



Muhlenkamp & Company, Inc.

Quarterly Letter, October 2017

Fellow Investor,

From a market perspective, this has been a quiet summer. As of 9/30/2017, the S&P 500 was up 6.63% over the last six months with hardly a dip. Low economic growth continues on a global basis, none of the major central banks have altered course in any fashion, inflation remains low, second quarter earnings came in nicely, etc. We won't bore you (this time!) by enumerating the things we're watching that haven't changed since we wrote about them in June. There have been a couple of surprises: three destructive hurricanes and escalating tensions with North Korea (which the markets have mostly ignored). We believe that while the hurricanes have had a massive impact on the affected areas, their impact on the national economy will be fairly small and temporary. We believe war with North Korea is unlikely. We'll keep an eye on developments and update our assessment as events unfold.

In March, we highlighted the increase in small business optimism that accompanied the election results. Looking at the latest numbers, business optimism remains at a high level in spite of (because of?) paralysis in Washington. A decline in business optimism would be of concern, but it is holding up nicely. Speaking of Washington, the broad outlines of the proposed tax reform were released in late September and, based on what we saw, it looks like an improvement on the existing situation. We have no idea, however, how much of it will actually be enacted or when.

The markets remain on the expensive side and that's making a lot of investors of all stripes nervous. In an odd way investor nervousness is itself a bit reassuring. It could prevent some of the risky behavior we tend to see when investors are wildly optimistic and convinced they can't lose (recall the internet bubble, the housing bubble, and currently the enthusiasm around Bitcoin and its siblings). If the market is making you nervous, you might consider reviewing your expectations of the market and your financial plans and make sure that you are prepared for the inevitable downturn. Using the four seasons as an analogy, we estimate we're in late summer and while we don't know exactly when winter will arrive, we know it's coming, so it's appropriate to prepare for it. Give us a call if you'd like to discuss these topics in more detail, we'd love to hear from you.

Until next quarter...

Ron Muhlenkamp and Jeff Muhlenkamp

The comments made by Ron and Jeff Muhlenkamp in this commentary are opinions and are not intended to be investment advice or a forecast of future events.

S&P 500 Index is a widely recognized, unmanaged index of common stock prices. The S&P 500 Index is weighted by market value and its performance is thought to be representative of the stock market as a whole. One cannot invest directly in an index

MuhlenkampSMA

All-Cap Value

For the period ended 9/30/17

Muhlenkamp & Company's All-Cap Value SMA (Separately Managed Account) is designed for investors' accounts over \$100,000. We employ full discretion, applying fundamental analysis.

Investment Objective

We seek to maximize total after-tax return through capital appreciation, and income from dividends and interest, consistent with reasonable risk.

Investment Strategy

We invest in undervalued assets wherever they may be found. Typically, this results in holding a portfolio of companies we believe are materially undervalued by the market. Bonds may be included in the portfolio if they are a good investment.

Investment Process

We start with a bottom-up scan of domestic companies, typically looking at most U.S. companies at least four times per year. We add to that an understanding of the sector dynamics in which companies are operating, an assessment of the business cycle, and a review of macroeconomic conditions.

Our primary screening metric is return on shareholder equity (ROE). We are looking for companies with stable returns that can be purchased cheaply, or for companies with improving returns that have not yet been recognized by the market.

We don't believe that a holding period of "forever" is appropriate in all cases, but are comfortable holding companies as long as they continue to meet expectations.

Investment Risk

We define investment risk as the probability of losing purchasing power over long periods of time, which is quite different from Wall Street's definition of price volatility in very short periods of time. Taxes, inflation, and spending will ALL impact the purchasing power of your assets.



Muhlenkamp & Company, Inc.
Intelligent Investment Management

All-Cap Value Composite Performance (Net of Fees)

	Year to Date	One Year	Past 3 Years	Annualized Past 5 Years	Past 10 Years	Past 15 Years
Return	10.54%	11.33%	1.23%	8.57%	1.41%	6.17%
S&P 500 Total Return*	14.24%	18.61%	10.81%	14.22%	7.44%	10.04%
Consumer Price Index**	1.69%	1.94%	1.06%	1.28%	1.68%	2.06%

* The S&P 500 is a widely recognized, unmanaged index of common stock prices. The figures for the S&P 500 reflect all dividends reinvested but do not reflect any deductions for fees, expenses, or taxes. One cannot invest directly in an index.

** Consumer Price Index (CPI) – As of August 2017 – U.S. CPI Urban Consumers NSA (Non-Seasonally Adjusted), Index. The Consumer Price Index tracks the prices paid by urban consumers for goods and services and is generally accepted as a measure of price inflation. Price inflation affects consumers' purchasing power.

Consolidated performance with dividends and other earnings reinvested. Performance figures reflect the deduction of broker commission expenses and the deduction of investment advisory fees. Such fees are described in Part II of the adviser's Form ADV. The advisory fees and any other expenses incurred in the management of the investment advisory account will reduce the client's return. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the above accounts. A list of all security recommendations made within the past twelve months is available upon request.

Top Twenty Holdings

Company	Industry	% of Net Asset
Alliance Data Systems Corporation	IT Services	4.77%
Gilead Sciences, Inc.	Biotechnology	4.71%
ON Semiconductor Corporation	Semiconductors & Semiconductor Equipment	4.56%
Apple Computer Inc.	Technology Hardware, Storage & Peripherals	4.45%
Hanesbrands, Inc.	Textiles, Apparel & Luxury Goods	3.98%
Microchip Technology	Semiconductors & Semiconductor Equipment	3.50%
Celgene Corporation	Biotechnology	3.27%
Annaly Capital Management Inc.	Real Estate Investment Trusts	3.18%
DowDuPont, Inc.	Chemicals	3.17%
Celanese Corporation - Series A	Chemicals	3.13%
Biogen Idec Inc.	Biotechnology	3.11%
Tencent Holdings Ltd. ADR	Internet Software & Services	3.02%
UnitedHealth Group Inc.	Healthcare Providers & Services	2.96%
Microsoft Corporation	Software	2.95%
McKesson Corporation	Health Care Providers & Services	2.90%
SPDR Gold Shares	Exchange Traded Funds	2.50%
Federated Investors, Inc. - Class B	Capital Markets	2.46%
Cameco Corporation	Oil, Gas, & Consumable Fuels	2.45%
PowerShares Buyback Achievers Portfolio	Exchange Traded Funds	2.42%
Lannett Company, Inc.	Pharmaceuticals	2.40%

Composite holdings are subject to change and are not recommendations to buy or sell any security.

Composite Top Twenty Holdings are presented as supplemental information to the fully compliant presentation on the next page.

Return on Equity (ROE) is a company's net income (earnings), divided by the owner's equity in the business (book value).

Portfolio Managers

Ronald H. Muhlenkamp, Portfolio Manager, CFA, has been active in professional investment management since 1968. He is a graduate of both M.I.T. and the Harvard Business School.



SMA Facts

Average Number of Equity Holdings 30
Cash & Cash Equivalents 16.44%
Portfolio Turnover 14.20%‡

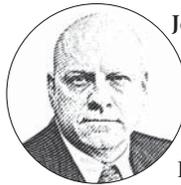
‡ Trailing 12 months

SMA Information

The All-Cap Value Composite was created in December 2003 and includes fee-paying accounts over \$100,000, full discretion, under management for at least one full quarter which are invested in the All-Cap Value strategy. The composite excludes the Muhlenkamp Fund and any wrap fee account.

Minimum Initial Investment \$100,000.00
Management Fee* 1% (first \$1 million);
0.5% on the remainder

* May vary by account.



Jeffrey P. Muhlenkamp, Portfolio Manager, CFA, has been active in professional investment management since 2008. He is a graduate of both the United States Military Academy and Chapman University.

SMA Facts are presented as supplemental information.

Investment Adviser

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Muhlenkamp & Company serves individual and institutional investors through our no-load mutual fund and separately managed accounts.

Muhlenkamp & Company, Inc. All-Cap Value Composite Annual Disclosure Presentation

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	ANNUAL PERFORMANCE			THREE-YEAR ANNUALIZED STANDARD DEVIATION*		
				Composite Gross	Composite Net	S&P 500 Total Return Index	Composite	S&P 500 Total Return Index	Composite Dispersion**
2016	339	39	52	(1.86)	(2.68)	11.96	9.73	10.59	1.17
2015	422	48	67	(4.66)	(5.45)	1.38	10.41	10.47	0.68
2014	541	51	67	10.27	9.37	13.69	9.55	8.97	2.06
2013	585	50	60	35.50	34.39	32.39	11.29	11.94	3.13
2012	491	41	66	11.29	10.34	16.00	12.02	15.09	1.14
2011	555	45	74	(2.84)	(3.67)	2.11	16.60	18.70	0.85
2010	724	59	82	2.96	2.15	15.06			1.45
2009	839	90	107	32.68	31.72	26.46			2.80
2008	759	112	155	(40.53)	(40.94)	(37.00)			1.97
2007	1886	327	289	(7.61)	(8.19)	5.49			3.77
2006	3393	371	337	6.09	5.34	15.79			3.70
2005	3471	287	289	10.04	9.22	4.91			3.38
2004	2261	197	206	24.54	23.56	10.88			3.33
2003	1350	132	167	43.36	42.10	28.68			5.57
2002	742	81	139	(19.80)	(20.49)	(22.06)			3.65

The objective of this All-Cap Value Composite is to maximize total after-tax return, consistent with reasonable risk—using a strategy of investing in highly profitable companies, as measured by Return on Equity (ROE), that sell at value prices, as measured by Price-to-Earnings Ratios (P/E).

Muhlenkamp & Company, Inc. (“Muhlenkamp”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Muhlenkamp has been independently verified for the periods December 31, 1993 through December 31, 2016 by ACA Performance Services, LLC.

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 All-Cap Value Composite has been examined for the periods December 31, 1993 through December 31, 2016. The verification and performance examination reports are available upon request.

Muhlenkamp is an independent registered investment advisory firm registered with the Securities and Exchange Commission. The firm’s list of composite descriptions is available upon request.

Returns are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite may invest in American Depositary Receipts (ADRs).*** Accounts may be shown gross or net of withholding tax on foreign dividends based on the custodian. Past performance is not indicative of future results.

The U.S. dollar is the currency used to express performance. Returns are expressed as percentages and are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual Composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

* **Three-Year Annualized Standard Deviation** is a measure of volatility, calculated by taking the standard deviation of 36 monthly returns, then multiplying the result by the square root of 12 to annualize it. Since standard deviation measures the dispersion of a set of numbers from its mean, higher results indicate more variation in monthly returns over the trailing three years.

** **Composite Dispersion** is a measure of the similarity of returns among accounts in the Composite. It is the standard deviation of the annual returns for all accounts which were in the Composite for the entire year.

*** **American Depositary Receipts (ADRs)** are shares that trade in U.S. markets, but represent shares of a foreign company. A bank (the depository) purchases a number of the foreign shares and holds them in a trust or similar account; in turn, the bank issues shares tradable in the U.S. that represent an interest in the foreign company. The ratio of ADRs to foreign shares is set by the bank. ADRs do not mitigate currency risk, but can reduce transaction costs and simplify trading compared to buying the local shares in the foreign markets.