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A top-1% fund manager over the past 3 years shares how he's consistently outperformed throughout wildly different markets — and 8 of his favorite places to invest right now

By James Faris

- **Fund manager Jeff Muhlenkamp has beaten his index in both 2022 and 2023.**
- **Instead of making massive shifts within his portfolio, Muhlenkamp stuck with his stocks.**
- **Here are eight companies or areas of the market that Muhlenkamp said he's bullish on.**

MUHLENKAMP & COMPANY

Jeff Muhlenkamp's eponymous fund has succeeded in both up and down market backdrops.

This year's stock market is almost the exact opposite of 2022, but the results have been roughly the same for standout fund manager Jeff Muhlenkamp.

The solid returns and unusually low volatility that US stocks have enjoyed in 2023 are a striking contrast to what was the worst year for the S&P 500 since 2009. Surprisingly resilient labor and housing market data have given investors reason to think there may not be a recession after all. A downturn is still plausible, but it's no longer the near-guarantee Muhlenkamp once warned it was.

"I'd probably have to come down 50-50, maybe even 60-40, for the recession," Muhlenkamp told Insider in a recent interview. "But nine months ago, I'd have been 90-10 or 80-20."

Regardless of what's happened in the economy or markets, the veteran investor's namesake Muhlenkamp Fund (MUHLX) has found a way to dominate. The fund is in the top 1% in the last three years after beating 95% of peers last year, according to Morningstar.

How Muhlenkamp beat his index — and 8 places he's investing now

When interest rates spiked last year as inflation surged, investors abandoned expensive, fast-growing technology stocks in favor of value-oriented names. That dynamic, combined with surging oil prices, led to a second-straight banner year for energy companies, and Muhlenkamp was well-positioned to take advantage of it.

Although energy stocks have since reversed to become the worst-performing sector of 2023, Muhlenkamp said he's stuck with the group while riding the broad rebound in technology stocks.

Two of Muhlenkamp's top-20 holdings, **Apple** (AAPL) and **Microsoft** (MSFT), also happen to be among the market's biggest winners this year. Shares of those two mega-cap firms are up about 39% and 36% this year, respectively, and are considered by Goldman Sachs to be two of the biggest winners from the nascent AI boom that has investors in a craze.

However, exposure to AI isn't the reason why Muhlenkamp is fired up about those tech titans. While he said the technology will become ubiquitous and should be a growth driver for Microsoft in particular, he warned that the firm must squeeze money from AI to meet its lofty expectations.

"The question is: How do they monetize that, and is that a durable advantage?" Muhlenkamp said. "The first guy out of the gate in a marathon isn't necessarily the one that wins the thing."

Instead, the fund manager said he's still sticking with Apple and Microsoft after holding them for a decade because they've been able to keep growing by launching new products and services. Apple has transformed into a services company by launching Apple Music and Apple TV+ while introducing gadgets like the Apple Watch, AirPods, and Vision Pro, while Microsoft reinvented itself by shifting its focus from software products like Microsoft Office to cloud computing.

And while Muhlenkamp said that both Apple and Microsoft are trading at expensive valuations, he doesn't see that as a reason to sell them, since they're still set up for long-term success.

Two other tech companies Muhlenkamp mentioned are semiconductor firms **Broadcom** (AVGO) and **Microchip** (MCHP). Those companies specialize in making chips for data centers and various electronic devices, respectively, but their exposure to AI is what has investors excited.

Outside of technology, Muhlenkamp said he continues to like stocks tied to **housing** and **financials**, including certain **regional banks**.

Shares of homebuilders bottomed last October as pessimism about the economy and housing market peaked, Muhlenkamp noted. But since then, home sales per community per month have rebounded from about one to over three, the fund manager said. That suggests the worst is over for the homebuilding industry, even though high mortgage rates hinder home sales.

"There's something going on in their sectors, in their businesses, that is out of sync with this broader idea that we're about to enter or are in a recession," Muhlenkamp said.

Regional bank stocks and other firms in the financial sector appear to be trading at cheap valuations after taking serious hits so far this year, Muhlenkamp said. Bank earnings have suffered as the yield curve inverted while interest rates have shot up, he noted, and he added that banks are suffering from deposit withdrawals since money market funds are offering higher yields on cash. But if the Federal Reserve is done hiking rates, the group could bounce back.

Finally, Muhlenkamp made the case for owning **gold**, which he does through royalty companies. Rising geopolitical tensions combined with the unrest surrounding the recent US debt ceiling drama led central banks across the globe to boost their gold holdings, he noted. He's doing the same to hedge against the devaluation of fiat currencies, including the US dollar.

"What can't the central banks of the world print?" Muhlenkamp said. "Well, they can't print gold, and they can't print oil."

Muhlenkamp Business Insider Article - Top 1% Fund Manager – Added Disclosures

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As of 6/13/2023, Morningstar Trailing Total Return rankings for the Muhlenkamp Fund are: 1-year = 50%, 3-year = 1%, 5-year = 12%, and 10-year = 96%.

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*The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The **prospectus** contains this and other important information about the investment company, and it may be obtained by calling (800)860-3863, or visiting **www.muhlenkamp.com**. Read it carefully before investing.*