

October 2017

Third Quarter 2017 Update

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Overview

Hamlin's equity accounts increased in value over the last three months. The S&P 500 Index jumped 4.5% during the third quarter, shrugging off North Korea's nuclear antagonism, the wrath of hurricanes Harvey and Irma, and tightening Federal Reserve monetary policy. Stocks set new records in the wake of another double digit advance for corporate earnings, a painless increase in the national debt ceiling and, especially, the prospect of tax reform. Although 10-year Treasury yields increased during the quarter, Hamlin's high-yield tax exempt bond accounts advanced modestly during the quarter.

Equity Outlook

What are we doing up here? Expectations for lower corporate tax rates explain much of today's enthusiasm for stocks. Should Congress deliver a meaningful cut to the US corporate tax rate, perhaps driving the S&P 500 Index effective tax rate from today's 27% to 22%, earnings per share estimates for 2018 would jump from the current \$142 to \$151.¹ Overnight the S&P 500 Index 2018 PE multiple would correct from today's 17.8x to 16.6x, a slight premium to the average forward PE of 15.7x since 2000. Many experienced investors would suggest that today's PE multiples are rational given the low inflation and interest rate environment. Certainly some global asset allocators find a 16.6x PE combined with a 2% index dividend yield attractive relative to *negative* real bond yields in Japan and Europe.

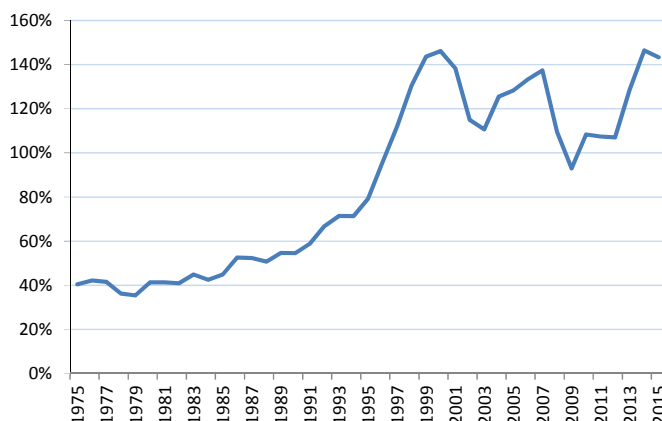
On top of a defensible multiple, pre-tax earnings should continue to grow. Synchronized global economic growth² and lower income taxes for US consumers could increase demand for companies' products and services. We also believe that lighter regulation is stimulating CEO animal spirits. As discussed in prior letters, we are particularly excited about the repatriation of foreign cash balances as part of tax reform. Incremental merger activity, capital investment and share repurchases should all support future earnings per share growth.

Simple supply and demand dynamics have also contributed to the market's advance. There are meaningfully fewer stocks to buy and more dollars chasing them. Between year-end 1996 and 2016 the number of publicly traded stocks had dropped nearly 50% from 7,322 to 3,671, according to Credit Suisse. Mergers, private equity buyouts, and tepid initial public offerings explain the contraction. During the same time frame, the pool of professionally managed assets (mutual funds, index funds, hedge funds, and private equity funds) has grown from \$2 trillion to \$12.4 trillion. ETF market share gain from active managers, many of whom are fundamentally interested in owning less well-known companies, only exacerbates the money flow towards the benchmark names. While the market has been even stronger than we expected so far this year, the current S&P 500 Index level makes a lot of sense to us. Global economic growth and earnings prospects are a little better than we envisioned while de-equitization and increasing ETF market share forces willing equity participants into fewer, larger index-member stocks.

¹ The \$151 EPS assumes that 40% of S&P 500 earnings are generated overseas and are taxed at a 15% tax rate, while the 60% of earnings that are domestic will be taxed at a 27% rate, down from a current 35%.

² In its July World Economic Outlook Update, the IMF noted "recent data point to the broadest synchronized upswing the world economy has experienced in the last decade." They project global GDP growth of 3.5% in 2017, up from 3.2% in 2016, driven by Euro Area +1.9%, Japan +1.3%, and China +6.7%.

Figure 1: Stock Market Value-to-GDP



Source: Federal Reserve Bank of St. Louis.

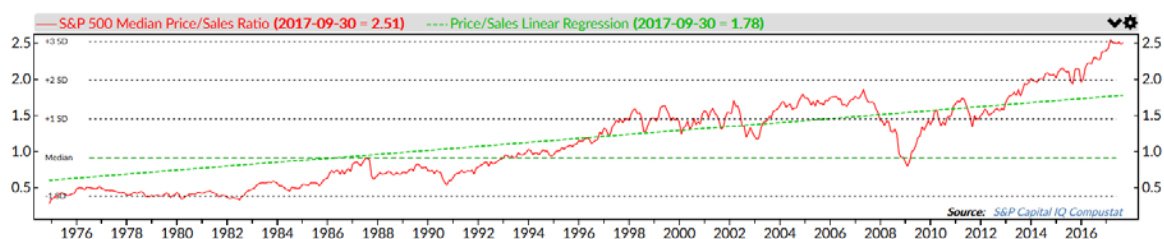
Interest rate risk and some longer-term valuation metrics, see chart above, temper our enthusiasm. We still suspect that forward PE's have peaked at about 18x as global central banks grow less accommodative. The Fed has telegraphed a rate hike for December followed by three more in 2018. The central bank balance sheet will begin to shrink, withdrawing reserves from the system. This doesn't mean the end is nigh. Bear markets tend to surface after the *last* hike,³ and we assume that Fed funds should normalize above 2%. Higher rates do, however, make things tougher. And once rates begin to move higher there is always the possibility that they climb more quickly than expected by investors or even planned by the Fed. Lower tax rates and more balanced regulation should boost overall economic activity, increasing the probability of Fed action. Monetary policy is remarkably easy relative to history in the context of a PMI above 60 and a 4.2% unemployment rate. In fact, forward stock market returns have been weaker in the years following similar high readings for manufacturing and employment because, in the past, rate hike activity increased to prevent over-heating.⁴ Should the core PCE perk up, we think a newly-formed Fed administration would react swiftly nine years into an economic expansion. Tax cuts could have a technical impact on interest rates, too. Although Hamlin believes that lower tax rates will eventually lead to *higher* government tax receipts, deficits and financing needs could increase in the short term pushing Treasury yields higher.

Elevated global debt levels and aging baby boomers may keep a lid on longer term interest rates, raising the risk of a yield curve inversion – a tried and true recession and bear market predictor – should Fed Funds and two-year yields begin to climb more quickly. We will be keeping an eye on the yield curve, junk bond spreads and the unemployment rate as tools to handicap recession timing. While these indicators currently give the “all clear” signal, the stock market value-to-GDP and the S&P 500 Index price-to-sales ratios above and below give pause.

³ EvercoreISI economist Ed Hyman notes, “Over the past three decades, the S&P has trended higher during Fed rate hikes. That's because earnings were increasing. And then the S&P has peaked after the last rate hike.”

⁴ Renaissance Macro strategist Jeffrey deGraaf has argued that based on historical data, top decile employment and PMI readings historically portend weaker subsequent S&P 500 returns on a 3 and 12-month forward basis, based on data since the mid 1960s. October 3, 2017.

Figure 2: S&P 500 Median Price-to-Sales



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Valuation suggests that the market’s trailing 5-year annual 14.3% total return needs to revert to the mean. As this bull market turns nine years old, the second longest in history, we expect an increase in volatility and mid-single-digit forward equity asset class returns.

Figure 3: Trailing PE Multiple and Future Returns for the S&P 500 Since 1928

P/E - Last 12 months	Average Return Over Next				Median Return Over Next			
	1yr	3yrs	5yrs	10yrs	1yr	3yrs	5yrs	10yrs
Less than 10.0x	22.1%	18.3%	17.1%	16.1%	20.4%	17.8%	17.1%	16.5%
10.0x - 12.5x	11.9%	14.6%	13.3%	14.2%	19.0%	17.3%	14.0%	13.9%
12.5x - 15.0x	8.4%	7.4%	11.1%	11.0%	11.7%	10.1%	13.1%	11.2%
15.0x - 17.5x	8.9%	12.0%	8.9%	9.8%	5.6%	15.2%	12.3%	9.0%
17.5x - 20.0x	11.9%	4.6%	6.0%	6.7%	13.5%	5.1%	6.2%	7.3%
Greater than 20.0x	4.0%	6.9%	7.4%	5.9%	4.8%	9.2%	5.7%	6.8%

Source: Aswath Damodaran (NYU Stern Professor), Robert Shiller. The trailing P/E multiple stood at 23.6x as of March 2017, the most recently available data point in the Shiller EPS data series.

Equity Performance

The Hamlin Equity Composite increased 4.3% over the last three months, nearly matching the S&P 500 Index’s 4.5% advance for the quarter. Hamlin’s year-to-date 9% net return trails the S&P 500’s impressive 14.2% advance as a handful of large cap technology stocks continue to drive the index higher. All-capitalization value and equity income managers have felt lonely so far in 2017. Facebook, Amazon, Alphabet (Google) and Apple are not generous dividend payors, rendering them un-investable under Hamlin’s investment mandate.⁵ Our performance compares more favorably to the Russell 3000 Value Index and S&P 500 Value Index’s gains of 7.7% and 8.5% respectively. Our numbers also look acceptable relative to the Dow Jones Dividend Index’s 8.2% advance year-to-date. 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 your lifestyle and wealth, while protecting against inflation with future dividend increases and long-term capital appreciation.

⁵ Just six large-cap tech companies accounted for 352bps of the S&P 500’s return year to date, i.e. a quarter of the total 14% gain: Facebook, Amazon, Netflix, Alphabet (Google), Apple, and Microsoft. Source: Bloomberg.

Figure 4: Equity Performance

	HAMLIN EQUITY COMPOSITE (Net of Fees)	Cumulative	S&P 500 (No Transaction Costs or Fees)	Cumulative
2001	1.0	101.0	(11.9)	88.1
2002	0.9	101.9	(22.1)	68.6
2003	30.4	132.9	28.7	88.3
2004	22.8	163.2	10.9	98.0
2005	20.8	197.1	4.9	102.8
2006	7.9	212.7	15.8	119.0
2007	4.0	221.1	5.5	125.5
2008	(28.6)	157.8	(37.0)	79.0
2009	21.0	190.9	26.5	99.9
2010	20.7	230.3	15.1	115.0
2011	10.2	253.7	2.1	117.5
2012	11.0	281.7	16.0	136.3
2013	32.7	373.9	32.4	180.4
2014	10.9	414.8	13.7	205.1
2015	(4.5)	395.9	1.4	207.9
2016	14.9	455.1	12.0	232.8
YTD 2017	9.0	495.8	14.2	265.9
16.75 Years Annual Compound	10.03		6.01	

Source: Hamlin Capital Management. 3Q17 performance has not yet been audited by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report.

Annual Equity Portfolio Discussion

We think your Hamlin equity portfolio is attractive. Our equities currently yield approximately 4.2% and trade at 15.4x next-12-months earnings estimates as of 9/30/17. By comparison, the S&P 500 yields approximately 2.0% and sells for 17.8x estimates. Our portfolio companies' average ROE over the past three years is 19.7%, and their balance sheets are healthy with an average net debt-to-capital ratio of 28.1%. Upside to our individual security price targets appears attractive.⁶

To merit Hamlin investment, companies should pay us a compensatory cash return, and they must be managed by executives who demonstrate a commitment to increase future 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 bottoms-up investors, willing to consider investments across almost all industries and geographies...as long as a company displays the critical attributes in italics above, operates a straightforward business model that we understand, and is available at prices that offer both a margin of safety and meaningful long-term capital appreciation.

⁶ Hamlin Capital establishes a price target for each equity investment based on a combination of valuation methodologies, including a Dividend Discount Model, 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.

You own an eclectic list of companies within the consumer products, telecom, pharmaceutical, financial services, technology, industrial manufacturing, materials, 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 pro rata portion of their quarterly earnings into your Hamlin account. In fact, 23 HCM equity composite holdings have announced dividend increases so far this year at an average rate of 6.9%. We are excited about the prospects for further dividend growth over the years to come.

Hamlin's equity team is optimistic about several investment themes that should support your holdings. We are happy to highlight that dividend-paying companies can be exposed to exciting growth drivers.

1. **The Autonomous Vehicle.** Some of the world's largest companies⁷ are investing billions of dollars annually into the next generation automobile, causing unprecedented disruption and opportunity across the investment universe. There are approximately 36,000 traffic related deaths a year (100/day) in the U.S. Globally there are 1.3 million traffic deaths a year.⁸ Human error is responsible for the vast majority of these accidents; almost one-third of U.S. auto deaths in 2014 were alcohol related.⁹ Imagine if we could reduce this incident rate to near zero. Hospital costs and insurance premiums should decline meaningfully. Passengers might consume more media content, data services and even an incremental beverage or two with new found time as the car drives itself safely to destinations. Shopping center owners may have opportunities to redevelop unattractive, excess parking spaces. Traffic would improve or maybe disappear altogether. Could we have accidentally found the answer to the country's frustratingly low productivity metric?

Your Hamlin portfolio is exposed to this exciting 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. **Qualcomm**, through its acquisition of NXP, will produce chips and systems capable of processing and reacting to the vast amount of data produced by autonomous driving sensors such as cameras, radar, and LiDAR. Core Qualcomm WCDMA technology enables the transmission of mapping data to network operating centers and the passenger's ability to summon an autonomous car. **Maxim Integrated**, a leader in analog power management semiconductor chips, sells chips that enable infotainment systems, advanced driver assistance systems, and electric vehicle battery management. The automobile manufacturer is not a clear winner. Cars are highly underutilized; we spend only about 4% of our day driving. The proliferation of Uber's ride-sharing model reflects, in part, the inefficiency of owning. Families probably don't need two or three cars, a serious potential issue for Detroit. Car rental companies, to whom original equipment manufacturers sell, may have a diminishing role, and the industry's vast dealership networks may require costly restructuring. Mary Barra, CEO of **General Motors**, has embraced these challenges. GM's bold acquisition of Cruise Automation vaulted the company into a small list of credible autonomous leaders. The company is working on *mass production* of autonomous cars, and already has 100 cars driving themselves around California. GM's *Maven* ride-sharing service may challenge Uber one day. The management team is highly focused on leadership in a variety of new business models.

⁷ This list includes Apple, Google, Intel, Tesla, and the traditional automobile manufacturers such as GM and Ford.

⁸ World Health Organization.

⁹ Federal Highway Administration.

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. Smartphones accounted for approximately 36% of last year's Black Friday retail purchases.¹⁰ 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, Qualcomm, and Maxim, all 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 managers. 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. Now companies are examining large data sets originated by phones containing a variety of data types to uncover patterns, trends, and customer preferences in hopes of better targeting customers. So called "Big Data Analytics" projects require silicon provided by these same semiconductor companies. **Cisco's** routers and switches direct all of this data, and their leading security solutions lend consumers and businesses the confidence to transact. To the extent that ecommerce orders continue to grow, **WestRock's** cardboard box demand should increase. Wireless and data services offered by **AT&T, BCE, and Vodafone** 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.
3. After years of stagnation, **personal income is finally percolating.**¹¹ The historically low unemployment rate could trigger wage inflation, as companies compete to attract labor. Target recently announced a plan to raise minimum wages from the current \$10/hour to \$15/hour by 2022, implying more than 8% annual wage growth. Hopefully the 2.9% increase in U.S. average hourly earnings in September is a harbinger of things to come. Contained food and gasoline prices, a higher standard deduction and lower middle class income tax rates should enable the average American household to redirect spending towards consumer discretionary companies. Higher disposable income presents an opportunity for: **American Eagle's** branded apparel; **Ryman Hospitality Properties'** hotel rooms and popular music entertainment venues; and affordable, out-of-home entertainment at **Regal Cinemas'** newly renovated movie theaters. Greater fuel affordability has also raised demand for SUVs and pick-up trucks, helping both revenue and margins at **General Motors**. Should growing incomes sustain the improving millennial job growth – which should lead to rising household formations – demand for **MDC's** homes and **Weyerhaeuser's** wood products and southern saw logs should increase. The gap between population growth since the crisis and current housing demand remains intriguing. We still think new home sales should return over time to a 1.5-1.7 million units/year range from today's 1.2 million clip.
4. **Americans are aging.** According to the National Institute of Health, America's 65-and-over population is projected to nearly double over the next three decades from 48 million to 88 million by

¹⁰ According to Adobe, purchases made through mobile phones represented 36% of ecommerce sales (November 28, 2016).

¹¹ The Atlanta Fed Wage Growth Tracker shows year-over-year wage growth of 3.4% in August, in line with its 1 year average and above the 5 year average of 2.0%.

2050.¹² The movie exhibitor and hotel company mentioned above may also benefit as 11,000 citizens reach the age of retirement daily and pursue value-oriented leisure activity. Asset managers and financial institutions like **Federated Investors** and **FNB Corp** should enjoy increasing demand for investment and other services. Current and future products offered by pharmaceutical and healthcare product manufacturers such as **Pfizer**, **GlaxoSmithKline**, **Sanofi**, and **AbbVie** should meet robust demand. These drug companies spent a combined \$23 billion dollars in 2016 developing breakthrough vaccines and life-saving drugs to treat cancer, diabetes, HIV, respiratory disease, and the ever-elusive Alzheimer's disease. While mindful of the Administration's generic drug initiative and general 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.¹³ Innovators will continue to find ways to use this cleaner burning fuel to help achieve energy independence and drive economic growth. The incentives are clear. We spend \$500 billion annually 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 three companies that operate thousands of miles of pipeline, compressors, processing units, and export terminals. **EQT Midstream** is gathering and transporting natural gas out of the prolific Marcellus Basin in the northeast, **Spectra Energy Partners** is taking gas from large fields to utilities (many of which have recently converted from coal to gas-fired turbines, a trend driving incremental gas demand), and **Enterprise Products Partners** is the largest processor and transporter of natural gas liquids in the country. These liquids, such as ethane and propane, are cheap (thanks to revolutionary shale drilling technologies) and form the building blocks for many plastic products we use today—products now manufactured more profitably by your **DowDupont Chemical** holding. **Royal Dutch Shell** and **Exxon Mobil** are focused on developing natural fields globally and building out liquefied natural gas infrastructure worldwide to transport gas to power-hungry developing nations. Royal Dutch is already retrofitting gas stations for electric vehicles. Cheap gas has also 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.

¹² Published by the National Institute of Health, March 28, 2016.

¹³ According to the EIA, at the rate of U.S. dry natural gas consumption in 2015 of about 27.3 Tcf per year, the U.S. has sufficient natural gas reserves for 86 years (July 25, 2017).

Fixed Income Commentary

Despite a later summer of wild weather in the U.S., the interest rate environment in muni land remains muted. While both taxable and tax exempt rates were up very slightly over the quarter, they dipped in the middle of a quiet summer. A slower calendar and a muni market laden with inflows through the entire year is feeding the fire that stokes low rates in High Yield muni space. However, in recent weeks the Fed has indicated a continued willingness to hike rates into mostly positive economic data and a market that is currently expecting one more rate hike this year in December. In addition, the long awaited downsizing of the Fed's \$4.5 trillion balance sheet was officially announced in September. After years of loose and looser monetary policy these two actions at the same time will have a tightening effect and we might see rates creep up, although money from the rest of the world (Europe and Japan—where they are still easing) may flow into the U.S and keep a lid on rates.

Until the market reacts in a meaningful way to the possibility of higher rates (and fund flows reverse), we expect a continuation of the status quo in our corner of the muni market. This summer we have seen deals in our space being priced at lower absolute rates than compensate investors for the risk they are taking. We have also seen maturities extended past 30 years to fit growing debt loads, an imprudent practice. This is nothing new but its widespread nature coupled with the general relaxation of certain loan covenants we consider standard makes us wary. We have stayed away from the general market and doubled down on our strategy of sourcing, structuring, and buying offerings away from that market. Despite the unattractiveness of the street market we have found success with our strategy and HCM bond clients continue to buy bonds with attractive absolute yields at above market spreads.

While man is highly capable of throwing enough problems at the markets, Mother Nature decided to add some of her own to the mix this hurricane season. Since we received several questions from clients, we thought it wise to address the storms in Texas, Florida, and most recently Puerto Rico. The short answer is that no client project collateral and no project operations were significantly affected by the storms. More specifically:

Texas: While we do have a large project in Dallas, we have almost no exposure in the city of Houston. This was essentially a non-event for the Hamlin bond portfolio.

Puerto Rico: We do not currently own (nor have we ever) any Puerto Rico bonds. The storm there and the President's rhetoric on the debt have caused the latest roller coaster ride for bond prices and provided a further reminder of why we stay away.

Florida: The sunshine state remains a solid investment state for HCM clients. We have included some pertinent facts so that clients feel informed about their exposure to Florida.

- Projects in Florida represent about 11% of the current portfolio. None of our projects in Florida experienced any interruption in service or serious physical damage.
- All of the holdings are required to have property and casualty insurance up to the par amount of the bonds outstanding. The projects are also required to provide insurance certificates to the trustee proving sufficient coverage each year.

- The largest sector in Florida is Senior Living and all facilities are required to have business interruption insurance, written evacuation plans, and contingency locations for residents in the event the facility is compromised.
- Finally our largest operator of charter schools in Florida is Charter Schools USA one of the largest and most well capitalized charter school networks in the country, which has ample resources to respond to any emergency.

In summary, while these storms were highly traumatic events for many Americans and the recovery will be something we all follow closely, the Hamlin bond portfolio survived unscathed.

End of Year Bond Tax Loss Sales

As we turn to thoughts of the 4th quarter (already!), we remind you that Hamlin will engage in year Tax Loss selling for clients that wish to participate. Please reach out to Charlie Harkin (charkin@hamlincm.com) and let us know if this is something you are interested in. 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. During the month, your account will not be subject to any price fluctuations in the tax-loss harvested bonds, and your account may repurchase the bonds 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. 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 and should you wish to understand more about the process please contact us with any questions. To be included in the tax loss please reach out to Charlie Harkin at charkin@hamlincm.com. The deadline for informing HCM will be **November 15th**, additional reminder will be sent before then.

Fixed Income Performance

The Hamlin Capital Management Municipal Bond Composite returned 6.6% through the first three quarters of 2017. While in the long run we expect the majority of our performance to come from clipping outsized coupons, the portfolio had a few legacy correctional facility positions that experienced significant price appreciation in the first two quarters. As the market bounces around, we strive to continuously deliver a robust stream of tax exempt income to clients. As the Fed continues with their slow and steady position on hiking rates, we believe that we have positioned the portfolio in a way that will capture value for clients regardless of the direction interest rates take for the remainder of the year.

We remain dedicated to our fundamental credit analysis and research. In general, our portfolio holdings in essential social service projects in the Education and Senior Living sectors continue to perform well. Hamlin 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 5: Fixed Income Performance

	HAMLIN BOND COMPOSITE (% Net of Fees)	Cumulative	BARCLAYS HIGH YIELD MUNICIPAL INDEX (No Transaction Costs or Fees)	Cumulative
2001	4.5	104.5	4.5	104.5
2002	7.2	112.0	2.0	106.5
2003	9.1	122.2	13.2	120.6
2004	7.5	131.4	10.5	133.3
2005	7.9	141.8	8.6	144.7
2006	6.8	151.5	10.7	160.3
2007	4.3	157.9	-2.3	156.6
2008	-16.7	131.5	-27.0	114.3
2009	16.4	153.0	32.7	151.7
2010	7.1	163.8	7.8	163.6
2011	6.1	173.9	9.3	178.7
2012	7.4	186.8	18.1	211.1
2013	2.5	191.5	-5.5	199.5
2014	7.2	205.2	13.8	227.1
2015	4.8	215.0	1.8	231.2
2016	3.9	223.3	3.0	238.1
2017 YTD	6.6	238.0	7.7	256.5
16.75 Years Annual Compound	5.31		5.78	

Source: Hamlin Capital Management. 3Q17 performance has not yet been audited by our independent verification service provider ACA Performance Services. See GIPS disclosure at the end of this report.

As a reminder, Hamlin manages client assets based on the individual needs of each client. Please contact us if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your account or reasonably modify existing restrictions.

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

Joe Bridy · Chris D'Agnes · Charlie Garland · Vivian Pan · Mark Stitzer · Deborah Finegan

Benjamin Kaufman · Parker Stitzer · Michael Tang

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DEFINITIONS

- *The S&P 500 Index is a market capitalization-weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation, with each stock’s weight in the Index proportionate to its market value.*
- *The Lipper Equity Income Fund Index consists of funds that seek relatively high current income and growth of income through investing 65% or more of their portfolio in equities.*
- *The Russell 3000 Value Index is a market capitalization-weighted index of the value segment of the 3,000 largest U.S. public companies.*
- *The U.S. Dollar Index is an index of the relative value of the U.S. Dollar versus a basket of foreign currencies.*
- *The S&P 500 Value Index is a market capitalization-weighted index of the value segment of the S&P 500.*
- *The Barclays High Yield Municipal Index is an index of high yield, non-investment grade municipal bonds.*
- *The DVY is the iShares Select Dividend ETF that tracks the results of an index composed of high dividend paying 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.*
- *ROE is a measure of profitability that considers the ratio of net income returned as a percentage of the company’s total shareholder equity.*
- *PMI is the Purchasing Managers’ Index which is an economic indicator reflecting the health of the manufacturing sector (based on new orders, inventories, production, supplier delivers and employment environment).*
- *Core PCE is a measure of personal consumption expenditure prices, exclusive of food and energy prices.*

Hamlin Capital Management, LLC
Equity Only Composite
Annual Disclosure Presentation
January 1, 2001 through June 30, 2017

Year	Total Firm Assets (mm)	Composite Assets (mm)	Number of Portfolios	Composite Net Return	S&P 500 Return	Internal Dispersion	Composite 3-Yr St Dev	S&P 500 3-Yr St Dev
*YTD 2017	4,143	1,665	683	4.47%	9.34%	N.A.	N.A.	N.A.
2016	3,617	1,623	679	14.93%	11.96%	1.26%	11.05	10.59
2015	3,186	1,373	725	-4.54%	1.38%	0.66%	9.91	10.48
2014	3,077	1,414	704	10.93%	13.69%	0.51%	8.57	8.97
2013	2,703	1,234	624	32.72%	32.39%	1.04%	10.19	11.94
2012	2,029	798	480	11.03%	16.00%	1.12%	12.39	15.09
2011	1,623	584	388	10.16%	2.11%	0.71%	14.11	18.71
2010	1,033	191	220	20.65%	15.06%	2.22%		
2009	714	30	51	20.98%	26.46%	2.69%		
2008	584	12	30	-28.57%	-37.00%	4.45%		
2007	734	18	31	3.97%	5.49%	2.86%		
2006	869	29	48	7.90%	15.79%	5.93%		
2005	716	31	42	20.80%	4.91%	4.90%		
2004	501	19	26	22.80%	10.88%	7.67%		
2003	130	8	24	30.40%	28.68%	9.87%		
2002	49	5	29	0.90%	-22.06%	6.15%		
2001	21	6	34	0.99%	-11.93%	10.69%		

* Performance represents a non-annualized partial period return ending on June 30, 2017.

Equity Only Composite consists of fully discretionary accounts that are comprised of any amount of common stocks and cash. There is no minimum account size or time period to be included in the composite. Returns include the effect of foreign currency exchange rates. The exchange rate source for the composite is IDSI/IDC – FT Interactive Data Corporation. The S&P 500 index is provided solely as a widely recognized index. The index is in no way indicative of the strategy employed in this composite. It is the position of Hamlin Capital Management, LLC (“Hamlin”) that a meaningful benchmark is not available for this strategy due to the frequent and customized changes in allocation in individual accounts. Benchmark returns are not covered by the report of independent verifiers.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Investing entails the risk of loss of principal. The U.S. Dollar is the currency used to express performance. Returns are presented net of custodial and management fees and includes the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign dividend withholding taxes, where applicable, for the period prior to October 1, 2016, and gross of foreign dividend withholding taxes thereafter. Composite performance accrues dividends starting October 1, 2016.

The management fee schedule is as follows: 1.00% on all assets. Actual investment advisory fees incurred by clients may vary.

Hamlin is an independent registered investment advisory firm. Hamlin invests in fixed income and equities for separately managed accounts, as well as funds. In January 2004, Hamlin merged with RRH Capital Management Inc. and the performance returns are linked. The firm maintains a complete list and description of composites, which is available upon request. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.

The Equity Only Composite was created April 1, 2006. Hamlin claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Hamlin has been independently verified for the periods January 1, 2001 through December 31, 2008 by Ashland Partners & Company LLP. ACA Performance Services began verification for Hamlin on January 1, 2009 through June 30, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Equity Only Composite has been examined for the periods beginning January 1, 2001 through June 30, 2017. The verification and performance examination reports are available upon request. The policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Hamlin Capital Management, LLC
Bond Only Composite
Annual Disclosure Presentation
January 1, 2001 through June 30, 2017

Year	Total Firm Assets (mm)	Composite Assets (mm)	Number of Portfolios	Composite Net Return	BHYMBI Return	Internal Dispersion	Composite 3-Yr St Dev	BHYMBI 3-Yr St Dev
*YTD 2017	4,143	690	228	6.08%	6.13%	N.A.	N.A.	N.A.
2016	3,617	634	219	3.84%	2.99%	0.76%	2.54	5.96
2015	3,186	758	193	4.80%	1.81%	0.77%	0.99	6.35
2014	3,077	538	138	7.18%	13.84%	1.03%	1.14	6.22
2013	2,703	546	190	2.48%	-5.51%	0.84%	1.44	5.90
2012	2,029	474	172	7.43%	18.14%	1.39%	1.52	4.17
2011	1,623	442	173	6.13%	9.25%	0.86%	2.67	7.81
2010	1,033	314	124	7.06%	7.80%	0.84%		
2009	714	220	90	16.35%	32.73%	1.64%		
2008	584	181	67	-16.73%	-27.01%	1.80%		
2007	734	173	50	4.27%	-2.28%	0.96%		
2006	869	153	55	6.81%	10.74%	1.14%		
2005	716	86	53	7.94%	8.58%	1.84%		
2004	501	53	33	8.27%	10.52%	1.61%		
2003	130	18	27	9.14%	13.22%	2.19%		
2002	49	17	29	7.22%	1.97%	2.63%		
2001	21	17	31	4.54%	4.45%	15.07%		

* Performance represents a non-annualized partial period return ending on June 30, 2017.

Bond Only Composite consists of fully discretionary bond only accounts that are comprised of any amount of bonds and cash. There is a 1 year waiting period to be included in the composite. There is no minimum account size for inclusion in the composite. The Barclays High Yield Municipal Bond Index (BHYMBI) is provided solely to allow for comparison to a widely recognized index. The index is in no way indicative of the strategy employed in this composite. It is the position of Hamlin Capital Management, LLC (“Hamlin”) position that a meaningful benchmark is not available for this strategy due to the frequent and customized changes in allocation in individual accounts. Benchmark returns are not covered by the report of independent verifiers.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Investing entails the risk of loss of principal. The U.S. Dollar is the currency used to express performance. Returns are presented net of custodial and management fees and includes the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The management fee schedule is as follows: 1.00% on all assets. Actual investment advisory fees incurred by clients may vary.

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.

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