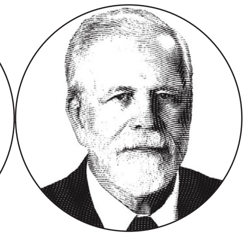
MUHLENKAMP Memorandum

Issue 148 | Published Fourth Quarter | October 2023

QUARTERLY LETTER



By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

Let's start, as we usually do, with a review of the most relevant developments that impact the investing environment. We'll begin with inflation. The August reported CPI inflation was 3.7%, up from the June low of 3%. Since both 3% inflation and 3.7% inflation are above the Federal Reserve's target of 2%, the Federal Reserve raised the Federal Funds Rate by .25% to a range of 5.25 – 5.5% at their July meeting. Longer-term treasury rates, though not directly controlled by the Federal Reserve, have also been rising with interest rates on 10-year Treasury Bonds moving from 3.8% on June 30th, 2023, to 4.5% on September 25th, 2023. This is likely partly due to the high deficits the federal government is running. The federal deficit in July was 7.6% of GDP (Gross Domestic Product), up from a pre-COVID range of 2.5% - 5% of GDP and not too far from the 10% of GDP deficit we ran during the '08 – '09 recession. Rising Treasury rates have caused other interest rates to rise as well. Worth highlighting is the 30-year mortgage rate which began the year at 6.6% and rose to 7.6% by September 22nd, 2023. Adding insult to injury, the average gas price in the U.S. increased by about 10% in late July and is now roughly $4.30/gallon.

So far, the economy is holding up reasonably well. Inflation-adjusted GDP grew at a 2.1% annual rate in the second quarter according to the Bureau of Economic Analysis. Unemployment, although well known to be a lagging indicator, continues to look pretty good with the August unemployment rate coming in at 3.8%, up a bit from the January low of 3.4%.

We said a year and a half ago when the Fed started raising rates that they would continue until something broke. In the second half of '22 they "broke" the housing market as buyers balked at higher mortgage rates. Somewhat surprisingly new homes sales have recovered nicely in '23, though sales of existing homes are dismal. It turns out higher mortgage rates have kept existing homes off the market as those homeowners are reluctant to exchange the low-rate mortgage on their old home for a higher rate on a new purchase, so most of the homes available for purchase are new construction. In March a couple of regional banks "broke" as their depositors fled. Some quick, generous lending by the Fed kept that problem from spreading, at least so far. We continue to keep an eye on the banks as higher rates and changing work patterns have combined to hit commercial real estate values pretty hard, and some banks are deeply involved in that industry.

So, inflation remains higher than the Fed desires and the Fed has been raising rates to fight it. Will they continue to raise rates? We'd say it's possible, but not likely, that they will raise rates much further. Why do we think so? First, the Fed recognizes that the full effects of higher rates will come with a lag. Second, the problems higher rates have caused the banking industry probably got their attention. Third, higher rates are rapidly increasing the Federal government's interest expenses. Fourth, the Federal Reserve itself is now running at a loss. That's got to be a little concerning, even if they don't talk about it. Thus, we think the Fed is likely done raising rates, or pretty close.

Do we think inflation will continue to fall? We are skeptical of that idea. In our view, more regulation is inflationary (and we are definitely seeing more regulations coming from our government), increased government spending is inflationary, higher energy prices are inflationary, and we may be seeing the early rounds of a wage-price spiral as President Biden joins the picket lines and cheers for a 40% wage increase for auto workers. The Federal Reserve is fighting inflation, but the rest of our government is not. While it is possible inflation will continue to fall, we view it as unlikely. Our best guess is that inflation will average 3-4% going forward, roughly twice the average of the period from the '08-'09 recession until the COVID recession. Historically, short-term treasury yields have been about the rate of inflation and long-term yields have been roughly the rate of inflation plus real GDP growth. Thus, if inflation is 3-4% going forward and real GDP growth is 1-2% we expect long rates to be 4-6%. The 10-year Treasury currently yields about 4.5%, so there is plenty of room for long rates to go higher without doing anything historically unusual.

As a brief aside, let's illustrate the pain bondholders have felt the last three years due to rising rates. There is a bond ETF run by iShares® that consists of treasury bonds of greater than 20 years duration (iShares® 20+ Year Treasury Bond ETF, ticker symbol TLT). The price of that ETF peaked on April 21, 2020, at $171.29. On September 26th, 2023, TLT was trading at $89.20/share. The price declined 48% in 2 years and 5 months. The iShares® iBoxx $ Investment Grade Corporate Bond ETF, ticker symbol LQD has done a bit better, losing only 26% since its peak on August 6, 2020 (corporate bonds are typically for shorter time frames, which likely accounts for most of the difference). We remain bearish on long-

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VIEW FROM THE FRONT OFFICE: CHARITABLE GIVING

By Tony Muhlenkamp, President

This is the time of year when we work with our clients on year-end tax planning. We review their realized gains and losses for the year as part of their entire financial situation. We consider their income tax bracket, the realized gains and losses they may have with other accounts, their itemized deductions, etc.

A client asked about charitable donations and income tax deductibility. I did some digging and learned some things I hadn't known that I think are worth sharing. But before I do, disclosure time:

I AM NOT A TAX ACCOUNTANT, ATTORNEY, OR EXPERT. THE FOLLOWING DOES NOT CONSTITUTE TAX ADVICE AND YOU SHOULD DISCUSS THESE IDEAS WITH YOUR OWN TAX ADVISOR. THE FOLLOWING ARE GENERAL THOUGHTS AND OBSERVATIONS AND MAY OR MAY NOT APPLY TO YOUR INDIVIDUAL AND SPECIFIC SITUATION.

Before starting, make sure you answer the following questions:

1. Why donate to charity? Are you trying to:
    a. reduce your income tax
    b. reduce your taxable estate?
    c. contribute to a good cause?
    d. teach your children about philanthropy?
    e. accomplish all of the above and something else besides?
2. What is your current income tax bracket, and do you itemize income tax deductions?

All of which lead to the ultimate question of

3. How much do you want to donate to charity this year?

So, let us take a look at item #1.a. If you want to donate to charity, and it makes sense to itemize deductions; then the following information becomes useful (and possibly even interesting.)

1. There is no limit to the amount you can donate to charity.
2. There is a limit to how much of your donation you can itemize as deductions on your income tax return.
    a. Cash gifts are deductible up to 60% of your Adjusted Gross Income (AGI) for the year.
    b. Gifts of appreciated assets (including stocks, bonds, mutual funds, etc.) are deductible up to 30% of AGI.
    c. Excess donations can be carried over to future income tax returns as deductible items for up to five years.
3. S Corp and Individuals are treated the same for tax deduction eligibility since the S Corp is a pass-through entity.
4. Qualified Charitable Donations (QCD) from an IRA are:
    a. available to people age 70 ½ or older.
    b. limited to $100,000 per year.
    c. not added to your AGI.
    d. not deducted from your AGI.
5. Donor Advised Funds (DAFs) are eligible to receive donations of cash and appreciated stock with the same deductibility limits as above but ARE NOT eligible to receive QCDs.
6. Sales of Appreciated Stock are NOT subject to wash sale rules.
7. Donations to the United States Department of the Treasury ARE tax deductible, and you can specify whether the donation is to reduce the public debt or for general expenses. It's not what I consider a charity, but the option exists, and few people seem to know about it (and even fewer people take advantage of it for some reason.)

With all of this in mind, I've developed some **rules of thumb** regarding charitable donations:

1. If you want to donate 30% or less of your AGI, then donate low-basis appreciated stock to get the current income tax deduction and avoid paying capital gains tax now or in the future.
2. If you want to donate more than 30% but less than 60% of your AGI, then donate cash. If you need to sell stock to raise the cash, then sell stocks showing losses and high-basis appreciated stock. You can use losses to offset some of the capital gains, and the capital gains tax will not cost more than you will save on the income tax deduction. Plan ahead if you choose to take losses on stocks that you want to continue owning to avoid violating the wash sale rule. Do not let the tax tail wag the investment dog.
3. If you want to donate more than 60% of your AGI, donate the first 60% of AGI

in cash as described in #2 above and donate the balance in shares of low-basis stock as described in #1 above.

4. Use QCDs when available.

The upshot is that making charitable donations can help manage your AGI and the federal income taxes you pay. These rules of thumb may change as tax laws change, but they are a good checklist to consult even then.

Once again, **I AM NOT A TAX ACCOUNTANT, ATTORNEY, OR EXPERT. THE PRECEDING DOES NOT CONSTITUTE TAX ADVICE AND YOU SHOULD DISCUSS THESE IDEAS WITH YOUR OWN TAX ADVISOR. THESE ARE GENERAL THOUGHTS AND OBSERVATIONS AND MAY OR MAY NOT APPLY TO YOUR INDIVIDUAL AND SPECIFIC SITUATION.**

But by all means, give me a call if you have questions or want to walk through some scenarios together.

LETTER

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duration bonds. Very short-duration bonds, on the other hand, look quite attractive right now with many Money Market Funds yielding a bit over 5%.

Will the U.S. economy fall into a recession? This remains a possibility. With short-term interest rates above long-term interest rates bank lending is constrained. Higher interest rates will likely restrain consumer spending on houses and autos (the things most people finance) and may reduce business spending as well. On the other hand, high government spending is pushing money into the economy for politically favored projects at a near wartime pace and businesses are spending to make their supply chains more robust as they incorporate lessons learned during the COVID disaster. We are more optimistic that we will avoid a recession than we were six months ago and currently think the odds are about 50/50.

The environment we just described sets the context for our investments. We hold a number of companies that have both done well for us in the past and whose prospects going forward are equally bright—we are comfortable continuing to hold such investments. We have significant energy holdings, which helped us enormously in 2022 and which we think will do very well if inflation remains elevated. We continue to have exposure to the price of gold to hedge against a devaluation of the dollar. We also hold several companies simply because their stock price is significantly below our estimate of their value, and we anticipate that gap will eventually close in our favor. Our cash is now earning us a return above inflation, and we will invest it when we find a more profitable alternative.

As always, please get in touch with us if you have any questions, we'd love to hear from you.

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

CPI (Consumer Price Index) *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.*

Exchange-Traded Fund (ETF) *is an investment fund that typically tracks a commodity, a basket of securities, or an index but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.*

Federal Funds Rate *- 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.*

GDP (Gross Domestic Product) *is the total market value of all goods and services produced within a country in a given period of time (usually a calendar year).*

Money Market Fund *- An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency. Although money market funds seek to preserve the value of your investment, it is possible to lose money by investing in a money market fund.*

The comments made in this letter are opinions and are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

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.

FOLLOW US! Facebook | LinkedIn | Vimeo
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MUHLENKAMPMemorandum

Inside this issue:

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MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 09/30/2023

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)

			Annualized			
	Year to Date	One Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Return	6.84%	13.44%	16.58%	9.82%	6.88%	6.74%
S&P 500 Total Return*	13.07%	21.62%	10.15%	9.92%	11.91%	11.28%
Consumer Price Index**	3.45%	3.67%	5.71%	4.02%	2.76%	2.28%

* **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 August 2023 – 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	4.98%
Schlumberger NV	Energy Equipment & Services	4.96%
Occidental Petroleum	Oil, Gas, & Consumable Fuels	4.28%
McKesson Corporation	Health Care Providers & Services	3.87%
Kirby Corp	Marine	3.75%
Broadcom Inc	Semiconductors & Semiconductor Equipment	3.40%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.33%
UnitedHealth Group Inc	Health Care Providers & Services	3.32%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.30%
Recurrent MLP & Infrastructure Fund I	Mutual Funds	3.09%
SPDR S&P Reginal Banking	Banks	3.01%
Dow Inc	Chemicals	2.98%
Rush Enterprises Inc	Trading Companies & Distributions	2.83%
SPDR Gold Shares	Exhange Traded Funds	2.62%
BGC Partners Inc	Capital Markets	2.60%
Microsoft Corp	Software	2.54%
Mastec Inc	Construction & Engineering	2.53%
Apple Inc	Technology Hardware, Storage & Peripherals	2.39%
Microchip Technology Inc	Semiconductors & Semiconductor Equipment	2.22%
Bristol-Myers Squibb Company	Pharmaceuticals	2.03%

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

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	30
Cash & Cash Equivalents	20.79%

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 first full month 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**
2022	396	54	57	2.82	2.06	(18.11)	19.51	21.16	0.82
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

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 June 30, 2023 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 June 30, 2023. 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.*