HAMLIN
CAPITAL MANAGEMENT, LLC

October 2018

Third Quarter 2018 Update

Contact Information:
Mark Stitzer
640 Fifth Avenue, 6th Floor
NY, NY 10019
Tel: 212.752.8777
Fax: 212.752.5698

Overview

Hamlin's equity accounts increased in value over the last three months. The S&P 500 Index returned 7.7% during the third quarter, shrugging off trade war concerns and tightening Federal Reserve monetary policy. Stocks set new records as strong domestic economic activity drove another double digit advance for corporate earnings. Although 10-year Treasury yields increased 20 basis points during the quarter, Hamlin's high-yield tax exempt bond account values advanced modestly.

Equity Outlook

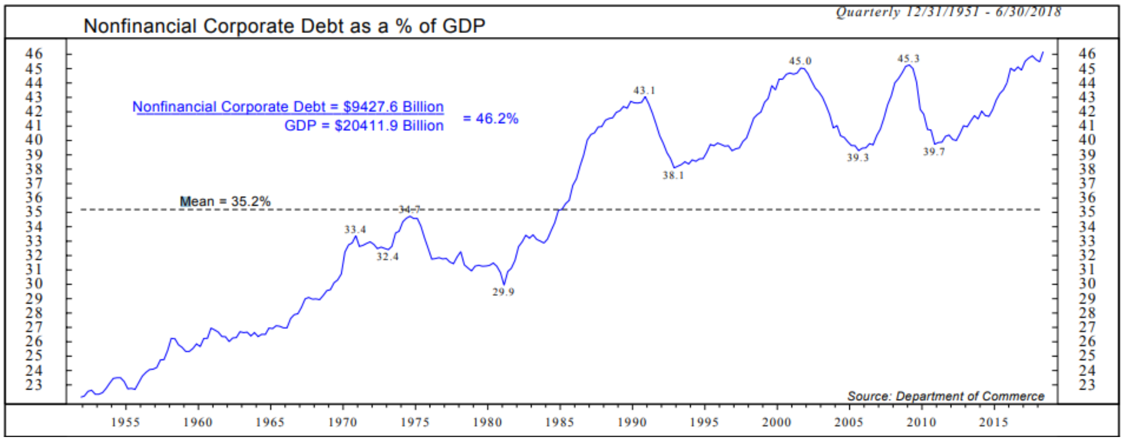
We suspect that forward PE's peaked earlier this year at 18.7x as global central banks grow less accommodative. The Fed has telegraphed a rate hike for December followed by three more in 2019. The US central bank balance sheet has begun to shrink, withdrawing reserves from the system. The European Central Bank and the Bank of Japan are tapering bond purchases. Investors can tolerate tighter monetary policy when it reflects welcome strength in wages, retail sales, and corporate revenue growth. The stock market has risen 10.6% this year to a new high because earnings have grown 25% while the price-to-earnings multiple corrected 8%. Importantly, bear markets tend to start after the *last* hike,[1] and we assume that Fed funds should normalize around 3%.

Higher rates do eventually pose a problem. With the two-year Treasury note yielding 2.88%, bulls can no longer claim an absence of alternatives to equities. Future corporate cash flows are worth less when discounting with a higher risk free rate. Rolling debt burdens becomes more expensive. Record low interest rates have enabled companies to borrow an additional $2.5 trillion since 2008. Today's 45% corporate debt-to-GDP ratio is hovering just *above* levels seen at prior economic peaks. Inevitable de-leveraging will mean fewer corporate buybacks, fewer mergers, and lower capital expenditure. Government debt-to-GDP approaching 100% is another mess; higher interest rates and debt service costs could necessitate higher taxes and lower spending. Federal government outlays for interest expense have soared from $214 billion in 1988 to $459 billion in 2017, on its way to crowding out our $590 billion defense spending budget.[2]

[1] Evercore ISI's Ed Hyman has noted that the S&P 500 increases 9% on average in the year after the peak in Fed Funds, with real GDP growing 4.0% over the same period. During the 2004-2007 Fed tightening cycle, the S&P went up roughly +40% while Fed Funds increased +425bp. Almost half of the +40% increase in the S&P occurred after the last hike in fed funds.

[2] The one category of debt that we do find encouraging is US consumer debt. As a percentage of disposable income, it has declined from over 130% at the peak in 1Q08 to 99.5% as of 2Q18. Source: Evercore ISI.

Figure 1: US Corporate Debt as % of GDP

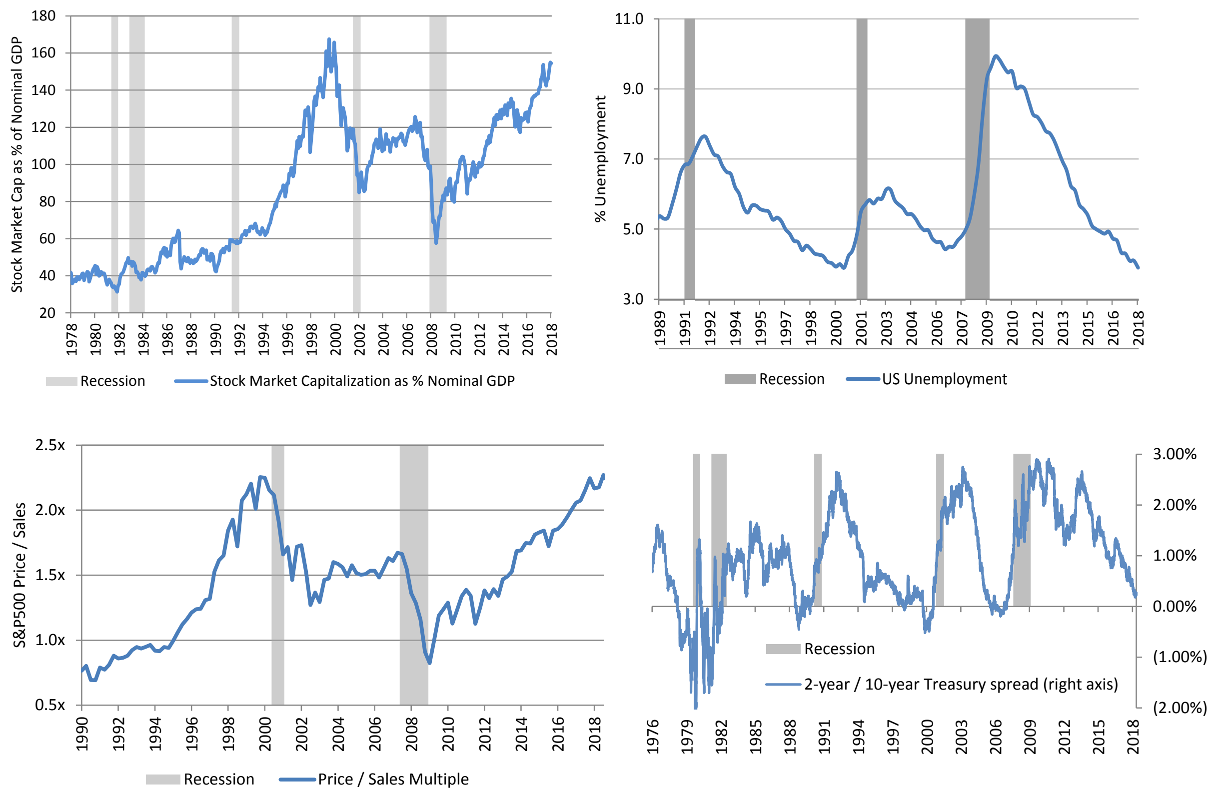


Source: Ned Davis Research, Inc. ("NDR") Copyright 2018 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

While credit spreads remain tight, the odds of a misstep have increased. The stock market value-to-GDP ratio, unemployment rate, purchasing managers' index, yield curve and the S&P 500 Index price-to-sales charts on the following page give pause. The current levels have been associated with looming recessions and stock market peaks. They suggest that the market's heady trailing 5-year annual 13.9% total return needs to revert to the mean. As the bull market approaches ten years of age, we are preparing for turbulence and mid-single-digit equity asset class returns going forward. In the near term, stocks could weaken ahead of the November 4 congressional elections. While Trump would veto any proposal to increase tax rates or regulation, investors may not appreciate the discussion. The House of Representatives tends to swing away from the sitting president's party in his first mid-term election, and the Dow Jones Industrial Average Index has lost an inflation-adjusted 6% per year during periods of a Republican President and a split Congress.[3]

[3] 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.Ed Clisshold NDR, *DJIA Real Performance vs. Presidential and Congressional Combinations*.

Figure 2: Stocks-to-GDP, Unemployment, S&P 500 Price/Sales and Yield Curve Suggest Late Innings



Source: NDR, Bloomberg, Federal Reserve of St. Louis. Ned Davis Research, Inc. ("NDR") Copyright 2018 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/.

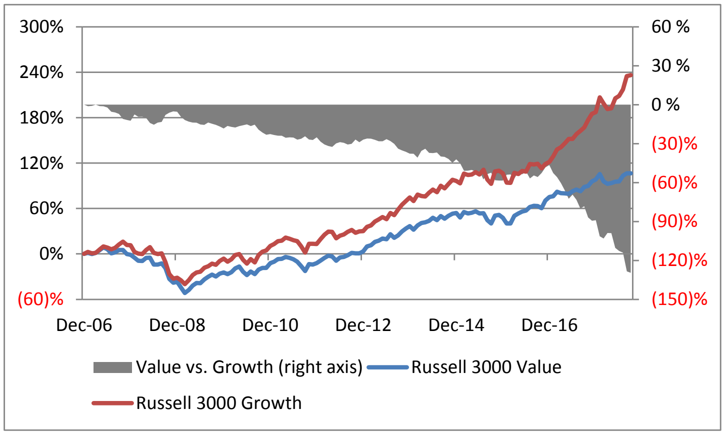
Equity Performance

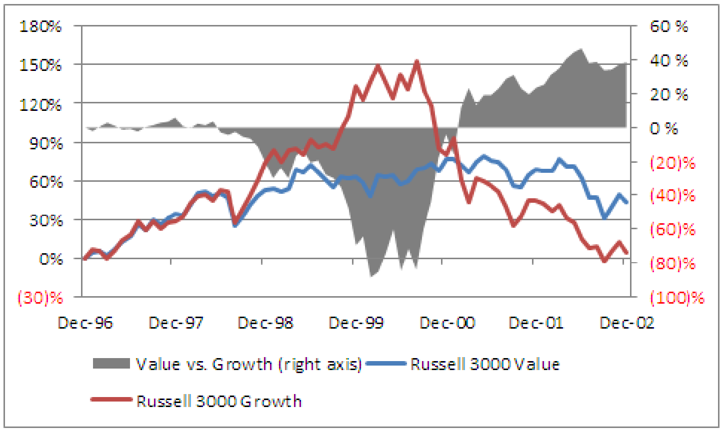
The Hamlin Equity Composite increased 4%[4] over the last three months, lagging the S&P 500 Index's 7.7% advance for the quarter. Hamlin's year-to-date 2.87% net return trails the S&P 500's impressive 10.6% advance as a handful of large cap technology stocks continue to drive the index higher. All-capitalization value and equity income mangers have felt lonely for the past eighteen months. Facebook, Amazon, Google and Apple are not generous dividend payers, rendering them un-investable for Hamlin investment professionals. Our year-to-date performance compares more favorably to the Russell 3000 Value, the S&P 500 Value, and the Dow Jones U.S. Select Dividend Indices' gains of 4.2%, 3.5%, and 3.8%, respectively. The chart on the following page reveals the historic dispersion between value and growth.[5]

[4] The performance provided is a preliminary estimate as Q3 performance has not yet been examined by ACA Performance Services, and may be subject to change.

[5] S&P defines value stocks as those that rank highly on ratios of book-to-price, earnings-to-price, and sales-to-price. Growth stocks are those with high three-year earnings per share growth, three-year sales per share growth, and 12-month price change (momentum).

Figure 3: Value vs. Growth Performance Today and in the Tech Bubble

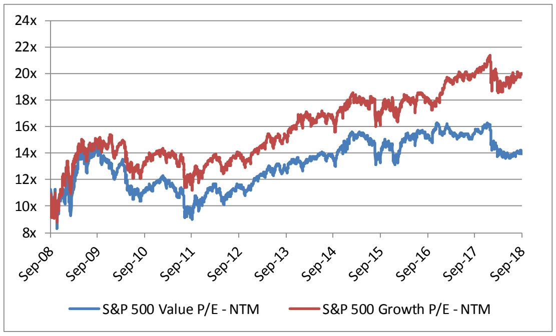


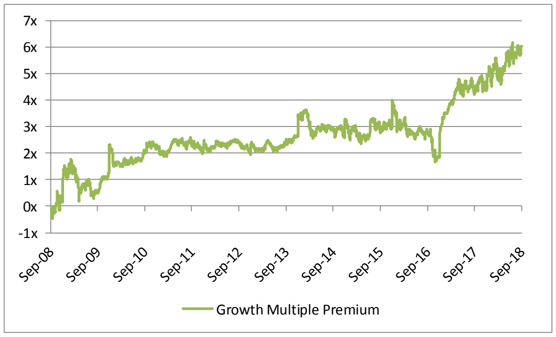


Source: FactSet

Since the end of 2016, almost all of growth's outperformance has been multiple driven. Both Value and Growth stocks have grown earnings per share approximately 33%, but the value PE multiple has contracted 12.4% while the growth PE multiple has expanded by 12.6% over this period. Since the beginning of 2017, the PE multiple premium paid for growth stocks has more than doubled from 3 turns to 6 turns. This appears fundamentally unsustainable.

Figure 4: S&P 500 Growth vs. Value Stock PE Multiple (NTM)

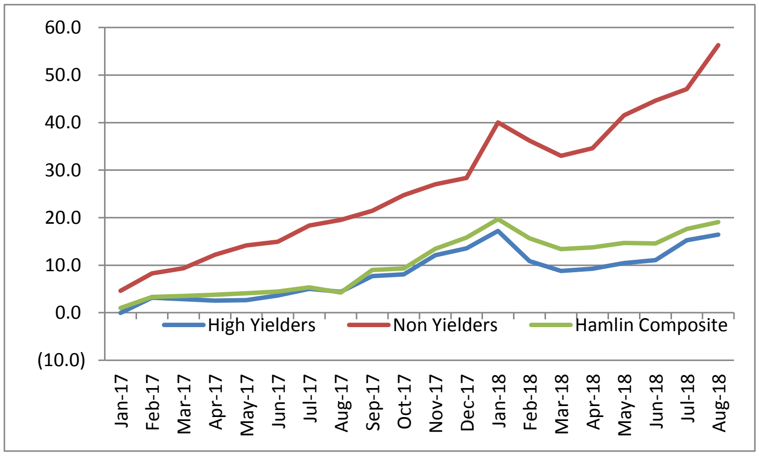




Source: FactSet

While Hamlin outperformed the DVY's[6] 3.0% advance in the quarter, the hurdle was low. Dividend yielders, a subset of the broader value universe, have been under assault. The median 4.2% return for the 409 dividend payers in the S&P 500 Index is a mile behind the 15.7% year-to-date return for the index's 91 non-payers. Brisker wage growth and prospects for an additional three to four Fed hikes in 2019 have pressured stocks in the Utility, Staples, Telecom and REIT sectors, presenting opportunities. The chart below reveals the degree to which high dividend yielding equities have been out of favor.

Figure 5: High Yielding Stocks vs. Non-payers Since 2017



Source: Kenneth French

Although the chart above implies that relative performance should improve with any reversion to the mean, please remember that we are not managing your account to track or beat the S&P 500. 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 9.3% compound annual net return over the last five years given the duration and strength of the current bull market. These numbers match our 8-10% annual return target.

[6] The DVY is an ETF tracking the Dow Jones U.S. Select Dividend Index.

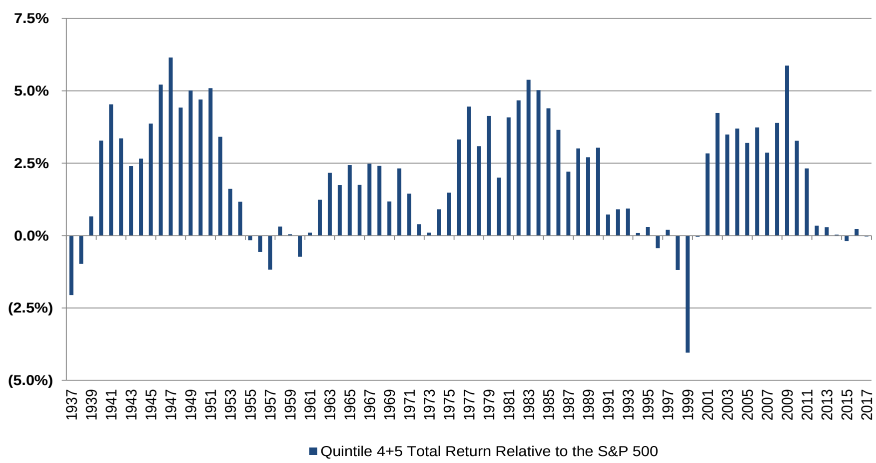
Figure 6: Equity Performance

	HAMLIN EQUITY COMPOSITE (Net of Fees)	Cumulative	S&P 500 (No Transaction Costs or Fees)	Cumulative
2001	0.99	100.99	(11.90)	88.10
2002	0.90	101.90	(22.06)	68.67
2003	30.42	132.89	28.68	88.36
2004	22.80	163.19	10.88	97.97
2005	20.79	197.13	4.91	102.78
2006	7.89	212.68	15.79	119.01
2007	3.96	221.10	5.49	125.55
2008	(28.63)	157.81	(37.00)	79.09
2009	20.97	190.90	26.46	100.02
2010	20.65	230.32	15.06	115.08
2011	10.16	253.73	2.11	117.51
2012	11.03	281.71	16.00	136.32
2013	32.72	373.89	32.39	180.47
2014	10.93	414.75	13.69	205.17
2015	(4.54)	395.92	1.38	208.01
2016	14.94	455.08	11.96	232.88
2017	15.84	527.16	21.83	283.72
YTD 2018	2.87	542.29	10.56	313.68
17.75 Years Annual Compound	**9.99**		**6.65**	

Source: Hamlin Capital Management. 3Q18 performance has not yet been audited by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report.

Hamlin's longer-term track record reflects the propensity for value and high dividend yield to outperform over the long haul. The chart below suggests that disappointing recent trends for our investable universe have not tended to persist.

Figure 7: High Dividend Yield Stock – 10-year Rolling Relative Performance vs. S&P 500

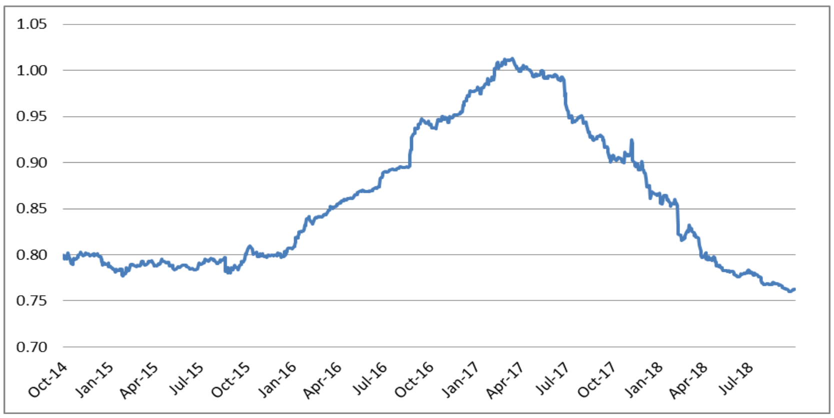


Source: Kenneth French

Annual Equity Portfolio Discussion

We think your Hamlin equity portfolio is attractive. Our equities currently yield approximately 4.1% and trade at 13.5x forward twelve months' earnings estimates as of 9/30/18. By comparison, the S&P 500 yields approximately 1.9% and sells for 16.8x earnings estimates. Our portfolio companies' average return on equity over the past three years is 22.3%, and their balance sheets are healthy with an average net debt-to-capital ratio of 33%. Upside to our individual security price targets appears attractive.[7] We are also pleased to report that our bottom-up stock selection process has resulted in a more defensive list of securities with lower volatility. Portfolio beta, a measure of historic volatility and correlation relative to the market, has dropped from 1.01 to 0.76 over the last 19 months in part because our Consumer Staples exposure has risen recently from zero to 15%.

Figure 8: HCM Equities – Trailing 1-year Beta Relative to the S&P 500



Source: Hamlin Capital Management

To merit Hamlin investment, companies should pay us a compensatory cash return. We look for executives who demonstrate a commitment to increase dividend payouts. We invest in companies with high dividend yields, manageable debt, attractive returns on equity, and adequate free cash flow-to-dividend coverage ratios. We are bottom-up investors, willing to consider investments across almost all industries and geographies…as long as a company displays the critical attributes above, operates a simple business model that we understand, and is available at prices that offer both a margin of safety and meaningful long-term capital appreciation.

You own an eclectic list of companies within the Consumer Discretionary Products, Consumer Staples, Communications Services, Pharmaceutical, Financial Services, Technology, Manufacturing, Real Estate, and Energy sectors. Their facilities, employees, distributors, and customers span the globe. The executives managing these businesses are working hard daily for you, having promised publicly to pay a large portion of their quarterly earnings into your Hamlin account. In fact, thirty-three HCM equity composite holdings have announced dividend increases so far this year at an average rate of 8.5%. We are excited about the prospects for further dividend growth over the years to come.

[7] Hamlin Capital establishes a price target for each equity investment based on a combination of valuation methodologies, including a Dividend Discount Model (DDM), trading multiple analysis, and earnings power models. Please note that our price targets do not represent a guarantee of where a stock will trade in the future.

Hamlin's equity team is optimistic about several investment themes that should support your holdings.

1. Your Hamlin portfolio is exposed to the exciting **Autonomous Vehicle** future in a variety of ways. **Intel**'s Mobileye division offers a combination of computer vision and mapping, and the next generation vehicle will leverage Intel's strength in computing and communications. Core **Qualcomm** WCDMA technology summons autonomous cars and enables the transmission of mapping data to network operating centers. **General Motors'** bold acquisition of Cruise Automation vaulted the company into a small list of credible autonomous leaders. Softbank and Honda have invested billions into Cruise this year, validating GM's strategy.[8] The company is working on *mass production* of autonomous cars, and already has 100 cars driving themselves around California.
2. You have exposure to **communications technologies and the evolving digital eco-system** as the technology sector continues to embrace dividends. The cell phone has become an indispensable component in our professional and personal lives, enabling instant interaction with colleagues, customers, friends and families, and…vendors. 35% of online purchases were made using smartphones in 2017.[9] The nascent "Internet of Things" ("IOT") market – whereby alarm systems, thermostats, kitchen appliances, and automobiles are connected to consumers' smartphones, tablets, and the internet – could have a meaningful revenue impact on several of your investments. Intel and Qualcomm, mentioned above, are IOT enablers. Their products allow **ABB'**s Yumi robots to send real time manufacturing performance data from the factory floor to remote mangers. More fundamentally, our semiconductor holdings' products facilitate both the transmission of cell phone data (emails, pictures, Google searches, purchase orders) *and* the cloud computing networks to which these bits are sent. **IBM** helps companies both host applications in the cloud and examine large data sets to uncover patterns, trends, and customer preferences in hopes of better targeting customers. **Eaton's** uninterruptible power sources reduce operating costs and ensure data center reliability for cloud service providers. Wireless and data services offered by **AT&T, BCE,** and **Verizon** are the critical enabler of our modern ecosystem. We think their market positions, thanks to decades of aggressive capital investment, are under-appreciated. 5G technology deployment in 2019 may open avenues for market share gain from cable companies while improving high speed data access to more Americans. Autonomous vehicles are likely to purchase data subscriptions, too.
3. After years of stagnation, **personal income is finally percolating**.[10] The historically low unemployment has finally triggered higher wage inflation, as companies compete to attract labor. Target, Amazon and others have announced plans to raise minimum wages from the current $10/hour to $15/hour by 2022, implying more than 8% annual wage growth. Higher standard deductions and lower middle class tax rates has enabled the average American household to redirect spending towards consumer discretionary companies. Higher disposable income presents an opportunity for: **Target's** branded home goods and apparel; **Cinemark's** out-of-home entertainment in newly renovated movie theaters; and **General Motors'** higher margin SUVs and pick-up trucks. Should growing incomes sustain the improving millennial job growth and household formation trends,[11] demand for **MDC's** homes, **Old Republic** and **First American Financial's** title insurance services, and **Weyerhaeuser's** wood products should

[8] Softbank announced a $2.25 billion investment in GM's Cruise Automation on May 31, 2018, valuing the business at $11.5 billion. Honda just announced a $2.75 billion investment in Cruise ($750 million equity and $2 billion of additional contribution), valuing Cruise at $14.6 billion. Given GM's 85% ownership of Cruise, this implies $12.3 billion of value at GM for its autonomous vehicle effort, which equates to 25% of GM's total market cap of $48 billion as of October 4, 2018.

[9] Source: eMarketer Inc

[10] The Atlanta Fed Wage Growth Tracker accelerated to 3.5% year over year ("y/y") in August from 2.9% in February.

[11] For example, employment of Millennials increased 2.7% y/y in July vs. 1.3% for non-Millennials. Household formation in the US has accelerated to 2.26 million in the most recent month (y/y) and 1.5 million average so far in 2018 from 1.07 million in 2017. Source: Bloomberg.

increase. The gap between population growth since the crisis and current housing demand remains intriguing. We still think new home sales should return to a 1.5-1.75 million units/year range from today's 1.2 million clip over time. Growing personal income may also make room for brisker consumer staple price increases. **Flowers Foods, General Mills, Kraft Heinz,** and **Procter and Gamble** have announced significant price hikes over recent months.

4. **Americans are aging**. According to the US Census Bureau, there will be 78 million US residents 65 years old and above by 2035, 47% more than today. **National Health Investors'** senior living facilities should see steady demand. **Cinemark** theaters may also benefit as 11,000 citizens reach the age of retirement daily and pursue value-oriented leisure activity. Current and future products offered by pharmaceutical and healthcare product manufacturers such as **Pfizer, Sanofi,** and **AbbVie** should meet robust demand. Your companies spent a combined $19 billion dollars in 2017 on developing breakthrough vaccines and life-saving/life-transforming drugs to treat cancer, diabetes, and immune system disorders. While mindful of the Administration's generic drug initiative and rebate pricing rhetoric, we believe rational politicians will agree that these creators of high-paying jobs and favorable trade balances deserve to earn an adequate return on their risky investments.
5. As we continue to retire coal and nuclear plants, **clean burning natural gas is powering more and more of the global electric grid**. Thankfully, America is awash in natural gas. The EIA estimated that we have 86 years of reserves under our soil. Innovators will continue to find ways to use this cleaner burning fuel to help achieve energy independence and drive growth. The incentives are clear. We spend approximately $500 billion a year on gasoline, representing 45% of global oil demand. As we convert a 250 million car park from internal combustion engines to electric, the demand for lithium and electricity should soar. Charging cars (often in the middle of the night) will require new investment and more natural gas. You own two companies that operate thousands of miles of pipeline, compressors, processing units, and export terminals. **Williams** is gathering and transporting natural gas out of the prolific Marcellus Basin in the northeast, and **Enterprise Products Partners** is the largest processor and transporter of natural gas liquids in the country. **Royal Dutch Shell**, **Chevron** and **Exxon Mobil** are focused on developing natural fields globally and building out LNG infrastructure worldwide to transport gas to power-hungry developing nations. **Royal Dutch** is already retrofitting gas stations for electric vehicles. Cheap gas has curtailed operating expense growth at many of your companies' manufacturing plants that demand large quantities of electricity.

The companies discussed above not only share the critical Hamlin characteristics – generous and growing dividends, manageable debt, attractive returns on equity and ample free cash flow – but they also often enjoy commanding market share within their end markets. We believe that the attractive prices paid for these investments, relative to their earnings power and relative to the present value of their growing dividend streams, provide a margin of safety should some of the above business drivers take time to materialize. Their quarterly distributions in cold cash reward our patience.

Fixed Income Commentary

Interest rates continued to move higher in the third quarter of 2018. As in the first half of the year, this was largely driven by the Fed's recent tightening measures, including raising the Fed Funds rate again in September and allowing the Fed's Treasury holdings to mature. The September move marks the third Fed Funds hike of 2018 and matches total number of hikes from last year. There is a chance the Fed may raise the target rate yet again in December, especially if the economic data continues to impress in line with the recent robust 3.7% unemployment rate.[12] Since December 2015, that Fed has brought the Fed Funds rate from close to 0% to the current target between 2% and 2.25%. It should be no surprise that we have seen interest rates move up this year, with the important 10-year Treasury yield up 77 basis points to 3.23% as of October 5. The positive economic data has provided the Fed a window to try and normalize rates from the historic lows post the Great Recession. Municipal interest rates have followed Treasuries, also edging up throughout the year.

We think the rate normalization is necessary and we have not shied away from prudently investing into a rising interest rate cycle. The strengthening economy that supports higher interest rates is generally also a healthy backdrop for project finance, although we remind clients that the essential nature of our projects (schools, senior living, etc.) may help the portfolio deliver outsized coupons in any type of market. Thus far, any volatility created by the move up in rates has been largely muted in our sectors of the market. We have not seen any forced selling in the secondary market this year and there remains a healthy demand for long dated, higher coupon bonds. However, based on the speed and magnitude of any further moves this year, market conditions could change. We continue to prepare the portfolio for any interest rate environment and have taken steps in recent years to mitigate the effects rising rates can have on a bond portfolio.

One of our primary goals is to find the highest risk adjusted coupons for our clients on the long end of the curve. However, as the market has changed over the last 4 years, we have increased our focus on the short end of the yield curve for all portfolios – planning for this eventual rise in rates. After speaking with clients and receiving positive feedback for shorter duration bonds, we have worked to more fully define that part of our strategy. We have strategically lowered the effective duration[13] across portfolios by adding bonds with shorter maturities or with an array of adjustable coupons – fixed for a period of time that then reset to prevailing rates.

We have also created a Short Bond strategy focusing on shorter duration bonds. **This effort, coupled with other variable rate securities, puts, and simply shorter maturities, has helped bring the effective duration on the Short Bond strategy down to 4.83 while maintaining a robust market value weighted coupon of 5.69%.**

[12] As of October 5, 2018.

[13] Duration is a measure of the sensitivity of a bond's price to changes in the interest rate environment. The effective duration incorporates other features that a bond may have other than purely yield, amortization, and maturity.

In addition to focusing on the shorter end of the curve, we also continue to implement tried and true strategies for a rising interest environment, including:

- Higher coupons – Compounding large coupon payments in a rising interest rate environment can be a defensive force and a potent tool for driving returns. As rates move up, the larger coupons Hamlin clients receive provide them with more income to reinvest at the new higher market rates.[14]

- Amortization of debt – Hamlin bond projects generally actively pay their debt down during the life of the bond. The steady principal payments allow client portfolios to reinvest principal as rates rise.

- Dollar cost averaging – New Hamlin clients are typically invested slowly over the course of months and even years. If rates move and the market adjusts, the bonds purchased by client portfolios will gradually reflect the new rate environment.

- Yield discipline – In addition to spread discipline, we keep absolute yield levels in mind. While there may be some exceptions, we are committed to achieving minimum absolute yield levels of 6.5%-7% for credit risk assumed on the long end of the yield curve and 5.50%-6% inside of 10 years.

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, in the case where a bond is purchased at par with a fixed coupon and held to maturity over time, the total return will equal the coupon. Now 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, absent default, 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 – eventually returning that "lost" performance to you. Our focus on lowering the effective duration should also help keep that price closer to par. 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.[15]

As we preach over and over, the key to generating sustainable returns is through the income derived from the tax exempt coupons. That income is not affected by rising interest rates and the ability to reinvest at prevailing interest rates is a powerful multiplier. Further, the steps outlined above that limit the duration of the portfolio means that price moves should be less pronounced than comparable investments that lack these features.

[14] Compounding Interest – The 8th Wonder of the World at http://www.hamlincm.com/commentary/.

[15] Rising Rates: Dispelling the Myth Available Online at: https://www.pimco.com/en-us/riseaboverates/rising-rates-dispelling-the-myth

End of Year Tax Loss Sales

As we turn our thoughts of the 4th quarter (already!), as usual Hamlin will engage in tax loss harvesting for clients that wish to participate. Please reach out to Charlie Harkin prior to November 9th and let us know if you wish to participate. We will NOT include any clients unless they specifically reach out to us.

When engaging in tax-loss harvesting for the high-yield municipal bond strategy, your account will sell bonds with unrealized losses and may repurchase the bonds after one month at a higher or lower price level. Further, in order to facilitate tax-loss harvesting, Hamlin generally uses client cross transactions to reallocate bonds among clients. A cross transaction occurs when Hamlin causes one client to sell a bond to another client in an arms-length transaction executed by a 3rd party broker dealer. In order to participate in the tax-loss harvesting strategy, your account will have to facilitate transactions for other clients also participating in tax-loss harvesting, either after or prior to the month during which your losses were harvested. As such, your account will also have, for the facilitation month, additional exposure to the tax-loss harvested bonds. While Hamlin generally selects bonds that, in our best judgment, we do not believe will change significantly in price, your account may nevertheless be subject to fluctuations in price and the bonds may be repurchased out of your account at a higher or lower price level, resulting in short term gains or losses. Please consult our Form ADV Part 2A for further information on our cross trading and brokerage practices. Finally, please note that in order to trade the bonds, the bonds incur a mark-up or mark-down charged by the broker-dealer.

As usual, the tax loss securities will be chosen by Hamlin. Please contact us with any questions should you wish to understand more about the process. Again, to be included in tax loss harvesting, please reach out to Charlie Harkin at charkin@hamlincm.com. The deadline for informing HCM will be **November 9th**.

Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite returned 2.50% for the first three quarters of 2018.[16] Interest rate increases in the first three quarters led to slight declines in pricing. As the market bounces around, we strive to 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 should capture value for clients regardless of the direction interest rates take for the remainder of the year.

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. Just over $10.7 billion has come into municipal mutual funds this year and just under $4.3 billion has gone into the high yield sector.[17] These inflows are, in part, why Hamlin continues to stay away from the broader high yield market. Until flows start to move in the other direction, there will also be limited secondary opportunities.

[16] The performance provided is a preliminary estimate as Q3 performance has not yet been examined by ACA Performance Services, and may be subject to change.

[17] Lipper US Fund Flows.

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

	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	7.18	112.04	1.97	106.51
2003	9.07	122.20	13.22	120.59
2004	7.51	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	4.26	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	2.54	191.52	-5.51	199.47
2014	7.17	205.15	13.84	227.07
2015	4.75	215.02	1.81	231.18
2016	3.86	223.26	2.99	238.09
2017	8.51	242.23	9.69	261.17
2018 YTD	2.50	245.72	4.45	272.79
17.75 Years Annual Compound	**5.24**		**5.82**	

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

Hamlin Update

After 23 years of dedicated hard work with Hamlin and its predecessor firm, Dr. Vivian Pan will be departing Hamlin at year end. She had previously migrated her responsibilities to Hamlin's Investment Committee in early 2017 which includes Hamlin senior partners Mark Stitzer, Charlie Garland, Joe Bridy and Chris D'Agnes. Vivian will remain a member of Hamlin's Advisory Board and will continue to be a Hamlin client. We wish her the best as she looks to enjoy personal interests including travel with her husband Dr. Mark Norell.

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.

This document is provided for information purposes only and does not pertain to any equity security or bond product or service and is not an offer or solicitation to buy or sell any product or service. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications. Clients should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report. Please refer to the attached Equity Only and Bond Only Composite Annual Disclosure Presentations for further information regarding any performance results or comparisons shown in this letter.

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 S&P 500 Value Index is a market capitalization-weighted index of the value segment of the S&P 500.*
- *The Russell 3000 Value Index is a market capitalization-weighted index of the value segment of*
- *the 3,000 largest U.S. public 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.*
- *NTM means "Next Twelve Months."*
- *The Dow Jones Industrial Average Index is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.*
- *The Dow Jones U.S. Select Dividend Index measures the performance of 100 high dividend-paying companies, excluding REITS, that meet specific criteria for dividends, earnings, size and liquidity.*

Hamlin Capital Management, LLC
Equity Only Composite
Annual Disclosure Presentation
January 1, 2001 through June 30, 2018

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 2018	4,481	1,701	694	-1.08%	2.65%	N.A.	N.A.	N.A.
2017	4,553	1,772	683	15.84%	21.83%	1.29%	10.27	9.92
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 June 30, 2018.

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 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. 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. 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 June 30, 2018. 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 June 30, 2018. 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 June 30, 2018

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 2018	4,481	745	236	1.72%	3.66%	N.A.	N.A.	N.A.
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%		

* Performance represents a non-annualized partial period return ending on June 30, 2018.

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 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 June 30, 2018. 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 June 30, 2018. 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.