MUHLENKAMPMemorandum

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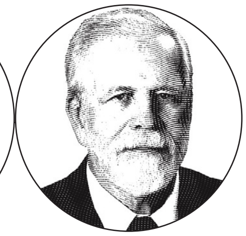
QUARTERLY LETTER



By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

In our last letter we wrote about inflation and four other "seismic shifts" in the investing environment. This quarter we continue to focus on U.S. inflation. We expect to discuss the other four in the future as events continue to unfold.

U.S. inflation in the second quarter remained high with the May 31, 2022 Consumer Price Index (CPI) indicating an 8.6% year-over-year increase in prices, up from 7.9% at the end of February and 7% at the end of December 2021. This high, and still rising, inflation prompted the Federal Reserve to raise their federal funds target rate by .75% at their June meeting. The federal funds rate is a very short-term interest rate and the only one directly set by the Federal Reserve. This was the 3rd increase in the federal funds rate this year and the largest one yet. The Federal Reserve has also ended their bond and mortgage-backed security purchasing program, but they have not yet reduced their holdings of these securities even though they have announced plans to do so.

We are also seeing market-driven interest rates continue to rise. As of June 26, 2022 the yield on the 30-year Treasury bond is 3.26% (up from 2% at the end of December 2021) and the average interest rate on a 30-year mortgage is 5.8% (up from 3.2% at the end of December 2021). Higher mortgage rates and rising home prices have dramatically slowed new home sales forcing home builders to start cutting prices and rolling out incentives to move inventory. While we don't expect a housing bust on the order of 2006 – 2009 the rapid degradation of the housing market has prompted us to re-evaluate our investments in homebuilders.

We observed 1st quarter that the most speculative assets had begun to decline precipitously, specifically mentioning growth stocks. The price declines in these sorts of assets have continued in the 2nd quarter with the most dramatic being the roughly 50% decline in the price of Bitcoin over the last 90 days. Cryptocurrencies more generally have been hard hit with several less well-known coins failing completely, at least one crypto invested hedge fund closing, and a crypto-based online bank of sorts halting redemptions. We suspect more pain to come in this space. (We have no investments in cryptocurrencies or the companies that are dependent on them).

We continue to expect inflation and higher interest rates to generally drive asset prices lower in the bond and equity markets as described last quarter.

We also expect a financial crisis of some sort to develop. The cheap money of the last decade was fuel for any number of speculative enterprises and malinvestment. As central banks, led by the U.S. Federal Reserve, increase the price of money, and withdraw excess funds from the financial system, we expect some of these speculations will fail, some overly indebted companies will fail, and overly indebted governments will struggle to finance themselves. Sooner or later, this will create a crisis. Our guess is that as interest rates rise a liquidity crisis will develop (a shortage of dollars somewhere in the financial system) or the U.S. economy will enter a recession. This will likely be before inflation is back below the Federal Reserve's 2% target. This will place the Fed on the horns of a dilemma: does the Fed continue to fight inflation in the face of the economic pain such actions are causing, or do they reverse course, push dollars into the economy to address the recession or the crisis, and allow inflation to continue at a level higher than their target? If they reverse course, we think the result is low growth and high inflation (stagflation). If they stay the course, the result will be sharper pain in the near term but better growth and lower inflation once the crisis resolves. We don't know which path the Federal Reserve will choose when the time comes.

The Federal Reserve is not the only portion of the government that is concerned about inflation. The White House also appears to be concerned and has floated a number of ideas about how to reduce high prices. These ideas include price caps, taxes on windfall energy profits, a "holiday" on the federal

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OUR INVESTMENT PROCESS IS OUR GUIDE

By Tony Muhlenkamp, President

In the preceding letter, Jeff and Ron discuss the changes to inflation and interest rates in the last year. They also discuss the dilemma we face between one financial crisis or another (liquidity crisis and sharp recession or stagflation). I simply wish to point out that none of this is new for us here at Muhlenkamp. Ron started managing portfolios in the late 1960s and steered through the bear market of 1973-74 and the stagflation of the 1970s. He wrote a paper in 1979 titled "Why the Market Went Down" (available on our website) to describe how inflation and interest rate changes HAD to change equity prices and valuations; and that realization has driven our investment process ever since.

We wanted to remind you of the process we use to guide us as economic conditions change; and that as changes occur, we adjust what we are willing to pay for a company. Below is a reprint from the SMA FAQ section of our website. https://muhlenkamp.com/sma/faqs/

FAQ#10 – Describes Our Investment Process

We start with the premise we are only interested in owning good companies, but we believe you can turn a good company into a bad investment if you pay too much for it. We use a business-like evaluation of each company designed to identify what a company is worth as a business today.

To find good companies, we start with return on shareholder equity (ROE). Since World War II the average return on corporate shareholder equity has been about 14%. And we like better than average companies, so we look for companies with ROE over 14%. In a climate of 2 1/2% inflation and 4-5% interest rates we need to see a P/E less than or equal to the ROE to consider purchasing the company. By contrast, in a climate of 9% inflation and 12% interest rates (during the 1970s) we were screening for a P/E less than half the ROE. So, we are always looking for good companies, but the price we are willing to pay for those companies changes as inflation and interest rates change.

Once we have identified companies meeting our ROE and P/E criteria we begin our fundamental analysis. We dig into their numbers to learn how they achieved that ROE, and whether it is sustainable. We look at growth, profits, financial strength, labor relations and management teams.

Growth is an important consideration, especially the relationship between growth and ROE. If ROE is higher than the growth rate, the company is probably generating free cash flow. Cash flow puts a company in control of its own destiny. Growth rates higher than the ROE are not sustainable without additional debt or equity financing. We prefer companies with ROE that can comfortably fund growth. We like to see revenue driven growth and not just cost cutting or accounting sleights of hand. Revenue tells you if the public is buying the company's product and should be near the level of earnings growth. Both earnings and revenues growth should exceed the industry medians.

Profits are another critical factor. The way to make profits is cost control, and we look for companies whose profit margins exceed the industry median.

Clean balance sheets are important but can be more or less critical depending on the business and the stage of the economic cycle we are in at the time. Use of debt can help boost ROE when the company is performing strongly, but it can hurt the company when business slows down and the company still has to meet their interest payments. We look for companies with percentage of liabilities to assets lower than industry medians, and then look for free cash flow.

Labor relations and management teams are harder to quantify. In the final analysis, the quality of the management team is all you have, but we don't know a better way of measuring them than by how well they have done the job historically. The quality of the management teams usually becomes clear in the fundamental analysis that we perform.

Finally, our approach has been the same for over 40 years.

Our valuation process and our discipline in buying good companies at low prices often puts us at odds with conventional wisdom; but this enables buying good companies cheap because no one else wants them, and helps avoid paying too much for good companies when everybody else wants them.

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

LETTER

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gas tax, and public shaming of several companies and industries. We don't think any of these ideas will be effective in reducing inflation as they either subsidize consumption (maintain or increase demand) or penalize production. This is the opposite of what you want to do in both cases. To tame inflation you need to either increase supply or decrease demand, or a combination of the two. You also need to stop creating money faster than you are creating goods and services. (For example, California's plan to hand out cash to taxpayers to mitigate the effects of inflation will not reduce inflation, in our opinion). We also saw these types of measures tried in the '70s. They didn't work then; we don't expect them to work now if they are actually implemented.

You may have noticed our relatively large investments in energy. Allow us to explain the reasoning behind that. We've observed that the oil and gas industry in general has under-invested in new capacity for the last few years: government policy, shareholder activism, COVID-19, and profligate spending 5 to 10 years ago all contributed to recent decisions by managements to reduce capital expenditures, cut costs, and streamline their businesses. Profitability and free cash flow have replaced growth as their primary goals. This change in goals has stabilized supply. Then, nature struck in Europe last winter when unusually calm wind conditions took their windmills offline and caused the price of natural gas to spike. Next, Russia invaded the Ukraine and Western Europe unleashed sanctions against Russian oil. Russia retaliated by first demanding payment for natural gas in Rubles, then shutting off supplies of natural gas to some European countries. This is the "perfect storm" that has driven oil and gas prices higher. We didn't predict the tough European winter or the Ukraine War, we simply observed that the energy boom and bust had played out, energy companies were cheap during COVID when the market was oversupplied due to the shutdowns, and energy companies had become better, more profitable companies. This prompted our early investments. We've also spent a fair bit of time thinking about how to invest if the current inflation continues despite, or because of, government action. We tapped Ron's expertise here as he was investing during the '70s and he recalled that energy was one of the few sectors that did well during that period. We thus have reason to believe that energy will again do well should inflation persist. Year to date our energy holdings have treated us quite well, though they have been volatile.

Considering this admittedly pessimistic outlook, we are holding a fair bit of cash. Our goal is to deploy it in good companies at excellent prices when others retreat from the market. With the Federal Reserve still increasing the price of borrowing and withdrawing cash from the system we think that opportunity is ahead of us. We expect to hear more about the state of the economy over the next several weeks as companies begin reporting quarterly results in early July. We'll let you know next quarter what we learn.

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

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

CPI *– The Consumer Price Index ("CPI") measures the average change in prices over time that consumers pay for a basket of goods and services, commonly known as inflation. One cannot invest directly in an index.*

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ANNOUNCEMENTS

Request for Email Address
Muhlenkamp & Company regularly publishes information that gets distributed by email only. To be added to our email list, visit www.muhlenkamp.com or call us at (877) 935-5520.

Memorandum & Blog Topics
We try to write about timely topics so you can learn our thoughts on the issues. We would love for you to provide ideas for topics to discuss. If you have been curious about something, just ask us! You can send us a message using our Contact form - https://muhlenkamp.com/contact/

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MUHLENKAMPMemorandum

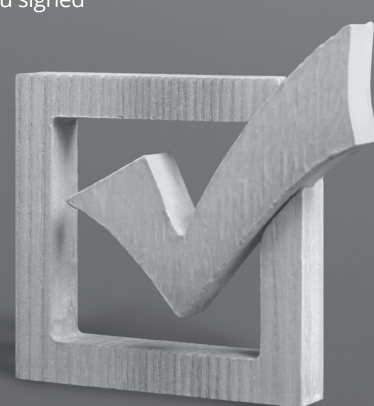
Inside this issue:

- Quarterly Letter
- Our Investment Process is Our Guide
- Announcements

DO YOU HAVE A FINANCIAL STRATEGY?

In Tony's article, he talks about how our strategy guides our investment decisions at Muhlenkamp. As individuals, it is also helpful to have a strategy for your financial future. If you don't currently have one, here is a basic checklist to get you started:

- ☐ Reach out at least annually to all your financial accounts so your accounts remain coded as active.
- ☐ Check to make sure your registration, address, contact information, and beneficiaries are correct.
- ☐ Have you established financial goals? If so, are you staying on track? Do you need to update your goals?
- ☐ If you are still adding to your savings and investments, should you increase the amount? Are you signed up for an Automatic Investment Plan (AIP) to make regular contributions, so you don't forget?
- ☐ If you have started taking Required Minimum Distributions (RMDs), do you want to sign up for a Systematic Withdrawal Plan (SWP) so that you don't miss a required withdrawal and have to pay a penalty?
- ☐ Do you need to make changes to any of your insurance policies? Are there any you should add or eliminate?
- ☐ Do you need to replenish your emergency fund?
- ☐ Should you rebalance your investments? Should you start any new investments?
- ☐ Is it time to hire or change your financial planner or financial adviser?



Please let us know if we can help with any of these items; we are a resource for you on any topic that has a dollar sign attached.

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 6/30/2022

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	-4.33%	2.26%	13.58%	8.17%	8.26%	5.49%
S&P 500 Total Return*	-19.96%	-10.62%	10.60%	11.31%	12.96%	10.28%
Consumer Price Index**	4.84%	8.58%	4.51%	3.62%	2.43%	2.30%

*** 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 2022 – 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
EQT Corporation	Oil, Gas, & Consumable Fuels	4.88%
Occidental Petroleum	Oil, Gas, & Consumable Fuels	4.42%
UnitedHealth Group Inc	Health Care Providers & Services	3.83%
Schlumberger NV	Energy Equipment & Services	3.43%
McKesson Corporation	Health Care Providers & Services	3.27%
Dow Inc	Chemicals	3.26%
CVS Health Corp	Health Care Providers & Services	3.17%
Tenneco Inc	Auto Components	3.06%
Kirby Corp	Marine	3.00%
Bristol-Myers Squibb Company	Pharmaceuticals	2.98%
Berkshire Hathaway Inc Class B	Diversified Financial Services	2.88%
Mastec Inc	Construction & Engineering	2.82%
ALPS Alerian MLP ETF	Exhange Traded Funds	2.77%
Microsoft Corp	Software	2.53%
Broadcom Inc	Semiconductors & Semiconductor Equipment	2.47%
SPDR Gold Shares	Exhange Traded Funds	2.44%
Apple Inc	Technology Hardware, Storage & Peripherals	2.42%
Rush Enterprises Inc	Trading Companies & Distributions	2.32%
Microchip Technology Inc	Semiconductors & Semiconductor Equipment	2.03%
NMI Holdings Inc	Thrifts and Mortgage Finance	1.70%

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	25
Cash & Cash Equivalents	33.20%

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	317	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.*