

Muhlenkamp & Company, Inc.

Quarterly Letter

Ron Muhlenkamp

July 2013

While the economic trends of the past couple of years continue, we've just seen an important change in interest rates and the bond markets.

First, the economic trends:

- Europe is in a recession.
- China is attempting to shift from an infrastructure and export focus to more domestic consumption, but the transition is hampered by reluctant local leaders and their interest in recent successes. The resulting stresses are making it difficult for China to reach its announced targets for growth.
- In the U.S., growth continues to be tepid despite gains in autos and housing. First quarter GDP (Gross Domestic Product) growth was just 1.8% (initial estimates were 2.4%) as consumer spending on services is subdued.
- Since the end of April, interest rates have rebounded nearly a full percentage point as the markets speculated on when the Federal Reserve stimulus would taper off.

Second, interest rates and the bond markets:

- Since the end of April, 10-year Treasury yields have gone from 1.7% to 2.6% and 30-year mortgage rates have gone from 3.4% to 4.5 percent. Frankly, we think these moves are healthy as they are advancing toward normal levels. (Interest rates have been held below normal market levels by the Federal Reserve in a belief that this would foster economic growth.) Specifically, higher interest rates benefit retirees and pension funds.
- U.S. bond markets now appear to be focusing on the likely end to stimulus and have moved interest rates higher, thereby driving bond prices lower.
- Whatever the underlying cause, a full 1% increase in less than two months is dramatic in the bond market and potentially disruptive in the stock market. In fact, the stock market has recently sold off 5%-10% in the various indices after a strong up-move since last fall. It now seems to be stabilizing as we look forward to second quarter earnings.

In a world where the U.S. economy is growing at 2% and most other economies are also growing well below potential, we expect that the stocks of companies that can report good revenue and earnings growth will do well.

The great disappointment is that the improvements in the U.S. stock market and Federal income tax receipts (and in European bond markets) have given politicians on both sides of the Atlantic an excuse not to rein in government spending in a meaningful way.

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

Muhlenkamp & Company, Inc.

FOR THE PERIOD ENDED 6/30/13

INVESTMENT ADVISER

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ALL-CAP VALUE COMPOSITE

Muhlenkamp & Company's All-Cap Value Composite includes all fee-paying accounts over \$100,000, full discretion, under management for at least one full quarter, which are invested in the all-cap style. The composite excludes the Muhlenkamp Fund and any wrap fee account.

OBJECTIVE

Maximize total return, consistent with reasonable risk.

STRATEGY

Invest 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).

PORTFOLIO MANAGER

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

ALL-CAP VALUE COMPOSITE TOP TEN HOLDINGS

Company	Industry	% of Net Assets
Alliance Data Systems	IT Services	5.5
Hanes Brands Incorporated	Textiles, Apparel & Luxury Goods	3.6
Celgene Corporation	Biotechnology	3.5
J.P. Morgan Chase & Company	Diversified Financial Services	3.5
Microsoft Corporation	Software	3.4
Discover Financial Services	Consumer Finance	3.4
State Street Corporation	Capital Markets	3.3
Spirit Airlines Incorporated	Airlines	3.3
General Motors Company	Automobiles	3.3
American Interational Group	Insurance	3.2

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

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

ALL-CAP VALUE COMPOSITE PERFORMANCE (NET OF FEES) AS OF JUNE 30, 2013

Year-To-Date	Annualized				
	One Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
18.17%	23.37%	11.48%	3.34%	4.72%	2.55%

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.

ALL-CAP VALUE COMPOSITE FACTS

ROE	16.90% *
Long-Term Earnings Growth	15.37% *
Average P/E	16.74 *
Portfolio Turnover	36.54% **

* Weighted averages using Bloomberg data as of 6/30/13

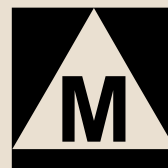
Note: Average ROE and P/E have been adjusted to provide a more meaningful valuation.

** Trailing 12 Months

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

Long-Term Earnings Growth is not a forecast of the Composite's future performance.

Price-to-Earnings Ratio (P/E) is the current stock price, divided by the earnings per share.



Muhlenkamp & Company, Inc.
Intelligent Investment Management

MUHLENKAMP & COMPANY, INC. ALL-CAP VALUE COMPOSITE ANNUAL DISCLOSURE PRESENTATION

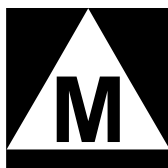
Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	ANNUAL PERFORMANCE			THREE-YEAR ANNUALIZED STANDARD DEVIATION*		
				Composite Gross	Composite Net	S&P 500 Total Return Index	Composite	S&P 500 Total Return Index	Composite Dispersion**
2012	491	41	66	11.29	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
2001	699	97	124	(2.72)	(3.51)	(11.93)			5.16
2000	428	101	99	16.10	15.23	(9.10)			5.98
1999	297	100	110	5.15	4.32	21.04			10.82
1998	338	121	118	0.89	0.12	28.58			3.26

Muhlenkamp & Company's All-Cap Value Composite includes all fee-paying accounts over \$100,000, full discretion, under management for at least one full quarter, which are invested in the All-Cap style. The composite excludes the Muhlenkamp Fund and any wrap fee account. The objective of this All-Cap Value Composite is to maximize total 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, 2012 by Ashland Partners & Company LLP.

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, 2012. 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.



Muhlenkamp & Company, Inc.
Intelligent Investment Management

Results 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.

The investment management fee schedule for the Composite is 1% on the first \$1 million, and 0.5% on the remainder. Actual investment advisory fees incurred by clients may vary.

The All-Cap Value Composite was created in November, 1978.

* **Three-Year 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 tradeable 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.