MUHLENKAMP Memorandum

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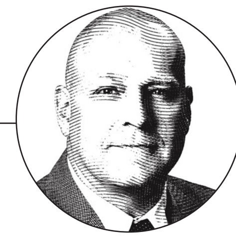
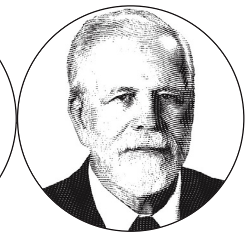
QUARTERLY LETTER





By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

Economic data in the third quarter has been a mixed bag. Improving data points include CPI (Consumer Price Index) inflation, which was 2.5% on August 31st, down from 3.3% on May 31st. Also improved was real (inflation adjusted) GDP (gross domestic product) growth, which was 3.0% on June 30th, up from 1.4% in the first quarter (there is a one quarter lag with the GDP figures). Negative data points include the Federal Reserve Bank of Atlanta's GDPNow™ estimate for real GDP growth of 2.5% as of October 1st, down from the June 20th estimate of 3.0%. The unemployment rate has also worsened with the U-3 Unemployment Rate on August 31st coming in at 4.2%, up from 4.0% in May.

The combination of falling inflation rates and rising unemployment rates prompted the Federal Reserve to cut the federal funds rate by .50% at their September meeting: the target federal funds rate is now 4.75% to 5.00%, down from 5.25% to 5.50% prior to the meeting. The drop in the federal funds rate occurred even as Treasury rates in general have fallen with short-term rates falling more than long-term rates. This has restored the yield curve to its normal, positively sloped configuration with the 2-year treasury yield at 3.55% on September 25th and the 10-year treasury yield at 3.77% the same day. The 30-year fixed-rate mortgage rate has similarly fallen from 7.26% on June 28th to 6.72% on September 25th.

Typically changes to interest rates affect the economy with a variable lag. That's why historically recessions often begin about the same time the Federal Reserve starts cutting rates: by the time the data comes in that prompts the rate cut, the economy is already entering a recession, and the Fed is too late to prevent it. Everybody knows this, and yet it has still worked that way for the last 70 years. Will this time be different? There are some reasons to think it might. The economic repercussions of the COVID shutdowns are still echoing in the economy and affecting the data. It's possible that much of what we see in the data is a return to more normal conditions from highly abnormal conditions and that's what the data is indicating—not an imminent recession. It's also possible we will get a recession and the inverted yield curve that just ended was a useful leading indicator once again. We'll find out in the next couple of quarters.

We would probably be remiss if we didn't talk about the coming election a little bit. Our approach is to focus on the policy choices of the candidates that are likely to affect the economy and our investors' wealth. Both candidates seem comfortable with the current high levels of government spending and borrowing. Both seem comfortable with existing tariffs or increased tariffs and are interested in encouraging domestic production and discouraging imports. Both have stated they will pursue tax cuts for the middle class, neither has specifically addressed the estate tax exemption increase which is currently scheduled to sunset on Dec. 31, 2025. The biggest difference between the two (economically speaking) seems to be that the Republican candidate is interested in reducing regulations to encourage business growth while the Democratic candidate hints at further business regulation to control prices and/or raise tax revenue. You may remember that we think the economic impact of regulations are underappreciated by economists, thus the candidates' different approaches to regulation and by extension business is very significant to us. Also of great interest to us will be the composition of the new Congress, as a split government will make changes to legislation extremely difficult. We're putting together our ideas now for investing in whatever government, and hence political environment, we get.

With the equity markets again at all-time highs and stock valuations also at high levels we have been net sellers, continuing to reduce or completely sell out of companies whose prices have gotten unjustifiably high. This will almost certainly result in realized capital gains for our investors this year. Please call us if you would like to discuss your specific situation. With regards to our cash holdings, our intent is to be patient with the resulting cash and put it to work when we find good opportunities.

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).*

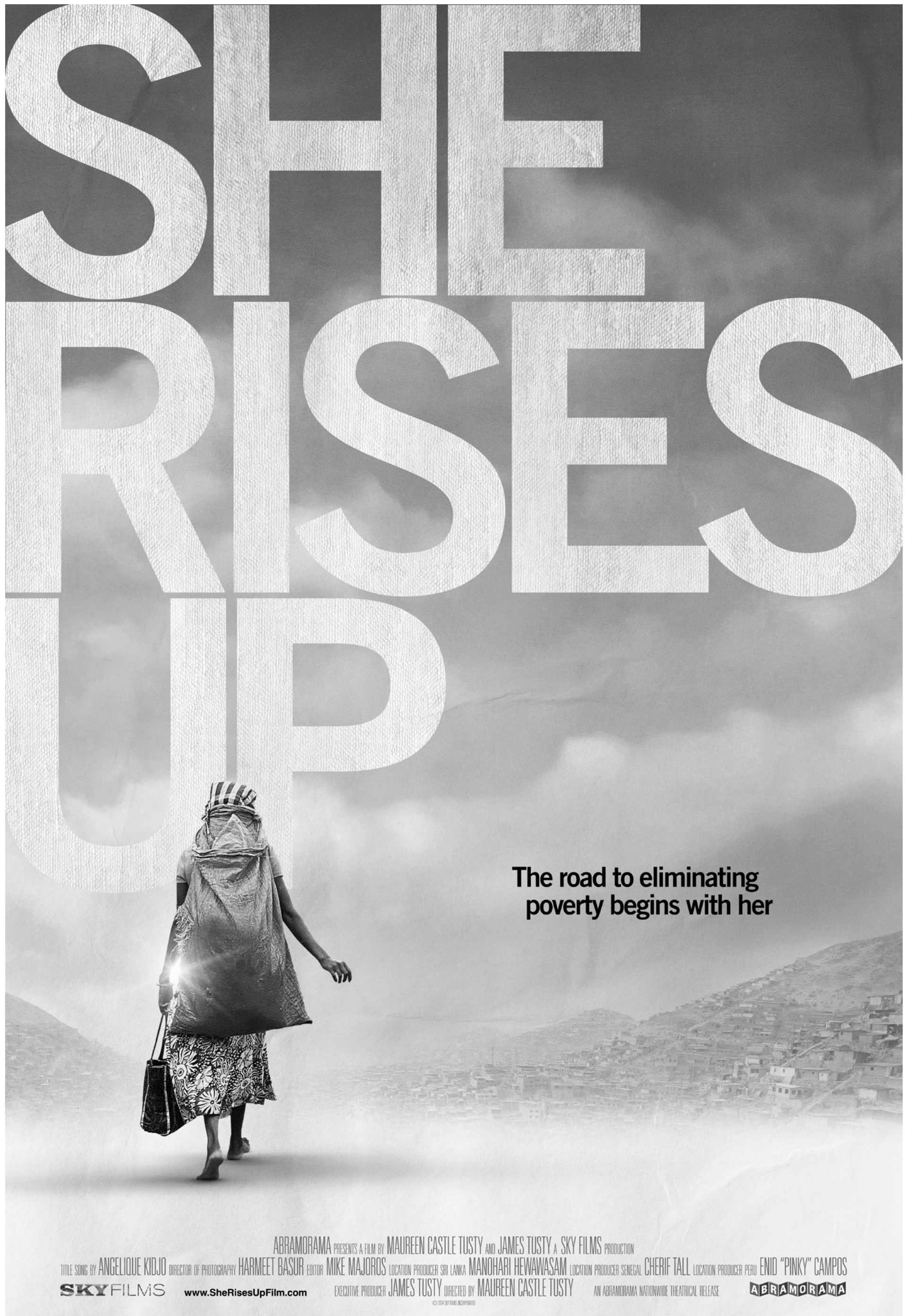
The comments made in this letter are opinions and are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

MUHLENKAMP

LETTER TO MY DAUGHTERS: ON POLITICS AND MARKETS

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

Your mother asked me to write about "The Impact of Political Uncertainty on the Markets," which is pretty simple. The markets hate uncertainty; they hate not knowing what the rules of the game are or are going to be; and the more uncertain things are the worse the markets behave (meaning they go down and you lose money). However, there are more nuanced, subtle, and complicated impacts that politics have on markets, economies, and prosperity for individuals and nations.



Over the last several months (or has it been years?), I've been writing to you about the importance of work, the difference between a calling and a profession, and how money is not the root of all evil but is a mechanism for producing prosperity, building character, and strengthening moral fiber. Last night, your mother and I watched a movie that provides stark evidence of those ideas in living color.

She Rises Up chronicles the remarkable journeys of three women helping to lift their communities out of poverty through the local businesses they fight the odds to maintain.[1] Each of these entrepreneurs AND their employees stress over and over again how important it is to work. Work is the mechanism for them to become more prosperous, to have freedom and independence in chattel cultures, to form stronger community bonds, and to educate their children. Poverty is cured by money, money comes from jobs, and jobs come from businesses. These women have concluded that their countries are NOT dysfunctional because they are poor; they are poor because they are dysfunctional.

What does that have to do with politics? It turns out—everything. Governments can contribute to the dysfunction of their country.

One of the profiled entrepreneurs is Magatte Wade from Senegal, and she is ferocious in her denouncement of the policies, regulations, taxes, and tariffs that make it nearly impossible to start a business in her country. International corporations get a pass on those policies, but the local Indigenous entrepreneur has to obey every "jot and tittle" of the Byzantine rules and regulations that have been enacted. Enjoy her TED Talk[2] and recognize her for who she is—a warrior.

The entrepreneurs from Peru and Sri Lanka are of the same mind; the "leadership" of their countries is interested only in enriching themselves, NOT in making it possible for people to enrich themselves through their own efforts. It's a common problem for these three women despite their disparate races, geographies, and cultures. Their governments are part of the problem; their governments are making it impossible for people to work. There are no prosperous nations without prosperous people. There are no prosperous people if there are no jobs. There are no jobs if there are no businesses. There are no businesses if there are no businesspeople. And there are no businesspeople if the obstacles to starting a business are insurmountable.

And that's the challenge for politicians. How do we create incentives to work, be productive, start a business, save, and invest; how do we create the conditions necessary for prosperity? How do we create and not destroy the incentives to work? And all balanced against the need to help people that NEED help. It's a challenge and a delicate balancing act.

Like any balancing act, there must be something to balance ON. A pyramid of ethical behavior, free-market economics, and a constitutional republic for a political system helps create the necessary conditions for prosperity. (A constitutional republic is characterized by the supreme power being held by the people who elect their leaders, not in name only, but in fact.) Markets need rules, rules need to be ethical, and rules need to be enforced. The more a society implements the rule of law equally, the easier it is to start a business due to fewer rules and regulations; the easier it is to stay in business with low taxes, low tariffs, and low barriers to trade; the more prosperous that society will be.

And ALL of those things are impacted by politics.

Policies cannot produce prosperity, but as we see in the film, policies can PREVENT prosperity. And without prosperity there is no time, energy, or money available to help the needy, to protect our environment, or to educate our children. *She Rises Up* provides ample evidence of that.

Let me know if you want to talk about this some more.

Love you,

Dad

[1] https://www.sherisesupfilm.com/.

[2] https://www.ted.com/talks/magatte_wade_why_it_s_too_hard_to_start_a_business_in_africa_and_how_to_change_it?subtitle=en

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ANNOUNCEMENTS

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MUHLENKAMP Memorandum

Inside this issue:

- Quarterly Letter
- Letter to My Daughters: On Politics and Markets
- Announcements

Library Spotlight & What's New

If you haven't seen the updated version of our website www.muhlenkamp.com yet, come for a visit! "Our Library" has a collection of Essays, Memorandums, and Client Letters.

Here are some of our most recent postings:

Five Key Moves for Generation X Before Retiring
https://library.muhlenkamp.com/genx/

Thoughts On: Corrections, Crashes, Recessions, and Inflation
https://library.muhlenkamp.com/thoughts-on-corrections-crashes-recessions-and-inflation/

Thoughts On: The Yo-Yo Problem with Investing
https://library.muhlenkamp.com/thoughts-on-the-yo-yo-problem-with-investing/

Letter to My Daughters: On Politics and Markets
https://library.muhlenkamp.com/letter-to-my-daughters-on-politics-and-markets/

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 9/30/2024

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	14.47%	21.03%	13.09%	15.04%	7.33%	8.25%
S&P 500 Total Return*	22.08%	36.35%	11.91%	15.97%	13.38%	14.14%
Consumer Price Index**	2.62%	2.53%	4.79%	4.18%	2.84%	2.55%

* **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 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
NMI Holdings Inc	Thrifts and Mortgage Finance	4.14%
BGC Partners Inc	Capital Markets	3.74%
EQT Corporation	Oil, Gas, & Consumable Fuels	3.60%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.53%
McKesson Corporation	Health Care Providers & Services	3.52%
SPDR Gold Shares	Exhange Traded Funds	3.40%
Recurrent MLP & Infrastructure Fund 1	Mutual Funds	3.21%
UnitedHealth Group Inc	Health Care Providers & Services	3.18%
Apple Inc	Technology Hardware, Storage, & Peripherals	3.14%
Microsoft Corp	Software	3.14%
Mastec Inc	Construction & Engineering	3.12%
Rush Enterprises Inc	Trading Companies & Distributions	3.07%
PulteGroup	Household Durables	3.06%
United Rentals Inc	Trading Companies & Distributions	3.01%
Wabtec Corp	Machinery	2.90%
Schlumberger NV	Energy Equipment & Services	2.88%
Newmont Corporation	Metals and Mining	2.79%
Occidental Petroleum Corp	Oil, Gas, & Consumable Fuels	2.78%
Dow Inc	Chemicals	2.62%
Tegna Inc	Media	2.61%

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 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	27
Cash & Cash Equivalents	25.91%

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 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 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.*