MUHLENKAMP Memorandum

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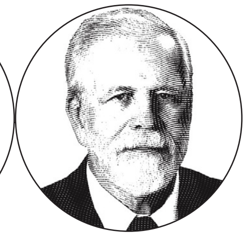
QUARTERLY LETTER



By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

Fellow Investors,

During 2021 the global economy continued to be buffeted by waves of COVID-19—first the Delta variant, then late in the year the Omicron strain. The reactions by government bodies continue to be quite varied: Sweden at one extreme imposed minimal restrictions as case counts rose, China on the other extreme completely locked down entire cities when cases were discovered. These episodic reactions to the virus continue to impact both the demand for goods and services and the ability of global supply chains to meet that demand. Six months ago we described the situation as "noisy" with all of the short-term changes making it difficult to identify long-term trends. That characterization remains true and we expect it to continue as long as people continue to react strongly to the virus.

One of the things that became clear by the middle of 2021 was that inflation had arrived. The November Consumer Price Index (CPI) was 6.8% higher on a year-over-year basis giving a decent indication of the pace of inflation last year. The higher inflation numbers finally got the attention of the Federal Reserve late in the year and caused them to announce the end of their bond buying program: they are winding it down now and will end it completely by the end of March 2022. It is widely expected that they will begin raising short-term interest rates after ending the bond purchase program. So the Fed has shifted from encouraging inflation to discouraging inflation. What we don't know is how hard the Fed will fight inflation and how long it will take to get it back to the Fed's desired level. In the 1970s the Fed was slow to realize the magnitude of the problem and only got inflation under control after significantly raising interest rates and triggering a recession. Will it play out that way again, or will inflation subside without such drastic measures? We don't know.

What we do know is that right now interest rates are well below the rate of inflation. On 31 December 2021 the interest rate on the 10-year Treasury bond was 1.52% and the interest rate on the 30-year was 1.90%: both were well below inflation. That makes it a great time to be a borrower, (and a terrible time to be a lender) which we explained in October when we highlighted that mortgage rates were below inflation for the first time since the early '80s. During the inflationary period of the '70s it actually made economic sense to borrow as much as you could at a fixed rate (for most people that meant taking out a mortgage) and repaying it with dollars that were worth less than the ones you borrowed. After Fed Chairman Paul Volcker broke inflation in the early '80s that was no longer true and Ron wrote an article alerting our clients to that fact. In October 2021 Ron revisited the topic pointing out that once again it makes complete sense to be a borrower. The longer mortgage rates remain below the rate of inflation the more the borrower will benefit. We have no idea how long this situation will last. Anecdotally we see ample demand for bonds of all flavors, so it is quite conceivable that interest rates stay low even in the face of rising inflation.

The stock market in 2021 saw the rise and fall of a number of hot investment ideas. "Green energy" stocks ran up and then collapsed as did cannabis stocks and meme stocks. Even growth stocks, which have been so strong for so long, started to fade by the end of the year. We think it is healthy for expensive sectors or stocks to correct to more rational levels. Last year this happened in a number of sectors without triggering market wide selloffs, that may continue as many areas of the market remain very expensive and there is a lot of room for further rationalization of prices.

The markets treated us pretty well in '21 and we are pleased with the portfolio's performance. We saw strong returns from our technology and industrial holdings in particular. We continue to have an exposure to gold as insurance against central bank mistakes and we hold a little bit of cash which we will put to work when we find attractive opportunities.

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

With our best wishes for your continued success and good health in 2022.

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

KIDS – GET TO WORK!

By Michelle Orphall, Marketing Manager

Hey kids. Do you know how many hours you spend scrolling on social media or exploring the Minecraft world? The American Academy of Child and Adolescent Psychiatry (AACAP) states that, on average, teens in the United States spend up to nine hours per day watching or using screens (including smartphones, tablets, gaming consoles, TVs, and computers). This heavy use of screen time can lead to sleep, weight, and mood problems.[1]

If your computer use consumes most of your free time, does the thought ever cross your mind that you should be doing better things with your life? Do you have trouble sleeping or do you feel a little down because your heavy use of electronics never gives your brain the downtime it needs? Unless you have monetized your TikTok account or are selling merchandise via Instagram, the time you spend using electronics probably isn't giving you a head start on your future.

Don't squander your time, you can never get it back. If you don't already work (babysitting, lawncare, etc.), you might want to consider getting into the job market. Today, you basically have your pick of where you want to start. There are "Help Wanted" or "Now Hiring" signs on almost every retail shop. A friend of my 15-year-old daughter filled out an application at a local fast-food establishment, had an interview, was offered a job, and started working all in the same day. She had to notify her father (who was waiting in the parking lot while she interviewed) to come back in five hours because she was starting her first shift. My daughter, who had started working at that same place a month earlier, got to train this friend on how to properly prepare the orders.

[1] *https://www . aacap . org/AACAP/Families_ and_Youth/Facts_for_Families/FFF-Guide/Children-And-Watching-TV-054.aspx*

Choose Your Path

Think about what interests you and look for a job that will give you experience that you can build on to get you to where you want to go. For example, if you are interested in becoming a veterinarian, you could get your first job at a dog groomers or boarding kennel. You learn to deal with animals and their owners, it's a step in the right direction. Are you interested in becoming a fashion designer? You could start working in the mall at a retail clothing store.

It depends on the employer and the work involved, but some companies will hire kids as young as 14 years old. You may be limited to the number of hours you can work, but the rewards can be numerous.

Why Start Working So Young?

- You are in a better position to save and invest more while still living with your parents than when you are on your own with rent or mortgage expenses and other bills to pay.
- The sooner you start earning and investing, the longer you have the amazing effects of compounding to help grow your assets. Compounding is when the money you make from investing is added to your principal and then that amount makes more money. It can grow exponentially. Playing with a compound interest calculator can be a great incentive to save. Use a free calculator on the Internet to see how different rates and different lengths of time can affect the future value. Just to give you an example: Let's say you're 20 when you start investing and you invest $3,000 every year until you are 65. If you earned an average annual return on your investment of 6% for those 45 years, you would end up with over $675,000. You would have only invested $135,000 and the extra $540,000 would be from the growth. Be aware that investing involves the risk of loss of value.
- It's empowering to have your own income and spending money. You will learn the value of a dollar and how to handle money. It's much better to learn from small mistakes with your money while you are under your parents' guidance than from larger errors when you are out on your own.
- Get ahead of the other kids. Not that your goal should be to compare yourself to your peers, but your future job opportunities depend on your skills. There's a good chance that you will get a better job than someone who doesn't yet have work experience.
- Next year, there might not be as many job openings. The opportunities are numerous right now, but developments in the economy and technology could change that. Have you noticed all the self-checkout stations currently available in retail stores? Those stores now need fewer cashiers. Businesses take advantage of new inventions, especially ones that reduce one of their biggest costs—labor.

Some Benefits of Having a Job

- You learn to deal with customers, work with other employees, and to work for someone else. You may learn to manage inventory and manage others. The skills you learn will help you in life and future employment.

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- You can develop empathy, self-confidence, and responsibility as well as learn to advocate for yourself.
- You may find purpose, higher self-esteem, and satisfaction—all which can help avoid depression and improve your self-image.
- You can make new friends at work and hopefully stay out of trouble. You might even have fun.
- You may improve your time management and problem-solving skills and get better at multitasking.
- You will make new connections at each job. An entry-level job is just a steppingstone to your next job.
- You can contribute to an IRA (Individual Retirement Account) since you have earned income. This will give you a start on saving for your retirement.
- You could begin to earn Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) credits depending on your earnings.
- You learn what you like and don't like which may help you determine what career to go into or what to study in college or trade school.
- You learn about the struggles your employer has and how being a business owner can be challenging but rewarding.
- You may receive employee discounts and sometimes even family discounts.

Some Reasons Not to Work

- *I volunteer so I don't have time to get a jo*b – That's great, you're learning a lot while volunteering. It may help you to get a scholarship that may be worth even more than what you could earn at this point. If you have a volunteer opportunity, go for it.
- *Grades and school are my priorities and I have sports and other activities. I don't want to get burned out.* – Talk with your potential employer to see if you could create a schedule that works for both of you. Don't try to overdo it. Another option is to just work during summer break when you have more free time.
- *I don't drive yet.* – Could your parent, friend, or sibling drive you or could you take public transportation?
- *I don't need to work; my family gives me spending money.* – That seems nice, but you're actually missing out on gaining experience and skills. Plus, it may be a disservice to you as you may not be able to fully understand the value of money if you don't earn it yourself.
- *I don't want to work for minimum wage*. – An entry-level job teaches you the basics. You need to start somewhere and then you can move your way up to a higher-paying job.
- *My friends aren't working.* – Be a leader and set an example for them—they may follow.
- *I want to enjoy my childhood.* – Of course, you won't start working full time. But get a taste of being an adult by working a few hours per week or a few times per month. Make sure you keep some free time in your schedule to just be a kid.

What If I Try Something and It Doesn't Work Out?

- Learning something new almost always feels overwhelming. Don't give up. Once you get the hang of it, you will look back and be glad that you stuck with it.
- Too much jumping around won't make for a good resume, so try not to call it quits too soon. Give two-weeks' notice when possible.
- Don't burn any bridges. Your employer may be someone you could use as a reference for your next job. Try to leave on good terms.
- Be glad you tried it. Each job gives you more experience.

Interdependence – Employees, Employers, and Consumers

With the current shortage of workers, there are many businesses that are so short staffed that there are days that they can't open. Too many closures could put the employer out of business. If businesses close, it also impacts the people who lose their jobs as well as reduce the availability of options for consumers. It takes a lot of work to start a business and keep it operating. By working you would be helping to keep a business going and helping the community to maintain a selection of local establishments. Unless you start your own business, you need an employer to hire you. So everyone is dependent on everyone else to keep the economy going—everyone needs to do their part.

Work Hard and Work Smart

Business owners have a lot to manage and must do it correctly to make a profit. They have many expenses such as insurance, rent, taxes, accounting, marketing, raw material, overhead, and payroll. Besides your hourly wage or salary, your employer also pays Social Security, Medicare, and Unemployment tax for you. Be grateful that you can have a job as an employee and not be burdened with all of the worries of business ownership.

When you get a job, think of better ways of doing things to improve the business and reduce costs. Do as much as you can when you are working—the more variety of tasks that you do, the more skills you will build and the stronger your resume will be. Someday you may be the entrepreneur taking the risks—be the employee that you would want to hire in the future. Get to work! It will benefit both you and the lucky person who hires you.

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

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MUHLENKAMPMemorandum

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- Kids – Get to Work!

For 45 years, Muhlenkamp & Company, Inc. has been serving investors by creating diversified portfolios. Ron Muhlenkamp developed a proprietary method of evaluating both equity and fixed income securities, which we continue to use today.

We appreciate your interest in reading our quarterly newsletter and we hope that you have also been well served as a shareholder or private client. We would be grateful to you if you would share our Memorandum with others who may be interested in our investment management or financial planning services.

We wish you all the best in 2022!

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 12/31/2021

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

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	27.11%	27.11%	17.84%	10.37%	9.34%	3.67%
S&P 500 Total Return*	28.71%	28.71%	26.07%	18.47%	16.55%	10.66%
Consumer Price Index**	6.71%	6.81%	3.32%	2.86%	2.08%	2.57%

*** 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 November 2021 – 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
WESCO International Inc	Trading Companies & Distributions	5.27%
Broadcom Inc	Semiconductors & Semiconductor Equipment	4.64%
Microsoft Corp	Software	4.50%
Microchip Technology Inc	Semiconductors & Semiconductor Equipment	4.49%
Apple Inc	Technology Hardware, Storage & Peripherals	4.44%
McKesson Corporation	Health Care Providers & Services	3.82%
Mastec Inc	Construction & Engineering	3.72%
UnitedHealth Group Inc	Health Care Providers & Services	3.69%
Dow Inc	Chemicals	3.65%
Meritage Homes Corp	Household Durables	3.63%
CVS Health Corp	Health Care Providers & Services	3.46%
EQT Corporation	Oil, Gas, & Consumable Fuels	3.16%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.10%
Kirby Corp	Marine	3.02%
Schlumberger NV	Energy Equipment & Services	2.92%
ALPS Alerian MLP ETF	Exhange Traded Funds	2.68%
Rush Enterprises Inc	Trading Companies & Distributions	2.64%
SPDR Gold Shares	Exhange Traded Funds	2.51%
Lennar Corp Class A	Household Durables	2.51%
Alliance Data Systems Corp	IT Services	2.49%

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 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.

INVESTMENT ADVISER

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SMA FACTS

Average Number of Equity Holdings	31
Cash & Cash Equivalents	15.53%

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 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.*

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

				Annual Performance			Three-Year Annualized Standard Deviation*		
Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Composite Gross	Composite Net	S&P 500 Total Return Index	Composite	S&P 500 Total Return Index	Composite Dispersion**
2021	316	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
2007	1886	327	289	(7.61)	(8.19)	5.49			3.77

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, 2021 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, 2021. 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.*