



# Muhlenkamp Fund

Intelligent Investment Management

ANNUAL REPORT

December 31, 1999

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## THE MUHLENKAMP FUND (A Portfolio of the Wexford Trust)

Dear Fellow Shareholders:

The Trustees and Management of the Muhlenkamp Fund are pleased to present this annual report of your Fund.

1999 was a challenging year in the investment markets. We got it partly right and partly wrong. The economy continued strong in nearly all respects with GDP (Gross Domestic Product) up 5.5% for the year. Employment remained strong, keeping the unemployment rate at 4.1%. Inflation remains under control, with the core CPI (Consumer Price Index) up 1.9% for the year. The core PPI (Producer Price Index) was also up 1.9% for the year.

Despite these numbers, economists and the bond market continue to fear that the strong economy must cause increased inflation, even though Reagan and Volcker disproved this theory nearly 20 years ago. This fear drove long-term Treasury yields from 5.4% at the beginning of the year to 6.7% at the end of the year, driving bond prices down 13% for their worst year ever. (The second worst year was 1994.) This rise in interest rates drove P/E (Price/Earnings) ratios lower for most stocks. Fully one-half of the stocks on both the NYSE and the NASDAQ declined in price, despite healthy increases in sales and earnings.

Against this background, public enthusiasm for a narrow list of high-tech stocks drove them to dramatic price gains. In the S&P 500 Index, just 30 stocks (of the 500) accounted for all of its gain for the year, and just 7 stocks accounted for one-half of the gain.

I once commented to a friend that most people buy stocks the way teenagers buy clothes, i.e. they buy into current fads. We have seen such behavior in the stocks that caught the fancy of the public in 1999. Until mid-year there was some rationale for the price levels of most stocks, even the most popular. Lately, many prices have lost all relationship to reality. It is hard to say how far a fad can run or when it will stop, but the enthusiasm works both ways, down as well as up. We currently see signs that the enthusiasm is waning.

We also see signs that the market is beginning to pick up on the trend begun in the second quarter of 1999. We said then that, as the fear of recession disappeared, the market's focus would shift from "Security Blankets" and internet stocks to a broader list of companies with good earnings and reasonable prices. We were right – for three months. Then the Fed and the institutional market shifted to a fear of increased inflation based on strong growth in GDP driving up interest rates – both short-term rates and long-term rates. The retail public ignored these fears. Reflecting a continued strong consumer confidence, it continued to play the "game of the stock market", merely rotating its focus from internet stocks to other technology stocks, primarily in telecommunications.

Today, similar to the second quarter of 1999, we are seeing strength in name cyclical stocks, indicating that some people are willing to bet on the strength in the economy. Since early December, we're also seeing strength in utilities (normally a proxy for bonds) although we haven't yet seen strength in the bond market itself. This indicates that bond investors are not yet willing to bet that inflation remains low. Since we now have nine

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months of data showing a strong economy and low inflation, our expectation is that the fears of inflation will soon subside, allowing interest rates and P/E's to stabilize and stock prices to reflect their earning gains of 1999 and 2000. If we are right, the strength should spread to the broad range of companies, which are doing very well in this economy. This broadening of strength should also close the huge valuation gap between the largest companies (and stocks) and the small and midsize companies. We continue to invest in good companies at cheap prices as indicated by the following table. We also continue to be bought out of a number of our holdings through mergers and management buyouts.

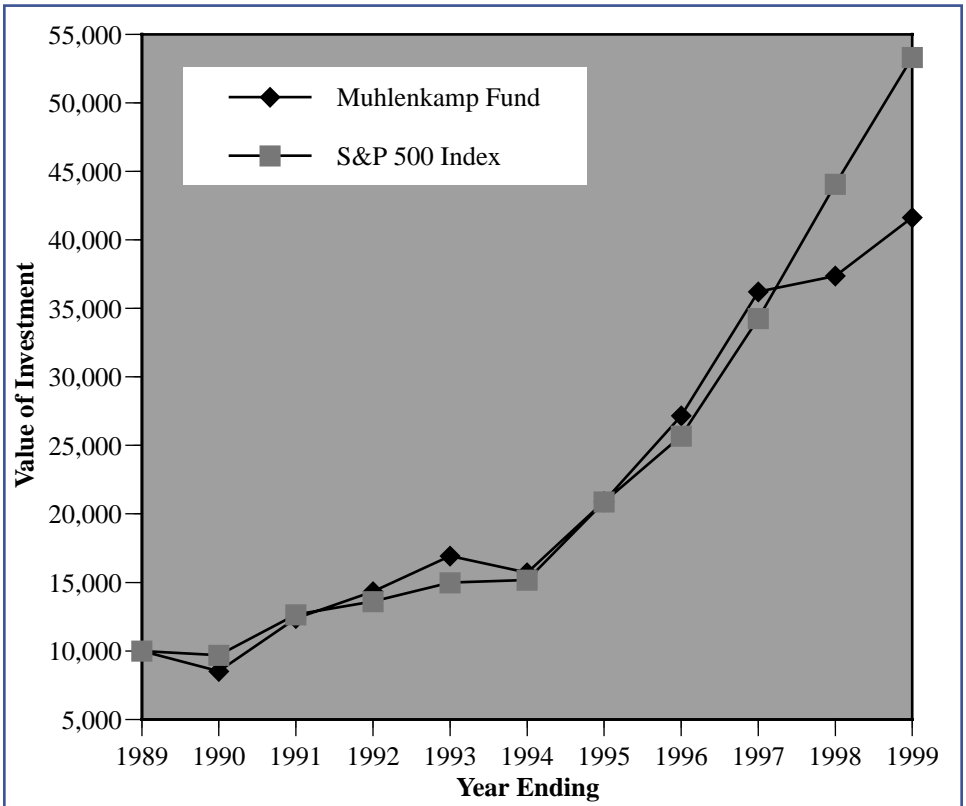
These buyouts confirm the values we see in our companies. It also validates that companies, at least, value themselves and their competitors much the way we do. We use these valuation methods because they have been proven reliable in all kinds of markets over a long period of time (over 50 years). Whether or not we're in a new economy is debatable, but ultimately, stock prices will reflect company values; and company values are determined by earnings and cash flows. So despite periodic excursions into the "growth" stocks of a given time, values in companies and stocks ultimately provide good returns.

	<u>ROE</u>	<u>EPS Growth 5-year</u>	<u>EPS Growth 1-year</u>	<u>Sales Growth</u>	<u>P/E</u>
S&P Top 15	25	21	20	16	48
Muhlenkamp Top 15	23	26	31	14	22
Average Company	15	—	10	—	15

Ronald H. Muhlenkamp  
President  
February 15, 2000

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**A \$10,000 Investment in the Muhlenkamp Fund**



The Standard & Poor's 500 Stock Index (S&P 500) is a capital-weighted index, representing the aggregate market value of the common equity of 500 stocks primarily traded on the New York Stock Exchange. This chart assumes an initial gross investment of \$10,000 made on 12/31/89. Returns shown include the reinvestment of all dividends. The Fund's past performance is not necessarily an indication of its future performance. It may perform better or worse in the future.

**Average Annual Total Returns**  
(as of 12/31/99)

	<u>One Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Muhlenkamp Fund	11.40%	21.51%	15.33%
S&P 500	21.04%	28.56%	18.21%

**THE MUHLENKAMP FUND**  
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**STATEMENT OF ASSETS & LIABILITIES**  
**December 31, 1999**

**ASSETS**

INVESTMENTS, AT VALUE (Identified cost \$129,068,398)	\$181,075,385
RECEIVABLE FOR FUND SHARES SOLD	1,941,067
DIVIDENDS RECEIVABLE	175,235
INTEREST RECEIVABLE	2,249
OTHER ASSETS	<u>11,818</u>
Total assets	<u>183,205,754</u>

**LIABILITIES**

COVERED PUT AND CALL OPTIONS WRITTEN, AT VALUE (Premiums received \$589,480)	2,977,750
PAYABLE TO CUSTODIAN	1,132,203
PAYABLE FOR FUND SHARES PURCHASED	74,710
PAYABLE TO ADVISOR	147,147
ACCRUED EXPENSES AND OTHER LIABILITIES	<u>274,539</u>
Total liabilities	<u>4,606,349</u>
NET ASSETS	<u><u>\$178,599,405</u></u>

**NET ASSETS**

CAPITAL PAID IN ON SHARES OF BENEFICIAL INTEREST	\$128,969,814
ACCUMULATED NET REALIZED GAIN ON INVESTMENTS	10,875
NET UNREALIZED APPRECIATION (DEPRECIATION) OF:	
Investments	52,006,987
Written options	<u>(2,388,271)</u>
NET ASSETS	<u><u>\$178,599,405</u></u>
SHARES OF BENEFICIAL INTEREST OUTSTANDING (unlimited number of shares authorized, \$.001 par value)	4,344,743
NET ASSET VALUE PER SHARE	<u><u>\$ 41.11</u></u>

See notes to financial statements.

**THE MUHLENKAMP FUND**  
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**STATEMENT OF OPERATIONS**  
**Year Ended December 31, 1999**

**INVESTMENT INCOME:**

Dividends	\$ 1,794,894
Interest	268,448
	<u>2,063,342</u>
Total investment income	2,063,342

**EXPENSES:**

Investment advisory fees	1,885,518
Transfer agent fees & expenses	406,547
Printing & mailing	67,095
Federal & state registration	30,865
Custody fees	30,177
Fund accounting fees	44,077
Administration fees	88,372
Professional fees	36,272
Insurance	3,020
Miscellaneous	5,498
	<u>2,597,441</u>
Total expenses	2,597,441
Fees paid indirectly	(50,309)
	<u>(50,309)</u>
Net expenses	2,547,132

**NET INVESTMENT LOSS**

2,547,132  
(483,790)

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS**

Net realized gain on investments	3,671,407
Change in unrealized appreciation or depreciation in value of :	
Investments	17,830,270
Written options	(1,782,378)
	<u>19,719,299</u>
Net realized and unrealized gain on investments	19,719,299

**NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS**

\$19,235,509

See notes to financial statements.

**THE MUHLENKAMP FUND**  
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**STATEMENT OF CHANGES IN NET ASSETS**

	<u>Year Ended</u> <u>December 31, 1999</u>	<u>Year Ended</u> <u>December 31, 1998</u>
<b>OPERATIONS:</b>		
Net investment income (loss)	\$ (483,790)	\$ 387,575
Net realized gain (loss) on investments	3,671,407	(104,365)
Change in unrealized appreciation or depreciation in value of investments and written options	<u>16,047,892</u>	<u>(1,155,525)</u>
Net increase (decrease) in net assets resulting from operations	<u>19,235,509</u>	<u>(872,315)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
From net investment income	—	(392,344)
From net realized gains	<u>(3,428,553)</u>	<u>—</u>
Total distributions to shareholders	<u>(3,428,553)</u>	<u>(392,344)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from sale of shares	54,891,294	120,046,067
Proceeds from shares issued to holders in reinvestment of dividends	3,348,810	381,937
Cost of shares redeemed	<u>(90,409,255)</u>	<u>(49,662,383)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(32,169,151)</u>	<u>70,765,621</u>
Total increase (decrease) in net assets	(16,362,195)	69,500,962
<b>NET ASSETS:</b>		
Beginning of year	<u>194,961,600</u>	<u>125,460,638</u>
End of year (including undistributed net investment income of \$0 and distributions in excess of net investment income of \$538, respectively)	<u>\$178,599,405</u>	<u>\$194,961,600</u>

See notes to financial statements.

**THE MUHLENKAMP FUND**  
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**FINANCIAL HIGHLIGHTS**

	<b>Year Ended December 31,</b>				
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
NET ASSET VALUE, BEGINNING OF YEAR	\$ 37.65	\$ 36.55	\$ 27.52	\$ 21.26	\$ 16.23
INCOME FROM INVESTMENT OPERATIONS:					
Net investment income (loss) (1)	(0.11)	0.08	0.18	0.14	0.21
Net realized and unrealized gains on investments	4.37	1.10	8.98	6.23	5.14
Total from investment operations	4.26	1.18	9.16	6.37	5.35
LESS DISTRIBUTIONS:					
From net investment income	0.00	(0.08)	(0.13)	(0.11)	(0.21)
From net realized gains	(0.80)	0.00	0.00	0.00	(0.11)
Total distributions	(0.80)	(0.08)	(0.13)	(0.11)	(0.32)
NET ASSET VALUE, END OF YEAR	<u>\$ 41.11</u>	<u>\$ 37.65</u>	<u>\$ 36.55</u>	<u>\$ 27.52</u>	<u>\$ 21.26</u>
TOTAL RETURN	11.40%	3.22%	33.28%	29.96%	32.90%
NET ASSETS, END OF PERIOD (in thousands)	\$178,599	\$194,962	\$125,461	\$42,039	\$23,571
RATIO OF TOTAL EXPENSES TO					
AVERAGE NET ASSETS	1.38%	1.36%	1.44%	1.56%	1.40%
RATIO OF NET EXPENSES TO					
AVERAGE NET ASSETS	1.35%	1.32%	1.33%	1.54%	1.35%
RATIO OF NET INVESTMENT INCOME					
(LOSS) TO AVERAGE NET ASSETS	(0.26%)	0.21%	0.53%	0.58%	1.10%
PORTFOLIO TURNOVER RATE	14.52%	27.03%	13.89%	16.90%	22.70%

(1) Computed on weighted average number of shares outstanding for the years ended December 31, 1995 - 1998.

See notes to financial statements.



**THE MUHLENKAMP FUND**  
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**PORTFOLIO OF INVESTMENTS**  
**December 31, 1999**

Name of Issuer or Title of Issue	Number of Shares or Principal Amount	Value
<b>COMMON STOCK — 99.0%+</b>		
<b>Aerospace — 1.3%+</b>		
* BE Aerospace, Inc.	273,500	\$ 2,307,656
* Teledyne Technologies, Inc.	5,714	<u>53,926</u>
		<u>2,361,582</u>
<b>Airlines — 2.5%+</b>		
AMR Corp.	14,000	938,000
Air Express International Corp.	32,343	1,045,083
* Alaska Air Group	70,000	2,458,750
		<u>4,441,833</u>
<b>Appliances — 0.8%+</b>		
* Salton, Inc.	44,200	<u>1,477,937</u>
<b>Autos and Recreational Vehicles — 8.3%+</b>		
Ford Motor Company	112,000	5,985,000
* Monaco Coach Corp.	45,000	1,150,313
* National RV Holdings	224,500	4,321,625
Superior Industries	98,180	2,632,452
Winnebago Industries, Inc.	40,000	802,500
		<u>14,891,890</u>
<b>Banks — 9.3%+</b>		
Chase Manhattan	24,000	1,864,500
Citigroup Inc.	180,000	10,001,250
Mellon Financial Corp.	140,000	4,768,750
		<u>16,634,500</u>
<b>Brokerage — 8.5%+</b>		
A.G. Edwards	18,750	601,172
Merrill Lynch	102,000	8,517,000
# Southwest Securities, Inc.	219,598	6,011,495
		<u>15,129,667</u>
<b>Building Products — 4.1%+</b>		
* Griffon Corp.	48,000	375,000
Owens Corning	90,000	1,738,125
Southdown Inc.	60,000	3,097,500
Texas Industries Inc.	47,400	2,017,463
		<u>7,228,088</u>

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**PORTFOLIO OF INVESTMENTS (Continued)**  
**December 31, 1999**

Name of Issuer or Title of Issue	Number of Shares or Principal Amount	Value
<b>Capital Goods — 4.1%+</b>		
Commercial Intertech	183,400	\$ 2,338,350
Graco, Inc.	105,825	3,796,472
IDEX Corp.	41,250	1,252,969
* Water Pik Technologies, Inc.	2,000	19,125
		<hr/> 7,406,916
<b>Finance — 9.9%+</b>		
Federal National Mortgage Assoc.	74,400	4,645,350
Morgan Stanley Dean Witter & Co.	81,500	11,634,125
National City Corp.	13,704	324,614
Washington Mutual, Inc.	41,125	1,069,250
		<hr/> 17,673,339
<b>Furniture — 3.1%+</b>		
* Stanley Furniture, Inc.	305,500	5,613,562
<b>Homebuilding — 4.5%+</b>		
American Woodmark Corp.	92,200	2,235,850
* Beazer Homes USA, Inc.	27,400	527,450
* Crossman Communities Inc.	180,000	2,790,000
* NVR, Inc.	53,600	2,559,400
		<hr/> 8,112,700
<b>Industrial Equipment — 1.2%+</b>		
JLG Industries, Inc.	128,100	2,041,594
<b>Insurance — 6.4%+</b>		
Conseco, Inc.	384,608	6,874,868
Fidelity National Financial	238,881	3,433,914
* Frontier Insurance	64,737	222,533
Reliance Group Holdings Inc.	132,500	886,094
		<hr/> 11,417,409
<b>Medical — 1.5%+</b>		
* D & K Healthcare Resources, Inc.	17,500	255,938
* Eclipse Surgical Technologies, Inc.	80,000	590,000
* Orthodontic Centers of America, Inc.	105,000	1,253,438
* Scios, Inc.	140,000	586,250
		<hr/> 2,685,626

**THE MUHLENKAMP FUND**  
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**PORTFOLIO OF INVESTMENTS (Continued)**  
**December 31, 1999**

Name of Issuer or Title of Issue	Number of Shares or Principal Amount	Value
<b>Metal — 0.9%+</b>		
Allegheny Technologies, Inc.	20,000	\$ 448,750
* RTI International Metals	154,200	1,156,500
		<u>1,605,250</u>
<b>Oils, Natural Gas and Energy Related — 6.7%+</b>		
#* Calpine Corp.	183,000	11,712,000
* OMNI Energy Services	185,600	208,800
		<u>11,920,800</u>
<b>Retail Jewelry — 0.1%+</b>		
* Piercing Pagoda, Inc.	10,000	151,250
		<u>151,250</u>
<b>Technology — 23.9%+</b>		
* ATMI, Inc.	160,100	5,293,306
#* Applied Materials	150,000	19,003,125
* Atmel Corp.	130,000	3,843,125
Computer Associates International, Inc.	105,000	7,343,438
Intel Corp.	88,000	7,243,500
		<u>42,726,494</u>
<b>Tobacco — 0.5%+</b>		
Phillip Morris	35,280	818,055
		<u>818,055</u>
<b>Transportation — 1.4%+</b>		
* Arkansas Best Corp.	177,300	2,127,600
* Rush Enterprises, Inc.	20,000	290,000
		<u>2,417,600</u>
		<u>176,756,092</u>
<b>BONDS AND NOTES — 2.4%+</b>		
General Motors Acceptance Corp.		
-0-%, 6/15/15	\$5,000,000	1,446,945
U.S. Treasury Strip -0-%, 2/15/13	800,000	328,175
U.S. Treasury Strip -0-%, 11/15/24	12,880,000	2,544,173
		<u>4,319,293</u>
Total Bonds and Notes (cost \$3,707,972)		
		<u>\$181,075,385</u>
<b>TOTAL INVESTMENTS — 101.4%+</b>		
(identified and tax cost of \$129,068,398)		<u>\$181,075,385</u>

\* Non income producing security.

+ Investments are shown as a percentage of net assets at December 31, 1999.

# A portion of the shares have been committed as collateral for written option contracts.

**THE MUHLENKAMP FUND**  
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**SCHEDULE OF OPTIONS WRITTEN**  
**December 31, 1999**

Underlying Security/Expiration Date/Exercise Price:	Number of Contracts Written (100 Shares Per Contract)	Value
<b>CALL OPTIONS</b>		
Applied Materials		
Expiration January 2000, Exercise Price \$40.00	100	\$ 880,000
Applied Materials		
Expiration January 2002, Exercise Price \$120.00	50	231,250
Calpine Corporation		
Expiration January 2000, Exercise Price \$37.00	400	1,060,000
Calpine Corporation		
Expiration January 2000, Exercise Price \$40.00	200	482,500
Calpine Corporation		
Expiration January 2000, Exercise Price \$50.00	200	282,500
<b>PUT OPTIONS</b>		
Southwest Securities		
Expiration March 2000, Exercise Price \$30	10	5,500
Southwest Securities		
Expiration March 2000, Exercise Price \$35	40	<u>36,000</u>
<b>TOTAL OPTIONS WRITTEN</b>		
(Premiums received \$589,480)		<u><u>\$ 2,977,750</u></u>

See notes to financial statements.

THE MUHLENKAMP FUND  
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NOTES TO FINANCIAL STATEMENTS

**1. ORGANIZATION**

The Wexford Trust (the “Trust”) was organized as a Massachusetts Business Trust on September 21, 1987 and operations commenced on November 1, 1988. The Trust is registered under the Investment Company Act of 1940, as amended. The Muhlenkamp Fund (the “Fund”) is a portfolio of the Trust and is currently the only fund in the Trust.

The Fund operates as a diversified open-end mutual fund that continuously offers its shares for sale to the public. The Fund will manage its assets to seek a maximum total return to its shareholders, primarily through a combination of interest and dividends and capital appreciation by holding a diversified list of publicly traded stocks. The Fund may acquire and hold fixed-income or debt investments as market conditions warrant and when, in the opinion of its advisor, it is deemed desirable or necessary in order to attempt to achieve its investment objective.

The primary focus of the Fund is long-term and the investment options diverse. This allows for greater flexibility in the daily management of Fund assets. However, with flexibility also comes the risk that assets will be invested in various classes of securities at the wrong time and price.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies applied by management in the preparation of the accompanying financial statements follows.

- a. *Investment Valuations* — Stocks and Bonds are valued at the latest sales price on the last business day of the fiscal period as reported by the securities exchange on which the issue is traded. If no sale is reported, the security is valued at the last quoted bid price.
- b. *Investment Transactions and Related Investment Income* — Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded daily on the yield to maturity basis. Discounts and premiums on securities are amortized over the life of the respective securities. The Fund uses the specific identification method in computing gain or loss on the sale of investment securities.
- c. *Federal Taxes* — It is the Fund’s policy to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal tax provision is required. In addition, the Fund will make sufficient distributions of its income and realized gains, if any, to avoid the payment of any federal excise taxes. Generally accepted accounting principles require that permanent differences between financial reporting and tax reporting be reclassified between various components of net assets. Accordingly, at December 31, 1999, reclassifications were recorded to decrease accumulated net investment loss by \$484,328 and decrease capital stock by \$484,328.

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NOTES TO FINANCIAL STATEMENTS (Continued)

- d. *Dividends and Distributions to Shareholders of Beneficial Interest* — Dividends and distributions are recorded by the Fund on the record date.
- e. *Use of Estimates* — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- f. *Options Transactions* — The Fund may write put and call options only if such options are considered to be covered. A written call option is considered to be covered when the writer of the call option owns throughout the option period the security on which the option is written. A written put option is considered covered when the writer of the put has deposited and maintained an amount equal to or greater than the exercise price of the put option.

When the Fund writes a covered call or put option, an amount equal to the premium received is included in the statement of assets and liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option. If an option expires on its stipulated expiration date or if the Fund enters into a closing purchase transaction, a gain or loss is realized. If a written call option is exercised, a gain or loss is realized for the sale of the underlying security and the proceeds from the sales are increased by the premium originally received. If a written put option is exercised, the cost of the security acquired is decreased by the premium originally received. As writer of an option, the Fund has no control over whether the underlying securities are subsequently sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Fund may purchase put and call options. When the Fund purchases a call or put option, an amount equal to the premium paid is included in the Fund's statement of assets and liabilities as an investment, and is subsequently marked-to-market to reflect the current market value of the option. If an option expires on the stipulated expiration date or if the Fund enters into a closing sale transaction, a gain or loss is realized. If the Fund exercises a call, the cost of the security acquired is increased by the premium paid for the call. If the Fund exercises a put option, a gain or loss is realized from the sale of the underlying security, and the proceeds from such a sale are decreased by the premium originally paid. Written and purchased options are non-income producing securities.

### 3. INVESTMENT ADVISORY AND OTHER AGREEMENTS

Muhlenkamp & Co., Inc. (the "Advisor"), an affiliate of which an officer-stockbroker is a trustee of the Trust, receives a fee for investment management. The fee is computed and

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**NOTES TO FINANCIAL STATEMENTS (Continued)**

accrued daily based on the net asset value at the close of business and is equal to 1% per annum. The Advisor is permitted to charge the Fund for some or all of its routine administration costs which totaled \$126,307 for the year ended December 31, 1999. The reimbursement consists of the following:

Federal & state registration .....	\$ 42,566
Printing & mailing .....	60,986
Legal & audit .....	1,137
Insurance .....	1,088
Miscellaneous .....	20,530
Total .....	<u>\$126,307</u>

Effective April 1, 1999, Firststar Mutual Fund Services, LLC ("Firststar") began providing administration services to the Fund. As compensation for this service, Firststar receives a fee at an annual rate of 0.06% of the Fund's first \$350 million of average daily net assets, 0.05% of the next \$400 million, and 0.03% on the remaining balance. Effective May 1, 1999, Firststar also began providing accounting and transfer agent services which were previously provided by American Data Services, Inc. As compensation for its accounting services, Firststar receives \$22,000 for the first \$40 million of the Fund's average daily net assets, 0.01% on the next \$200 million, and 0.005% on the remaining balance. As compensation for its transfer agent services, Firststar receives \$14.00 per shareholder account or a minimum fee of \$22,500, whichever is greater. Firststar Bank, N.A. serves as custodian for the Fund.

**4. CAPITAL SHARE TRANSACTIONS**

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest with a par value of \$.001 per share. Transactions in capital shares of the Fund were as follows:

	<u>Year Ended December 31, 1999</u>	<u>Year Ended December 31, 1998</u>
Shares outstanding, beginning of year .....	5,178,767	3,432,778
Shares sold .....	1,361,481	3,066,602
Shares issued to shareholders in reinvestment of dividends .....	84,183	10,376
Shares redeemed .....	(2,279,688)	(1,330,989)
Shares outstanding, end of year .....	<u>4,344,743</u>	<u>5,178,767</u>

**5. COVERED PUT AND CALL OPTIONS**

The Fund's activity in written options for the year ended December 31, 1999 was as follows:

	<u>Number of Contracts</u>	<u>Premiums Received</u>
Options outstanding, beginning of year .....	1,300	\$ 551,082
Options written .....	1,378	793,660
Options exercised .....	(10)	(2,095)
Options expired .....	(578)	(273,578)
Options closed .....	(1,090)	(479,589)
Options outstanding, end of year .....	<u>1,000</u>	<u>\$ 589,480</u>

**THE MUHLENKAMP FUND**  
(A Portfolio of the Wexford Trust)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. INVESTMENT TRANSACTIONS**

Purchases and sales of investment securities, excluding short-term securities, for the year ended December 31, 1999 were as follows:

Purchases		Sales	
U.S. Government	Other	U.S. Government	Other
\$0	\$27,212,045	\$8,726,427	\$57,515,763

The components of the net unrealized appreciation in the value of the investments held at December 31, 1999 for both financial reporting and tax purposes are as follows:

Gross unrealized appreciation of investments	\$73,719,329
Gross unrealized depreciation of investments	(21,712,342)
Net unrealized appreciation of investments	<u>\$52,006,987</u>

At December 31, 1999, the cost of investments for federal income tax purposes was \$129,068,398.

**7. DIRECTED BUSINESS ARRANGEMENT**

The Fund has a directed business arrangement with Capital Institution Services, Inc. ("CIS"). Upon the purchase and/or sale of investment securities, the Fund pays a brokerage commission to CIS. These commission payments generate nonrefundable cumulative credits which are available to pay certain expenses of the Fund, such as performance measurements, pricing information, custodian and record keeping services, legal, accounting and other administrative costs. The commission credits redeemed during the year were utilized by the Fund to pay accounting fees due to the Independent Auditors, transfer agent fees and fund accounting.

The following is an analysis of commissions credits generated, utilized and available to pay future expenses of the Fund:

Balance, December 31, 1998	\$ 13,857
Commission credits generated in 1999	55,963
Commission credits utilized:	
Auditor fees	(15,700)
Transfer agent fees	<u>(34,609)</u>
Balance, December 31, 1999	<u>\$ 19,511</u>

For the year ended December 31, 1999, total Fund operating expenses, as a percentage of average net assets were 1.38% without the commission credits. With the commission credits, net Fund operating expenses as a percentage of average net assets were 1.35% for the same period.



THE MUHLENKAMP FUND  
(A Portfolio of the Wexford Trust)

**INDEPENDENT AUDITORS' REPORT**

To the Trustees of the Wexford Trust and  
Shareholders of the Muhlenkamp Fund:

We have audited the accompanying statement of assets and liabilities of the Muhlenkamp Fund (the "Fund"), including the portfolio of investments, as of December 31, 1999, and the related statements of operations for the year then ended, the statements of changes in net assets for the years ended December 31, 1999 and 1998, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1999, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Muhlenkamp Fund as of December 31, 1999, the results of its operations for the year then ended, the changes in its net assets for the years ended December 31, 1999 and December 31, 1998, and the financial highlights for the periods presented, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP  
January 31, 2000

**INVESTMENT ADVISOR**

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**ADMINISTRATOR AND TRANSFER AGENT**

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