



Muhlenkamp & Company

October 5, 2022

Jeff Muhlenkamp, Portfolio Manager

Tony Muhlenkamp, President



Muhlenkamp & Company, Inc.
Intelligent Investment Management

Welcome

- Today's problems come from yesterday's "solutions". – Peter Senge
- Tomorrow's problems will come from today's "solutions". – Jeff's corollary



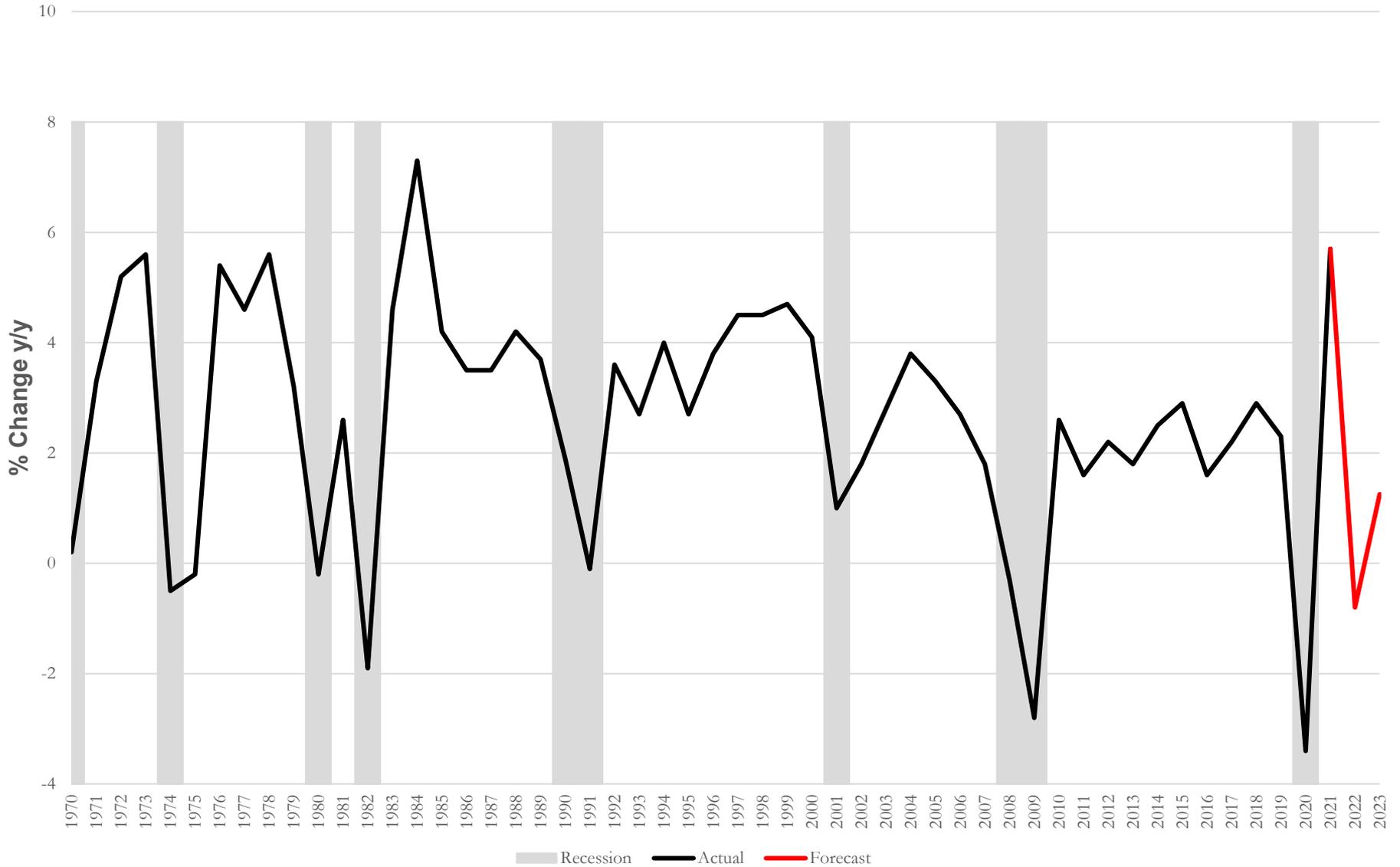
Muhlenkamp & Company, Inc.
Intelligent Investment Management

| Our Checklist: | What we observe as the Current State: | Future Outlook: |
|--------------------------------------|--|--|
| 1. Inflation | US CPI 8.3% y/y | Likely to decline near term, but how much? |
| 2. Federal Reserve and Treasury | Fed tightening, Treasury loose | Fed test ahead No change at Treasury |
| 3. Consumer spending | Selective | Impact of Inflation? |
| 4. Business Investment | Weak | Weak |
| 5. Credit default/bank health | Good so far | ? |
| 6. Trade/US dollar as trade currency | Covid disruptions easing, Russia energy and currency disruptions ongoing | How long can Europe stand high energy prices? End of dollar as universal trade currency? |
| 7. Europe | Energy crisis, high inflation. | Something's got to give. |
| 8. U.S. Elections | High voter energy, low consensus | Looking for clues about direction of US policy |
| 9. China | Large Covid impact still Housing boom over | Lower growth, potentially stagnation for a while |

Source: Muhlenkamp & Company, Inc.



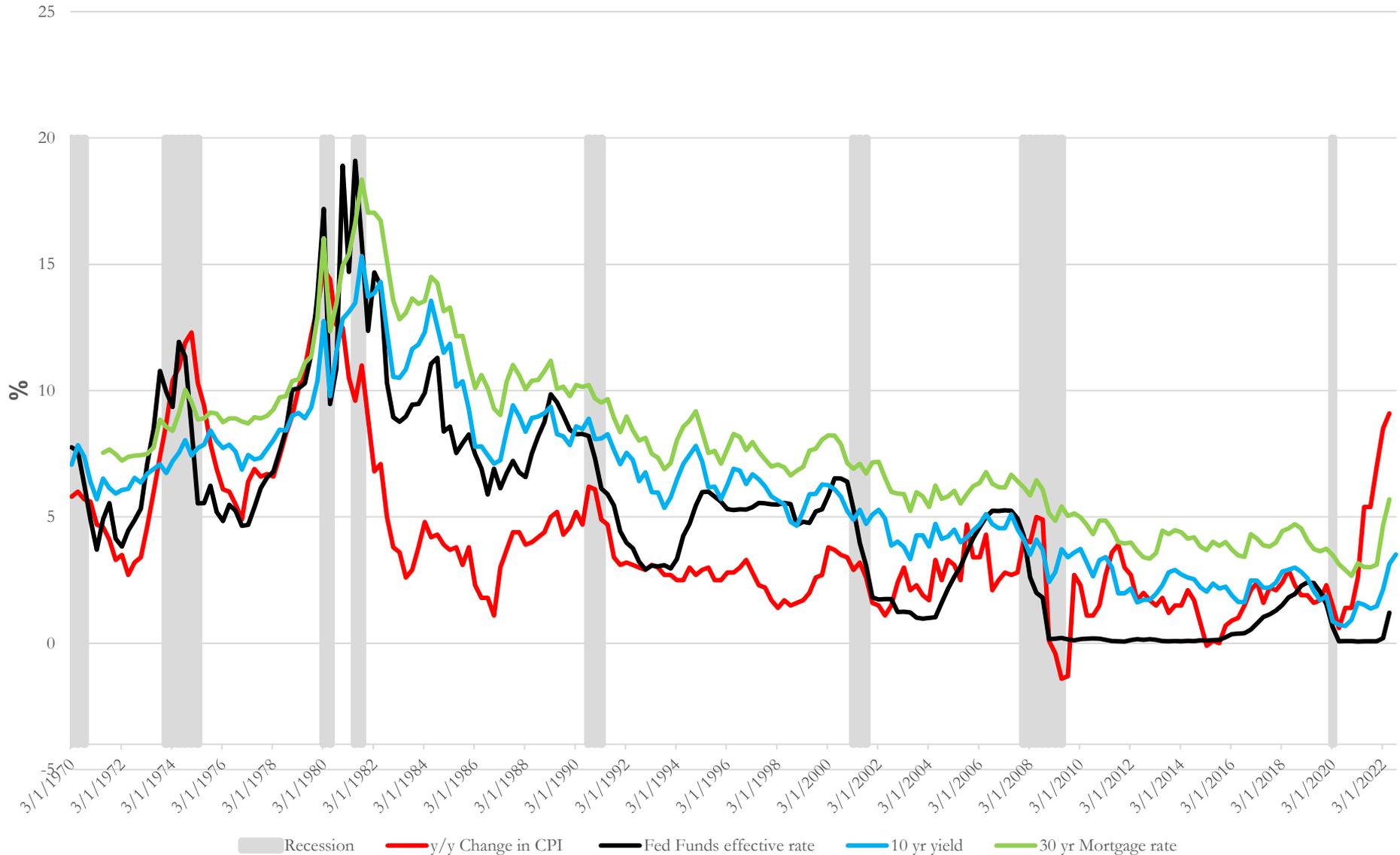
US Real GDP 1970 - 2023(e)



Data Sources: Bloomberg
The Conference Board



US Inflation, Interest, and Mortgage Rates Since 1970 (quarterly)

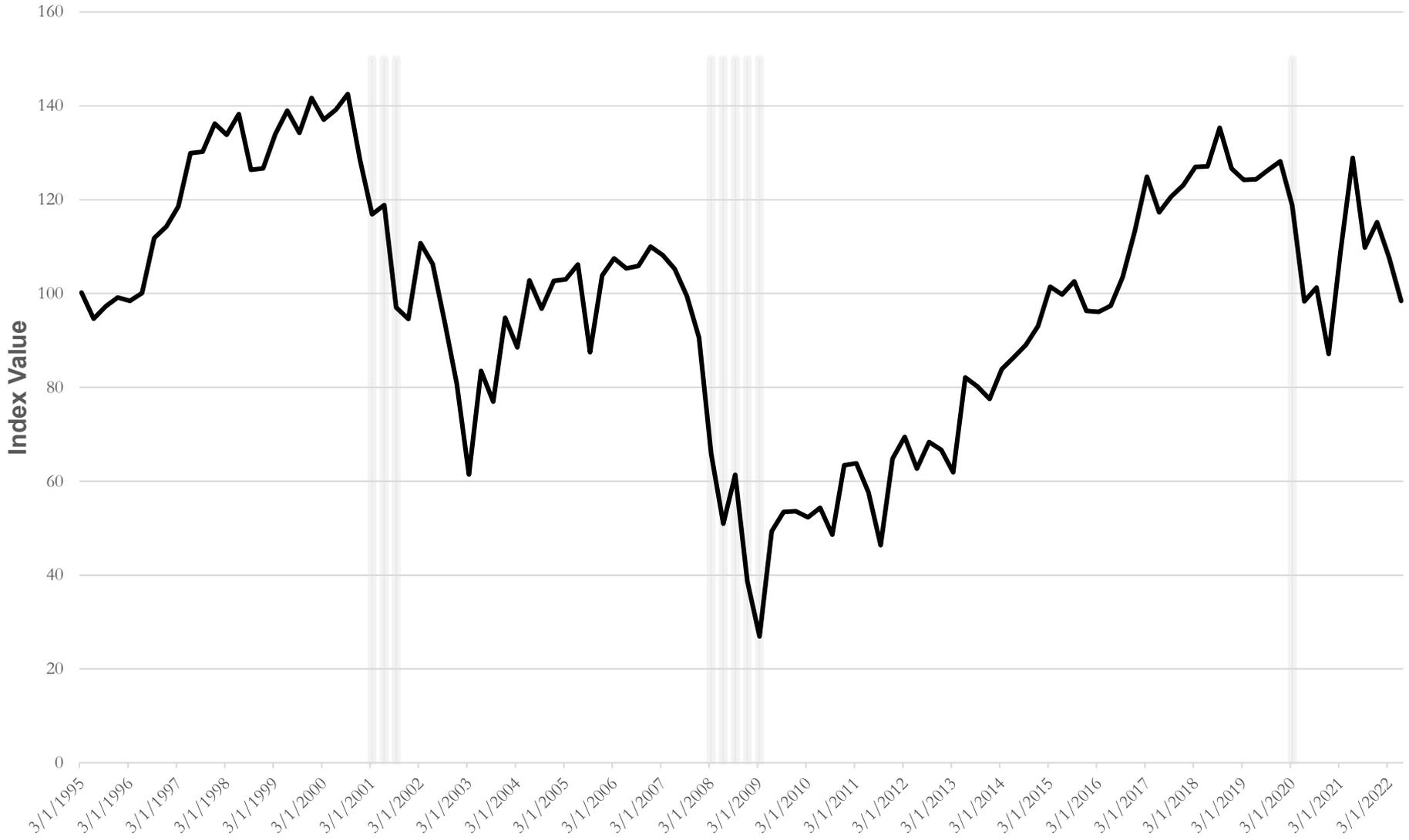


Data source: Bureau of Labor Statistics
via Bloomberg terminal

Quarterly, last data point 6/28/2022

Consumer Confidence

Jan 1995 - June 2022 (Qtrly)

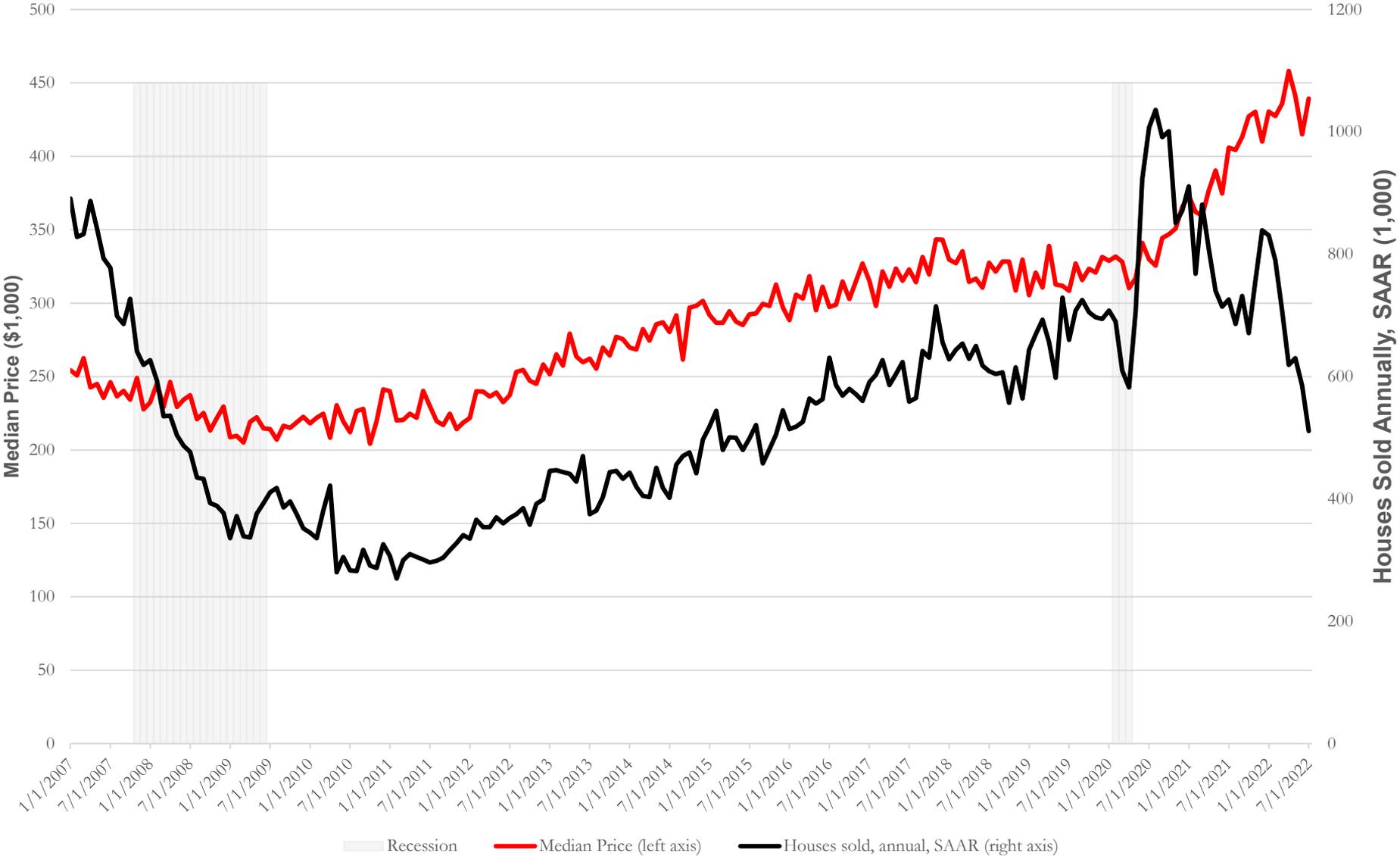


Data source: Consumer Confidence: Conference Board via Bloomberg Terminal
values indexed 1985 = 100

Last data point 6/30/2022



US New Home Sales and Median Prices Jan 2007 to Jul 2022



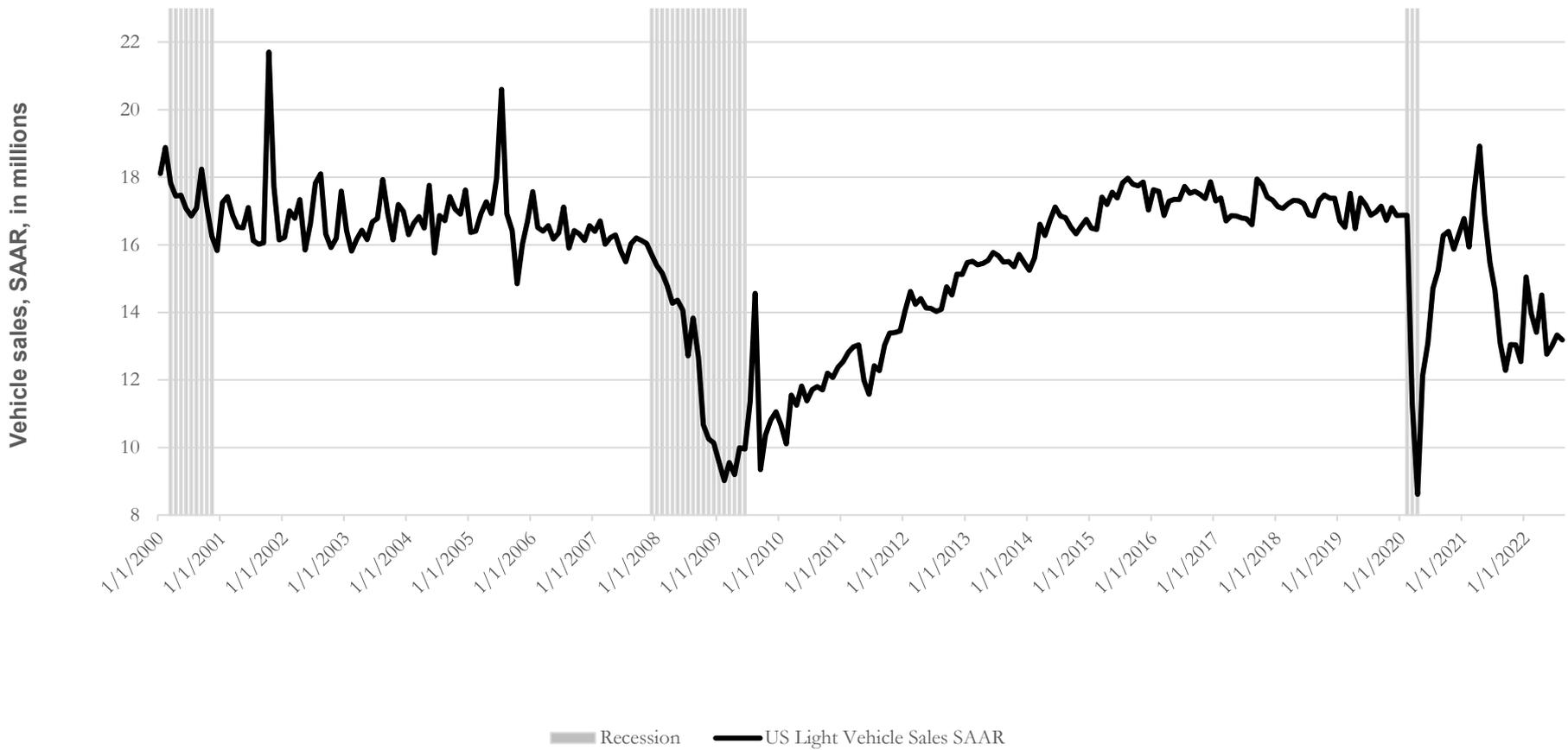
Recession
 Median Price (left axis)
 Houses sold, annual, SAAR (right axis)



Data source: US Census Bureau
via Bloomberg.

SAAR: Seasonally adjusted annual rate

US Light Vehicle Sales SAAR Jan 2000 - Aug 2022



Data source: US Bureau of Economic Analysis
via Bloomberg.

SAAR: Seasonally adjusted annual rate

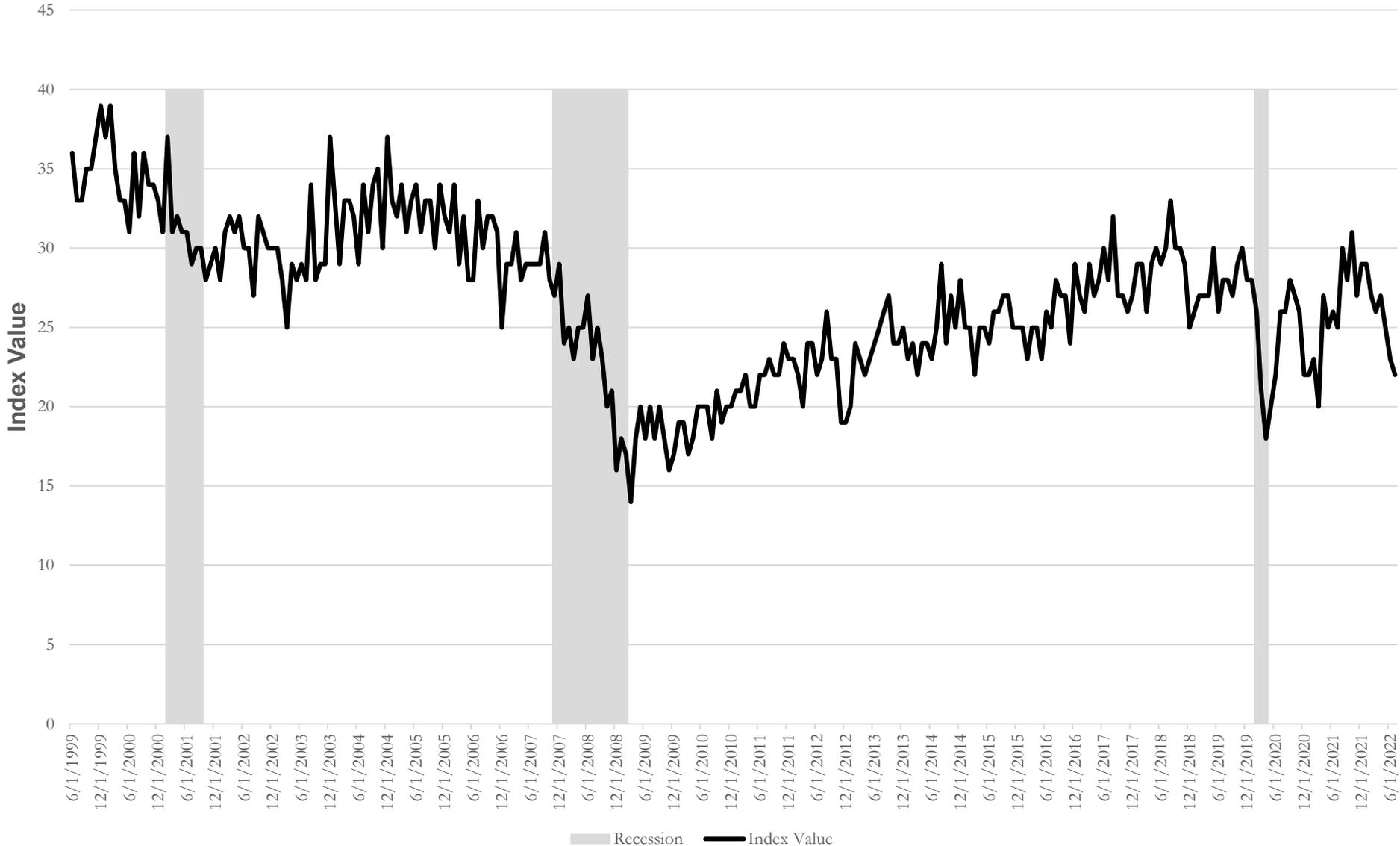
NFIB Small Business Optimism Index Jan 1995 - Jul 2022



Data source: National Federation of Independent Business (NFIB)
via Bloomberg. Data indexed 1986 = 100

Last data point 7/31/22

NFIB Small Business Capital Expenditure Plans Jun '99 - Jul '22



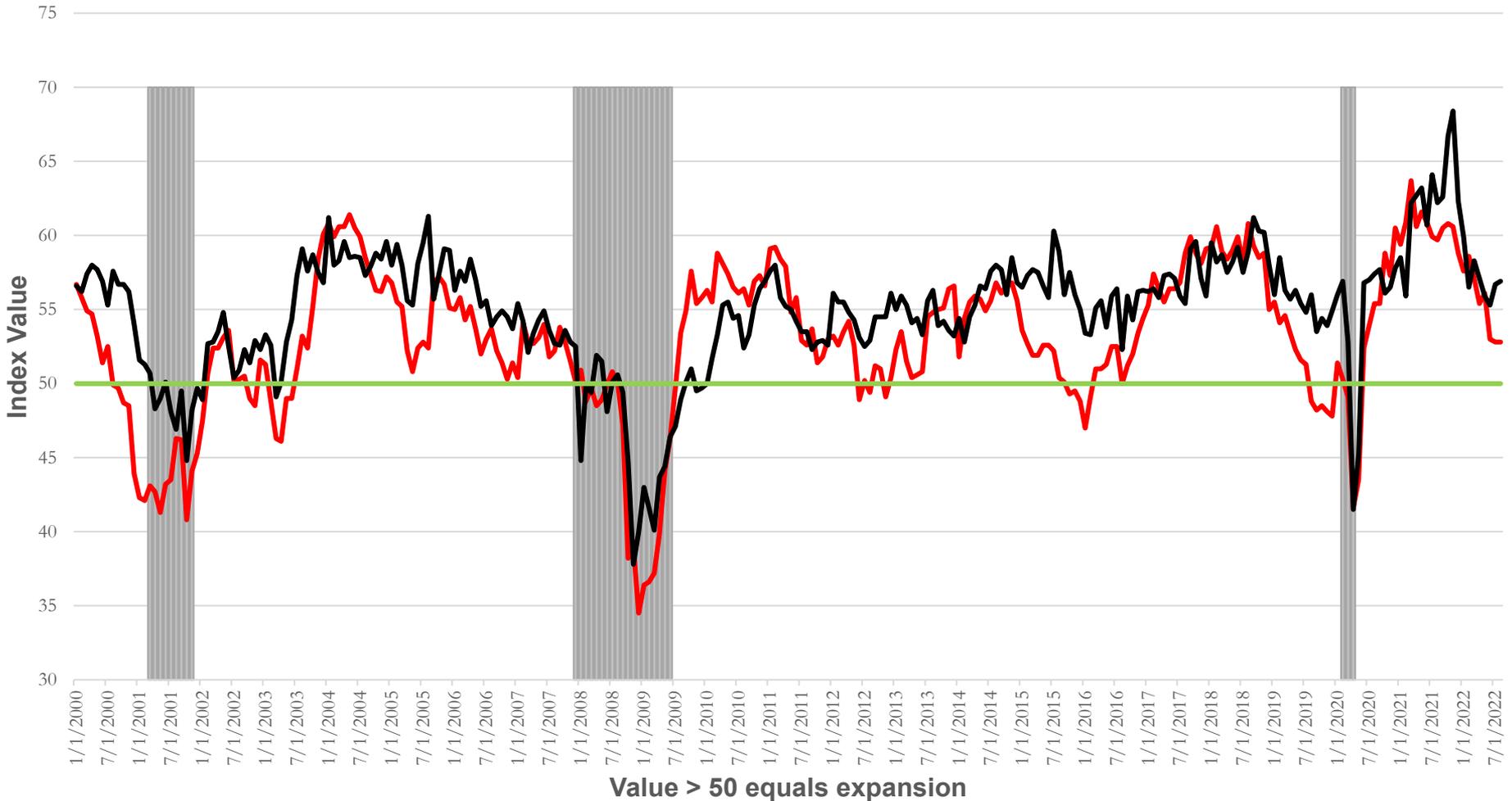
Recession Index Value



Data source: National Federation of Independent Business (NFIB)
via Bloomberg.

Last data point 7/31/22

ISM manufacturing and non-manufacturing Indices Jan '00 - Aug '22



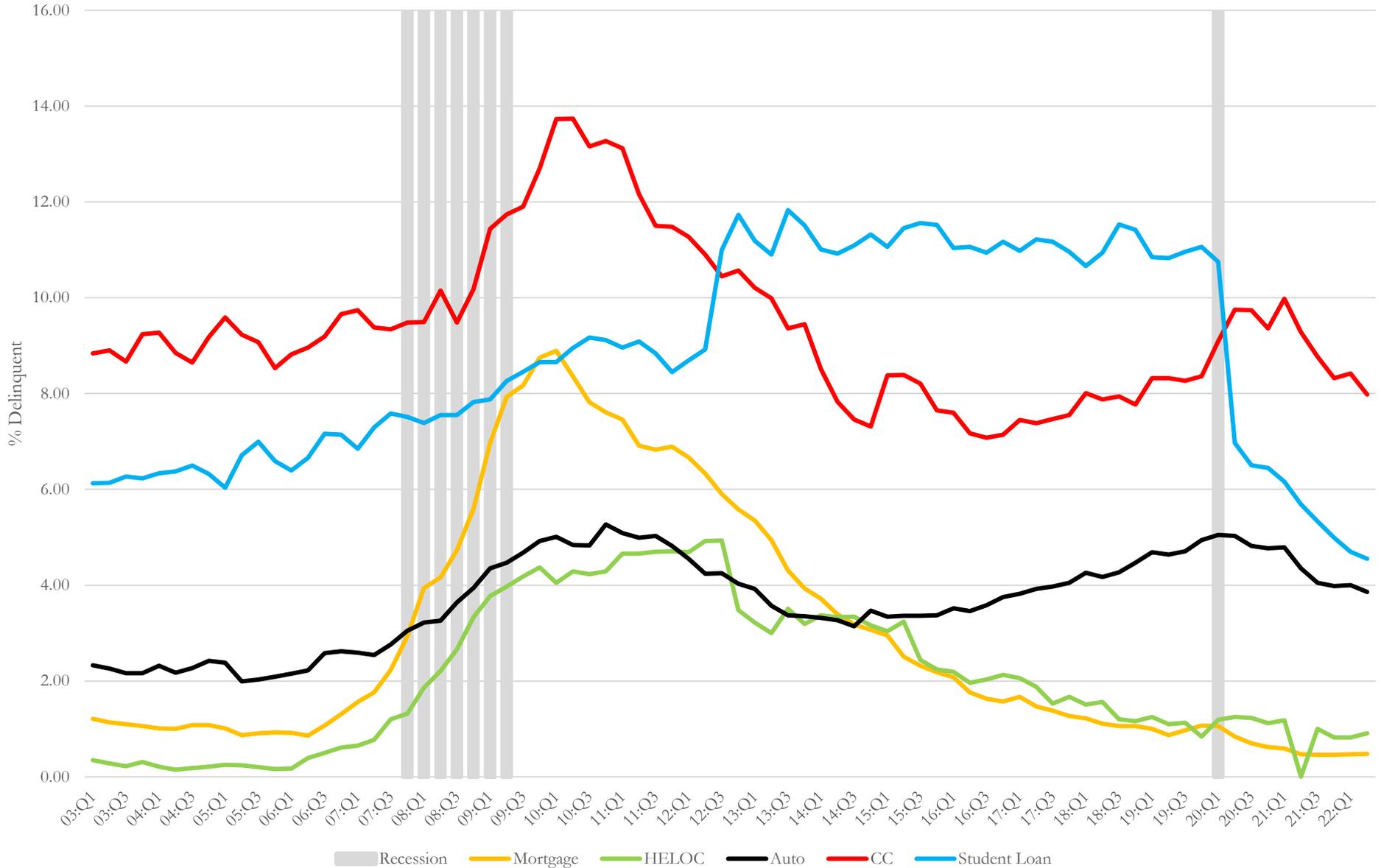
■ Recession ■ ISM Man PMI ■ ISM non-Man Index ■ expansion line



Data source: Institute for Supply Management
via Bloomberg.

Last data point 8/31/22

% of loan balance 90 days + delinquent by loan type 1Q 2003 to 2Q 2022



Data source: Federal Reserve Bank of New York



Other Topics

- **Currencies:** the US \$ is up ~ 20% vs. a basket of currencies. Japan intervened in currency market in late Sep.
- **Europe:** in the middle of a brutal energy crisis. UK's plan to deal with it drove their currency down and sovereign interest rates way up in days. The potential for major problems this winter is high.
- **US elections:** It's clear voters are unhappy – what are they looking for? We hope to learn something in November.
- **China:** Growth the last 30 years has come from exports and domestic construction – both of those growth mechanisms have gone as far as they can.

| Our Checklist: | What we observe as the Current State: | Future Outlook: |
|--------------------------------------|--|--|
| 1. Inflation | US CPI 8.3% y/y | Likely to decline near term, but how much? |
| 2. Federal Reserve and Treasury | Fed tightening, Treasury loose | Fed test ahead No change at Treasury |
| 3. Consumer spending | Selective | Impact of Inflation? |
| 4. Business Investment | Weak | Weak |
| 5. Credit default/bank health | Good so far | ? |
| 6. Trade/US dollar as trade currency | Covid disruptions easing, Russia energy and currency disruptions ongoing | How long can Europe stand high energy prices? End of dollar as universal trade currency? |
| 7. Europe | Energy crisis, high inflation. | Something's got to give. |
| 8. U.S. Elections | High voter energy, low consensus | Looking for clues about direction of US policy |
| 9. China | Large Covid impact still Housing boom over | Lower growth, potentially stagnation for a while |

Source: Muhlenkamp & Company, Inc.



How are we responding?

- **Raised cash levels in the last twelve months with an eye to taking advantage of investment opportunities we anticipate will occur.**
- **Continue to hold companies we like long term.**
- **Significant investments in energy, which should do well in inflationary environment and should benefit going forward from a lack of energy investment in the recent past.**
- **Significant investments in health care companies which should be minimally affected by a recession.**



Questions and Responses



Muhlenkamp & Company, Inc.
Intelligent Investment Management

The comments made during this webcast are opinions and are not intended to be investment advice or a forecast of future events.



Muhlenkamp & Company, Inc.
Intelligent Investment Management