

Muhlenkamp & Company, Inc., Management Brochure

Form ADV, Part 2A



**Muhlenkamp & Company, Inc.**  
*Intelligent Investment Management*

**Management Brochure**

This Management Brochure provides information about the qualifications and business practices of Muhlenkamp & Company, Inc. If you have any questions about the contents of this Brochure, please contact us at (877)935-5520 or [services@muhlenkamp.com](mailto:services@muhlenkamp.com). This Management Brochure has not been approved by the U.S. Securities and Exchange Commission (SEC) or any state regulatory authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Muhlenkamp & Company, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 3, 2014

## **Item 2. Material Changes**

This Management Brochure, dated December 3, 2014, introduces Muhlenkamp & Company, Inc. to you, describing our people, investment philosophy, and management practices.

This section, Item 2, discusses only material changes since the last annual update of this Brochure, dated December 18, 2013.

### **Material Changes since Last Update**

- The Muhlenkamp Fund moved from the Wexford Trust to the Managed Portfolio Series on September 5, 2014.

We will send you a summary of any material changes to this Management Brochure within 120 days of the close of our fiscal year. We'll also send you other interim disclosures about material changes as necessary.

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## **Item 4. Advisory Business**

### ***Who We Are***

Muhlenkamp & Company, Inc. is an independent investment management firm. We are registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, and with the Pennsylvania Securities Commission. Ronald H. Muhlenkamp, principal owner, founded Muhlenkamp & Company, Inc. in 1977.

Our exclusive interest is serving the needs of our clients. We do not act as brokers, custodians, investment bankers, or underwriters and we do not receive any commissions from such sources. We manage clients' assets on a discretionary basis, whereby we designate which securities are to be bought or sold, and the amount of securities to be bought or sold for the client's account. The client has the option of whether or not to grant full discretionary authority to us. Each client may also designate the broker or dealer through which transactions may be effected

We believe these factors facilitate our acting solely in the interests of our clients.

### ***Why Hire an Investment Manager***

Intelligent investing in the securities markets is a business. Like any other business, it is both a science and an art. Sound investing must rely on a basic understanding of the sciences of economics, finance, and accounting. It also requires an artful understanding of people, ideas and concepts, and of their potential for fulfillment.

The business of investing has always been and will continue to be complex. Utilizing a qualified investment professional is as important as obtaining the services of highly trained professionals in other areas. Investment management requires full-time attention.

We believe an investor's best interest is served by knowledgeable, professional supervision on a continuous basis.

### ***Our Philosophy***

Muhlenkamp & Company believes that continuous portfolio supervision, based on a thorough knowledge of investment fundamentals, economic value, and a sense of timing, is the key to successful investing.

Investments are made principally in securities listed on the major security exchanges. We may also purchase securities of selected companies traded in the over-the-counter markets. We do not participate in private placements. We do not directly invest in commodities, collectibles, or real estate.

We will not buy securities on margin, sell short, or use options, unless we consult with the client to discuss the risks involved and obtain approval.

We do not subscribe to the philosophy that securities can be acquired and held forever.

We believe that the securities markets, as well as industries and companies, can be cyclical in nature. These cycles may be inherent in the industry or company itself, and may be national—or even international—in scope. Technological, economic, monetary, social or political forces, alone or in combination with one another, determine cycles. The life span of these cycles will vary, and may be long or short.

For these reasons, we place our emphasis on a business-like evaluation of current conditions. We study market history to get a better understanding of security values under different conditions, but do not try to apply historical evaluation methods directly to today's markets.

We believe in diversification and recognize that the proportion of classes of securities to be held at any given time might vary depending upon economic and market conditions. The relationship of money instruments, bonds, and stocks in portfolios will change as we perceive these conditions.

### ***Who We Serve and How***

We provide professional investment management for pension plans, profit sharing plans, endowment funds, individual and corporate accounts, wrap fee accounts, and a no-load mutual fund. We endeavor to provide returns after taxes and inflation over periods best measured in years.

### ***Services to our Clients***

Muhlenkamp & Company works closely with clients throughout the planning and portfolio management process. We review each client's financial situation to determine and clarify investment objectives and goals. We review the risks and rewards that exist in securities investing. When there is a mutual understanding, Muhlenkamp & Company can begin to construct a portfolio to meet the client's objectives. Each client's portfolio is then managed on a continuous basis. Our policy is to ensure that clients are kept fully informed about their portfolios; periodic reviews are held with each client. Each client is urged to keep us informed of any change in his/her financial situation so that it may be reflected in our portfolio management.

We place clients' orders for the purchase or sale of securities with national or regional brokerage firms selected by us. These firms provide a variety of research assistance and may offer superior service or execution. All purchases and sales are reported by the broker directly to us and to the client. Each quarter we provide a complete statement of holdings for all accounts, and a realized gain and loss report for taxable accounts

### ***The Muhlenkamp Fund***

Muhlenkamp & Company serves as investment adviser to the Muhlenkamp Fund, a series of the Managed Portfolio Series, a Delaware Statutory Trust. (the “Fund”). We are retained by the Fund under an annual contract, and receive a fee from the Fund equal to 1% per annum of the average daily market value of the Fund’s net assets up to \$1 billion and 0.9% of those net assets in excess of \$1 billion. The Muhlenkamp Fund is one of thirty-one funds within the Managed Portfolio Series.

Please see the Fund’s Prospectus and Statement of Additional Information for additional disclosures relating to the Fund. The Prospectus and Statement of Additional Information are available on our website, [www.muhlenkamp.com](http://www.muhlenkamp.com), or from the SEC at [www.sec.gov](http://www.sec.gov).

### ***Wrap Fee Programs***

Muhlenkamp & Company may serve as a portfolio manager for managed accounts under wrap fee programs sponsored by other firms (“wrap program accounts”). We manage these portfolios using the same investment strategies that we apply to other managed accounts. Wrap program accounts may be traded differently than those of other clients in that Muhlenkamp & Company generally uses the wrap program sponsor (“Sponsor”) to execute transactions. Unless requested by the Sponsor, we generally do not directly provide account statements or one-on-one presentations. The Sponsor is the client’s primary contact and determines the suitability of Muhlenkamp & Company as an investment manager, develops and updates investment guidelines as needed, and determines the amount of assets allocated to Muhlenkamp & Company for management.

Wrap program accounts pay a single fee to the Sponsor, covering the services rendered by both the Sponsor and us as adviser. Each Sponsor pays Muhlenkamp & Company, Inc. a portion of the wrap fee on a quarterly basis based on the value of its client accounts that we manage.

### ***Assets Under Management***

As of September 30, 2014 Muhlenkamp & Company, Inc. had \$560,670,000 in discretionary assets under management.

## Item 5. Fees and Compensation

Muhlenkamp & Company's compensation consists solely of the fees we receive for investment management.

For managed account clients, our fees are as follows:

<b>Quarterly Fee:</b>	<b>Annual Rate:</b>
\$2.50 per \$1,000 on the first million dollars	1.00%
\$1.25 per \$1,000 on the balance	0.50%

Our minimum fee is \$250 quarterly, payable in advance, based on the market value of the assets in the account on the last business day of the calendar quarter. The fee may be paid directly by the client, or deducted from the client's account by the custodian each quarter.

Multiple accounts belonging to the same client may be combined for the purpose of calculating the overall advisory fee. The fee structure is negotiable in the case of client accounts having assets under management of \$30 million or more. The fee structure is also negotiable where Muhlenkamp & Company works in conjunction with another investment adviser who also performs a distinct service for the same client and charges a separate advisory fee for its services. Fees and account minimums may be altered for family or institutional accounts.

Muhlenkamp & Company's services may be terminated at any time by either party. Upon cancellation of the contract, a prorated portion of the quarterly fee set forth above will be refunded.

Under the terms of certain advisory contracts with its clients, Muhlenkamp & Company only manages a portion of the client's investments in stocks and/or bonds. The management of these accounts is carried on in essentially the same manner in which other accounts are managed, but it may not be conducted with a complete awareness of each client's other holdings, some of which a client may wish to keep confidential. The fees charged are the same as those charged to other managed account clients, and payable quarterly in the same manner set forth above.

Clients will incur brokerage commissions and fees in addition to our advisory fees. Clients who own mutual funds in their accounts may also incur fees in the form of fund operating expenses in addition to our advisory fees. Although we have no financial interest in such additional fees, they are relevant in determining the overall cost of a client's investment program.

There are no other fees or charges for managed account clients. (Information about the Fund's fees and wrap fee arrangements are discussed in Item 4.)

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Muhlenkamp & Company, Inc. does not have performance-based fees, nor do we engage in side-by-side management activities. This means we do not manage accounts with different fee structures such as performance-based fees, hourly fees, or flat fees.

## **Item 7. Types of Clients**

We offer our services to pension plans, profit sharing plans, endowment funds, individual and corporate accounts, wrap fee accounts, and a no-load mutual fund. For managed account clients, our minimum account size is assets of \$100,000 for the All-Cap Value product, and \$300,000 for the Equity & Options product.

See the Fund's Prospectus for information about minimum Fund account size. Minimum investments for wrap fee accounts are determined by the Sponsor of the wrap fee program.

## **Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss**

Muhlenkamp & Company utilizes political, economic, fundamental, and technical input to accomplish our investment goals. This input consists of data and its interpretation. To the extent available, we acquire data and its interpretation from outside sources including economists, banks, broker-dealers, research organizations, business publications, and government sources. We do not attempt to duplicate good research available from outside sources. We do monitor, however, the data we receive to insure its accuracy, and insist on understanding the basis for conflicting opinions and their implications for investment decisions.

We concentrate our proprietary research efforts in those areas where good data or a diversity of knowledgeable opinions are not yet available.

With this input, we are in a position to make sound, informed judgments concerning business fundamentals, security valuations, and market timing.

Muhlenkamp & Company principally invests in a diversified list of common stocks, primarily in companies that we have determined to be highly profitable, yet undervalued. We look for those companies we believe to have above average profitability, as measured by corporate return on equity ("ROE"), and that sell at below average prices as measured by price-to-earnings ratios ("P/E"). Company size, based on market capitalization, is of little importance to the investment process. In pursuing our investment objectives, Muhlenkamp & Company may also invest in securities of foreign issuers.

Muhlenkamp & Company does not subscribe to the philosophy that stocks can be acquired and held forever. We purchase stocks that we generally hold for three or more years. While short-term swings in the marketplace are not ignored, they are subordinate to the quest for long-term values. We will sell a stock when we believe the company's intrinsic value has been fully



realized by the market, earnings disappoint, growth prospects dim due to changing market or economic conditions, the company falls short of expectations, or we find a better investment. We may purchase fixed-income or debt securities from time to time as substitutes for stocks when we determine that market conditions warrant their purchase.

Historically, common stocks have outperformed other types of investments; however, stock prices will fluctuate in the short term. Like any investments, the investments we manage are subject to risks. The value of your investments can go up or down. This means that you could lose money. The principal risks in our investment approach are as follows:

#### *Management Risk*

Our success depends largely on our ability to select favorable investments. Different types of investments shift in and out of favor depending on market and economic conditions. Because of this, our clients' portfolios will perform better or worse than other types of investments depending in part on what is in favor. In addition, there is the risk that the strategies, research, or analysis techniques used by us and/or our selection of securities may fail to produce the intended result.

#### *Small- and Medium-Sized Companies Risks*

Investing in securities of small- and medium-sized companies may involve greater volatility than investing in larger and more established companies because they can be subject to more abrupt or erratic share price changes than larger, more established companies. Small companies may have limited product lines, markets or financial resources, and their management may be dependent on a limited number of key individuals. Securities of such companies may have limited market liquidity and their prices may be more volatile.

#### *Credit Risks*

There is a possibility that companies or other issuers whose bonds our clients own may fail to pay their debts (including the debt owed to holders of their bonds). Bonds of companies with poor credit ratings generally will be subject to higher risk.

#### *Stock Market Risks*

We select stocks based upon their potential for long-term growth; however, there can be no assurance that the objective will be met. Our investments are subject to risks that affect common stocks in general, such as economic conditions and adverse changes (generally increases) in interest rates. Investments in stocks are subject to the risk that the market may never realize their value, or their prices may go down. Short-term volatility often accompanies a long-term approach to investing. These and other factors could adversely affect your investment. Generally speaking, we are willing to weather short-term price risk (volatility) for long-term gains, and tax considerations reinforce this position. We judge ourselves on returns after taxes and inflation.

#### *Bond Market Risks*

Our investments in bonds may be subject to risks that affect the bond markets in general, such as general economic conditions and adverse changes (generally increases) in interest rates.

### *Foreign Investment Risks*

Foreign investments involve certain risks not generally associated with investments in the securities of United States issuers. There may be less information publicly available concerning foreign issuers than would be with respect to domestic issuers. Different accounting standards may be used by foreign issuers, and foreign trading markets may not be as liquid as U.S. markets. Foreign securities also involve such risks as currency fluctuation risk, possible imposition of withholding or confiscatory taxes, possible currency transfer restrictions, expropriation or other adverse political, social, and economic developments, and the difficulty of enforcing obligations in other countries. These risks may be greater in emerging markets and in less developed countries.

### **Item 9. Disciplinary Information**

Registered investment advisers must disclose all material facts about any legal or disciplinary events that would be material to the evaluation or integrity of Muhlenkamp & Company's management. We have no legal or disciplinary information to report.

### **Item 10. Other Financial Industry Activities and Affiliations**

As noted in Item 4, Muhlenkamp & Company acts as an investment adviser for the Muhlenkamp Fund, a series of the Managed Portfolio Series, which is registered as a Delaware Statutory Trust.

The Muhlenkamp Fund Board of Trustees has retained U.S. Bancorp Fund Services, LLC as Custodian, Transfer Agent, Administrator, and Accountant for the Muhlenkamp Fund.

The Muhlenkamp Fund Board of Trustees has also retained Quasar Distributors, LLC as Distributor for the Muhlenkamp Fund. Quasar Distributors, LLC is an affiliate of U.S. Bancorp Fund Services, LLC, and limited broker-dealer registered with the Financial Industry Regulatory Authority (FINRA). Muhlenkamp & Company maintains a Client Service Department for the purpose of providing information to shareholders and prospects, answering questions, and maintaining shareholder relations. All Client Service personnel are registered through Quasar Distributors, LLC with FINRA and the state jurisdictions in which they operate. All related registration expenses are borne solely by Muhlenkamp & Company, and there is no compensation provided by Quasar Distributors, LLC to Muhlenkamp & Company or its employees for shareholder related services.

Muhlenkamp & Company maintains a Separate Account Manager Service Agreement with Charles Schwab & Co., whereby Schwab sets forth certain conditions under which we can perform discretionary trades for advisory clients who maintain customer accounts with Schwab. Muhlenkamp & Company has entered into directed business arrangements with selected broker-dealers, and other financial intermediaries, whereby we pay shareholder service fees to those firms based upon the total market value of share balances with the Muhlenkamp Fund.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

At times, Muhlenkamp & Company may manage individual accounts for one or more of its employees, and/or members of their immediate families. Individual employees of Muhlenkamp & Company may also manage their own personal accounts. Such accounts may contain the same or similar securities as other managed accounts.

Muhlenkamp & Company has adopted a Code of Ethics that governs the investment activities of all advisory employees and their immediate families. The Code requires pre-clearance of transactions and reporting and certifications of investment activities. The Code prohibits more favorable treatment of employee and related accounts than that given to other managed accounts. Violations of the Code are subject to review by the Chief Compliance Officer/President, Directors of Muhlenkamp & Company, and Trustees of the Muhlenkamp Fund, as applicable, and can result in severe penalties.

A copy of the Code of Ethics will be provided to clients and prospective clients upon request.

### *Privacy Policy*

Muhlenkamp & Company is committed to maintaining the confidentiality, integrity, and security of our current, former, and prospective clients' nonpublic information. A copy of our Privacy Policy will be provided to clients; it is available on our website at [www.muhlenkamp.com](http://www.muhlenkamp.com).

## **Item 12. Brokerage Practices**

Muhlenkamp & Company may designate which securities are to be bought or sold, and the amount of securities to be bought or sold for a client's account. The client has the option of whether or not to grant discretionary authority to Muhlenkamp & Company Inc.

Each client may also designate the broker or dealer through which transactions may be effected. Clients are informed that if they choose a broker or dealer, Muhlenkamp & Company expects them to negotiate commission levels with the broker or dealer; if Muhlenkamp & Company chooses the broker or dealer, Muhlenkamp & Company will negotiate the level of commissions.

If a client chooses a broker and directs the brokerage, they may not be able to participate in and benefit from batched transactions and they may be paying higher brokerage commissions than they otherwise might.

Muhlenkamp & Company and the Muhlenkamp Fund have established written "Policies and Procedures for Best Execution" (the "Policies") pursuant to which Muhlenkamp & Company is responsible for directing all transactions through brokerage firms of its choice.

The Policies require review and reporting of securities transactions by the President/Chief Compliance Officer and, on a quarterly basis for the Fund, by the Fund's Chief Compliance Officer and the Fund's Board of Trustees.

All securities transactions are managed toward obtaining the best overall execution at the lowest possible transaction cost. The Policies do not prohibit allocation of transactions to firms whose brokerage charges may include the cost of providing investment research, or other legally permitted services deemed necessary and/or valuable to the successful management of clients' assets. Each buy or sell order will be placed according to the type, size, and kind of order involved and as each condition may demand, so as to attempt to secure the best result for our clients.

Brokers are selected primarily on their quality of service in the execution of transactions, research capabilities, ability to provide other services (such as financial planning) to clients, and the available level of negotiated commissions. Clients may pay higher commissions than could otherwise be obtained when Muhlenkamp & Company receives research or other services.

Research obtained from brokers may be used to service all of the adviser's accounts, and not just those accounts that are paying for it through directed brokerage. Brokers provide transaction execution, research, custody, and other services to privately managed accounts.

Brokerage firms compete for individual accounts and not for transactions. Typically, basic transaction execution incurs the lowest commission charge. Transaction execution involving illiquid securities or special handling at a brokerage trading desk normally involves a slightly higher commission. Brokerage firm commission rates are generally highest where research capabilities are utilized in addition to transaction execution capabilities.

During the past fiscal year, there were no execution or research-based allocations of transactions for privately managed accounts.

### **Item 13. Review of Accounts**

Each client undergoes Muhlenkamp & Company's due diligence process. We review each client's financial situation to determine, clarify, and prioritize investment objectives and goals. We review the risks and rewards that exist in security investing. When there is mutual understanding, Muhlenkamp & Company commences investment management. Our Portfolio Managers and President/Chief Compliance Officer review each account on a quarterly basis to insure alignment with client objectives and goals.

Our policy is to insure that clients are kept fully informed about their portfolios. Muhlenkamp & Company provides a complete statement of holdings, account performance, and economic/market updates to each client on a quarterly basis. A schedule of transactions having tax consequences is furnished at yearend.

Each client has a Muhlenkamp & Company Client Service Representative who conducts periodic reviews to discuss any changes in the client's financial situation, and the current outlook from our investment team. Each client is also encouraged to call their Client Service Representative at any time with questions, concerns, or issues that they might have. Client Service Representatives do not provide portfolio advice or tax advice.

#### **Item 14. Client Referrals and Other Compensation**

Muhlenkamp & Company does not directly or indirectly compensate any person who is not a supervised person for client referrals. We also do not receive compensation from any third party for providing investment advice to our clients.

#### **Item 15. Custody**

Muhlenkamp & Company does not maintain custody of a client's assets. We normally recommend the safekeeping of securities with a custodian of the client's choice. We are willing, if desired, to help in making such arrangements.

#### **Item 16. Investment Discretion**

Muhlenkamp & Company exercises discretionary investment authority over a managed account when the client enters into a discretionary trading authorization agreement. Certain clients may choose not to confer this authority on us. Other clients may impose investment restrictions contrary or in addition to the general investment strategies discussed in Item 8.

#### **Item 17. Voting Client Securities**

We generally vote the proxies of the voting securities in our clients' accounts and on behalf of the Fund. Upon request, clients may vote their own proxies by entering into a specific agreement to do so. With respect to wrap fee clients, the agreement with the Sponsor generally provides that the Sponsor or the client votes the client's shares.

Muhlenkamp & Company and the Muhlenkamp Fund have adopted a Proxy Voting Policy that simplifies voting issues: we always vote in line with management recommendations.

In the rare event of a conflict of interest, we would resolve the matter by consulting with our Board of Directors and the Fund's Board of Trustees, as applicable.

A copy of our Proxy Voting Policy is available upon request.

#### **Item 18. Financial Information**

We are required in this item to provide you with certain financial information or disclosures about our financial condition. Muhlenkamp & Company has no financial condition that would impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

#### **Item 19. Additional Information**

Muhlenkamp & Company, Inc. is registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940.

#### **Appendix 1 Wrap Fee Program Brochure**

Neither Muhlenkamp & Company nor any of our personnel act as sponsor of a wrap fee program.