MUHLENKAMP Memorandum

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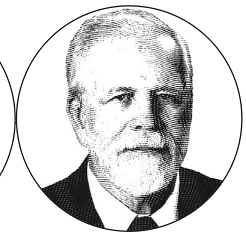
QUARTERLY LETTER

By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

In our January 2023 Quarterly Letter, we thought there were three questions of particular importance to investors:

1. Will inflation remain high? If so, how high will it be?
2. Will the United States enter a recession? If so, how bad will it be?
3. Will a financial crisis erupt that prompts the Federal Reserve to drop interest rates and perhaps restart quantitative easing? If so, will this cause inflation to run up again?

We stated then that we thought inflation would be 4-5%, a recession was likely, and a crisis was a possibility.

What actually happened?

- Inflation fell. Inflation fell from 6.4% at the start of the year to 3.1% at year end. (We use year-over-year changes in the Consumer Price Index (CPI) as a proxy for inflation).
- A banking crisis did erupt in the early spring as several regional banks went bankrupt, prompting the Federal Reserve to lend to a number of other banks to keep them out of trouble. The Fed did not cut interest rates, nor did they resume quantitative easing in response—they found other ways to help the banks.
- The U.S. economy expanded and there was no recession. Year-over-year inflation-adjusted GDP growth averaged about 3% for the first three quarters of ’23. The fourth quarter hasn’t been reported yet.

So, a pretty good outcome for the year on all three questions, somewhat better than we expected particularly in regard to economic growth.

How did bond and stock markets do? The bond markets ended the year pretty close to their starting point: the yield on the 10-year Treasury bond, for instance, began the year at 3.89%, peaked in October at 5%, then ended the year at 3.9%. Please note that bond prices move the opposite direction of bond yields: so long-term bonds sold off significantly during the year, bottomed in October, then recovered by year end. Of more interest to consumers: the 30-year conforming mortgage rate began the year at 6.6%, peaked in October at 8%, and retreated to 6.7% at year-end. Equity markets did better with the S&P 500 Total Return Index up a little over 26% for the year. This remarkable performance was largely due to a small group of large companies that Wall Street came to call the “Magnificent Seven” (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla). The emergence in March of new artificial intelligence (AI) tools sparked the imagination of tech investors which drove the move in those companies considered to be in the best position to profit from AI developments. The Dow Jones Industrial Average, by contrast, was up “only” 13.7% in 2023. Our accounts in general increased by about 14% in 2023. (Individual performance varies by account, see your annual statement for your performance if you are an investor with us). Why the difference? Our weightings in the technology sector were significantly lower than the S&P 500 and we didn’t own the very best performers. That was intentional. In our view most technology companies became overvalued in 2021 and we reduced our holdings then. That benefitted us enormously in 2022 when technology companies led the market selloff, but it hurt us in 2023. Additionally, in 2023 our energy holdings performed poorly as the price of oil declined during the year. Energy was a big part of our success in 2022, but it didn’t help us much in 2023. On a 3-year basis, however, our performance is pretty respectable with our accounts in general returning a little over 14% per year versus 10% for the S&P 500. (Again, if you are an investor with us, see your annual statement for your specific results).

The decline in inflation during the year allowed the Federal Reserve to be a little less vigorous about fighting inflation in the second half of the year than in the first half. The Fed raised the Federal Funds Rate four times between January and July but left it alone after that. The Federal reserve also shrank their balance sheet steadily throughout the year (with a brief growth spurt in March when they bailed out some banks) and the balance sheet ended the year almost 10% smaller than it started the year. Although current inflation of 3% is above their 2% target, it would seem they are comfortable with their inflation-fighting efforts and show little inclination to do more. The Fed has even hinted they may reduce interest rates in 2024 and the markets are estimating that could begin as early as March.

As 2024 kicks off, we see the economy growing slowly, the Fed no longer raising interest rates but still shrinking their balance sheet, and the rest of the Federal government spending significantly more money than it is receiving (the estimated deficit in ’24 is $1.8 trillion, or about $15,000 per household). In 2024, we again think there are a few questions of particular importance to investors:

- Where will inflation go—lower, higher, or stay about the same? We think similar or higher inflation is more likely over the next couple of years, but very short time frames are hard to predict.
- Will government deficits drive interest rates higher? Our deficit is unusually high given that we are neither at war nor in a recession, and the rising interest rates in 2023 dramatically increased government interest payments. Will interest rates rise to attract the money necessary to fund government expenditures?
- Will we see a recession in 2024? Historically, it is quite common for

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LETTER TO MY DAUGHTERS: ON HOW TO GET STARTED

By Tony Muhlenkamp, President

December 2023

I met with seniors from Duquesne University recently, all of them about your age. They are Finance Majors graduating in the spring and were looking for insights into investing, career advice and strategies for building successful careers. We talked for a couple of hours, and I tended to ramble a little bit; so I thought by writing you I could organize my thoughts and provide something useful.

I was impressed by them and continue to be impressed by you and your peers. You are smart, hardworking, curious, and disciplined. I keep hearing about how your generation is somehow lost, but I've yet to meet someone your age that isn't willing to learn and to work. Sometimes they just need help knowing what to expect and how to get started. So, here it is, how to get started.

To get started as an investor, review the One and Only Official Muhlenkamp Investors Starter Kit which consists of:

1. "The Basics of Investing"
2. "A Walk Down Memory Lane"
3. "Basic Financial Maxims I Want My Kids to Know"
4. "Ron's Reading List."

The kit also includes the disclosure documents for our mutual fund (but the same documents from any mutual fund will work):

1. Prospectus (Full and Summary)
2. Financial Report
3. Statement of Additional Information

Read the mutual fund documents to learn what the Fund Advisor is trying to accomplish, how they go about it, how well it has worked (or not), and what they charge for the service of managing your money. Go through the financial report to see the list of investments the manager has made and pick one or two names from the list, do some research on them, then call the advisor and ask some intelligent questions about how they selected that investment. See if their reasons align with what is disclosed in the documents, articles, newsletters and etc. that they have published.

To get started working in Financial Services, note that "Financial Services Professional" is a broad term that covers a LOT of ground. In general, most firms need people with different (but overlapping) skills. Analysts and Portfolio Managers need accounting, probability, and analytic skills. Compliance People need to be detail oriented, organized, and disciplined enough to navigate a constantly changing regulatory environment. Client Service needs to call, meet, and collaborate with clients on financial problem solving; Marketing has to communicate, educate, and entertain, and Administrative People need bookkeeping, performance reporting, and human resources skills. EVERYBODY needs good initiative, good judgment, and the ability to communicate effectively in writing and verbally.

In fact, no matter your profession or industry you MUST:

1. Show up on time (meaning 15 minutes early).
2. Stay until the job is done (not quit for "happy hour").
3. Pass the drug test (even if there isn't a "test", nobody is hiring a drunk or an addict. Substance abuse impairs initiative and judgement. Trust me.)
4. Think. (If I have to explain this then I have failed you as a father. Sorry.)
5. Write. (The bible for effective writing is Strunk and Whites "Elements of Style." Learn it, love it, live it.)
6. Speak. (Join a Toastmasters Club and get some sales training. I use the Sandler Selling System but pick one that makes sense to you.)
7. Be dumber than the boss. Spend six months listening, thinking, and studying. Then pick ONE of your great ideas on how to do something better and write a proposal to the boss. This proposal should be equivalent to a Master's Thesis on the problem or opportunity you have found and what to do about it. DO NOT submit an outline, rough draft, early draft, etc. Spend your first six months writing, editing, and polishing until it represents your absolute best work and your absolute best ideas. Don't show your boss anything less. I, for one, don't want to see anything less than your best work.
8. Develop/demonstrate Grit/Resilience/Anti-Fragility. Google those terms and you will find a raft of books on the subject, but it boils down to this: As things get harder, do you get stronger? Do you grow through adversity? If so, great, get better at it. If not, acquire the skill. And it IS an acquired skill, no matter how much you already have you can acquire more.
9. Most importantly, you must have the right ATTITUDE. And the right attitude is to be ready, willing, and able to do all the boring, mundane, nasty jobs that the boss doesn't want to do anymore. THAT is how you get a job. It is also how you learn the business from the ground up.

To start thinking about a career; learn the distinction between a job and a calling. Gary North had some good advice about that, starting with **"A job is different from a calling. A job puts food on the table. It pays the bills. A calling is the most important thing you can do in this life in which you would be most difficult to replace."** I suggest finding the article and reading the rest for yourself. I like to replace "job" with "profession" because professionalism is the goal no matter what the job.

My favorite description of professionalism comes from the author Steven Pressfield **"The professional has learned that success, like happiness, comes as a by- product of work.**

The professional concentrates on the work and allows rewards to come or not come, whatever they like." My next favorite quote comes from Oprah Winfrey and carries a similar message "**Your job is not always going to fulfill you. There will be some days that you just might be bored. Other days, you may not feel like going to work at all. Go anyway and remember that your job is not who you are, it's just what you are doing on the way to who you will become."** And of course, Scott Adams authored a book titled **"How to Fail at Almost Everything and Still Win Big"** which explains how EVERY job will help prepare you for "THE JOB."

I think my generation has done your generation a disservice by promoting some myths: the idea that your profession and your calling have to be the same thing; that your first job SHOULD be rewarding, fulfilling, challenging, and enjoyable; that you SHOULD NOT work at a job or profession unless it is rewarding, fulfilling, challenging and enjoyable. These are myths, and they are recent myths. My Grandparents never thought that work would be fun (and their jobs WERE NOT fun), my parents never expected work to be fun (and were surprised when it was), and my generation HOPED work would be fun, but didn't expect the first several jobs to be fulfilling.

I'm worried that we have taught you to expect your first job to be your last job, that it will be wonderful, and that there's no point in having a job that isn't wonderful. None of that is true and believing that will make your calling impossible to find and your profession miserable. The truth is your calling is hiding from you, it does not knock on your door. You have to work at different things, excel at them and evaluate them before you will FIND your calling. The truth is that your profession and your calling may have NOTHING to do with one another. The way to find out is to be open to working at many different jobs, to be professional at ALL of your jobs, and be willing to work the awful jobs for what they can teach you. The truth is fulfillment, challenge, and enjoyment are the RESULT of doing a job well; of being a professional at any and every job you have. That's also the only way I know to self-esteem, doing something other people find useful.

Let me know if I can help.

Love,
Dad

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.

LETTER

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recessions to begin after the Federal Reserve begins to cut interest rates, so the shift by the Fed doesn't mean we are out of the woods yet. Higher interest rates are causing problems in the banking industry and real estate and a number of economic indicators are still at recessionary levels. We think a recession remains possible in 2024.

- What will we be able to learn from the '24 elections? We always pay attention to elections to try to get a read on what matters to voters.

In summary, we think we are in a period of higher inflation and higher interest rates than the period from 2009 to 2021. It remains possible we will see a recession in 2024.

Our investments should do well if our read of the environment is correct but should also be okay if we are wrong in part or in whole. We retain a decent cash reserve to take advantage of low asset prices that typically accompany a recession. We have significant holdings in energy, which typically do well in periods of high inflation. We expect our health care and communications services companies to be indifferent to a recession and most of our industrial companies are poised to potentially benefit from increased government spending. We continue to look for opportunities to earn a satisfactory return on our capital and will put money to work when we find them.

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 *- 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.*

Dow Jones Industrial Average *(DJIA) is one of several stock market indices. It consists of 30 of the largest and most widely held public companies in the U.S. One cannot invest directly in an index.*

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).*

S&P 500® Index *– The S&P 500® Index is a widely recognized, unmanaged 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.*

Past performance does not guarantee future results.

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

FOLLOW US! Facebook | LinkedIn | Vimeo

LinkedIn – https://www.linkedin.com/company/muhlenkamp-&-company
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MUHLENKAMPMemorandum

Inside this issue:

- Quarterly Letter
- Letter to My Daughters: On How to Get Started
- Announcements

"I can't say I know what's going to drive the market for the full year, so I look for good values. I place my bets carefully. I try to be aware of the different outcomes. I don't want to get too hurt if I'm wrong, you never want to do that..."

— *Jeff Muhlenkamp guest on Stansberry Investor Hour, EPISODE #343* –
Don't Place All Your Chips on One Outcome – *published 1/8/2024*

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 12/31/2023

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	12.98%	12.98%	13.60%	13.54%	6.63%	9.02%
S&P 500 Total Return*	26.29%	26.29%	10.01%	15.69%	12.03%	13.97%
Consumer Price Index**	3.45%	3.14%	5.67%	4.03%	2.80%	2.49%

* **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 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	4.41%
Schlumberger NV	Energy Equipment & Services	4.16%
Broadcom Inc	Semiconductors & Semiconductor Equipment	3.96%
McKesson Corporation	Health Care Providers & Services	3.88%
Occidental Petroleum	Oil, Gas, & Consumable Fuels	3.71%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.47%
BGC Partners Inc	Capital Markets	3.41%
Kirby Corp	Marine	3.37%
Rush Enterprises Inc	Trading Companies & Distributions	3.33%
UnitedHealth Group Inc	Health Care Providers & Services	3.28%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.21%
Recurrent MLP & Infrastructure Fund I	Mutual Funds	3.04%
Dow Inc	Chemicals	3.01%
Tegna Inc	Media	2.85%
SPDR Gold Shares	Exhange Traded Funds	2.76%
Microsoft Corp	Software	2.72%
Mastec Inc	Construction & Engineering	2.56%
PulteGroup Inc	Household Durables	2.52%
Apple Inc	Technology Hardware, Storage & Peripherals	2.41%
United Rentals Inc	Trading Companies & Distributions	2.40%

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	28
Cash & Cash Equivalents	22.13%

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

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**
2023	370	62	66	13.79	12.98	26.29	13.01	17.54	2.50
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

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.*