MUHLENKAMPMemorandum

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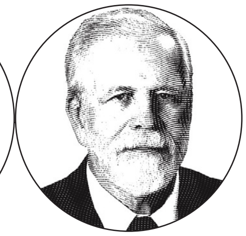
QUARTERLY LETTER, OCTOBER 2025

By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder



We're making some exciting changes to how we deliver our market commentary, quarterly updates, and special announcements.

Starting in January 2026, we'll transition primarily to electronic delivery for our newsletter and non-account-related communications. This change will enable us to share insights with you more quickly and provide enhanced content, as well as links to additional resources.

We encourage you to sign up for our electronic newsletter to ensure you continue receiving all our market commentary and special announcements without interruption. You can subscribe by visiting our website at muhlenkamp.com/subscribe, emailing us at ClientService@Muhlenkamp.com, or calling us at 724-935-5520.

Prefer paper? We understand that some of our valued readers prefer printed materials. If you absolutely prefer to continue receiving our communications by mail, please give us a call at 724-935-5520, and we'll be happy to keep you on our postal mailing list.

Thank you for your continued trust in our services. We look forward to keeping you informed through whichever format works best for you.

Fellow Investors,

Let's start with the economy:

- Real (inflation-adjusted) growth in the Gross Domestic Product (GDP) was 2.1% for the second quarter. The Federal Reserve Bank of Atlanta's GDPNOW estimate was 3.3% as of September 17, 2025. Not great numbers, but not bad.
- The unemployment rate (U-3) ticked up a tenth of a percent to 4.3% with the August 31st report – the highest level this year. The unemployment rate started the year at 4.0%.
- Inflation as measured by the Consumer Price Index (CPI) was 2.9% on August 31st. The high mark for CPI during the year was 3.0% with the January 31st number, the low point was 2.3% on April 30th.
- The Institute for Supply Management Purchasing Managers Index (ISM PMI) for manufacturing was 48.7 on August 31st. A number below 50 indicates contraction, above 50 it indicates expansion. The Manufacturing PMI first dipped below 50 in November 2022 and has stayed below that level since then, with the brief exception of January and February of 2025.

  The Non-Manufacturing PMI Index was 52.0 on August 31st and has remained in expansion territory pretty consistently since the middle of 2020. The U.S. economy is about 30% manufacturing and 70% non-manufacturing.

So, we've had a bit of a two-speed economy for the last three years with services expanding and manufacturing contracting. Currently we have moderate GDP growth, we are seeing some degradation in the labor market, and a little uptick in inflation. Will we see a recession in the near future? We've been writing about the possibility of a recession for something like two and a half years, ever since the yield curve inverted in July 2022. It hasn't happened, and now we don't think it will. We think the manufacturing portion of the economy is more likely to improve than decline, and we will avoid a recession. We hold this opinion lightly and stand ready to change it as events unfold.

In response to the weakness in the labor market the Federal Reserve cut the Federal Funds Rate (FFR) by .25% at their meeting on September 17, 2025. You may recall that they cut the FFR by .25%

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Quarterly Letter

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in November 2024 and again in December 2024, then held it steady until September. We infer they are now more concerned about the unemployment numbers than they are about the inflation numbers. The yield on the 10-year Treasury bond was 4.1% on September 19, 2025, down about .1% from our letter last quarter, so little change there. The 30-year mortgage rate on September 19, 2025 was 6.41%, down 1% from the 7.4% we saw in January. A helpful development if you are looking to buy a house. Also of interest is the weakness of the dollar as measured by the U.S. Dollar Index (DXY). The DXY has dropped from 110 in January to 97.6 on September 19, 2025, a decline in the value of the dollar relative to a basket of other currencies of about 12% year to date. If you're travelling internationally, you may find things a little more expensive at your destination than you may have expected.

We should probably talk about tariffs and deregulation a little bit. Both remain in a state of flux: both have changed but no one has any confidence that the recent changes themselves won't be revised. This policy uncertainty has, in many cases, caused companies to delay decisions to deploy capital. Over time, the uncertainty should fade, but we don't know how long that will take. The implication for our understanding of the economy is that at least some of the weaknesses in business activity and hiring we've seen recently may be the result of policy uncertainty, not cyclical or structural problems.

Speaking of structural problems, we note the U.S. Deficit for 2025 is $1.97 trillion (*fiscaldata.treasury.gov*) or 6.1% of GDP and is projected to average 6.3% of GDP over the next thirty years (Congressional Budget Office: *cbo.gov/publication/61270*). For our national debt to be sustainable the deficit (currently 6.1% of GDP) needs to be less than nominal GDP growth (4.7% y/y in June 2025). If the deficit is higher than nominal GDP growth our debt will continue to expand faster than our economy, making it increasingly difficult to service our debt. Higher interest rates will exacerbate the problem. The Department of Government Efficiency (DOGE) has made little dent in government spending and the "One Big Beautiful Bill Act" doesn't reduce the deficit either. We believe the current administration's efforts to deregulate the economy are an effort to increase the growth rate without increasing government spending. We have no way of estimating the impact of regulatory changes on the economy and haven't found anyone else who is even talking about it. We believe the most likely resolution to our national debt problems will involve some combination of inflation and currency debasement. We also believe it is very unlikely our leaders, of either party, will ever tell you that. We believe this is part of the reason the price of gold in dollars has risen 42% year-to-date (as of September 25th, 2025) and why we expect this trend to continue.

The S&P 500 Index has recovered from its March through May dip and now sits at an all-time high. On many metrics, including price/earnings, price/sales, and market capitalization/GDP, the valuation of the S&P 500 is also at high levels. Much of the S&P 500s performance this year comes from investor enthusiasm for artificial intelligence (AI) and all the companies involved in building it. We see that enthusiasm reflected in the price not only of chip and software companies but also in utilities providing the power, construction companies building the data centers, etc. CEOs in these businesses are NOT hesitating to put capital to work and are collectively committing hundreds of billions of dollars to building the data centers and other facilities they believe we need. AI is clearly in a massive boom. It may well be that the boom in all things AI has kept the economy out of recession. At some point, however, we expect the boom will turn to bust as they often do. CEOs that built the datacenters and deployed the software will want to see what return they received on their investments. If those returns are disappointing, they won't build another one. Growth will slow, investors will be disappointed, and the rabid buying of AI stocks will turn to panicked selling of AI stocks. The high valuation of the overall market and the boom characteristics of AI continue to concern us.

In that context we have put a little bit of money to work over the last quarter in two sectors: Healthcare and Materials. We found a couple of companies we like at prices we like and acted accordingly. Our gold miners and royalty companies continue to make new highs in sympathy with the metal itself.

We think the reasons to own gold remain valid and expect the current run in gold may continue for some time, potentially years. We'll see.

If you have any questions, please get in touch with us. We'd love to hear from you.

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

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).*

Price-to-Earnings (P/E) *- is the current price of a stock divided by the (trailing) 12 months earnings per share.*

Price-to-Sales Ratio (P/S) *- equals the stock's current price, divided by the stock's revenue per share. It can be used for measuring a stock relative to its own past performance, other companies, or the market itself.*

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.*

U-3 Unemployment Rate *- a measure of the unemployed, as a percent of the civilian labor force. It only includes those currently looking for work. Listed as the "official unemployment rate" according to the U.S. Bureau of Labor Statistics.*

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.

LATEST ESSAYS AND ARTICLES

Assessing Your Insurance Needs: A Strategic Approach

Insurance decisions shouldn't be driven by fear or sales pitches—they should be grounded in cold, hard financial logic. At Muhlenkamp, our approach to insurance is simple: The purpose of insurance is to protect against financial disaster. Any non-financial loss cannot be remedied by insurance. Any loss that is not a disaster does not require insurance.

https://library.muhlenkamp.com/assessing-your-insurance-needs/

Three Words That Define Us

"Intelligent," for us, is the opposite of "emotional," which reflects our desire to remove emotion from our investing, hence the motto "Intelligent Investment Management." The motto expresses what we do and how we do it. Our clients come to us with three objectives: Don't lose their money, make it grow, and help them sleep at night in the process. And those objectives line up beautifully with the services we provide.

https://library.muhlenkamp.com/three-words-that-define-us/

Letter to My Daughters: On Economic Laws

One of the areas that investors must consider rationally is political economies, which are the systems people create to organize their interactions in ways that are mutually beneficial. Remember, there are no politics without economics, and there is no economics without politics, so we MUST think in terms of political economies.

https://library.muhlenkamp.com/letter-to-my-daughters-on-economic-laws/

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

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Make sure you sign up to receive our updates in your inbox.

MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 09/30/2025

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 which focuses on 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	14.91%	11.66%	15.31%	16.45%	9.21%	9.14%
S&P 500 Total Return*	14.83%	17.60%	24.93%	16.47%	15.30%	14.64%
Consumer Price Index**	2.65%	2.92%	3.04%	4.50%	3.12%	2.73%

* **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 2025 – 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 Form ADV 2A. 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.

TOP TWENTY HOLDINGS

Company	Industry	% of Net Asset
Agnico Eagle Mines Ltd	Metals and Mining	5.62%
Mastec Inc	Construction & Engineering	4.88%
EQT Corporation	Oil, Gas, & Consumable Fuels	4.77%
McKesson Corporation	Health Care Providers & Services	4.59%
SPDR Gold Shares	Exhange Traded Funds	4.45%
Newmont Corporation	Metals and Mining	3.86%
BGC Partners Inc	Capital Markets	3.49%
Microsoft Corp	Software	3.49%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.48%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.47%
United Rentals Inc	Trading Companies & Distributions	3.27%
Recurrent MLP & Infrastructure Fund 1	Mutual Funds	3.22%
Apple Inc	Technology Hardware, Storage, & Peripherals	3.16%
ICON PLC ADR	Life Sciences Tools & Services	2.95%
Microchip Technology Inc	Semiconductors & Equipment	2.93%
Royal Gold Inc	Metals and Mining	2.93%
Wabtec Corp	Machinery	2.91%
Rush Enterprises Inc	Trading Companies & Distributions	2.86%
Tencent Holdings Limited ADR	Interactive Media and Services	2.84%
Schlumberger NV	Energy Equipment & Services	2.21%

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

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	27
Cash & Cash Equivalents	17.74%

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**
2024	396	75	71	12.07	11.23	25.02	13.01	17.40	1.24
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

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.

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.

* **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.*