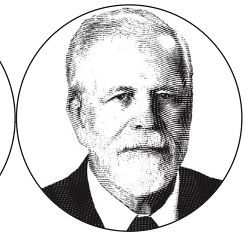
MUHLENKAMP Memorandum

Issue 157 | Published First Quarter | January 2026

QUARTERLY LETTER, JANUARY 2026



By Jeff Muhlenkamp, Portfolio Manager and Ron Muhlenkamp, Founder

Fellow Investors,

The economy in the 3rd quarter grew by 4.3% adjusted for inflation, the highest growth rate for the year. The inflation rate as measured by the CPI was 2.7% in November (the latest data point), in the middle of the 2.3% - 3.0% range it has been in all year. The U-3 unemployment rate in November was 4.6%, the highest it's been all year. The services sector, as measured by the Services Purchasing Managers Index (PMI), continued to expand in November with an index reading of 52.6 (a reading above 50 indicates expansion), even as the manufacturing sector continued to contract in November with a Manufacturing PMI reading of 48.2. We've heard the economy described as "two-speed" or "k-shaped", usually with the implication that wealthier Americans are doing great and average Americans not so much. We see the breakdown differently: the service economy is doing fine, manufacturing not as well. Since services are a much bigger piece of the economy, the overall picture is one of modest growth.

In response to that economic picture, the Federal Reserve cut the Federal Funds Rate three times this year: in September, October, and December for a total cut of 0.75%. Presumably, they are more concerned about rising unemployment than they are about inflation being above their 2% target. The Federal Reserve also restarted its purchase of Treasury Bills in December, saying they will buy up to $40 billion per month as part of a "Reserve Management Purchase" program. Federal Reserve members stated repeatedly that this was "not QE" (quantitative easing). As near as we can tell, the only difference between this exercise in money creation and the previous exercises in money creation is the stated intent – the actions are the same. The questions we ask ourselves (and would be happy to ask Fed Members if we get the chance) are "Why are you restarting asset purchases when inflation remains above your 2% target? Won't that tend to create more, not less inflation?" Truth be told, if we were able to ask those questions of the Fed, we would be very surprised if we got a straight answer. Our operating assumption is that they have restarted asset purchases to keep interest rates on government debt affordable (for the government). The risk that this keeps inflation higher than their target is something they are willing to accept.

Interest rates declined during 2025, as did oil prices. The 10-year Treasury Yield fell by about 0.4% from the start of the year to year's end, and the 30-year mortgage rate ended the year at 6.26%, down a full 1% from the start of the year. Oil prices fell from $70 per barrel in January to $58 per barrel in December, a 17% drop. In our opinion, the drop in oil prices has kept inflation from running higher than the 2-3% we've seen this year.

The US stock market ended the year near its all-time high, having been led for most of the year by AI-related companies. As we've previously stated, we believe the AI boom will eventually bust, but we don't know when. Anecdotally, we observed that when companies involved in AI announced additional capital spending, it generally created a short-term boost to their stock price up until about mid-October. In November and December, however, similar spending announcements were generally met with swift declines in stock prices. This reversal in price action when capital spending increases are announced appears to us to be a sign of waning excitement about AI. We continue to have limited exposure to AI.

Gold has been on a tear this year, up about 70%. We participated very nicely in this move with our gold companies up 70% to 175% each. Early in the year, we thought gold companies were being ignored – with stock prices of miners and royalty companies languishing even as the price of the metal marched higher. By October, that was no longer the case as the Wall Street media machine turned its attention to gold, and everyone seemed to be talking about it. After a steep 10% drop in late October, the metal resumed its steady move higher. How high will it go? Honestly, we have no idea and have no interest in guessing. We bought gold and related companies because we observed that central banks were increasing their gold holdings and because it seemed very likely that international trade might start to be net settled in gold. Those reasons remain valid. We've also become aware that the cryptocurrency industry has developed gold-backed coins and invested in gold royalty companies. We find this very interesting and potentially a significant tailwind for the metal.

(continued on page 2)

Quarterly Letter

continued from cover

Finally, we have read news stories from both the U.S. and Japan that describe an inversion in retail gold buyers' behavior. According to these stories, historically retail physical gold owners would sell into high gold prices like we are seeing now – but that's not what's happening. Instead of selling, they are currently buying. While recognizing that extrapolating two anecdotes into a broader trend is hazardous, we are intrigued by these stories. Overall, we think there are some good reasons for the run in gold to continue. We'll see.

During 2025, we invested in two chemical companies and a microchip maker (not AI-related microchips) as these industries were in the midst of a severe cyclical downturn. Historically, investing in cyclical companies when their business cycle was at its nadir was a profitable endeavor. So far, these investments have not made us any money, but we continue to expect that they will. We'll keep you updated.

In 2025, we also invested in two Chinese companies. One of these investments is doing well, the other did not and was sold. We continue to look at foreign companies in our search for investment opportunities and will invest in them if we find some we like.

As we look forward to 2026, a few questions are top of mind for us:

- When will the AI boom end?
- When will the contraction in manufacturing end?
- Will the tailwinds for gold continue?
- Will the tariff and regulatory upheaval we saw in '25 settle down, allowing CEOs to start making long-term decisions again?
- What will inflation do this year?

We expect 2026 will be another interesting year!

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.*

PMI (Purchasing Managers Index) *- a key economic indicator from monthly surveys of supply managers.*

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*

Cryptocurrencies are a relatively new asset class and are subject to unique and substantial risks.

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

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Making the Most of Year-End: A Practical Guide

Before we dive into tactics, let's be clear about what matters: You want to keep more of what you earn, protect what you've built, and pass on something meaningful to the people and causes you care about. Everything else is just mechanics. The tax code changes regularly, exemption limits shift with inflation, and Washington will continue to tinker. But the fundamental principles don't change…

https://library.muhlenkamp.com/year-end-guide-2025/

Letter to My Daughters: On Professions and Callings

If you are lucky and persistent, then your calling and your profession can be one and the same thing, but those opportunities are rare, and you have to track them down to find them; they won't come looking for you. You have to try dozens of different things, do different jobs in different fields (often menial jobs)…to find your calling…

https://library.muhlenkamp.com/letter-to-my-daughters-on-professions-and-callings/

Navigating Market Noise: The Challenge of Separating Signals from Distractions

In the fast-paced world of investing, one of the most crucial skills is learning to distinguish between meaningful market signals and temporary distractions. Recent discussions among our investment team highlighted this ongoing challenge and the nuanced approach required to navigate today's information-rich environment.

https://library.muhlenkamp.com/signals-from-noise/

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MUHLENKAMPMemorandum

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MUHLENKAMPSMA ALL-CAP VALUE

For the period ended 12/31/2025

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	16.55%	16.55%	13.56%	13.70%	9.07%	8.75%
S&P 500 Total Return*	17.88%	17.88%	23.00%	14.43%	14.82%	14.06%
Consumer Price Index**	2.70%	2.74%	2.87%	4.49%	3.17%	2.65%

* **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 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	5.56%
Mastec Inc	Construction & Engineering	4.91%
SPDR Gold Shares	Exhange Traded Funds	4.89%
McKesson Corporation	Health Care Providers & Services	4.84%
EQT Corporation	Oil, Gas, & Consumable Fuels	4.65%
Newmont Corporation	Metals and Mining	4.54%
NMI Holdings Inc	Thrifts and Mortgage Finance	3.71%
Microsoft Corp	Software	3.55%
Berkshire Hathaway Inc Class B	Diversified Financial Services	3.47%
Apple Inc	Technology Hardware, Storage, & Peripherals	3.36%
BGC Partners Inc	Capital Markets	3.29%
Royal Gold Inc	Metals and Mining	3.25%
Recurrent MLP & Infrastructure Fund 1	Mutual Funds	3.21%
Wabtec Corp	Machinery	3.12%
ICON PLC ADR	Life Sciences Tools & Services	3.09%
Microchip Technology Inc	Semiconductors & Equipment	2.93%
Rush Enterprises Inc	Trading Companies & Distributions	2.91%
United Rentals Inc	Trading Companies & Distributions	2.78%
Tencent Holdings Limited ADR	Interactive Media and Services	2.57%
Schlumberger NV	Energy Equipment & Services	2.51%

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	26
Cash & Cash Equivalents	18.16%

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**
2025	435	90	77	17.40	16.55	17.88	10.24	11.95	1.57
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

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.*