, and ample free cash flow-to-dividend coverage ratios. We are happy to report that 21 of Hamlin’s holdings have announced dividend hikes so far this year, with an average year-over-year boost of 6.5%. This welcome action validates our research analysis, increases your portfolio cash flow, and reminds us that your dividend stream is not fixed.

**Figure 1: 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)	68.6
2003	30.4	132.9	28.7	88.3
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)	79.0
2009	21.0	190.9	26.5	99.9
2010	20.7	230.3	15.1	115.0
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	180.4
2014	10.9	414.8	13.7	205.1
2015	(4.5)	395.9	1.4	207.9
2016	14.9	455.1	12.0	232.8
YTD 2017	4.5	475.5	9.3	254.5
<b>16.50 Years Annual Compound</b>	<b>9.91</b>		<b>5.83</b>	

Source: Hamlin Capital Management. 2Q17 performance has not yet been verified by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report.

## Equity Q&A

### Q: What is Hamlin's stock market outlook?

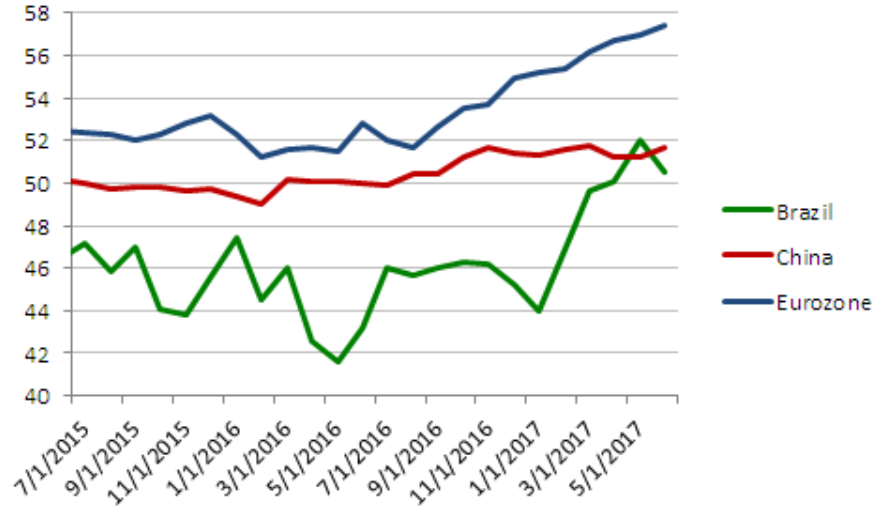
Although Hamlin investment professionals spend the majority of their time on company-specific research, we are obliged to consider macro-economic and broader market dynamics. Our outlook has not changed meaningfully from our January newsletter where we postulated that the S&P 500 Index could reach 2375 in 2017. While Dividend Discount Model math supports our original target, recent large bank dividend increases may render our \$48 2017 S&P 500 Index dividend estimate too low. If dividends come in at say, \$49/share this year, 2450 might make more sense assuming a 2% Index yield. The 2450 level for the S&P 500 equates to an 18.4x PE on consensus 2017 earnings (now at \$133/share in line with our estimate from January), a lofty level that may be justifiable in a low-inflation, low Fed Funds environment. Global investors are particularly willing to pay a higher multiple in light of the 0.47% yield on 10-year government bonds in Germany.

Strong year-to-date equity performance makes sense to us. Moderate new highs from here for American stocks would likely reflect sustained year-over-year earnings growth,<sup>1</sup> and, importantly, lower corporate tax

<sup>1</sup> The S&P 500 EPS improved 13.8% y/y in the first quarter, marking the third consecutive quarter of earnings acceleration. The companies in HCM's portfolio generated average EPS growth of 18.6% y/y in the same period.

rates. The charts below indicate that European economic and corporate performance have clearly improved, Brazil appears to be exiting an historically deep recession, China economic momentum has picked up meaningfully, and the dollar has weakened.

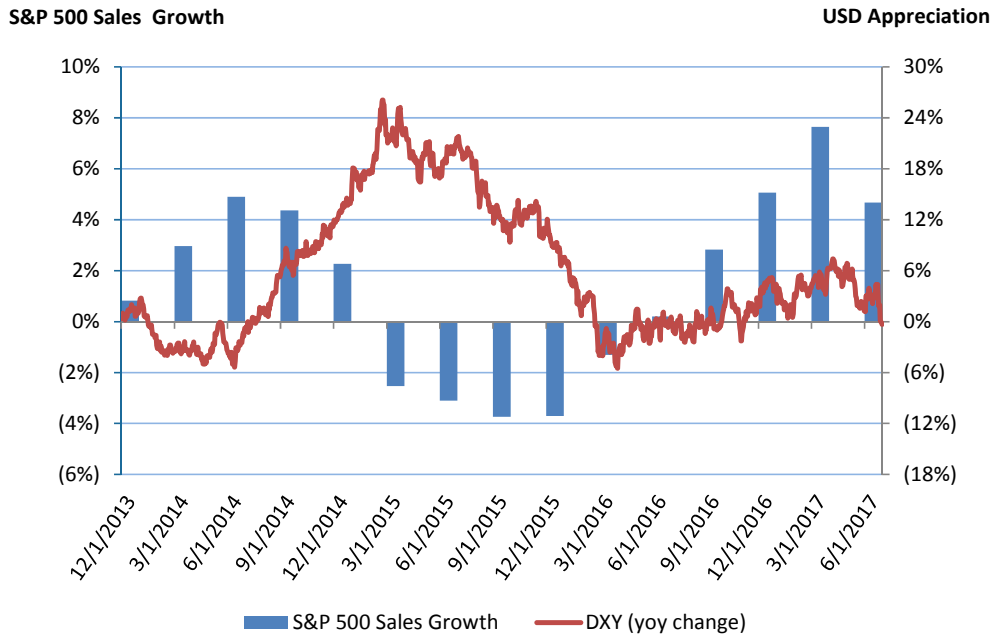
**Figure 2: Manufacturing PMI by Country**



Source: Markit for Brazil and Eurozone PMIs. China Federation of Logistics and Purchasing for China PMI.

A synchronized global expansion is supporting demand for American products and services; the lower dollar is magnifying the favorable impact on reported revenue growth.

**Figure 3: S&P 500 Sales Growth vs. US Dollar (DXY)**



Source: FactSet

Contrary to what we read from pundits, we think that President Trump's Russian cloud, atypical foreign diplomacy, erratic tweets and rock-bottom approval ratings *improve* the chances of a tax cut. Republican representatives and senators face re-election in seventeen short months and history predicts a potential changing of the guard.<sup>2</sup> Should ObamaCare repeal pass, we suspect that the media will effectively paint that "win" as a heartless attack against the poor, elderly and working class. Nevertheless, lower taxes are easier to market to constituencies than Medicaid "cuts," and these Republicans need to show some tangible governing accomplishment to Trump-wary voters. Recall that a cut in the corporate tax rate from today's 35% to 22% could increase S&P 500 Index earnings year-end 2017 run rate by 9% from \$133 to \$145,<sup>3</sup> dropping the market 2017 PE to 16.7x, barely above the 15.8x average current year PE over the past fifteen years. Equities may also be discounting a longer sunset period, rendering any tax cuts less temporary than the G W. Bush reconciliation-driven reduction. Finally, we think that seemingly elevated stock prices are anticipating repatriation of foreign cash hoards. Some combination of increased acquisition, capital expenditure, stock buyback, and dividend growth activity should ensue. All of these options are stimulative and stock market friendly.

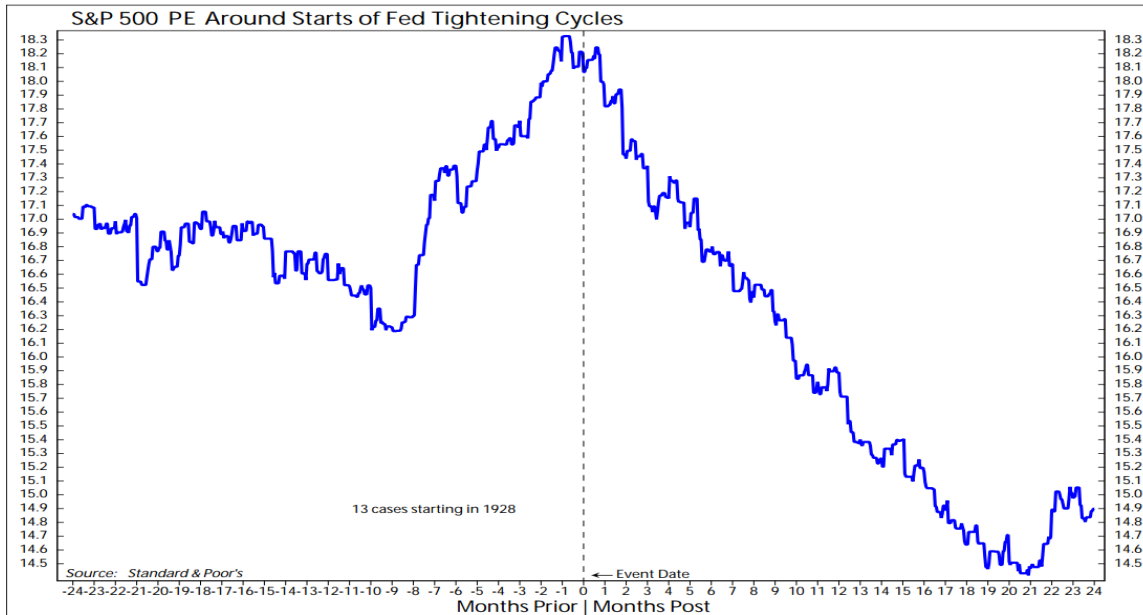
While we believe that the positives are underappreciated by both professional and retail investors, we think that broader market upside is limited. The Federal Reserve is less accommodative. Chair Yellen tapered bond purchases, then stopped quantitative easing, and has raised rates four times since the financial crisis. She clearly wants to raise rates in the future and has announced an overdue balance sheet reduction plan. We have a hard time betting on further PE expansion with Fed Funds rising.

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<sup>2</sup> The President's party has lost majority control of the House following mid-term elections in half of the last six presidential cycles. Going back to 1946, the President's party has picked up House seats during the mid-term election only twice out of 18 times. In all other instances, the party lost an average of 30 House seats during the mid-term. Source: Cornerstone Macro.

<sup>3</sup> We believe investors could be thinking about \$145 in EPS for the S&P 500. This "bull case" scenario is based on 2016 EPS of \$119 and 10% core earnings growth in 2017 – optimistic but feasible as the earnings recession has ended and global growth is improving. Assuming the corporate tax rate negotiation ends up at 22%, we estimate the effective S&P corporate tax rate would drop from about 28.6% to 20.8%, leading to a late 2017 run rate EPS of approximately \$145 post -tax reform.

Figure 4: S&P 500 PE Multiple Pre and Post Fed Hikes (Trailing 12 Months)



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High debt levels globally continue to limit aggregate demand and corporate revenue growth. While higher wages should underpin consumption, they also suggest that profit margins may have peaked. Rising PEs for a narrow list of primarily technology stocks is an indicator that this bull market, the second longest ever, is aging.

### Q: Why are Hamlin equity returns lagging the S&P 500 in 2017?

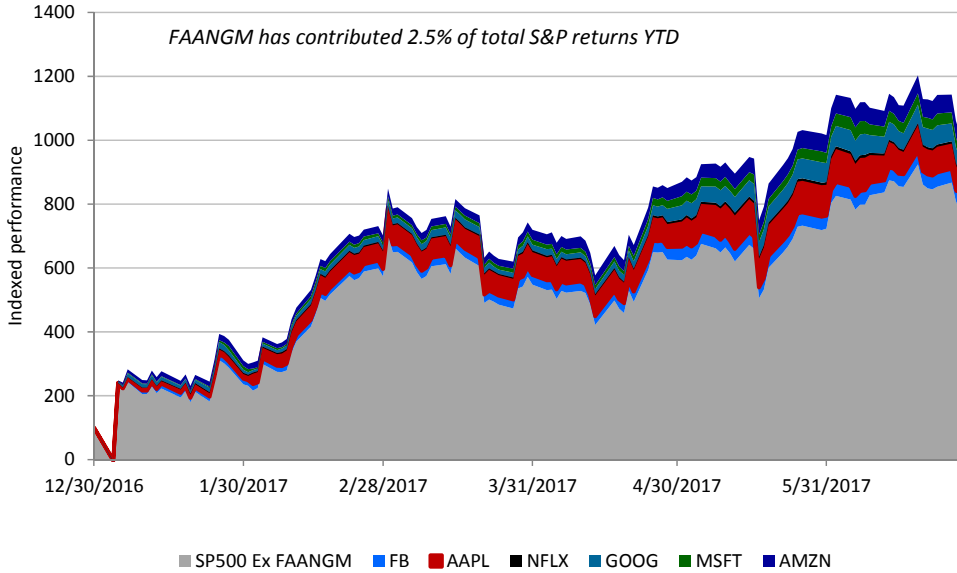
We mention in every newsletter that our process is not designed to replicate the S&P 500 stock market index. We own only 14 companies that are in the S&P 500 today. We aim to construct a portfolio of quality companies that can generate 8-10% a year in absolute returns, with a large portion of the return stream coming from tangible income. Our since inception 9.91% net annual return suggests this is an achievable goal. However, the returns are not linear. Our history is to underperform in strong markets and outperform in weak markets. 2017 has not been a weak year for stocks!

Our disappointing lag year to date versus the S&P 500 Index reflects four main factors:

1. Mean reversion - We outperformed the S&P 500 last year by approximately 3% and many of our 2016 winners have given back some of last year's returns.
2. FANG - The now popular acronym for the high flying mega-cap tech stocks (Facebook, Amazon, Netflix, Google) that are contributing heavily to the overall market returns. Broadening the acronym FAANGM (which adds Apple and Microsoft) shows that Hamlin started 2017

approximately 2.5% “in the hole” as low or non-existent dividends exclude these gorilla growth stocks from our investable universe.

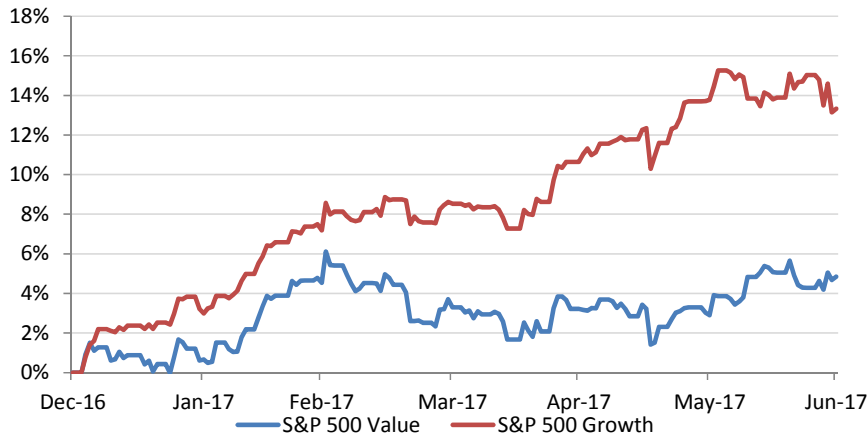
**Figure 5: FAANGM Contribution to S&P 500 Total Returns (YTD)**



Source: FactSet; FAANGM includes Facebook, Inc. (FB), Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Netflix, Inc. (NFLX), Alphabet Inc. (GOOG) and Microsoft Corporation (MSFT)

FAANGM is just a symbolic representation of how growth stocks have dominated value stocks this year. The S&P growth index is up 13.3% year to date, mocking the S&P Value Index’s 4.8% advance. The 9% gap between the two is historically wide.

**Figure 6: S&P 500 Value vs. S&P 500 Growth (YTD)**

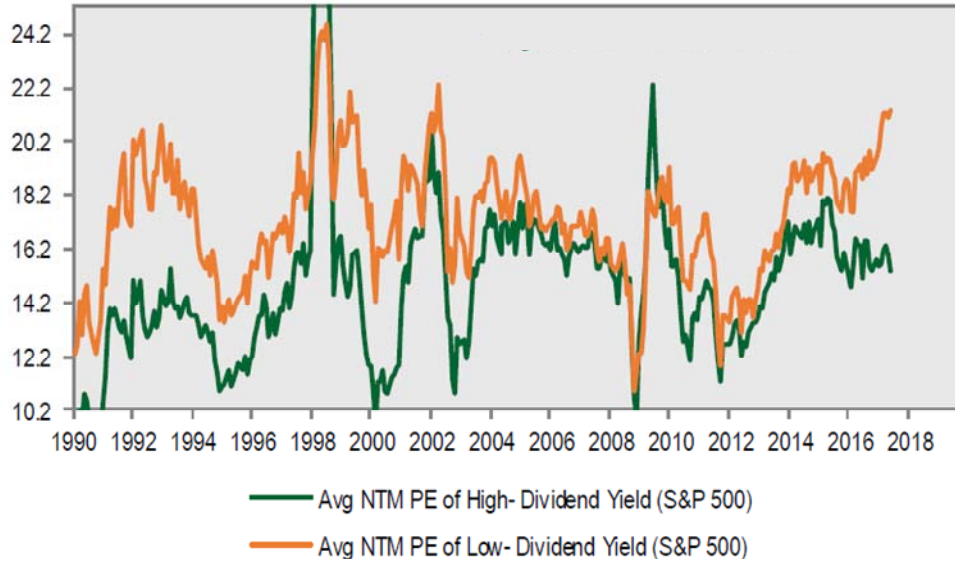


Source: FactSet;

Why is this happening? We are stuck in a low growth and low inflation environment with few signs of accelerating GDP. When there is little growth, investors are willing to pay almost

anything for the companies that are seeing revenue expansion. The FAANGM group trades at an alarming 49x forward earnings. While these stocks actually generate net income, unlike much of the Dot Com tech leadership in 1999, investors seem unfazed by sky high valuations.

**Figure 7: Valuation of High Yield vs. Low Yield S&P 500 Stocks**



Source: Cornerstone Macro

Your Hamlin portfolio is essentially a value portfolio. We buy high dividend yielding stocks. The denominator in that yield equation is stock price. Lower stock prices equal higher yields and lower stock prices inherently drive a value bias. Ironically, your Hamlin portfolio managers are rooting for a higher interest rate environment. Value stocks tend to perform better in a healthier inflationary and interest rate environment. Just look at how well your portfolio performed in November after the presidential election as interest rates shot upward.

3. Market Capitalization – Hamlin does not only buy large-cap companies. We are an all-cap investor in search of sustainable dividend paying criteria regardless of company size. We believe our long term track record reflects our ability to invest in mid-cap stocks. While large-cap stocks<sup>4</sup> account for 97% of the S&P 500, they are just 62% of Hamlin’s portfolio. Mid-cap stocks have not kept up with the S&P this year as evidenced by the S&P 400 Mid-Cap Index’s +5.2% gain YTD. Small-caps have fared no better, with the Russell 2000 Index up +5.05%.
4. Defensive Positioning – Given the high stock market valuations, Fed cycle, and time passed since the last bear market (3,035 days), we cannot help but think we are in the late innings of the bull market. It’s even possible we are going into extra innings. In this environment, we find it gratifying to sell holdings that achieve Hamlin price targets. We are taking our time redeploying the cash. Our client composite finished the quarter with a 10.5% cash balance, and cash has been

<sup>4</sup> We define large-cap as stocks with a market cap greater than \$10 billion.



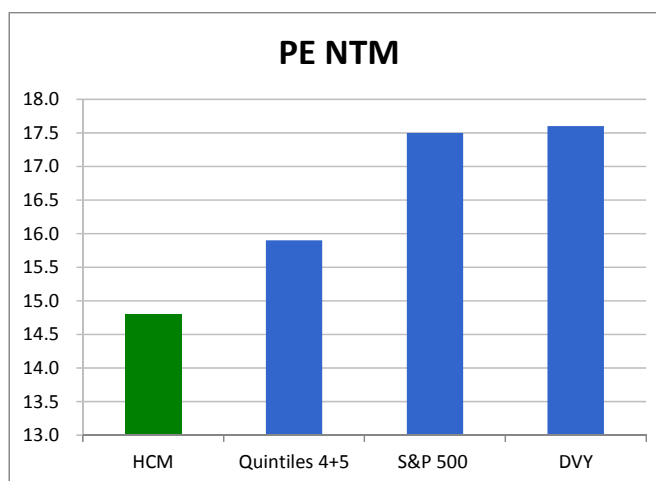
elevated for most of the year. The cash balance has been a drag on our results, yet having some cash when the market goes down should have the opposite effect.

We also believe it is important to consider valuation when discussing our more defensive position. At quarter end, the S&P 500 traded at 17.5x NTM earnings and 10.9x EV/EBITDA. Your Hamlin portfolio trades at 14.8x NTM earnings and 8.3x EV/EBITDA. We refuse to “reach” on valuation simply to put your hard earned money to work. We are not an ETF that is fully invested at all times constantly buying stocks as money comes in. We have the luxury of picking and choosing our entry points, and we are hopeful that our cheaper valuation and 4.3% yield will provide a buffer in choppy markets.

**Q: Can you still find attractive investment opportunities within the dividend equity asset class?**

The table below indicates that our investable universe remains attractively valued relative to the broader market. “Quintiles 4+5” refer to the 800 or so publicly traded stocks with yields above 2.8%. Note that the all-cap universe of high-yielding equities trades at an attractive discount to both the S&P 500 Index and the widely held Dow Jones Dividend Index ETF.

**Figure 8: Valuation of HCM vs. High Dividend Yield Stocks and the S&P 500**



We are currently evaluating companies with clean balance sheets and well covered 4%+ yields in nearly all sectors. Our watchlist names pay a 4.7% dividend yield and trade at 13.7x forward earnings on a median basis, with recent research work in sectors spanning real estate, insurance, technology, financials, materials, infrastructure, healthcare, and consumer discretionary. We are also evaluating some select names in the utilities and consumer staples space, with the latter offering more opportunities following sell-offs in the aftermath of Amazon’s acquisition of Whole Foods. However the utility and staple group remain rich, trading today at 17.7x and 19.9x forward earnings, respectively.

Energy has been the weakest sector year to date and over the last twelve months. It may come as no surprise that our exposure to energy has increased during this time period. We are not making a call on commodity prices, nor are we buying companies that need a higher oil price to afford their dividend. We

are investing in large integrated companies that have the financial wherewithal to weather a challenged commodity price environment, as well as midstream natural gas companies that have long term contracts in place and benefit from natural gas production and demand. The average yield of our energy stocks is a generous 5.6%.

Financials have also attracted our attention, sporting the lowest PE of all sectors at 13.3x. The group made headlines recently as America's largest banks passed the Federal Reserve stress tests with flying colors and were granted permission to raise dividends and buy back stock. The heavy hand of regulation has suppressed dividend growth for a number of years. Yields have simply not been high enough to warrant our time and attention, nor do we enjoy the complex nature of the large mega banks. There are, however, a number of regional banks who simply accept deposits and make loans while exhibiting above average yields. There are also insurance companies on our watch list whose income statements would appreciate higher rates.

Investment decisions taken on the portfolio so far this year have been additive to performance. Our cash balance is elevated because we sold 10 stocks and bought 4 year to date. The stocks sold have underperformed the S&P 500 by 5.2% on average since sale, while the stocks purchased have outperformed by 8.2% since purchase. We are well positioned to take advantage of any volatility or weakness in the equity markets, should it arise.

## Fixed Income Q&A

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### **Q: Given the sustained low interest rate environment, where are you finding opportunities to invest client funds?**

The first quarter of 2017 was a stabilization period for interest rates after the post-election volatility late last year. In the second quarter there was a retrenchment in rates – even as the Fed raised the short end of the taxable curve again in June. We saw rates continue to fall on the long end of the curve for most of the quarter. Several pieces of deflationary data along with the continued delay of a Trump tax or infrastructure plan made it tough for long term interest rates to push higher (although rates did finally tick higher again in the last week of June). Rock bottom comparative global rates certainly haven't helped – the German bund only just broke 50 basis points in July. Unfortunately, the municipal market has followed suit and rates in our space declined to levels not seen since before the election. The largely unabated fund flows into municipal mutual funds in the first half of the year haven't helped as the yield seeking cash has helped keep a further lid on rates.

While disappointing from an opportunity perspective, as frequent readers of this section can attest, this is a movie we have seen before. Finding projects to invest client money at attractive risk-reward levels that offer an absolute yield (not just a spread) that compensates the client remains our primary goal in this tough market environment. When rates plumb lows and the market is fighting to invest money, we slow down – we have no qualms being the Tortoise. In fact we used the extreme downtick in yields in June to sell some bonds at incredibly high prices – locking in gains to generate an attractive all in after tax return on investment for the client. We don't often look to move bonds out of the portfolio, even at a premium. However, when we can sell bonds for clients at prices far north of what we would pay sometimes, the

risk/reward pendulum swings towards sell. Until rates move up again we will look to selectively sell where it makes sense.

We remain hopeful for additional rate dislocation (or even a steady escalation) later this year as tax and infrastructure plans are fleshed out. Until then, we continue to lean hard on our network of contacts that work in our favored sectors to find Hamlin-sourced deals – those smaller deals that offer outsized coupons and yields. We are always looking for opportunity off the beaten path and still pursuing bankruptcy/restructurings that we feel are attractive buys for clients, preferably sourced and structured away from the general market.

**Q: If interest rates do start to move up, are my Hamlin holdings protected in a rising rate environment?**

At a time when rates are plumbing all-time lows, we always like to discuss the eventuality of rising rates once again. While we don't necessarily see rates spiking anytime soon, it is a topic clients ask about – the more extreme the lows presumably, the more extreme the snapback will be. Nobody wants to be buying in at high prices and have yields soar, causing prices to decline steeply (price and yield move inversely). We seek to only buy new projects and add selectively to existing positions at levels that compensate our investors appropriately across the *entire* yield curve. Our bread and butter remains the long duration high coupon bonds, however, where it make sense, we have drastically shortened maturity and duration over the last two years in exchange for a slightly lower coupon. Both strategies are a key part of building a portfolio that we believe will hold up well regardless of the interest rate environment.

We remind you that if we do move into a period of rising rates, Hamlin has a seasoned and proven strategy for protecting client capital. These time-tested Hamlin strategies have been the criteria in the construction of your portfolio.

- Higher coupons – Compounding large coupon payments in a rising interest rate environment is a defensive force and a potent tool for driving returns. Hamlin's above-average coupons allow this reinvestment opportunity. As rates move up, the larger coupons Hamlin clients receive provide them more income to reinvest at the new higher market rates.
- 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.
- Variable and adjustable rate debt – During this recent period of low interest rates, Hamlin has structured several deals that allow for floating rate debt. This gives bondholders inflation protection (and coupon upside) when rates rise.
- Shorter duration bonds – we have increased our allocation to bonds inside of 5 to 10 years and to bonds with rate resets, without sacrificing significant coupon.
- 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 reflect that changed reality.

- Yield discipline – In addition to spread discipline, we keep absolute yield levels in mind. We are committed to achieving minimum absolute yield levels of 6-7% for credit risk assumed on the long end of the yield curve.

## **How is Trumps stance on the Corrections Industry affecting our Hamlin Holdings in the sector?**

As mentioned in the performance section, several of our legacy correctional facilities experienced positive outcomes this year. While the Trump administration has been slow in their movement to address some reforms, they have certainly stirred the pot early in the year with the Travel Ban and their continued tough stance on illegal immigration. Immigration and Customs Enforcement (“ICE”) facility populations were up close to 25% following the election in November. While it remains to be seen if this is a temporary or more permanent shift, it has provided Hamlin clients with an attractive exit to a few longstanding positions as correctional facility providers looked to increase their capacity along the border via the purchase of existing correctional facilities.

## **Fixed Income Performance**

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The Hamlin Capital Management Municipal Bond Composite returned 6.1% for the first half of 2017. While in the long run we expect the majority of our performance to come from clipping outsized coupons, the portfolio had a few legacy correctional facility positions that experienced significant price appreciation in the first two quarters. 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.

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 9: Fixed Income Performance**

	<b>HAMLIN BOND COMPOSITE</b> (% Net of Fees)	<b>Cumulative</b>	<b>BARCLAYS HIGH YIELD MUNICIPAL INDEX</b> (No Transaction Costs or Fees)	<b>Cumulative</b>
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 YTD	6.1	236.8	6.1	252.7
<b>16.5 Years Annual Compound</b>	<b>5.36</b>		<b>5.78</b>	

Source: Hamlin Capital Management. 2Q17 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.*

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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 Lipper Equity Income Fund Index consists of funds that seek relatively high current income and growth of income through investing 65% or more of their portfolio in equities.*
- *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 US Dollar Index is an index of the relative value of the U.S. Dollar versus a basket of foreign currencies.*
- *The S&P 500 Growth Index is a market capitalization-weighted index of the growth segment of the S&P 500.*
- *The S&P 500 Value Index is a market capitalization-weighted index of the value segment of the S&P 500.*
- *The S&P 400 Mid-Cap Index is a market capitalization-weighted index of 400 mid-sized US companies.*
- *The Barclays High Yield Municipal Index is an index of high yield, non-investment grade municipal bonds.*
- *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.*
- *EV/EBITDA is a valuation metric that considers the ratio of the enterprise value (value of equity plus debt less cash) to the company's earnings before adjustments for interest, taxes, depreciation and amortization..*
- *NTM means “Next Twelve Months.”*

**Hamlin Capital Management, LLC**  
**Equity Only Composite**  
**Annual Disclosure Presentation**  
**January 1, 2001 through March 31, 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	4,051	1,674	681	3.54%	6.07%	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 March 31, 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.

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. The firm 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 Equity 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 March 31, 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 Equity Only Composite has been examined for the periods beginning January 1, 2001 through March 31, 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**  
**Bond Only Composite**  
**Annual Disclosure Presentation**  
**January 1, 2001 through March 31, 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	4,051	669	224	3.80%	4.06%	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 March 31, 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.

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