Muhlenkamp & Company, Inc.

Quarterly Letter by Ron & Jeff
July 2015

Economic news and domestic equity markets have been pretty quiet since we last wrote to you in April. On the domestic economic front the revised numbers for 1st Quarter Gross Domestic Product (GDP) came in at -0.7%, significantly worse than most expected. A number of other economic indicators in April and May also came in somewhat lower than expected. Collectively, these weak economic figures are likely the reason the Federal Reserve did not raise short-term interest rates in June, contrary to what it was indicating in March.

While short-term interest rates in the U.S. have remained low, long-term interest rates have begun to move higher with the yield on U.S. 10-year treasuries moving from roughly 2% at the beginning of the year to 2.4% in early June. Bond prices move opposite the direction of yields, so higher yields mean the price of those bonds has come down. The dollar, which had been very strong relative to most all other currencies, weakened as it became clear the Fed was not raising short-term rates in June. The price of crude oil, which had dropped precipitously from $110 per barrel to a low of $44 per barrel in March, strengthened and is now at about $60 per barrel. Margin debt in stocks, which had plateaued for most of 2015, is once again rising.

Outside the U.S., things have gotten interesting. Greece is on the edge of bankruptcy and its banking system is shut down, yet European and U.S. equity markets haven't reacted much, at least not as of this writing. In late May and early June, long-duration European government bond yields rose violently while short-duration bonds remained at negative nominal yields in many countries, an aberration we highlighted at our May 5 seminar. It is not clear what this rapid steepening of the yield curve means; so far, even European equity markets have mostly ignored it. It does have our attention and we continue to work to better understand what is happening and the implications for our investments, if any. In the Far East, the Shanghai stock market, which had been on a tear, rising 150% since January 2014, has dramatically reversed and lost almost 30% in three weeks. In early June, the Chinese government took a number of measures to try to stop the decline in their stock markets. Time will tell.

In general, our performance year to date has been slightly better than the broader U.S. markets.* Airlines, which did very well for us as the price of crude oil declined, have given back some of their gains as crude oil prices have risen and doubts have been raised about pricing discipline in the airline industry. Otherwise, our performance has been driven by individual company performance, not sector trends. We've invested a little bit in the broader European markets on a currency hedged basis** as we believe bond buying by the European Central Bank will drive up European equity markets even though it won't do much for European economies.

Looking forward, we expect the U.S. economy to grow at approximately 2% as it has for the past several years. We do not see signs that a recession is imminent. We remain of the opinion that higher interest rates would be beneficial for the economy, though we have no opinion regarding when the Federal Reserve might start raising short-term rates. We have harvested a number of the investments we made in years past, and have put a little new money to work in the few companies we think it is profitable to do so.

With our best wishes for your continued success,

Ron   Jeff Muhlenkamp

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

**The S&P 500 Index is a widely recognized index of common stock prices. The S&P 500 Index is weighted by market value and its performance is thought to be representative of the stock market as a whole. One cannot invest directly in an index.*

*****Currency hedging** *is the act of entering into a financial contract in order to protect against changes in currency exchange rates.*

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MuhlenkampSMA All-Cap Value

For the period ended 6/30/15

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 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)

	Year to Date	One Year	Annualized Past 3 Years	Annualized Past 5 Years	Annualized Past 10 Years	Annualized Past 15 Years
Return	1.22%	1.60%	15.81%	11.77%	2.66%	4.48%
S&P 500 Total Return*	1.23%	7.42%	17.31%	17.34%	7.89%	4.36%
Consumer Price Index**	1.27%	-0.04%	1.15%	1.74%	2.04%	2.20%

* **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 2015 – 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
Hanesbrands, Inc.	Textiles, Apparel & Luxury Goods	7.39%
Alliance Data Systems Corporation	IT Services	7.01%
Gilead Sciences, Inc.	Biotechnology	4.65%
JPMorgan Chase & Co.	Diversified Financial Services	3.69%
Celanese Corporation	Chemicals	3.61%
Apple Inc.	Computers & Peripherals	3.53%
Discover Financial Services	Consumer Finance	3.25%
Microsoft Corporation	Software	3.10%
Baker Hughes Incorporated	Energy Equipment & Services	2.93%
State Street Corporation	Capital Markets	2.88%
ON Semiconductor Corporation	Semiconductors & Semiconductor Equipment	2.85%
Medtronic, PLC	Health Care Equipment & Supplies	2.79%
American Axle & Manufacturing Holdings, Inc.	Auto Components	2.74%
General Motors Co.	Automobiles	2.48%
ARRIS Group Inc.	Communication Equipment	2.43%
Annaly Capital Management Inc.	Real Estate Investment Trusts	2.35%
Bristol-Myers Squibb Company	Pharmaceuticals	2.33%
NeuStar, Inc.	IT Services	2.27%
WCI Communities, Inc.	Household Durables	2.18%
Spirit Airlines Inc.	Airlines	2.02%

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	29
Cash & Cash Equivalents	12.73%
Portfolio Turnover	33.75% ‡

‡ *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

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	ANNUAL PERFORMANCE Composite Gross	Composite Net	S&P 500 Total Return Index	THREE-YEAR ANNUALIZED STANDARD DEVIATION* 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 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 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.*