HAMLIN
CAPITAL MANAGEMENT, LLC

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Third Quarter 2020 Update

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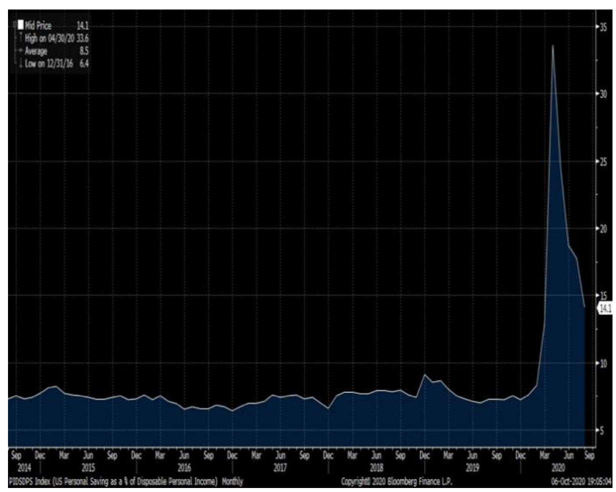
Overview

Hamlin's equity accounts increased approximately 4.80% over the last three months as the stock market climbed steadily through mid-September to an all-time high. Investors anticipated a post-COVID re-opening boost to earnings and record-setting global monetary stimulus pushed PE multiples to levels not seen since 2000. 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.

Equity Market Outlook

An economic recovery appears under way and an improvement in corporate revenues and earnings is likely to unfold. At first glance, a 51.7% stock market rally off the low and the lofty 22x forward PE multiple imply that the re-opening rebound in earnings has already been discounted. While it feels too far, too fast in light of 12 million Americans unemployed, we must remember that the fiscal and monetary response globally dwarfs past stimulus initiatives. Rate cuts and bond buying effects take hold with a lag. If history is a guide, the new expansion should last at least five years. Earnings typically advance over 20% annually during the first 2 years after a recession, and then average 11.3% in non-recession years.[1] Soaring consumer net worth, thanks to briskly rising home and stock prices, and a historically elevated 14.1% savings rate should support consumer spending. We remain focused on China where the virus began. Today, Chinese children attend school without masks. Hotels, restaurants and bars are filling up in Beijing.[2] With U.S. intensive care unit occupancy low during the summertime case count spike and a vaccine on the way, we think the US economy will continue to re-open.

Figure 1: U.S. Consumer Net Worth and U.S. Consumer Savings Rate



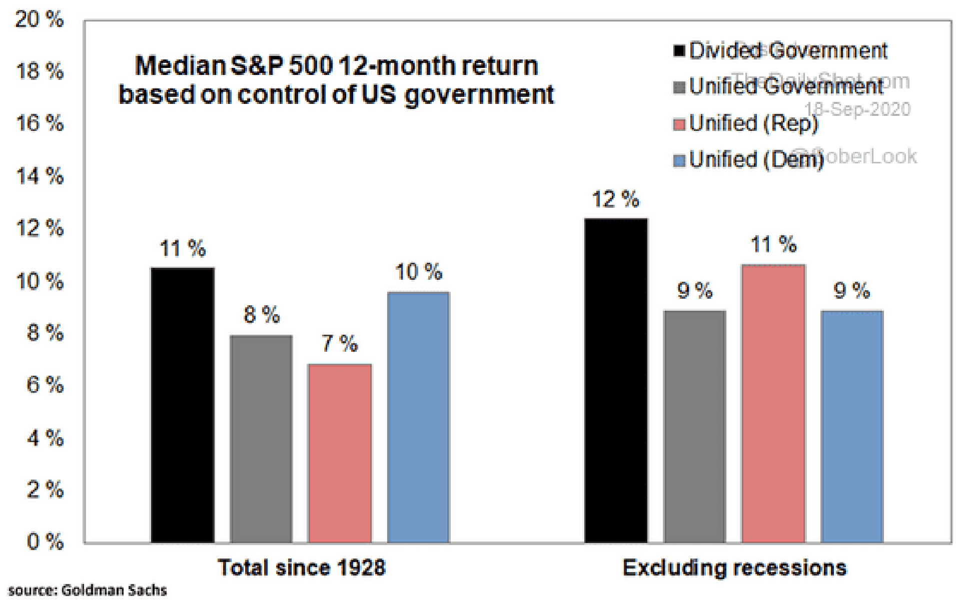
Source: Bloomberg

[1] According to Ed Hyman, Evercore ISI.

[2] According to STR research, Chinese hotel occupancy as of 9/26/20 has rebounded to 67%, *up* versus the same pre-COVID week a year ago. A recent NY Times article on China's recovery from the pandemic highlighted crowded restaurants and bars in Shanghai as well as thousands of students in Beijing preparing to return to campus for the fall semester. As Chinese cities have relaxed social distancing rules and mask mandates, crowds are filling tourist sites, movie theaters and gyms. https://www.nytimes.com/2020/08/23/world/asia/china-coronavirus-normal-life.html.

The presidential and congressional elections are a factor. Assuming implementation of campaign promises, a Democratic sweep should mean higher corporate taxes, higher income taxes, higher taxes on dividends and capital gains, incremental financial and energy firm regulation, and lower corporate confidence and earnings. With Biden consistently leading in the polls by a wide margin, one would think the market should struggle. Perhaps a Biden-Schumer agenda would bring a trade war armistice and more jobs from aggressive fiscal spending on infrastructure. Our best guess is that the market is discounting a Biden win, the Republicans maintaining control of the Senate, and an increasingly business-friendly Supreme Court. Should Biden prevail, consumer confidence might continue its recent advance. More than half of the population would be happy, and a significant portion of right-leaning voters may welcome receding uncertainty and acrimony. The table below reminds us that stocks have managed to do surprisingly well under progressive governments in the past, though they have done best when power is shared between parties.

Figure 2: S&P 500 Returns based on Government Control



Source: Goldman Sachs

Equity Performance

The Hamlin Equity Composite increased 4.80% over the last three months, lagging the S&P 500 Index's 8.93% advance. Our performance compares more favorably with the value and equity income benchmarks. Hamlin's year-to-date -8.38% return exceeds both the Dow Jones U.S. Select Dividend Index and the Russell 1000 Value Index's declines of 20.09% and 11.64%, respectively. Qualcomm, Target and homebuilder MDC Holdings led the portfolio – gaining 31.52% on average. Chevron, Enterprise Products, and AbbVie detracted the most from quarterly performance – declining 12.92% on average.

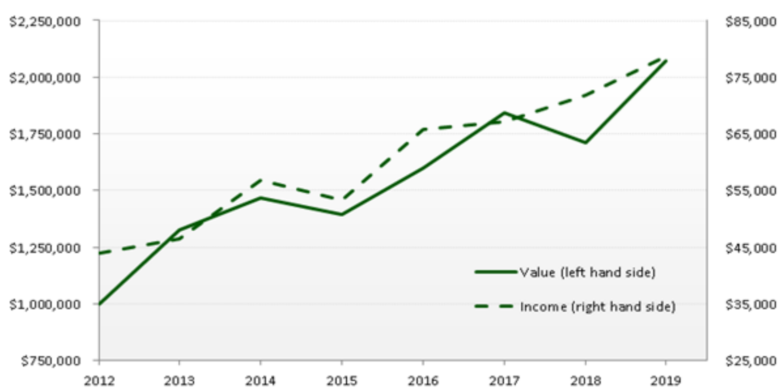
Figure 3: Hamlin Composite Returns vs. Benchmarks

	3Q20	YTD	1-year	3-year
HCM	4.80%	-8.38%	-3.94%	3.26%
Dow Jones Select Dividend ETF	2.22%	-20.09%	-16.47%	-0.88%
Russell 1000 Value ETF	5.55%	-11.64%	-5.18%	2.48%
S&P 500	8.93%	5.57%	15.15%	12.28%

Source: Hamlin Capital Management, Bloomberg. YTD 2020 performance has not yet been examined by our independent verification service provider ACA Performance Services. Individual accounts vary. See GIPS disclosure at the end of this report.

We are happy to announce that 29 of our holdings announced dividend hikes so far in 2020, with an average increase of 5.1%.[3] This welcome action validates our research analysis and increases your portfolio cash flow. We expect most of our portfolio companies, on average, to increase their cash pay-outs faster than the rate of inflation in 2020 and beyond. We had to make some quick decisions in the spring to maintain portfolio income as mandated COVID lock-downs forced many dividend stalwarts to suspend quarterly distributions.[4] The chart below illustrates the power of growing dividends and our capacity to ratchet portfolio cash flow by replacing stocks with new higher-yielding positions. Client income has been compounding at 8.7% over the last seven years through 2019.[5]

Figure 4: Hamlin Equity Portfolio Income Growth Over Time



Source: Hamlin Capital Management.

[3] Bloomberg. This includes companies added to the portfolio that raised their dividend prior to being added to the Hamlin portfolio. 22 companies increased dividends while in the portfolio at an average rate of 5.1%.

[4] We sold Cinemark, Cracker Barrel and General Motors early in the pandemic due to perceived near-term dividend risk and longer-term business model uncertainty. The capital was redeployed across new positions with exciting total return potential and existing names that we felt had been unduly punished. In the midst of COVID uncertainty, client income is up year over year through the third quarter. Assuming no sales of our higher yielding holdings, we are expecting relatively flat portfolio income in 2020.

[5] The 5 year compound annual growth rate of portfolio income reflects the increase in income for calendar 2012 through 2019 for the universe of accounts defined below. Future growth may be materially different and is not guaranteed. Income is shown net of foreign dividend withholding taxes for the period prior to 10/1/2016 and gross subsequent. Income includes dividend accruals starting 10/1/2016. The income and performance shown is for the universe of accounts that were: (1) open for the entire period; (2) present in the equity only composite; and (3) had no contributions or withdrawals over the period shown other than Hamlin's management fee. The values and income were normalized to a starting value of $1,000,000 for the universe of accounts. While Hamlin believes that the performance for the accounts are representative of the Equity Only Composite, some differences may exist and performance may diverge from that of the Equity Only Composite going forward. Due to the time period requirements for inclusion, a survivorship bias may be present as only small fraction of composite accounts are included. Dividend growth represents the average dividend increase of the companies that raised their dividend while they were owned in the Equity Only Composite. Individual portfolio and the Equity Only Composite returns and dividend income vary. Please see additional disclosures at the end of this presentation; this page is not complete without these disclosures.

While the Equity Strategy section below suggests that Hamlin's future performance relative to the broader market should reflect the popularity of value investing, please remember that we are not managing your account to track or beat the S&P 500 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. Our 8.98% compound annual net return since inception indicates that an actively managed, concentrated portfolio of generous dividend paying stocks can provide attractive absolute and relative returns over time.

Figure 5: Equity Performance

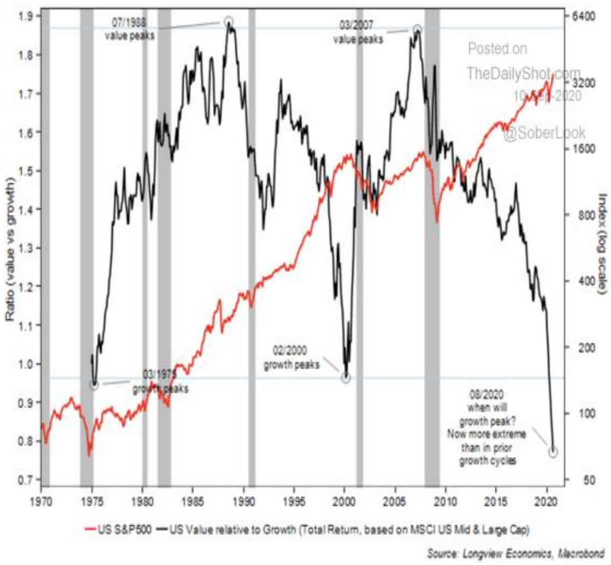
	HAMLIN EQUITY COMPOSITE (Net of Fees)	Cumulative	S&P 500 (No Transaction Costs or Fees)	Cumulative
2001	0.99	100.99	(11.93)	88.07
2002	0.90	101.90	(22.06)	68.64
2003	30.40	132.88	28.68	88.33
2004	22.80	163.17	10.88	97.94
2005	20.80	197.11	4.91	102.75
2006	7.90	212.68	15.79	118.97
2007	3.97	221.12	5.49	125.50
2008	(28.57)	157.95	(37.00)	79.07
2009	20.98	191.09	26.46	99.99
2010	20.65	230.54	15.06	115.05
2011	10.16	253.97	2.11	117.47
2012	11.03	281.98	16.00	136.27
2013	32.72	374.25	32.39	180.41
2014	10.93	415.15	13.69	205.10
2015	(4.54)	396.30	1.38	207.93
2016	14.93	455.47	11.96	232.80
2017	15.84	527.62	21.83	283.62
2018	(6.97)	490.84	(4.38)	271.20
2019	21.54	596.57	31.49	356.60
YTD 2020	(8.38)	546.58	5.57	376.47
19.75 Years Annual Compound	**8.98**		**6.94**	

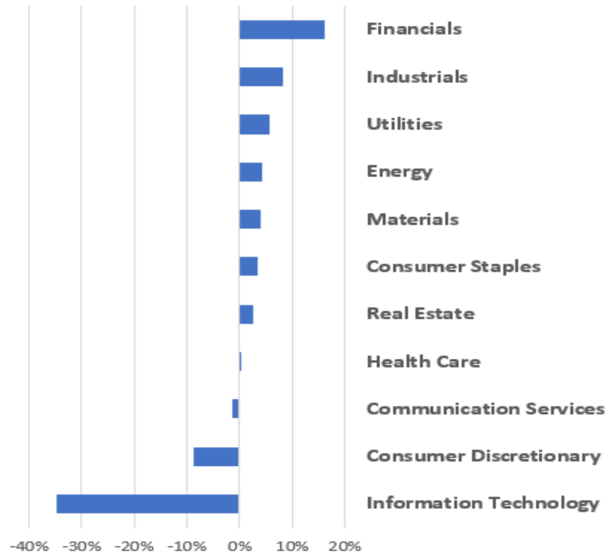
Source: Hamlin Capital Management. YTD 2020 performance has not yet been examined by our independent verification service provider ACA Performance Services. Individual accounts vary. See GIPS disclosure at the end of this report.

Equity Strategy: When Will Value Turn?

The chart below depicts the loneliness of value managers and leaves us wondering when our relative fortunes might turn. Analysis of the sector weightings provides a simple answer. Relative to the Russell 1000 Growth Index, the Russell 1000 Value Index has approximately 39% less Tech and internet exposure and about 39% more exposure to financials, industrials, materials and energy. Value will outperform when technology and internet stocks slow down and cyclical stocks attract investor attention.

Figure 6: Historic Underperformance for Value | **Russell 1000 Value Sector Weights Relative to Growth**





Source: Longview Economics, Macrobond, Bloomberg

Fundamentally, the case against Tech is mixed. We see little on the horizon likely to upset the shift to cloud computing, the primary engine of technology company revenue growth. Aggregate sales of Amazon Web Services, Microsoft Azure and Google Cloud Platform are approaching $70 billion—a large number but still a fraction of the $3.5 trillion global IT market. Digital advertising may face a tougher hurdle as privacy concerns proliferate, market penetration is higher, and a gap has emerged between media hours consumed online and advertising dollars allocated to digital.[6] Politics also remain a risk. Antitrust investigations into technology company acquisitions and business practices could result in slower longer-term growth. The sector's higher portion of overseas earnings mean that Biden's corporate tax proposal, if approved by Congress, would pressure near term tech company earnings more than the average stock.[7]

Meanwhile, the case for improved fundamental performance for the value sector appears credible: a globally synchronized economic recovery driven by re-opening and massive stimulus. Industrial order books should firm, likely enhanced by on-shoring initiatives as newly constructed manufacturing facilities require industrial tools. The weaker U.S. dollar, typically associated with higher commodity prices, should support both the materials and energy sectors. The historic collapse in drilling budgets could be a meaningful free cash flow driver for the energy group one day. Bank loan loss provisions would drop as GDP forecasts rise, thanks to new CECL accounting rules. Bank net interest margins and insurance company interest income would increase should higher interest rates accompany accelerating economic growth.

[6] eMarketer and MAGNA GLOBAL data show that in 2019, 43% of US advertising dollars were spent on mobile platforms, 9 percentage points higher than the 34% of time the average American spent on mobile devices. This was up from a 4 point gap in 2018. Source: Goldman Sachs Equity Research. Note that ad spend for mobile and desktop/laptop reached 60% of total in 2019, a much higher penetration rate than cloud computing as a percent of IT spend. This suggests that lofty revenue growth for the digital ad behemoths could be closer to decelerating relative to the cloud computing providers.

[7] On top of a higher corporate tax rate, higher taxes on foreign income under Joe Biden's proposal would be particularly onerous for technology stocks. According to the Wall Street Journal, non-US revenues comprise 56.5% of total revenues for the technology sector, compared to 39.7% for the S&P 500 as a whole. With few exceptions, stocks within FAAGM (Netflix excluded) have reported effective tax rates below the S&P average effective tax rate from 2017 through 2019.

Figure 7: Value Might Outperform Under a Higher Rate Regime

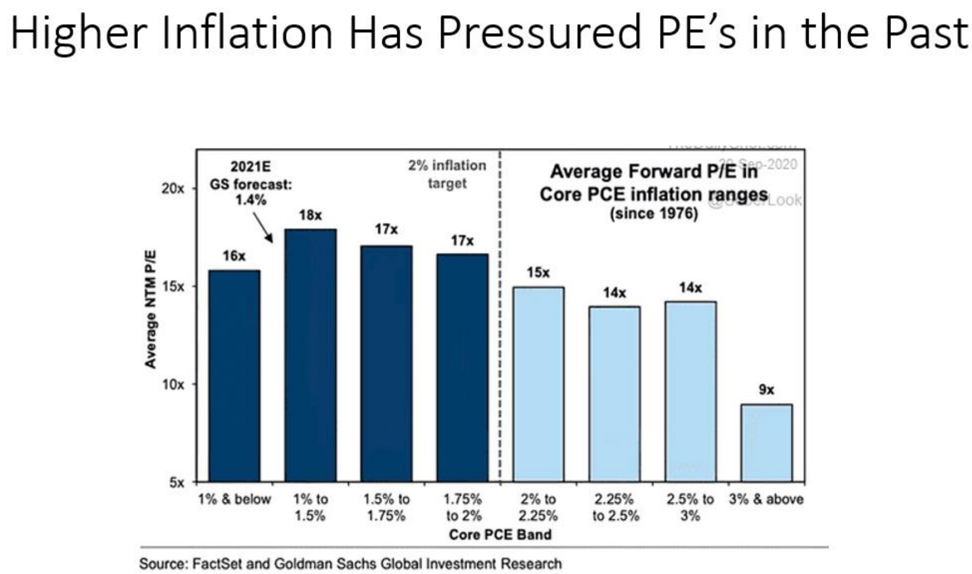
Source: BCA Research

Higher interest rates would increase institutional investor confidence in cyclical sectors, directly pad the income statements of some value companies, *and* reduce the current value of growth company's future cash flows. Growth stocks are high duration equities. Their long runways of market penetration opportunity mean that a greater portion of ultimate earnings lie in the future. Just like a bond with a low current coupon, growth stocks are more sensitive to changes in the discount rate than value stocks. We continue to think that Morgan Guaranty's list of Nifty Fifty holdings remains the appropriate analogy for today's market.[8] Having compounded earnings briskly during the 1960s, these widely held so-called "one decision" growth stocks were expected to deliver the earnings goods for the next ten years. And so they did, compounding net income at 10.3% from 1972 to 1982. The Nifty Fifty stocks outgrew S&P 500 Index by 46%! ***However, on the way towards this Hall of Fame earnings track record, the Nifty Fifty forward PE dropped by two-thirds to 12x from 36x***. Higher interest rates during the 1970's, associated with higher inflation, drove PEs and growth stock prices lower across the board. Coincidentally, the FAANGM stocks currently trade, on average, at approximately 43 times forward earnings estimates.[9]

[8] The late Carl Hathaway of Morgan Guaranty coined the term for America's fast-growing corporate leaders that included IBM, Digital Equipment, Burroughs, Xerox, Polaroid, P&G and forty-five other national icons. With bright futures, trust departments across the country piled into these stocks with a tacit commitment never to sell them.

[9] Bloomberg consensus NTM EPS estimates; median P/E lower at 31x.

Figure 8: Historical Inflation Impact on Valuation



We would be more confident predicting a sustainable period of value stock outperformance if we were convinced that inflation was soon to accelerate. Demographics, automation, and debt remain powerful deflationary trends. Fewer new American babies and retiring Baby Boomers are twin problems for aggregate consumption.[10] Machines are replacing checkout personnel at Target and bank tellers at KeyCorp.[11] With investment grade corporate leverage ratios at a record 2.7x, national debt to GDP at 136%, and state and municipal pension plans underfunded, there is less room to borrow to spend.[12] Debtors may be more focused on deleveraging than purchasing goods and services. While consumers have some capacity to increase debt-fueled purchases given a healthy interest coverage ratio in this low rate environment, aggregate borrowing in recent decades has failed to accelerate GDP growth.

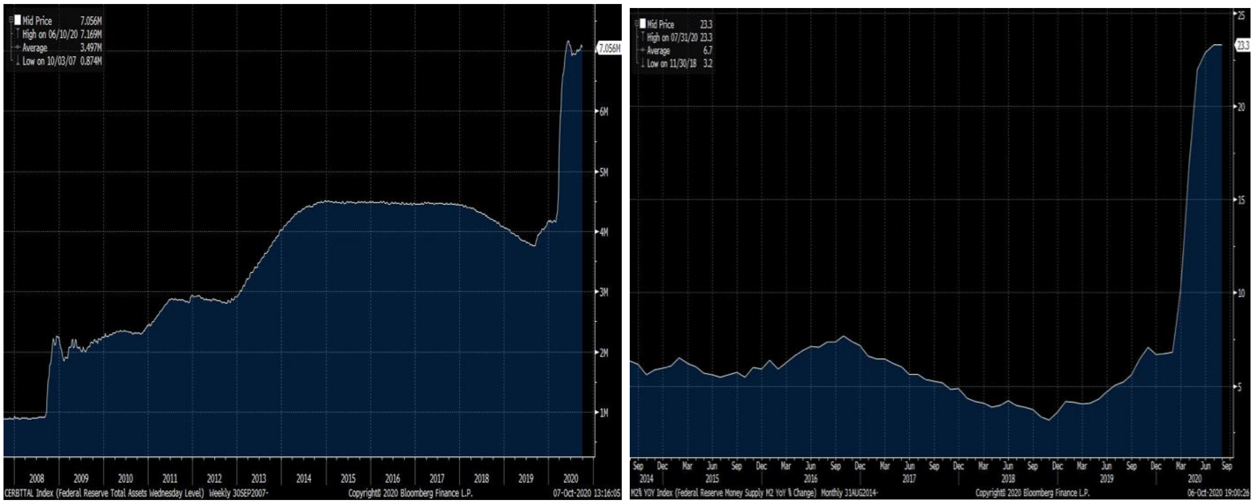
Yet, countervailing inflation tailwinds are emerging. The Federal Reserve, in adopting average inflation targeting, has effectively promised not to raise rates until inflation reaches 3%. Money supply is growing at a nearly unprecedented 25% year-over-year clip. A weaker dollar should lead to imported inflation as imported foreign goods appear more expensive, allowing domestic producers to raise prices. To the extent that we bring national security-related manufacturing operations back from overseas, American workers would be paid higher wages than Asian workers—a cost likely passed through in the form of higher prices.

[10] According to Bank of America Research, US births per 1000 women is projected to stay below 3% for the next 20 years, down from 8% in the early 1980s. Americans in the "Young Family" (Ages 35-44) and "High School / College Family" (Ages 45-54) life stages annually spend $69,034 and $73,905, respectively, dwarfing the $49,542 spent by those in the "Pre-retirement / Retired" (Ages 65+) cohorts. Source: Harry S. Dent.

[11] Autonomous Research estimates that 1.2 million people working in banking and lending will be replaced by artificial intelligence software by 2030. Even knowledge workers are at risk. According to Statista, working hours handled by machines will increase 50%+ between 2018 and 2022 in the Coordinating, Developing, Managing, Administering, Identifying and Evaluating Job-relevant Information employment categories.

[12] Corporate leverage ratio according to Goldman Sachs Investment Research. United States Total Public Debt as a % of GDP data published by the FRED (Federal Reserve Bank of St. Louis).

Figure 9: Federal Reserve Assets Over Time & U.S Money Supply Growth (M2)



Source: Bloomberg

Most importantly, we wonder about populism. Modern Monetary Theory and Universal Basic Income are too often discussed for our liking.[13] Politicians fear losing elections as income inequality, exacerbated by unintended COVID consequences, reaches heights not seen since the Gilded Age of railroad and oil robber barons. The easy way out is to print and spend. Issue Treasuries to fund hand-outs to the most dis-enfranchised, spend on public work projects like transportation-related and green infrastructure to drive employment, and pursue endless quantitative easing to monetize the newly issued debt. We wonder how this would not be inflationary, and we think that is what government leaders want. Politicians would welcome higher inflation and higher interest rates (to a point). Higher prices and rates lower the value of a debtor's obligation, allow savers to earn more on their retirement nest eggs, and decrease the liabilities in under-funded state and local pension plans.[14]

What does this all mean for Hamlin? On paper, our performance versus the technology stock-led S&P 500 Index should improve if the economy firms, inflation percolates and interest rates begin to climb. Ours is a value strategy; the Hamlin portfolio trades at approximately 15x earnings while the Russell Growth Index trades at 26.4x. Our current yield is 4% while the growth index yields 0.6%. We own fifteen Russell Value Index stocks and only one Russell Growth stock.[15] Five of our names are in neither index, a testament to our active investing focus. Those stocks trade at 12.1x forward earnings on average. The remaining seven stocks are oddly listed in both the value and growth

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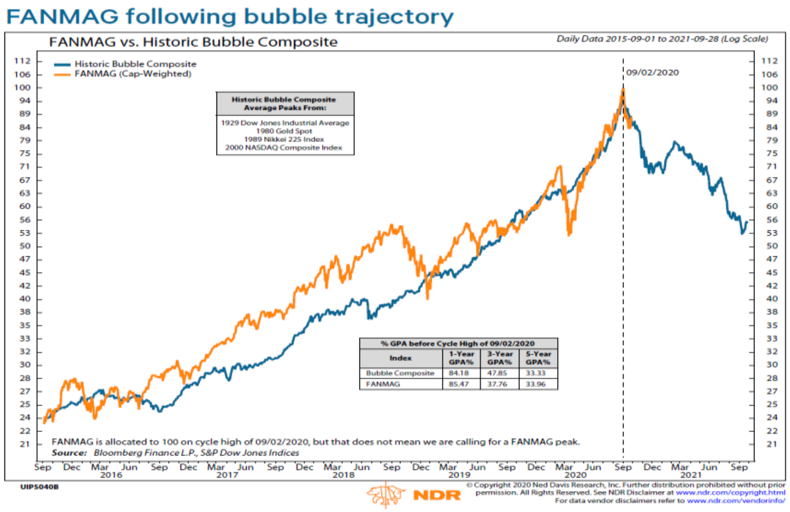
[13] Modern Monetary Theory is an emerging macroeconomic idea considered outside of mainstream schools of economic thought. It holds that governments with a fiat currency system (government-issued currency that is not backed by a physical commodity, such as gold) can and should print as much money as is necessary to achieve maximum employment and social objectives because the government cannot go broke if the printing presses remain functional. Universal Basic Income is a government program in which adult citizens receive a set amount of money on a regular basis, the goal being to reduce poverty and replace other need-based social programs that could require increased bureaucratic participation.

[14] This reasoning seems rather clear until we note that: 1) The CPI has remained stagnant during the Fed's QE programs to date, and 2) Japan has seen little inflation after decades of QE. The velocity of money needs to inflect to expand inflation beyond securities, real estate and collectibles. We probably need stronger loan demand.

[15] We are happy to see Qualcomm classified as a growth stock, reflecting rising revenue growth estimates and a higher PE as the exciting 5G product cycle unfolds. When we bought the stock in January 2016 it yielded 4% and traded at 11.5x forward earnings.

indices. Should cheaper cyclicals begin to dig in, we expect to benefit. If higher rates pressure overall PE multiples, we believe that Hamlin's have less room to fall.[16]

Figure 10: FANMAG vs. Historic Bubble Composite



Source: Ned Davis Research

The popularity of SPACs, frenetic options trading, above average retail stock trading, Tesla's surge, and Snowflake's day one market capitalization indicate that investor greed has the upper hand on fear.[17] The chart above suggests that this bubble may have run its course. While heady sentiment and a change in Washington could be harbingers of a turn, we know that we cannot predict Value's return with any precision. We shall remain focused on individual equity research. We hunt for companies that can afford a compensatory and growing cash return, managed by executives who demonstrate a commitment to increase future dividend pay-outs. We invest primarily in businesses with high dividend yields, manageable debt, attractive returns on equity, ample free cash flow, and prospects for long-term revenue growth. We are particularly excited about the growth prospects of our current holdings. We believe that companies with the attributes above are likely to generate attractive absolute and relative returns over the next decade as equity market returns revert to their longer-term averages. Should the S&P 500 Index return revert from the past decade's 13.6% to the long-term 9% average, equities will compound at 5% for the next ten years. With a 4% gross return at current levels from dividends alone, we like our head start.

[16] On the other hand, if interest rates remain lower for longer, the discount factors for future cash flows will be low, and therefore boost valuations. Stocks with a larger portion of their cash flows in the future (growth stocks) experience a stronger re-rating than high dividend stocks and stocks with less growth. https://www.marketwatch.com/story/the-fed-might-never-hike-rates-again-here-are-growth-stocks-for-the-long-run-according-to-one-strategist-2020-08-28

[17] The SPAC (Special Purpose Acquisition Company) annual IPO count has grown from 1 in 2009 to 133 in 2020, according to spacinsider.com. Aggregate Daily Average Revenue Trades (includes commission free) at E-Trade, TD Ameritrade, and Charles Schwab has grown from just over 1 million/day last year to nearly 5 million/day in 2020, according to sentimentrader.com. On the day of its IPO, Snowflake— a money-losing data warehousing cloud software firm—reached a market capitalisation of $88B, more than 165x projected 2022 revenues of $532 million according to Barron's.

Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite was up 2.90% through the first three quarters of 2020.[18] 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.

[18] 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.

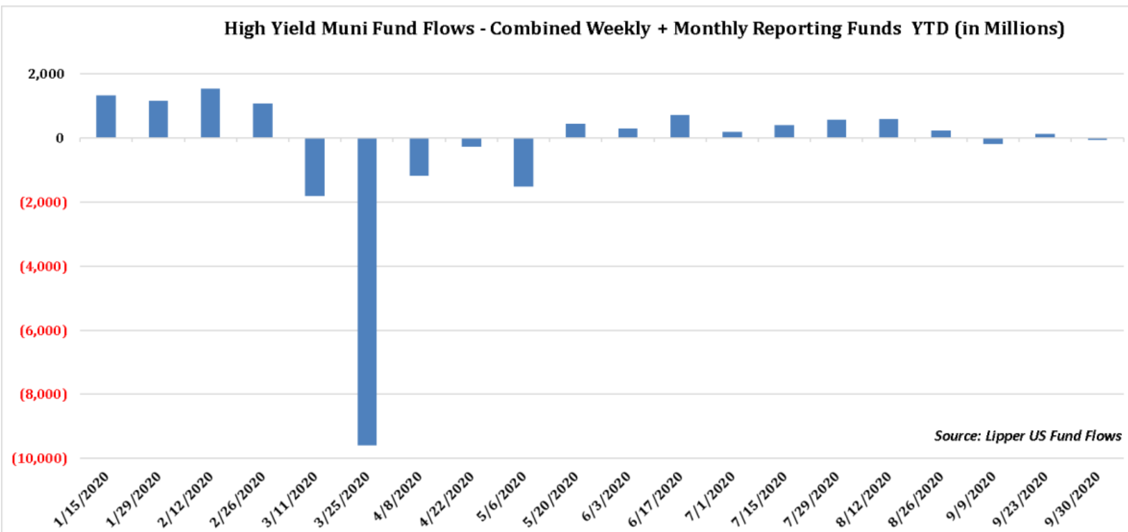
Market Commentary

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



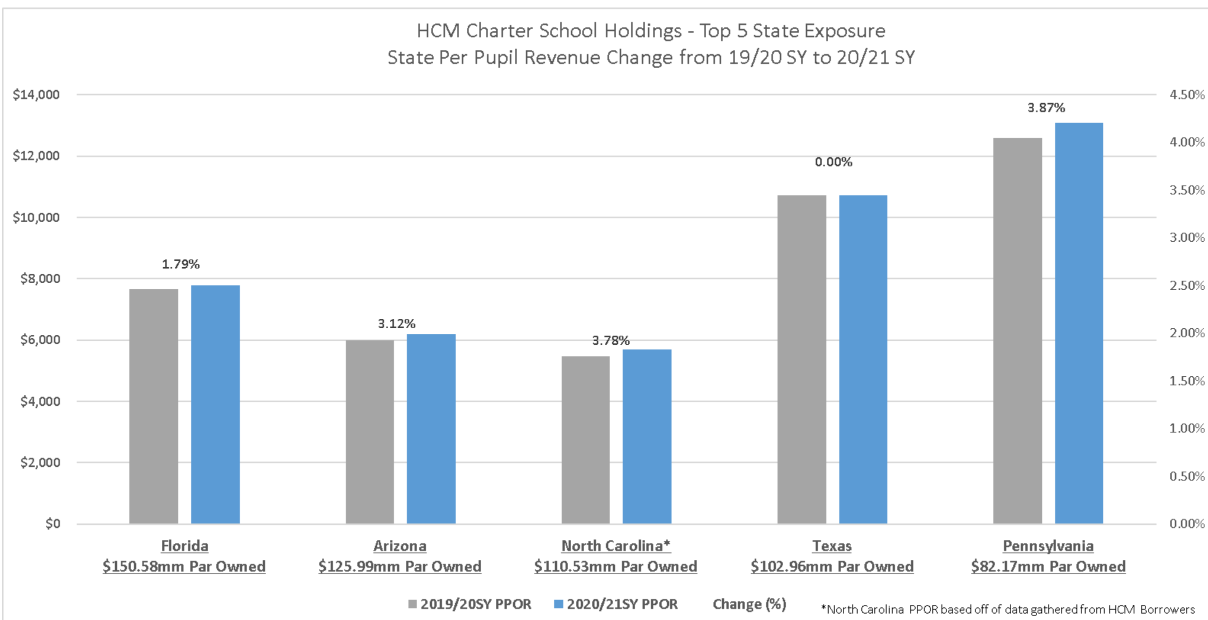
Our portfolio has come through this incredibly volatile time with no new defaults due to COVID-19 related issues and no new payment interruptions through 10/1/2020 payments. While the future remains uncertain, we are not currently expecting any new COVID-related payment interruptions for the large 12/1/2020 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.

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 Russell 3000 Growth Index is a market capitalization-weighted index of the growth segment of the 3,000 largest U.S. public companies.*
- *The Russell 3000 Value Index is a market capitalization-weighted index of the value segment of the 3,000 largest U.S. public companies.*
- *Dow Jones U.S. Select Dividend Index is an index composed of relatively high dividend paying companies.*
- *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.*
- *Dividend yield is the ratio of a company's annual dividend compared to its share price.*
- *Free Cash Flow represents the cash a company can generate after required investment to maintain or expand its asset base.*
- *Return on equity is a measure of financial performance calculated by dividing net income by shareholders' equity.*
- *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.*
- *CECL, or the Current Expected Credit Losses, is an accounting standard aimed at providing an estimate of expected losses over the life of all loans.*
- *Net Interest Margin measures the difference between the amount of interest paid by banks on deposits and debt relative to the amount of interest retained from assets.*
- *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
Equity 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	S&P 500 Return	Internal Dispersion	Composite 3-Yr St Dev	S&P 500 3-Yr St Dev
*YTD 2020	4,430	1,254	531	-12.57%	-3.08%	N.A.	N.A.	N.A.
2019	4,706	1,610	646	21.54%	31.49%	0.55%	9.45	11.93
2018	4,253	1,504	688	-6.97%	-4.38%	0.64%	10.37	10.80
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, 2020.

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. Beginning 10/1/19, a significant number of accounts in the composite are custodied with a broker that does not charge trading expenses. Accounts custodied with other brokers may incur trading expenses which may reduce returns. As of 06/30/20 date, these accounts represent 24.43% of composite assets.

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, 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 Equity 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.

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.

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