



## QUARTERLY LETTER, APRIL 2026

Fellow Investors,

We said in our January newsletter that we expected 2026 to be “another interesting year.” Events in February and March didn’t let us down as the United States and Israel resumed combat operations against Iran on 28 February. Iran’s response included closing the Strait of Hormuz to most shipping and conducting missile and drone strikes against energy production and processing facilities in the neighboring Gulf Cooperation Council states. These attacks make it clear that Iran hopes to drive up energy prices and create problems for both energy-producing and energy-importing nations. Iran apparently believes those nations will pressure the United States and Israel into ending combat operations (instead of joining the fight against Iran).

Overall, the impact of the war on markets can be summarized as: oil up, dollar up, bonds down, stocks down, gold down. Crude oil prices have increased from about \$65 per barrel in February to roughly \$102 on 31 March. The dollar, as measured by the DXY currency index, went from 98 in late February to 100 on 31 March. The interest rate on the 10 Year Treasury Bond was 4.01% on 2/26/2026, rising to 4.44% on 3/27/2026. As of the end of March, the S&P 500 is down roughly 4% from its early February peak, and gold is down about 13.5% from its late January peak.

Of course, while the war dominated headlines in March, it isn’t the only thing going on. U.S. real GDP growth in 4Q25 was .70%, down from 4.40% in 3Q25. This sounds bad, but recall we had a government shutdown in 4Q, and this skews the numbers. The Federal Reserve Bank of Atlanta’s GDPNow estimate for 1Q26 is currently 2.0%. The March 2026 U-3 unemployment rate was 4.3%, down slightly from February’s 4.4% and the same as January’s 4.3%. In light of the muddled employment picture and renewed concerns about inflation, the Federal Reserve left the Federal Funds Rate unchanged when it met in March. The U.S. Manufacturing Purchasing Manager’s Index, which had been below 50 (indicating a contracting manufacturing sector) since mid-2022, popped above 50 and into expansion territory in January and February. You’ve heard us talk before about how the manufacturing sector has been struggling, so we are pleased to report that things appear to be improving in manufacturing.

Three months ago, we laid out what we thought were the important questions for the coming year. Those questions are listed below in italics, with our updates in bold letters.

- *When will the AI boom end?* **Still not clear.**
- *When will the contraction in manufacturing end?* **We think it just ended.**

- Will the tailwinds for gold continue? **The price of gold has dropped about 13.5% from its January peak but is still up nearly 8% year to date. A stronger dollar is a headwind. We think gold outperformance has at least paused, but the structural tailwinds (central bank buying, gold backed crypto currency buying, profligate government spending) are still in place.**
- Will the tariff and regulatory upheaval we saw in '25 settle down, allowing CEOs to start making long-term decisions again? **Not clear.**
- What will inflation do this year? **Higher oil prices increase risks of higher inflation.**

We'll add one about the Iran War:

- *How long will the Iran war last, and how high will oil prices go?*

Despite all these “interesting events,” we are reasonably happy with how our portfolios have held up. We’ve taken profits on some successful investments in the Quarter and increased client cash holdings, as well as increasing our exposure to overseas companies. In the longer term, we still think the dollar is likely to weaken, and overseas investments are a great way to take advantage of that.

Wishing you all the best!

Jeff Muhlenkamp, Portfolio Manager  
Muhlenkamp & Company, Inc.

***DXY (U.S. Dollar Index*** <sup>®</sup>) - is an index of the value of the U.S. dollar relative to a basket of foreign currencies.

***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).

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

***S&P 500 Index*** <sup>®</sup> - is a widely recognized, unmanaged index of common stock prices. The S&P 500<sup>®</sup> 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*** - is the official unemployment rate. It is the total unemployed, as a percent of the civilian labor force.

***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.***

Visit our website for past Quarterly Letters and other archives - <https://muhlenkamp.com/>  
Copyright © 2026 Muhlenkamp & Company, Inc. All Rights Reserved