MUHLENKAMPMemorandum

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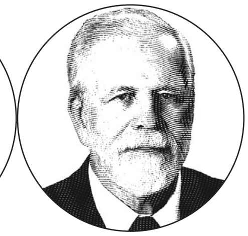
QUARTERLY LETTER

By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

U.S. inflation as measured by the Consumer Price Index (CPI) peaked at just over 9% the end of June 2022. It has since fallen nearly as rapidly as it rose and stands at 4% as of 5/31/2023. Energy and food prices have led the decline as the world has adjusted to the disruptions in energy and food supplies created by the Russia-Ukraine War. The end of China's "Zero-COVID" policies has helped normalize supply chains and removed upward pressure on the price of goods imported from China. The U.S. employment picture remains robust, with the U-3 measure of unemployment coming in at 3.7% on 5/31/2023, only slightly worse than the 3.4% rate of 4/30/2023. In fact, unemployment has been below 4% since December 2021. In response to the improving inflation picture, the Federal Reserve decided at its June 14th meeting to leave the Federal Funds Target Rate unchanged at 5% - 5.25%. This "pause" was widely anticipated by the market. The Fed did, however, hint that two more rate increases may occur before year end. We'll see. The Federal Reserve also resumed shrinking its balance sheet in late March with total assets now showing at $8.389 trillion, near the prior low on 3/8/2023 of $8.342 trillion. A couple of weeks ago we sent out a short note in which we stated that we thought the Fed was probably done raising rates, at least in the near term, because raising interest rates was causing them to have to lend more money to banks to keep them solvent, preventing the Fed from shrinking its balance sheet and withdrawing money from the banking system. We still think that's true: further rate increases will impair financial assets and prompt additional lending by the Fed—so the two programs are working against each other. Our hypothesis remains that the Fed will stop raising rates and continue to shrink the balance sheet. Although the Fed didn't state this as the reason for "pausing" interest rate hikes, their (in)action is consistent with our analysis.

"AI related stocks and big tech are not the only companies hitting multi-year highs: some industrial companies, some homebuilders, a few health care companies, and a smattering of companies in other industries are hitting all-time highs too."

The stock market in the second quarter continued to move higher, spurred during this period by the rollout of new artificial intelligence (AI) tools that have caught the popular imagination. This drove any company with ties to AI sharply upwards, in some cases hitting new all-time highs. Much has been made of this move in the financial press with many accurately depicting the overall advance in the market as being very narrow, with few stocks participating. On closer examination, however, AI related stocks and big tech are not the only companies hitting multi-year highs: some industrial companies, some homebuilders, a few health care companies, and a smattering of companies in other industries are hitting all-time highs too. This makes it harder to dismiss the recent market run as simply a bounce in tech stocks.

With this in mind, here is our update to what we think are the most important questions today:

1. Will the U.S. enter a recession? Last quarter we said this was "very likely, maybe even almost certain." We now think it is less certain, and would say it is "possible, perhaps likely." Why the change? Continued strength in homebuilding is one. Stability in the regional banks since April helps too. Retailers have mostly worked their way through excess inventories which should result in improved orders and demand for transportation

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MUHLENKAMP

LETTER TO MY DAUGHTERS: ON HOW TO GET RICH

By Tony Muhlenkamp, President

Your Grandpa and I were talking about peoples' desire for a simple, easy, magic formula for getting rich. And I realized that in all the letters I've written you about investing, finance and economics, I never told you how to get rich. It totally slipped my mind. So here it is, the magic formula for getting rich.

SAVE. HALF.

It's simple. Two words.

Save half of every dollar that comes into your possession. Save half of what you earn, save half of a raise or bonus, save half of the monthly payment on a loan that you pay off. Save half.

Now, your Grandpa and I can't take credit for this as an original idea. I first read it years ago in an interview with John Templeton, which I can no longer find. (And if you don't know who John Templeton is then I have failed you as a father. Much like my failure to introduce you to Hamburger Helper when you were children.) John Templeton was a legendary investor, founder of the Templeton Funds, knighted by the Queen of England, all kinds of awards and accolades.

The interviewer asked him the secret to getting rich and expected a story about being the first person to invest in Japan after World War II, or how Sir John made a killing on a certain stock, or something dramatic like that. Instead, Sir John said "Well, for the first 20 years after college, I saved fifty cents out of every dollar I earned." That was it; that's the key to wealth from a man who was an acclaimed investor. It's not how you invest that will make you rich, it's how you save!

Saving is hard. It requires setting goals and priorities for spending and saving. It takes discipline and budgeting and making tradeoffs in your lifestyle. It also requires you actually earn a dollar in the first place, so you have fifty cents to save.

Now, if you want to get rich a little quicker, then invest your savings in a good, no load, total return mutual fund. If you want to reduce taxes and benefit from tax free/tax deferred compounding, use 401(k), IRA, and Roth IRA accounts for your savings and investments. The key is still to save half.

And while it's simple, it's not easy. Saving is hard. It requires setting goals and priorities for spending and saving. It takes discipline and budgeting and making tradeoffs in your lifestyle. It also requires you actually earn a dollar in the first place, so you have fifty cents to save. I suggest starting slow by saving something manageable and gradually increasing your savings until you hit that 50% mark. Start by saving a dime from every dollar; do that for three months and get used to it. Then increase by another dime to save twenty cents. Three more months and add another dime. Bump your savings by a dime every three months and in just over a year you will be saving half of what you make. Start saving and then save just a little bit more.

Let me know if I can help with the details.

Love,
Dad

Mutual fund investing involves risk. Principal loss is possible.

The comments made in the articles are opinions and are not intended to be investment advice or a forecast of future returns.

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LETTER

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going forward. Why do we still think a recession is possible? The yield curve remains inverted, so banks can't make money borrowing short term and lending long term, reducing the availability of loans to small businesses and likely increasing the cost of those loans. Further, there are real problems in commercial real estate: operators are sending the keys to the buildings to the lender instead of trying to make payments (echoes of the "jingle mail" from 2006 – 2008 when homeowners bailed on their mortgage by mailing the keys to their mortgage lender), this could create problems in the banks that hold the loans. So, a couple of positive signs but still a lot of negative ones.

2. What will inflation do? If the Fed can hold rates at their current level (which is above the rate of inflation for the first time in quite a while) and continue shrinking their balance sheet, we expect inflation will stabilize or continue to trend downward. We would highlight that you can no longer expect prices to come down as supply chains return to normal—that's already happened. If the Federal Reserve has to start expanding its balance sheet because of further problems in the banking system or to support the proper functioning of the treasury markets, we expect inflation will move up again. The size of the federal deficit and increases in regulation are other reasons to suspect inflation may stop declining or even increase. We have no strong conviction on which way inflation will go but find it prudent to hold some assets that will do well in an inflationary environment.

3. Will we get a financial crisis? Last quarter, we said we are in one and we think we still are, though things have settled down a lot. There remain a number of potential problems, commercial real estate being one of the most prominent. So, we're not ready to sound the "all clear" just yet.

For the reasons we just outlined, we are more optimistic than three months ago but still cautious about the investing environment. Our investing actions have matched our modest shift in outlook and we have added several new companies to our portfolios that we believe to be selling at attractive prices. We retain a fair bit of cash (earning nearly 5% in a money market fund) as we continue to look for attractive investments. We'll keep you posted.

As always, if you have questions or comments, write, or give us a call. We'd love to hear from you.

With our best wishes for your continued success and good health.

CPI *– The Consumer Price Index ("CPI") measures the average change in prices over time that consumers pay for a basket of goods and services, commonly known as inflation. One cannot invest directly in an index.*

Federal Funds Rate *– the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. It is the interest rate banks charge each other for loans.*

U-3 Unemployment Rate *– is the official unemployment rate. It is the total unemployed, as a percent of the civilian labor force.*

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

ANNOUNCEMENTS

Request for Email Address
Muhlenkamp & Company regularly publishes information that gets distributed by email only. To be added to our email list, visit www.muhlenkamp.com or call us at (877) 935-5520.

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MUHLENKAMP
& COMPANY INC.
5000 STONEWOOD DRIVE, SUITE 300 WEXFORD, PA 15090

MUHLENKAMPMemorandum

Inside this issue:

- Quarterly Letter
- Letter to My Daughters: On How to Get Rich
- Announcements

JEFF MUHLENKAMP ON THE CLAMAN COUNTDOWN

On 6/26/2023, Portfolio Manager, Jeff Muhlenkamp was a guest on The Claman Countdown. Watch the episode, "Oil markets moving on aborted Russian mutiny a knee-jerk reaction: Jeff Muhlenkamp," available on the Fox Business Network website.

Visit our Blog to find this interview as well as others: https://muhlenkamp.com/blog/

Direct link https://muhlenkamp.com/2023/06/29/jeff-muhlenkamp-on-the-claman-countdown-6-26-2023/

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 06/30/2023

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.

ALL-CAP VALUE COMPOSITE PERFORMANCE (NET OF FEES)

			Annualized			
	Year to Date	One Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Return	7.84%	15.05%	19.62%	10.68%	7.51%	6.10%
S&P 500 Total Return*	16.89%	19.59%	14.60%	12.31%	12.86%	10.88%
Consumer Price Index**	2.47%	4.05%	5.86%	3.87%	2.70%	2.29%

* **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 May 2023 – 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
EQT Corporation	Oil, Gas, & Consumable Fuels	4.98%
Schlumberger NV	Energy Equipment & Services	4.13%
Occidental Petroleum	Oil, Gas, & Consumable Fuels	3.78%
McKesson Corporation	Health Care Providers & Services	3.76%
Mastec Inc	Construction & Engineering	3.75%
Broadcom Inc	Semiconductors & Semiconductor Equipment	3.57%
Kirby Corp	Marine	3.48%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.18%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.14%
UnitedHealth Group Inc	Health Care Providers & Services	3.13%
SPDR S&P Reginal Banking	Banks	2.93%
Dow Inc	Chemicals	2.88%
Recurrent MLP & Infrastructure Fund I	Mutual Funds	2.78%
Apple Inc	Technology Hardware, Storage & Peripherals	2.69%
Microsoft Corp	Software	2.69%
SPDR Gold Shares	Exhange Traded Funds	2.64%
Microchip Technology Inc	Semiconductors & Semiconductor Equipment	2.53%
Rush Enterprises Inc	Trading Companies & Distributions	2.32%
Bristol-Myers Squibb Company	Pharmaceuticals	2.21%
CVS Health Corp	Health Care Providers & Services	2.11%

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).

MUHLENKAMP

PORTFOLIO MANAGER

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

Average Number of Equity Holdings	29
Cash & Cash Equivalents	25.92%

SMA Facts are presented as supplemental information.

SMA INFORMATION

The inception date for the All-Cap Value Composite is December 31, 1993. The All-Cap Value Composite was created in December 2003. The Composite includes fee-paying accounts over $100,000, full discretion, under management for first full month 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.*

INVESTMENT ADVISER

Muhlenkamp & Company, Inc.
5000 Stonewood Drive, Suite 300
Wexford, PA 15090-8395
(877)935-5520
services@muhlenkamp.com

www.muhlenkamp.com

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: Composite Gross	ANNUAL PERFORMANCE: Composite Net	ANNUAL PERFORMANCE: S&P 500 Total Return Index	THREE-YEAR ANNUALIZED STANDARD DEVIATION*: Composite	THREE-YEAR ANNUALIZED STANDARD DEVIATION*: S&P 500 Total Return Index	Composite Dispersion**
2022	396	54	57	2.82	2.06	(18.11)	19.51	21.16	0.82
2021	317	48	48	28.05	27.11	28.71	18.28	17.41	1.67
2020	265	38	45	14.06	13.14	18.40	18.63	18.79	1.38
2019	253	34	48	14.70	13.78	31.49	10.33	12.10	1.37
2018	254	32	51	(11.71)	(12.45)	(4.38)	9.24	10.80	1.21
2017	342	40	52	15.24	14.30	21.83	8.70	9.92	2.12
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

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 June 30, 2016 by Ashland Partners & Company LLP and for the periods July 1, 2016 through December 31, 2022 by ACA Performance Services. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The All-Cap Value Composite has had a performance examination for the periods December 31, 2006 through December 31, 2022. The verification and performance examination reports are available upon request.

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Muhlenkamp is an independent registered investment advisory firm registered with the Securities and Exchange Commission. The firm maintains a complete list of composite descriptions and pooled funds, which 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 investments, calculating performance, and preparing GIPS Reports are available upon request.

* **Three-Year Annualized Standard Deviation** *is a measure of volatility, calculated by taking the standard deviation of 36 monthly returns, net of fees, 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, net of fees, 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.*