MUHLENKAMP Memorandum

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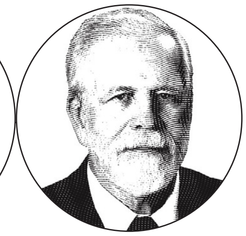
QUARTERLY LETTER

By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

Economically the second quarter of '24 has been as quiet as the first quarter. Inflation as measured by the Consumer Price Index (CPI) was 3.3% on May 31, 2024. It's been within .2% of that number since October 2023. The U.S. Unemployment Rate on 5/31 was 4.0% up .2% since October 2023. Not much change there either. Real (inflation adjusted) year-over-year GDP growth in the first quarter was 1.3% and the Atlanta Fed's "GDP Now" estimate was 3.0% on June 20, 2024. In light of those metrics the Federal Reserve has maintained their Federal Funds Target Rate at a range of 5.25% - 5.5%. The Federal Funds Target Rate has been maintained at that level since mid-July 2023. With the yield on the 2-year treasury bond at 4.7% and the yield on the 10-year treasury bond at 4.3% the yield curve remains inverted (short-term interest rates higher than long term rates) which has historically been a pretty good indicator of an approaching recession. We're not willing to say "this time is different" so we still consider it possible that the U.S. enters a recession in the near future.

The year-to-date return for the S&P 500 Index is 15.29% as of the end of June with Artificial intelligence (AI) related companies and big tech in general providing most of that return. AI chipmaker Nvidia Corp led the charge with a year-to-date return of approximately 150%, becoming for a brief time the most valuable company in the S&P 500 and one of only three companies with a market capitalization of over $3 trillion (Apple and Microsoft are the other two). Nvidia at the end of June sold at 25 times this year's sales estimates: a very high valuation and a clear indication of the market's expectation of even greater things to come than we've seen in the recent past.

You've probably not read much about it but the bond market, at least the longer end of it, is in its 47th month of a bear market. The yield on the 10-year treasury bond bottomed in mid-2020 at about .5% and has risen steadily since then to the aforementioned 4.3%. Prices of long bonds have consequently fallen over that period with the S&P U.S. Treasury Bond 20+ Year Index illustrating the decline by losing 40% of its value since its peak at the end of July 2020. Declines in the value of bonds can create problems for companies that hold bonds on their balance sheets and are forced to mark the value of the asset to the current market price (typically banks and insurance companies own lots of long-term debt). This explains the failure of Silicon Valley Bank last year and it is still creating problems for banks. A recent news item is illustrative: Norinchukin Bank (Japan) announced in mid-June that it would sell $63 billion of its holdings of U.S. and European government bonds during the year ending March 2025 to stem the losses from bets on low-yielding foreign bonds. We'll probably be dealing with the ramifications of higher interest rates for quite a while. If we are fortunate, the problems won't cascade into a crisis.

We continue to think inflation will remain higher than the Federal Reserve target of 2%. We note that while the Federal Reserve is trying to keep inflation under control by inverting the yield curve and shrinking their balance sheet, the rest of the Federal Government is contributing to inflation with debt fueled spending and increasing regulation. With inflation currently at 3-3.5% we think the interest rate on long-term treasuries could easily be in a range of 5-7% and still be within historically normal ranges. If interest rates continue to rise, as we expect, there will be further losses on long bonds and additional stress on both banks and the Federal Government, which will see its interest expense continue to increase rapidly. (Interest expense is now the Federal Government's second biggest expense. According to the Committee for a Responsible Federal Budget, as of May 10, 2024, Net Interest spending for the first seven months of fiscal 2024 was $514 billion, compared to $498 billion for defense and $465 billion for Medicare. Only Social Security spending, $837 billion, was greater.)

We have largely maintained our holdings of energy companies as we think they'll do well in an inflationary environment much like they did in the 1970s inflationary period. We reduced some of our tech and industrial holdings as the price of certain stocks met or exceeded our estimate of their value. We are comfortable holding some cash both because the portents of a recession (primarily the inverted yield curve) have persisted but also because we are not finding good values at the moment. When we find the value we are looking for, we will happily put that cash to work. But in the meantime, it earns us about 5% in a money market fund.

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LETTER TO MY DAUGHTERS: ON FINANCIAL FREEDOM

by Tony Muhlenkamp, President - Muhlenkamp & Company, Inc.

Your Grandpa and your Uncle Jeff have written a LOT about how to work, save, and invest. So you should read Grandpa's book[1] and Uncle Jeff's article[2] because I'm not going to repeat what they have already written. Instead, I want to talk about some fundamental principles that I think are the core for being free financially. If you really own these ideas everything else will fall into place.

1. Be a profit center. Before you can save a nickel (or a dime, or better yet a quarter) you have to make a dollar. And at your age, that's probably going to mean working for someone else. You may work for yourself at some point, and I'll write about that in #4. But when you are first getting started you will probably work for someone else, and you need to make more for that person than it costs that person to hire you. That's what I mean by a profit center.

How much do you cost your employer? Ask them and find out, but your Grandpa authored an article, "When We Change the Rules a Little…" [3], that can help you get started. How much do you make for your employer? That's not always easy to measure, but you should try to have some idea and make sure that you make him 5% more than you cost him. Every employer I know needs that nickel for it to be worth staying in business.

2. It ain't what you make, it's what you spend. John Templeton is a legendary investor, and some years ago a writer interviewed him and asked him the secret to his wealth. I think the writer expected some kind of stock tip, but what he got was sound advice for all of us. John Templeton said that the way he became wealthy was to save 50 cents out of every dollar he made for the first twenty years after college.

Think about that. And I've seen that repeatedly with my clients. People that are financially free never spend a nickel without getting a dime's worth of value from it. They'll spend money, but they save first, spend second, and ALWAYS make sure they spend less than they make. I'll bet you can earn less than $60,000 per year and still retire comfortably by adhering to this principle. Conversely, if you make a million dollars a year, but find a way to SPEND it all, plus some, you may never retire and certainly not comfortably. That is NOT financial freedom.

Your Mom and I control our spending by thinking in terms of necessities, conveniences, and luxuries. You'll find the necessities of life are cheap, the luxuries can get expensive. So start out by limiting (or even eliminating) the luxuries while you save as much as you can as early as you can. We have always paid ourselves first through payroll deductions and automatic savings from our checking accounts; and every time we paid off a loan, earned a pay raise, or received a bonus or a gift we added at least half of that money to our savings and investments.

Dave Ramsey has very good ideas about budgeting and living on less than you make. Borrow his books from the library, read them, and follow his advice.

3. Start saving early, compound interest takes time to work. I already mentioned saving as much as you can as early as you can, and here's why. Use an online Compound Interest Calculator[4] and pick any interest rate you like, 3% or 5% or 8%. Now look at how one dollar a year grows for 10 years, then 20, then 40. Even at low interest rates, the compounding is powerful IF YOU START EARLY ENOUGH to have your money working for 40 years. Imagine what that would do if you can save $5,000 or $10,000 a year starting in your early twenties. That's why not spending everything you make and having money to save is so important. Numbers 2 & 3 work hand in hand, one does you little good without the other.

4. Own, don't lend. The book "The Millionaire Next Door," by Thomas J. Stanley documents how most people with serious money earned it by starting and owning their own business (and then not spending everything they earned). The next best way is to partner with those people or own a piece of the business they are running. To my recollection, nobody but banks get wealthy by lending people money; and even they rely on government bailouts. I hate to tell you, but the government is not bailing you out any time soon.

The same lessons apply to you. You'll probably make the most working for yourself because you work harder when your work for yourself and you are more careful spending your own money.

If you aren't going to start and run your own business, then find a way to partner with people that do. One easy way to do that is to invest in common stocks, and we'll talk more about that in another letter. Just remember, stocks represent ownership in a business; bonds represent lending money to a business. From 1928-2023 stock ownership has earned an average of 9.80%; bonds have earned 6.68%.[5] Go to your Compound Interest Calculator and see what that difference will make to you over the next 20, 30, and 40 years. Own, don't lend.

5. Price always matters. As Grandpa says in his Maxims[6] article "A good product can be a bad deal if the price is wrong. How do you know a good price? Shop around and be willing to walk away from any 'deal.'" This is true for an education, a house, a car, clothes, food, etc., etc. It's also true when you are looking to buy a business, either outright or through the stock market. Grandpa wrote a good primer on how to buy cars, and stocks, in his article "Fund Your IRA Every Year, or How to Retire Wealthy by Driving Used Cars."[7] Your Mom has become an excellent buyer of used cars, and pianos, by following the advice in his article. And we've done well by funding our IRAs and investing them with a money manager that shares our conclusion that price always matters.

Those are the five principles that I think are key to financial freedom. I'll write more about planning, and investing, and taxes; but without a thorough grasp of these five ideas all the plans in the world won't do you much good. There's a lot more that we can talk about for each of these items, so I hope you'll come to me with your thoughts, ideas, comments, and questions.

Love you,

Dad

[1] http://www.amazon.com/Rons-Road-Wealth-Insights-Investor/dp/0470137525

[2] https://library.muhlenkamp.com/wp-content/uploads/sites/2/2024/07/Working_Saving_and_Investing.pdf

[3] https://library.muhlenkamp.com/wp-content/uploads/sites/2/2024/07/when-we-change-the-rules-a-little.pdf

[4] https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

[5] https://barbarafriedbergpersonalfinance.com/historical-stock-and-bond-returns/

[6] https://library.muhlenkamp.com/wp-content/uploads/sites/2/2022/06/basic-financial-maxims-i-want-my-kids-to-know.pdf

[7] https://library.muhlenkamp.com/wp-content/uploads/sites/2/2022/06/fund-your-ira-every-year-or-how-to-retire-wealthy-by-driving-used-cars.pdf

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

QUARTERLY LETTER

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

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.*

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.*

S&P U.S. Treasury Bond 20+ Year Index *– Is designed to measure the performance of U.S. Treasury bonds maturing in 20 or more years. 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

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MUHLENKAMP
& COMPANY INC.
5000 STONEWOOD DRIVE, SUITE 300 WEXFORD, PA 15090

MUHLENKAMP Memorandum

Inside this issue:

- Quarterly Letter
- Letter to My Daughters: On Financial Freedom
- Announcements

Make a Financial Plan that Fits Your Life – Now and in the Future!

The Schwartz Center for Economic Policy Analysis predicts that up to 40% of older workers and their spouses will eventually fall into poverty or near poverty.

Don't let picture-perfect stereotypes fool you into complacency.

DID YOU KNOW?

Beat this statistic and call us today!
Muhlenkamp & Company (877)935-5520

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 6/30/2024

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	8.29%	13.45%	10.10%	13.84%	6.56%	9.08%
S&P 500 Total Return*	15.29%	24.56%	10.01%	15.04%	12.86%	14.81%
Consumer Price Index**	2.39%	3.27%	5.27%	4.17%	2.82%	2.74%

* **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 2024 – 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
McKesson Corporation	Health Care Providers & Services	4.38%
EQT Corporation	Oil, Gas, & Consumable Fuels	3.81%
Broadcom Inc	Semiconductors & Semiconductor Equipment	3.75%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.60%
BGC Partners Inc	Capital Markets	3.57%
Occidental Petroleum Corp	Oil, Gas, & Consumable Fuels	3.57%
Schlumberger NV	Energy Equipment & Services	3.40%
Microsoft Corp	Software	3.38%
Recurrent MLP & Infrastructure Fund I	Mutual Funds	3.30%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.29%
SPDR Gold Shares	Exhange Traded Funds	3.16%
Kirby Corp	Marine	2.99%
Apple Inc	Technology Hardware, Storage, & Peripherals	2.96%
UnitedHealth Group Inc	Health Care Providers & Services	2.91%
Mastec Inc	Construction & Engineering	2.84%
Dow Inc	Chemicals	2.67%
Microchip Technology Inc	Semiconductors & Semiconductor Equipment	2.65%
Wabtec Corp	Machinery	2.65%
Rush Enterprises Inc	Trading Companies & Distributions	2.53%
United Rentals Inc	Trading Companies & Distributions	2.53%

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

Muhlenkamp & Company, Inc.
5000 Stonewood Drive, Suite 300
Wexford, PA 15090-8395
(877)935-5520
services@muhlenkamp.com

www.muhlenkamp.com

SMA FACTS

Average Number of Equity Holdings	28
Cash & Cash Equivalents	22.9%

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**
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 December 31, 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 December 31, 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.*