

# MUHLENKAMPMemorandum

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## QUARTERLY LETTER, OCTOBER 2026

By Jeff Muhlenkamp, Portfolio Manager



Fellow Investors,

Adjusted for inflation, the U.S. economy grew 2.2% year-over-year in the second quarter of 2026. This was a bit lower than the 2.6% growth we saw in the first quarter, but was similar to GDP growth in 2025, which averaged 2.1% year-over-year over the four quarters. Unemployment was also largely unchanged, with the U-3 rate at 4.1% on 8/31/26. The latest inflation number, as measured by the Consumer Price Index, was 3.4% on 8/31/26, down from the recent peak of 4.2% on 5/31/26.

With inflation above the Federal Reserve's target of 2%, the Fed decided to raise the Federal Funds Rate target by .25% at their September meeting. Their target is now 3.75% - 4.00%. Interest rates in general have been rising all year, with the interest rate on the 10-year treasury bond starting the year at 4.17%, rising to 5.28% on September 29th. The 30-year conforming mortgage rate has similarly moved from 6.25% at the beginning of the year to 7.18% on September 28th. Historically, a good rule of thumb has been that short-term interest rates should be approximately

the rate of inflation and long-term interest rates should be approximately the sum of real GDP growth and inflation. If we apply that rule of thumb today short-term rates should be 3-4% and long-term rates should be 5-6%. That's pretty much where they are.

To summarize the economic picture: decent GDP growth, low unemployment numbers, higher than desired inflation, and rising interest rates.

As I did last quarter, let's review my standing questions. The questions are listed below in italics, with our updates in bold letters.

*When will the AI boom end?* **Clearly not yet. Even though we are seeing public resistance to building data centers and public calls from the leaders of AI companies to slow the pace of development (I'm scratching my head trying to figure out the motivation for this—no conclusions yet) hundreds of billions of dollars continue to be dedicated to building out AI capabilities. Our direct exposure to AI companies remains very low.**

*Will the tailwinds for gold continue?* **The price of gold bounced in August when Treasury Secretary Bessent announced support for the Japanese Yen. Basically, to support the Yen he had to buy Yen, which means he had to sell something else—in this case he sold Euro. To provide ongoing support will probably require the sale of U.S. dollars. All things equal this will devalue the dollar, hence the rise in gold. The price of gold is now flat year to date. Our reasons for wanting exposure to gold remain unchanged, and our investments in gold-related companies are likewise unchanged.**

*Will the tariff and regulatory upheaval we saw in '25 settle down, allowing CEOs to start making long-term decisions again?* **Tariffs remain turbulent. The latest round of tariffs was on imports from Canada, and of course the Canadians responded with fresh tariffs of their own. The Supreme Court ruled many of the tariffs initially imposed by President Trump unconstitutional, requiring**

*(continued on page 2)*

## Quarterly Letter

*continued from cover*

the government to refund the tariffs it collected. In response President Trump imposed more tariffs under a different authority. So there has been a lot of tariff chaos this year. CEOs seem to have adapted pretty well and rarely mention the impact of tariffs anymore.

*What will inflation do this year?*  
Inflation in the 3rd quarter was 3.4%, down from 4.1% in the second quarter. However, a bounce in oil prices back above \$100 per barrel may foreshadow higher CPI readings ahead. The persistence of above-target inflation has prompted the Federal Reserve to raise interest rates this month. Inflation has also become a political issue for the upcoming elections. Our expectation is for inflation to remain in the 3-4% range for the foreseeable future.

*How long will the Iran war last?*  
I have no idea. How high will oil prices go? \$110 per barrel. Clearly, I was too optimistic last quarter when I wrote that the Iran War was largely behind us. The Memorandum of Agreement between the U.S. and Iran has completely fallen apart, the Iranians continue to interdict the Strait of Hormuz and are encouraging the Houthis in Yemen to attack Saudi oil shipments through the Bab al-Mandab Strait. The U.S. blockade of Iran

continues. I see no improvement over the last two months and have no reason to believe the war will end soon.

This quarter I put some money to work. Among the purchases are an integrated oil company, a software company, and an animal health company. I purchased the oil company because I am now concerned that the Iran War will result in higher oil and refined products prices for much longer than most people think. This purchase will provide a good hedge if that happens. I purchased the software company and the animal health company because their valuations are very attractive.

As always, please contact us if you have any questions; we'd love to hear from you! 

Jeff Muhlenkamp, Portfolio Manager  
Muhlenkamp and Company, Inc.

**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.

**Federal Funds Rate** – the interest rate at which depository institutions lend balances held at the Federal Reserve to other depository institutions overnight. It is the interest rate banks charge each other for loans.

**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<sup>®</sup> (Standard & Poor's 500)** – is a stock market index that tracks the performance of 500 leading publicly traded companies in the United States. 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** – U-3 is the official unemployment rate published by the U.S. Bureau of Labor Statistics (BLS). It measures the total number of jobless people (aged 16 and older) who are available to work and have actively searched for a job in the past four weeks, expressed as a percentage of the 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.*

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## LATEST ESSAYS AND ARTICLES

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### Moving from Saving for Retirement to Spending in Retirement

As my friends and I prepare to enter the retirement phase of life, three questions come up in conversation:

1. How do I use my money in retirement?
2. How do I convert assets into spending money without running out of money?
3. Can I retire and not pay taxes?

Like most things, it depends; and no, I can't avoid paying taxes. I will pay taxes as I convert my retirement assets to spending money. I repeat, I WILL PAY TAXES as I liquidate retirement assets. But I do have some ways of picking and minimizing the taxes I pay.

So, what's the answer?

<https://library.muhlenkamp.com/moving-from-saving-for-retirement-to-spending-in-retirement/>



### Should You Convert Your IRA to a Roth?

The answer depends on details that are specific to you: your tax bracket now, the bracket you expect later, and where the money to pay the tax bill comes from. Rules of thumb tend to fall apart once you run your own numbers.

In this video conversation, Tony Muhlenkamp works through:

- Why “pay less tax” and “end up with more money” are not always the same goal
- What generic conversion advice assumes, and what happens when those assumptions do not hold
- Why holding money across different tax treatments leaves you more options in retirement

There is math that comes before the decision.

<https://library.muhlenkamp.com/should-you-convert-your-ira-to-a-roth/>



### More Than a Will

Most people think of estate planning as a paperwork exercise. Meet with an attorney, sign a will, name a beneficiary or two, and the task is complete. That view is not wrong, but it is incomplete.

A will, a trust, and a beneficiary designation are instructions. They tell the people who administer an estate what to do with property and assets after someone has passed. What they do not do, on their own, is tell a family what those decisions mean, why they were made, or what to expect when the time comes to act on them.

That gap, between having a plan and a family actually understanding it, is where most of the difficulty tends to show up. Not in the legal documents themselves, but in the conversations that never happened around them.

<https://library.muhlenkamp.com/more-than-a-will/>



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## MUHLENKAMP Memorandum

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- Accomplish something else?
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# MUHLENKAMP SMA ALL-CAP VALUE

For the period ended 09/30/2026

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)

|                        | Year to Date | One Year | Past 3 Years | Past 5 Years | Past 10 Years | Past 15 Years |
|------------------------|--------------|----------|--------------|--------------|---------------|---------------|
| Return                 | 11.87%       | 13.47%   | 15.31%       | 12.88%       | 10.68%        | 10.28%        |
| S&P 500 Total Return*  | 12.75%       | 15.74%   | 22.88%       | 13.79%       | 15.33%        | 15.68%        |
| Consumer Price Index** | 3.37%        | 3.40%    | 2.95%        | 4.13%        | 3.35%         | 2.64%         |

\* 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 2026 – 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                          | 5.12%          |
| Newmont Corporation                 | Metals and Mining                          | 4.66%          |
| McKesson Corporation                | Health Care Providers & Services           | 4.51%          |
| SPDR Gold Shares                    | Exchange Traded Funds                      | 4.18%          |
| Wabtec Corp                         | Machinery                                  | 3.74%          |
| Apple Inc                           | Technology Hardware, Storage & Peripherals | 3.72%          |
| EQT Corporation                     | Oil, Gas and Consumable Fuels              | 3.68%          |
| BGC Partners Inc                    | Capital Markets                            | 3.47%          |
| Microsoft Corp                      | Software                                   | 3.47%          |
| Rush Enterprises Inc                | Trading Companies & Distributions          | 3.38%          |
| Microchip Technology Inc            | Semiconductors & Semiconductor Equipment   | 3.23%          |
| Royal Gold Inc                      | Metals and Mining                          | 3.23%          |
| ExxonMobil Holdings Corp            | Oil, gas & Consumable Fuels                | 3.22%          |
| United Rentals Inc                  | Trading Companies & Distributions          | 3.17%          |
| Berkshire Hathaway Inc Class B      | Diversified Financial Services             | 3.14%          |
| Gartner Inc                         | IT Services                                | 3.05%          |
| Schlumberger NV                     | Energy Equipment & Services                | 3.00%          |
| NMI Hldgs Inc                       | Thriffs and Mortgage Finance               | 2.89%          |
| Paycom Software Inc                 | Professional Services                      | 2.80%          |
| Recurrent Mlp & Infrastructure Fd 1 | Mutual Fund                                | 2.72%          |

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).



## 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 29  
Cash & Cash Equivalents 16.86%

## 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

| Year End | Total Firm Assets (USD) (millions) | Composite Assets (USD) (millions) | Number of Accounts | ANNUAL PERFORMANCE |               |                            | THREE-YEAR ANNUALIZED STANDARD DEVIATION* |                            |                        |
|----------|------------------------------------|-----------------------------------|--------------------|--------------------|---------------|----------------------------|-------------------------------------------|----------------------------|------------------------|
|          |                                    |                                   |                    | 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.