HAMLIN
CAPITAL MANAGEMENT, LLC

October 2020

Third Quarter 2020 Update

Contact Information:
Mark Stitzer
640 Fifth Avenue, 11th Floor
NY, NY 10019
Tel: 212.752.8777
Fax: 212.752.5698

Overview

Hamlin's high-yield tax exempt bond account values advanced in line with the broader high yield municipal bond market as 10-year U.S. Treasury bond yields dropped approximately 5 basis points.

Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite was up 2.90% through the first three quarters 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. Even with a broader market rally and increased stability for the general market through the summer, we have outperformed many of our peers year to date. We owe this outperformance to several factors:

- Years of disciplined construction of the existing portfolio. During years of positive mutual fund flows and tight credit spreads, we maintained our absolute return and spread discipline while never sacrificing credit quality or covenant requirements. We did fewer but (we believe) better deals. This also meant we had dry powder to invest in the heart of the crisis in March and April when others did not.
- Using that dry powder, we opportunistically entered the primary and the secondary armed with client cash to purchase what we believe to be higher quality projects at attractive yields. The ensuing upside as the market rallied has boosted client performance.
- Project and Sector selection. While our sectors have occasionally been news fodder, they continue to serve essential and necessary needs in the near and long term. In our view, Hamlin projects have generally shown themselves to be best in class.

We believe the existing portfolio, augmented with recent additions has served clients well during the unprecedented volatility in 2020 – which we expect may continue. As always, we emphasize protection of capital and work to add opportunistically to help drive performance going forward. We will do so with same thoughtful management you have come to expect from your money managers at Hamlin and which guided us through 2008, 2011, and 2013 and events thus far in 2020.

[1] The performance provided is a preliminary estimate as Q3 2020 performance has not yet been examined by ACA Performance Services and may be subject to change. Individual accounts vary.

Figure 11: 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	2.90	281.67	0.37	303.94
19.75 Years Annual Compound	**5.38**		**5.79**	

Source: Hamlin Capital Management. The performance provided is a preliminary estimate as Q3 2020 performance has not yet been examined by ACA Performance Services and may be subject to change. Individual accounts vary.

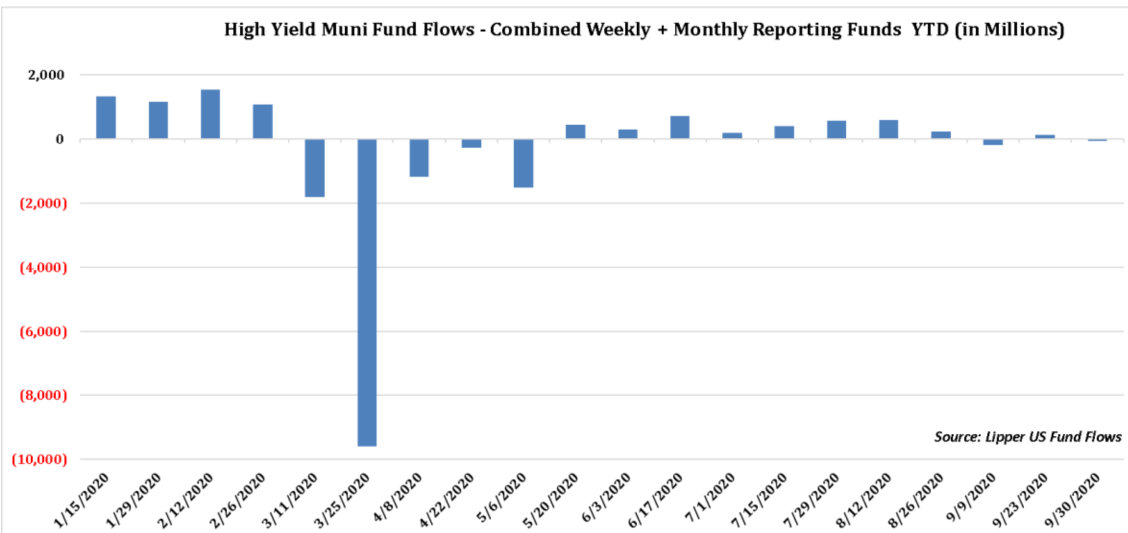
Market Commentary

As our previous 2020 letters have observed, in a reversal of a years-long placid municipal market, volatility ruled in March as the muni market became caught in the COVID-19-driven sell off. After the Fed put a backstop in place at the end of March, the massive outflows ceased, rates eased down and the market caught its breath. In May and June, things were much calmer as the broader municipal market licked its wounds and assessed the damage. There were, however, still quality buying opportunities in the secondary – particularly in Senior Living which continued to be a focus of the mainstream media. Moving into the heart of the summer, the economy continued its nascent recovery and interest rates again began to fall. Further, as the appetite for risk returned, money began flowing back into the broader high yield municipal market. This inflow of capital, combined with low overall supply through much of the 3rd quarter, drove yields quickly back to pre-COVID levels and pushed Hamlin back out of the secondary and general primary market. Even with a slight uptick in rates in September as the supply/demand imbalance righted itself, we still find ourselves almost 50 basis points lower on the 30 Year AAA Muni bond yield on September 30th than we did prior to COVID-19 at the conclusion of 2019.

While we continue to see opportunity in our Hamlin sourced space, we are once again almost priced out of broader market opportunities. We are committed to opportunistically deploying capital during times of dislocation in places that we feel will benefit clients for years to come. However, our primary focus, as ever, is to protect capital. The March/April dislocation was one of the best buying opportunities we have had in recent years – see flows data below. The current environment is not quite as exciting – flows have been largely positive since the end of May. If we cannot get the absolute yield which we feel is necessary for investment, we prefer to hold the capital and wait. We also feel that there are significant defaults that may still occur in the municipal market which could turn flows increasingly negative and once again present us with opportunity.

While defaults in the broader municipal market have been up year-over year, the market has not seen the type of pain many expected. Sometimes it takes a while for projects to capitulate – plenty of "Street"-deal projects have the reserves to hold on for the near, but not the longer, term. Projects in the Convention Center/Hotel and Student Housing/Higher Education sectors will likely see increased stress this fall. Any project backed by rental car or airport taxes, as well as other large consumer usage projects (think Virgin Trains in Florida or The American Dream Mall in New Jersey) could also see significant issues as they struggle to generate revenue. We also expect to see municipalities struggle to balance their budgets as they deal with a decrease in tax revenues. While we feel the majority of our projects are well positioned to handle continued economic stress, we do think projects in other sectors will suffer. If there is another wave of COVID-19 that begins in earnest in the late fall/early winter, we would expect to see additional volatility and further stress to municipal finances, particularly in bonds backed by hotels, airlines, and student housing. The volatility may create additional opportunity for Hamlin clients in our core sectors.

Figure 12: High Yield Muni Fund Flows



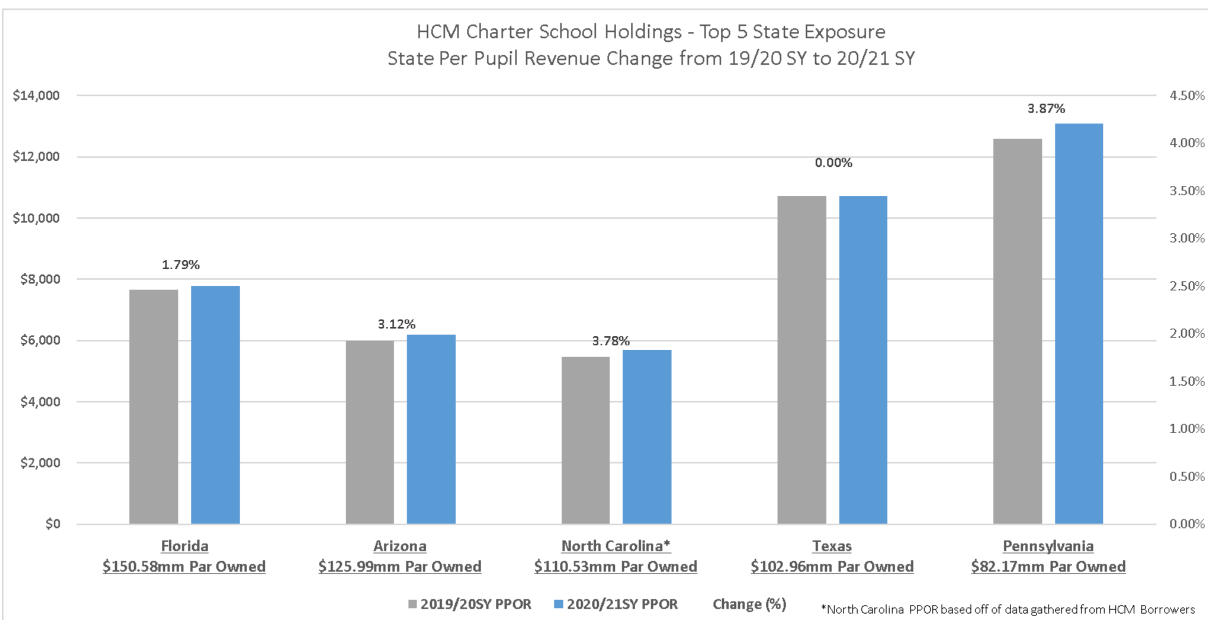
Our portfolio has come through this incredibly volatile time with no new defaults due to COVID-19 related issues and no new payment interruptions through 10/1/2020 payments. While the future remains uncertain, we are not currently expecting any new COVID-related payment interruptions for the large 12/1/2020 or 1/1/2021 payment cycles. We covered both our core sectors in depth in the previous newsletter – we have also put together a white paper on Senior Living Sector that is available upon request highlighting some of the differences between our portfolio and general market project. However, we want to provide a brief refresher with any updates from the last 90 days.

Education

Having been long-term investors in public charter schools since the early 2000s, we have been through stress in this sector before: after the 2008 Global Financial Crisis, education budgets faced similar stress. While there has been physical disruption in the learning model (closed schools, virtual learning, hybrid models, etc.), there has not yet been a disruption in the funding of public schools. Then, as we have seen now, we saw some small reductions in funding but none that caused outright default. The majority of schools in the HCM Portfolio, despite not returning physically this fall, were funded **at or above the level of funding they received during the 2019/2020 school year.** And now, as we did then, we are stress testing our largest schools with contingency budgets and funding reduction scenarios to ensure they have the liquidity on hand to deal with any short-term deficits. Our charters are more entrepreneurial and nimbler than large school districts – they are currently operating, educating and successfully servicing their debt.

It is important to remember our public charter schools are a part of the public education system – funded by state and local budgets across the U.S. They are not private pay and there is no tuition – it is no different cost-wise than sending a child to the local district school. As required by statute, charter schools are generally funded alongside other public education and have received payment without interruption. There may be pain in the future as municipal revenues potentially decrease and states are forced to cut budgets. We saw some states cut budgets this fiscal year and we expect further cuts in the future. We are working with schools to ensure they are stress testing their budgets for future cuts. Nevertheless, we expect education to fare well in the battle for limited resources as it has done historically.

Figure 13: Hamlin Capital Management Charter School Holdings



For reasons noble and some not so noble, politicians generally do not want to be responsible for draconian cuts to education funding. The proportion of general education funding that goes towards the large voting blocks of teachers and teachers' unions (in the form of salaries and benefits) makes cutting that funding a very unpalatable course of action. It is inevitable that there will be some cuts and yet we expect bondholders should continue to get paid as the senior secured lender. 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.

Senior Living

It is important to remember there is a significant structural difference between for-profit Skilled Nursing Homes and the non-profit Independent and Assisted Living facilities which are the primary focus of the Hamlin Senior Living Portfolio. The two main things that put Skilled Nursing residents at such high risk from COVID-19 are: (1) The type of resident – these residents are generally the oldest and frailest of any senior living cohort; and (2) the care provided – due to the multiple health issues many of these individuals face, the residents require extensive physical contact with staff (hence the term "nursing"), increasing their chances of contracting the virus.

These two factors together create an unfortunate scenario where the frailest residents are least able to isolate/protect themselves. **Neither** of those factors is significantly at play within the Hamlin Portfolio. The majority (approximately 85% of the units) of the Hamlin Senior Living Portfolio is invested in the Independent Living/Assisted Living ("IL/AL") Sector within the broader Senior Housing sector, not Skilling Nursing. These residents are generally younger and more robust than their counterparts in Skilled Nursing. Almost as importantly, many of them take care of themselves. Many lower acuity projects are essentially age-restricted apartment/townhouse living with various amenities (dining, gyms, pools, etc) available to the residents. Early on in this pandemic, most facilities closed the common amenity areas and the residents have been quarantining in their units – much like the rest of us. We have very little exposure to stand-alone higher acuity facilities and those with higher acuity exposure generally provide a broad range of services.

This crucial difference between Hamlin client projects and the broader sector is important to note and hopefully corrects some misconceptions about the industry. Hamlin projects also differ favourably from other long-term care senior living projects in the general High Yield market in that:

- We generally work with 501(c)(3) non-profit borrowers which have a very different time horizon than for-profit companies and work to serve a mission rather than a bottom line.
- Often the project has significant liquidity on hand or is backed by an entity that can provide liquidity. This liquidity comes in many forms – from large obligated group balance sheets to supporting foundations. Having these sources of liquidity provides a crucial margin of safety and is key to weathering any temporary occupancy and cost issues arising from COVID-19. We evaluate forward operations on existing (and potentially reduced) occupancies to ensure properties continue to operate successfully for years.
- We have been very careful in project selection. We have not put the many no-equity stretch deals in the portfolio which one might find elsewhere. Our projects generally have equity, liquidity support agreements and real teeth to the documents that allow us to affect change if something is wrong.

These requirements all speak to the long-term Hamlin model of controlling ownership on projects with borrowers we know and trust.

As a result, we have not seen a rash of deaths in our facilities and we do not expect a rash of defaults. Our projects are generally well operated and well capitalized. While it is unavoidable that we have had COVID-19 at various facilities, it has generally been an operational problem rather than an existential problem for our borrowers. Even as census has inevitably declined in many facilities (new residents have been unable to move in), our borrowers continue to pay and retain their financial cushion. This is a time to be thankful for the due diligence and deal sourcing that is a key part of the Hamlin investment model. We are not buying small slices of large "Street" deals and hoping they pay. We are primarily working with borrowers we have known and trusted for years – this should see the Hamlin Senior Living Portfolio through this difficult time. Meanwhile, we continue to position ourselves for opportunity in the space as less well capitalized/managed projects that default could incite outflows from fearful mutual fund investors. We would look to take advantage of any future capital exodus from the space as we did in March and April.

End of Year Tax Loss Harvesting

As we turn our thoughts to the 4th quarter (already!), we would like to provide a reminder that Hamlin will engage in tax loss harvesting for the fixed income strategy only for clients that opt to participate. Please reach out to Charlie Harkin (charkin@hamlincm.com) prior to November 13th and let us know if you wish to participate. We will **NOT** include any clients unless they specifically reach out to us. Recall that HCM Equity portfolio managers proactively harvest losses throughout the year as they see fit.

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 13th**.

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 • Deborah Finegan • Charlie Garland • 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. Data is presented as of the date indicated and HCM does undertake any duty to update the information presented here.

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DEFINITIONS

- *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.*
- *Duration is a measure of the number of years it takes for an investor to be repaid the price of a security and is a measure of interest rate sensitivity.*

Hamlin Capital Management, LLC
Bond Only Composite
Annual Disclosure Presentation
January 1, 2001 through June 30, 2020

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 2020	4,430	885	281	0.97%	-2.64%	N.A.	N.A.	N.A.
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%		

* Performance represents a non-annualized partial period return ending on June 30, 2020.

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 June 30, 2020. 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, 2020. 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.