Muhlenkamp & Company, Inc.

Quarterly Letter by Ron & Jeff
April 2015

We'll start with our views on the U.S. stock market, then briefly touch on some broader U.S. and global issues, then close with a summary of how it all ties together.

In general, we find the market is fully priced. Some sectors appear quite expensive (utilities come to mind), while others are less so (energy). If the market were a new car, you'd be paying the sticker price to buy it today—no incentives, no dealer reductions, nothing—the sticker price. So we're not very interested in buying the market at today's price. We keep looking for bargains (we are always looking for bargains), but we're not finding many. Many of the companies we own are no longer cheap and are no longer "buys," but we've found it profitable over the years to leave well enough alone with stocks that are doing well, watching closely for a change in the price momentum as a signal to sell. That's what we are doing today. There are reasons to believe momentum may reverse; margin debt, for instance, had been growing for years, but is now holding steady. If it declines, it is likely stock prices will, too. There are also reasons to believe upward momentum may continue. Savers and investors in both Japan and Europe are being punished with historically low, even negative, interest rates and are looking elsewhere for better returns. If their money comes to the U.S. markets, it could well continue to drive prices up for a time. There is no clear market direction right now and we are watching closely to see what develops.

Now let's talk about some broader topics very briefly.

The U.S. Economy – Coming into the New Year most economic commentators called for 3%+ U.S. GDP (Gross Domestic Product) growth fuelled, in part, by lower oil prices. Most of those estimates have come down steadily over the last 90 days. We continue to expect 2%-2½% GDP growth, repeating the pattern we've seen the last few years.

Earnings – There were two big themes in earnings calls this Quarter. For energy companies, the discussion was all about how much (35%-40%) they were going to reduce their capital expenditures in 2015 due to lower crude oil prices. For international companies, the discussion was all about how much the strong dollar hurt their profits as sales in foreign currencies were translated back into dollars for accounting purposes. (Quantities of goods sold in foreign currency may have been the same, and the revenues measured in the foreign currency may have been the same, but with a stronger dollar it translates into lower dollar sales overseas.) Add in some pretty broad-based announcements of wage increases in retail and we expect overall earnings growth this year to be roughly half of what it was last year.

Commodities – Oil prices have been the big news for nine months now as they dropped from $100/barrel to about $40/barrel, then "bounced" to $50/barrel. Now, oil prices are working their way back down because oil inventories, particularly in the U.S., continue to rise. It'll take some time to get supply and demand back in balance, and we may see new lows in the price of crude oil in the meantime. Hard commodities (iron ore, copper, steel, etc.) continue to get hit hard as the supply brought online to meet anticipated demand from China is now excess and looking for a home.

Central Banks – The European Central Bank embarked on their version of "Quantitative Easing" in the first quarter, immediately driving sovereign rates even lower in Europe and causing the euro to sell off against the dollar. This has been a big part of the strong dollar story and may be a reason for extended momentum in the U.S. markets.

The U.S. Federal Reserve Bank continues to prepare the markets for higher interest rates by wordsmithing their announcements to the nth degree. Higher rates will mean lower bond prices (not a good thing for the existing holder of bonds, or utilities for that matter), but will likely attract foreign capital fleeing negative rates and, thus, reinforcing the strong dollar. Since interest rates are currently below where we think they ought to be for economic reasons, we think rising rates, up to a point, will be healthy for the economy. You've heard us say that before.

So, where are we?

We expect continued slow GDP growth of 2%-2½% in the U.S. economy, which is still better than Europe or Japan. Chinese growth continues to slow. Inflation is not a problem anywhere around the globe—deflation is the fear.

European and Japanese central banks have adopted Quantitative Easing (they're printing money) just as the U.S. Federal Reserve is planning to continue "normalizing" its monetary policy by raising interest rates. (The first step in normalization was the end of our QE program). This has boosted the dollar versus the euro and the yen which, in turn, boosts the purchasing power of the U.S. consumer, but squeezes profitability for American exporters and lowers the dollar earnings of U.S. based international companies.

Crosscurrents anyone?

Meanwhile, stocks are fairly to fully priced, so we're treading carefully.

Ron Jeff Muhlenkamp

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

MuhlenkampSMA All-Cap Value

For the period ended 3/31/15

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 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	1.48%	9.03%	14.31%	9.24%	3.26%	4.29%
S&P 500 Total Return*	0.95%	12.73%	16.11%	14.47%	8.01%	4.15%
Consumer Price Index**	-0.04%	-0.03%	1.02%	1.61%	2.04%	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 – As of February 2015 U.S. CPI Urban Consumers NSA (Non-Seasonally Adjusted), Index**

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
Hanesbrands, Inc.	Textiles, Apparel & Luxury Goods	7.35%
Alliance Data Systems Corporation	IT Services	7.03%
Gilead Sciences, Inc.	Biotechnology	3.84%
Apple Inc.	Computers & Peripherals	3.45%
American Axle & Manufacturing Holdings, Inc.	Auto Components	3.36%
JPMorgan Chase & Co.	Diversified Financial Services	3.28%
Discover Financial Services	Consumer Finance	3.13%
Baker Hughes Incorporated	Energy Equipment & Services	2.97%
ON Semiconductor Corporation	Semiconductors & Semiconductor Equipment	2.90%
Medtronic, PLC	Health Care Equipment & Supplies	2.90%
State Street Corporation	Capital Markets	2.85%
Microsoft Corporation	Software	2.82%
Celgene Corporation	Biotechnology	2.82%
General Motors Co.	Automobiles	2.78%
Celanese Corporation	Chemicals	2.76%
Annaly Capital Management Inc.	Real Estate Investment Trusts	2.52%
Spirit Airlines Inc.	Airlines	2.48%
American Airlines Group Inc.	Airlines	2.46%
Berkshire Hathaway Inc., Class B	Diversified Financial Services	2.30%
ARRIS Group Inc.	Communication Equipment	2.26%

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 & Company, Inc.
Intelligent Investment Management

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.

Jeffrey P. Muhlenkamp, Investment Analyst and Co-Manager, 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	30
Cash & Cash Equivalents	10.45%
Portfolio Turnover	28.99% ‡

‡ *Trailing 12 months*

SMA Facts are presented as supplemental information.

SMA Information

Created in December 1993, Muhlenkamp & Company's All-Cap Value Composite includes separately managed fee-paying accounts over $100,000, full discretion, under management for at least one full quarter. 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**
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
2001	699	97	124	(2.72)	(3.51)	(11.93)			5.16
2000	428	101	99	16.10	15.23	(9.10)			5.98

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, 2014 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, 2014. 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.*