Muhlenkamp & Company, Inc.

Quarterly Letter, January 2019

Fellow investors,

When we began 2018 we thought the markets would be dominated by two important changes: the passage of the new tax law in the final days of 2017 and a decline in dollar liquidity as the Federal Reserve both raised short-term rates and reduced the size of its balance sheet. We thought the first change would be good for the economy in both the short and long-term and the second change would be negative for most asset markets. We didn't hazard a guess regarding when the negative influence would start to appear. As a result, we were comfortable holding some cash at the start of the year but also wanted to participate if the economy took off.

As the year unfolded we ended up selling into what was a rising market in the spring and summer—not because of the larger view, but because of changes to the fundamental outlook or the price action of the stocks we owned. We sold some companies because their business prospects changed and no longer met our expectations and sold others that had become fully valued or overvalued and lost their upward price momentum—our normal sell criteria. Since we were unable to find good companies at attractive prices we held onto the cash. As a result, we looked pretty dumb during the first half of the year with our return significantly underperforming a still rising S&P 500. When the S&P 500 began to decline in September and October we didn't look (or feel) quite so dumb as our cash helped us to outperform on a relative basis late in the year. The outperformance late in the year was not enough to outweigh the underperformance earlier in the year, thus we underperformed for the year as a whole.

As we begin 2019 we are still in a slowly shrinking dollar liquidity environment: the Federal Reserve has indicated it will continue to shrink its balance sheet and consider additional short-term rate increases during the year. Additionally, the European Central Bank (ECB) ended its asset buying program in December 2018, so it is no longer pushing additional euros into global asset markets. Thus, support of asset prices by central banks continues to gradually shift into reverse. This year we cannot identify any big positive change(s) for the U.S. economy like last year's tax bill. In fact, in October we saw a decline in U.S. housing activity as high new home prices and higher mortgage rates reduced new home sales. We expect the slowdown in housing to continue in 2019 and consider it an incremental negative as we look at the U.S. economy. Additionally, we don't see a big positive for any other economy around the globe. We are seeing slowing economic growth in Europe, Japan, and China as well. In sum we are seeing slowing economies and shrinking liquidity —a poor environment for good returns on assets.

Our outlook on inflation has shifted a little bit recently. Six months ago we said we were uncertain about whether we would see higher inflation going forward but we thought the risks were to the upside. Since then oil prices have dropped from $75 per barrel to $45 per barrel with many other commodity prices dropping as well. Consequently we no longer think the risks are to the upside and don't expect higher inflation in the near future.

We also see a couple of wild cards out there. The first is Brexit, which is scheduled to happen in late March. Currently there is no agreement between the United Kingdom and the European Union (EU) to govern relations between them post Brexit and the proposed agreement they've been negotiating for two years has yet to come up for a vote in the English Parliament. If Brexit occurs without an agreement (a "hard" Brexit) we expect some volatility, but don't know how much. It is also possible that an agreement will be reached or that the negotiation process will be extended. The second wild card is the ongoing trade dispute between the U.S. and China. This has the potential to get better or worse and we have no insight into which way it will go. The range of possible outcomes is wide and could impact markets significantly either in a positive or negative fashion.

Muhlenkamp & Company, Inc.

As the New Year begins we have plenty of cash available to invest but are in no hurry to put it to work. We will continue to methodically search for good investment opportunities and will be patient until we find them.

Until next quarter…

Ron Muhlenkamp and Jeff Muhlenkamp

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

Central Bank is the entity responsible for overseeing the monetary system for a nation (or group of nations). The central banking system in the U.S. is known as the Federal Reserve (commonly referred to "the Fed"), composed of twelve regional Federal Reserve Banks located in major cities throughout the country. The main tasks of the Fed are to supervise and regulate banks, implement monetary policy by buying and selling U.S. Treasury bonds, and steer interest rates.

Federal Funds Rate is 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.

S&P 500 is a widely recognized, unmanaged index of common stock prices. The S&P 500 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.*

MuhlenkampSMA All-Cap Value

For the period ended 12/31/2018

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	-12.45%	-12.45%	-0.88%	0.14	6.82%	2.70%
S&P 500 Total Return*	-4.38%	-4.38%	9.26%	8.49%	13.12%	7.77%
Consumer Price Index**	2.24%	2.18%	2.02%	1.58%	1.72%	2.10%

* **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 2018 – 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
Microsoft Corporation	Software	4.39%
UnitedHealth Group Inc.	Healthcare Providers & Services	4.21%
Apple Computer Inc.	Technology Hardware, Storage & Peripherals	3.87%
Alliance Data Systems Corporation	IT Services	3.61%
AutoZone, Inc.	Specialty Retail	3.37%
Cameco Corporation	Oil, Gas, & Consumable Fuels	3.32%
Annaly Capital Management Inc.	Real Estate Investment Trusts	3.11%
Microchip Technology	Semiconductors & Semiconductor Equipment	3.11%
Celanese Corporation - Series A	Chemicals	3.06%
Gilead Sciences, Inc.	Biotechnology	3.03%
SPDR Gold Shares	Exchange Traded Funds	2.92%
DowDuPont, Inc.	Chemicals	2.79%
Invesco Buyback Achievers	Exchange Traded Funds	2.72%
Biogen Idec Inc.	Biotechnology	2.52%
McKesson Corporation	Health Care Providers & Services	2.42%
Cognizant Technology Solutions Corp.	IT Services	2.29%
Alerian MLP ETF	Exchange Traded Funds	2.26%
Federated Investors, Inc. - Class B	Capital Markets	2.18%
Cigna Corporation	Healthcare Providers & Services	2.08%
Pfizer Inc.	Pharmaceuticals	1.97%

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

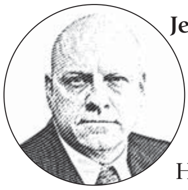
Composite Top Twenty Holdings are presented as supplemental information to the fully compliant presentation on the next page.

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, 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	25
Cash & Cash Equivalents	30.27%
Portfolio Turnover	10.70%‡

‡ *Trailing 12 months*

SMA Facts are presented as supplemental information.

SMA Information

The All-Cap Value Composite was created in December 2003 and 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.*

Investment Adviser

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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**
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
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

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, 2017 by ACA Performance Services, LLC.

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, 2017. 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.*