



# Spreng Capital Management Inc.

*Spreng Capital Management* is an investment advisory firm with the Securities and Exchange Commission. Founded in 1999 by James Spreng, Spreng Capital has grown to encompass the very best in service and support for our clients.

Our client base is quite diverse. With clients in 25 states, we offer structured, customized investment management for individuals, profit sharing plans, Foundations, endowments and businesses. We are fee only investment managers, receiving no commissions nor do we sell any financial products. We are paid only by the investment management fees of our clients. We advise our clients on financial planning and manage their assets, making recommendations based entirely upon our clients' needs and goals. Everyone on the Spreng Capital team has a vested interest in the success of our clients' portfolios. Our team has a unique blend of experience, youth and business credentials.

Our use of high quality stocks and mutual funds along with investment grade bonds, allows us the opportunity to deliver consistent long term returns. We focus on minimizing risk and volatility, striving ultimately to deliver the very best after-tax returns possible, within the constraints you have established.

There is nothing that signals success more than referrals from existing clients. Our success is a result of our clients' continued confidence in us and their willingness to recommend us to their family and friends.

*"The Republic will live"*

**Samuel Tilden defeated candidate for President in 1876 under questionable circumstances**

Who knew that when I took Latin as my foreign language 50 years ago, it would prove so useful in my life? While it is certainly a "dead language", not having been used in over 2000 years, I was told that it would be a great resource for other languages. Once again, older, wiser people than a 16-year old child, were correct. It has served as a wonderful base for me for my entire life. As I travelled to Europe and Mexico through the years on business, I found that even though I could not speak the language, I was able to interpret signs, menus and newspapers well enough to grasp ideas because of my background in Latin. Thank you, Mrs. Albright and the public-school system. Who knew I would be quoting you 50 years later?

So, what does Latin have to do with 2020? Simply put, 2020 is our Latin "annus horribilis" or horrible year. Yes, it is open to debate if the period 1968-1973 with its race riots and anti-war protests was worse. September 11, 2001 was certainly horrible for thousands of souls and their families. If you are old enough to have experienced the Great Depression and World War II then what we are experiencing now is nothing compared to those 15 consecutive "annus horribilis". Life is always a matter of perspective.

Covid 19 came out of nowhere. Yes, we had to know that there was something very serious going on in China. We discussed it very intensely in our office last fall. We decided that it had to be serious or you would not physically shut down a province in China larger than New York City. I spoke to the Bucyrus Chamber of Commerce on February 27th and told everyone that they needed to be prepared for significant changes in their businesses. I talked about checking temperatures of employees when they arrived at work. I predicted the Tokyo Olympics were in danger of being cancelled. This was all three weeks before the Ivy League was the first to cancel sports activities leading to an eventual partial shut-down of the US economy. I should officially retire as a speaker. I will never be so accurate in my predictions again in my entire life! When the US stock market plummeted 35% last spring in the fastest sell-off in history, we second-guessed our decision to have not made changes in our holdings since we had acknowledged that there was something going on in China that was different. However, when the markets recovered all that they had lost in the fastest recovery in history, we were reassured that not to have over-reacted and create tax issues for many clients had been the proper response.

Index	Quarter	YTD
DJIA	7.63%	(2.65%)
NASDAQ	11.03%	24.47%
S&P 500	8.45%	4.09%
10-Year Treasury		0.66% A YEAR

*80% of all outstanding debt in the world is currently yielding less than 1% per year."*

Covid-19 is still with us. I am assuming that it will be with us through all of 2021. It took the Spanish Flu two years to move through the US population. I would anticipate it will take that long for Covid-19. Yes, we might have multiple vaccines available before then. Wall Street analysts and doctors with whom I have spoken indicate it will be summer of 2021 before there is widespread availability of quality vaccines. Of course, there will be announcements that we now have a vaccine and it will be available "very soon". Very soon is also a matter of perspective. Logistics of vaccination are a huge impediment. Several of the vaccines are using actual virus mRNA which requires the vaccine to be stored at minus 94 degrees Fahrenheit! Very few clinics or hospitals have the ability to store items at that temperature let alone doctors' offices. There are millions of health care workers and first responders around the world that will be vaccinated first. What about the military? The US had quite a kerfuffle last spring when the aircraft carrier, USS Roosevelt had a significant Covid 19 outbreak on board. If it is deemed essential to vaccinate the military as well that will take several million more doses.

The politics of vaccines will be contentious! It is surmised that China has a head start on vaccines. It makes perfect sense. They had a six-month head start on the rest of the world. They have also vaccinated thousands, if not hundreds of thousands, of "volunteers". No one has any idea how effective these vaccines will be or how many side-effects there will be as a result of these trials on forced volunteers. Life is cheap in China, especially in the pursuit of prestige for the country and its Communist party. Let's assume for the moment that China is first to the market with a vaccine. Does anyone really think that China will sell it first to the US given all of the bad blood and trade tariffs going on between the two countries right now? Can you possibly imagine Congress approving billions of dollars to buy vaccine from China for Medicare and Medicaid participants? I can't see China even being willing to sell to the US in the first place. They will provide it to Europe and Africa and other places first just to ingratiate themselves with these countries and to embarrass the US. Nationalism and "me first" is great.....as long as you are first.

A final note on Covid-19 comes from Dr. Scott Galloway, a professor at NYU's Stern School of Business. World War II lasted 3 years and 9 months. 405,399 Americans died which is 297 a day. We have been in Afghanistan fighting for 19 years and 2285 Americans have died or 1 every 3 days. During World War II almost a third of all fruits and vegetables were grown in Victory Gardens in people's backyards. Chocolates and nylon were not available. Diapers, gasoline and food were rationed. You could be removed from a train or airplane to make room for servicemen. Within 3 weeks of Pearl Harbor, Ford, Fisher Auto

Parts and Goodyear Rubber were turning out B-24 and B-25 bombers from fabricated auto parts. Kelvinator was told by the government to stop making refrigerators and start making propellers and army helmets. There were 3 million cars made in 1941. In the next four years, there were 139 total cars made! Ford was making one B-24 bomber every 63 minutes at its peak of production. Fast forward to 2020 and most Covid tests still take days to get results. Since the first recorded case in January through the first week in August an average of 806 people a day had died from Covid 19. Even given the adjustment for population differences in 1941 and 2020, our death losses from an international war fought on two fronts were less than our response to Covid 19.

If Covid-19 was not enough to deal with, we also have the most contentious elections since the 1870s and Reconstruction from the Civil War. It is a struggle to find anything constructive to say about the Presidential debate that was just completed. We heard about Hunter Biden again which is absolutely correct and proper. To profit off of connections made in so-called service to the public is wrong. It stinks to high heaven. However, how many Republicans did you see racing to the floor of Congress to present a bill preventing this in the future? None, because the Republicans and Democrats, or their circle of family and friends, will do the exact same thing when they have the opportunity after leaving office. Profiting off of public service has been going on for hundreds of years and nothing is ever going to change it. It is quite conceivable that the Presidential election probably will be decided by the Supreme Court again. Unless one of the candidates is buried in a landslide on election night it will end up in the courts. Republicans will contest mail-in ballots and the Democrats will cry voter suppression. Is a landslide possible, yes, but not likely. The country seems to be split 45/45 with 10% moderates or swing votes who will decide the election. If they all voted for Biden or Trump so that it ended up 55% to 45%, which is unlikely they would all vote one way, that would be a landslide in today's politics. I sincerely doubt that anyone is undecided at this point. Even the recent revelations of President Trump's tax returns showing that he pays very little, if any, in income taxes probably won't move the needle. Everyone knew this is what the returns would show or else he would not have fought so hard to suppress the tax returns from becoming public in the first place. The key to who wins this election may eventually be what it always comes down to in a close election, voter turnout. According to the United States Elections Project, 138 million Americans voted in the 2016 Presidential election, equal to 58.1% of the nation's voting-eligible population. 100 million voting-eligible Americans did not vote in 2016!

*"Nearly half of the men drafted in the first draft for World War II were sent home due to malnutrition from the Great Depression and Dust Bowl. Over 100,000 were rejected because they could not read or write. Another group was toothless or lacked more than half of their teeth." Source: The Rise of the G.I. Army by Paul Dickson*

And now we have a Supreme Court position to fill during this election uncertainty. Welcome to “annus horribilis”. It would appear that the Republicans have the votes to guide Judge Barrett through. If the Presidential election ends up at the Supreme Court, the urgency to promote her nomination becomes even more imperative. How ironic that President Obama approached Ruth Bader Ginsburg about retiring back in 2013. She was 80 years old and had already been battling cancer. Obama knew he still had a Senate majority that they could push through a liberal judge to replace her. She didn’t want to resign. Now, as young as these new judges are, the court will be conservative for many years. Isn’t life fascinating how one decision can alter so many things.

My final comment on elections and Supreme Court appointments, be careful what you wish for. If Judge Barrett is confirmed and there would happen to be a “blue wave” and Biden wins and the Democrats take the Senate as well, Republicans and conservatives are going to absolutely hate the next 2 years! Pay backs will be brutal. Everything that Republicans and conservatives fear and hate will be on the legislative table. Medicare for all or expansion of Obamacare and adding Washington D.C. and Puerto Rico as states to add four more liberal Senators will be just a few items on the legislative agenda. How much of this agenda is actually possible? No one really knows but Progressives will push very hard to implement as much as they can. They will be laws, not weak Executive Orders that can be rescinded by a new President. Current polls indicate that most voters think the newly elected President should choose the next Supreme Court Justice. If there is voter backlash to the Senate’s approval of President Trump’s nominee and the Republicans lose the Senate and Presidency in the process, they may win the battle and lose the war.

The stock markets have certainly been schizophrenic this year. Incredibly fast plummets have been followed by equally quick recoveries. To try to simplify this, the markets are of two opinions and investment theses. There is the re-opening economy and the re-closing economy. They are pretty simple to understand. One posits that we need to invest in companies that will benefit from re-opening the economy. The other option is obvious. We should invest in high tech firms that will benefit from the re-closing of the economy and more people working from home. For example, I set up a home office last month anticipating a second wave of illness this fall and winter. I purchased a computer, screens, a scanner, software and computer security. All are high tech items purchased from companies that benefitted immensely last spring when we closed down the economy and migrated to more working remotely. Covid 19 certainly did not miraculously disappear this summer! If it is bad this winter and we have to close down certain

segments of the economy again, high tech companies and those that support remote work and selling to people sheltered in place will certainly be the place to be invested. If the worst of Covid 19 is over, then the obvious choice to invest is companies that will benefit from re-opening the economy. I know this sounds overly simplistic but sometimes it is just that simple.

It is fascinating to see how the NFL has navigated this virus. Everyone is playing and we just had our first outbreak of Covid 19 and game cancellation this week after 3 weeks of games and months of practice. It turns out, it’s good to be King! The NFL has access to rapid testing. Every single person who enters an NFL practice facility is tested every single day. Anyone who tests positive is sent home immediately and contact tracing is put into place with his family and friends. Over 200,000 daily tests have been done. They also have Dr. Thom Mayer in charge of all protocols for the league. Dr. Mayer worked in the Pentagon and the NFL lured him away from the military. It is rather ironic that our sources of entertainment can have access to rapid testing but our schools and hospitals have to wait days to get test results...

Once again, where do we go from here? Is there a second wave of illness and death, when do we have access to vaccines, who makes the vaccines and is there confidence in their effectiveness, who wins the elections, will the results go to the Supreme Court, will anyone concede, will the loser’s supporters accept the results and does the current trade war with China show any signs of abating? On a positive note, interest rates are for all intents and purposes at 0% a year. The Federal Reserve came out and almost guaranteed that they will not raise interest rates until 2023! That is unheard of and very supportive of owning risk assets like stocks, houses, farm land and businesses. Housing sales have exploded in the US this year driven by ridiculously low interest rates and the desire to flee the cities. Housing inventory is as low as it has been since 1982. A global recovery in other countries which have contained the virus, is slowly underway from the ravages of the illness and economic shut downs. Inflation is mild to non-existent. These are all very positive signs.

In summary, patience and temperament are an absolute must as we head into the next 4 months. The markets will absolutely be volatile. There is no question about this. You must remember this; Johnson & Johnson will be the exact same company on November 2nd one day before the election as it will be on January 21st the day after inauguration. Remember that all social media and all television reporting are selling advertising. Do not believe everything that you read or hear. You will be fed disinformation and outright lies. This is not new. Individuals running for public office have lied for hundreds of years. The delivery system is the only thing that is different now.

Be patient, take a deep breath but expect increased volatility in the coming months as elections and Covid 19 play out this winter. We will be fine.

As I alluded to earlier, I am working more from home now. I do not like it but it is necessary. I am personally in a bad demographic. I also have an extended family member who just cannot be exposed to the virus. Tom will still be in the office every day to answer any questions or concerns you might have. The only downside will be that I will not be available if you just drop into the office without an appointment. Hopefully, this is temporary but it is just something that I have to do to protect myself and my family.

If we do not have an email address for you, I strongly encourage you to make sure that we have one. Events move very quickly right now and we have found it necessary to send out several email alerts to everyone for whom we have an email address.

We thank you for your confidence and trust in us. No one said securing a viable financial future is easy; nor should it be. There are many challenges and headwinds that we will face every day. The markets contain risk and they offer reward. Our task is to balance the two and to deliver good returns with an acceptable amount of risk.

If you don't remember anything else from this newsletter please remember this from Tracy Alloway a financial blogger. "Risk is not a fluctuating account value. Real risk is arriving at a point later in your life and discovering that you have not saved enough or taken enough risk with your investments to lead the lifestyle that you had hoped to lead." You don't want to take more risk than is necessary, but there is no reward without risk. Volatility always accompanies risk.

If you have questions about your holdings or about the general condition of the economy, please contact us at once. Our email addresses are [jspreng@sprengcapital.com](mailto:jspreng@sprengcapital.com), [tbrown@sprengcapital.com](mailto:tbrown@sprengcapital.com) and [emory@sprengcapital.com](mailto:emory@sprengcapital.com). Please be assured that we are monitoring market situations at all times.

**If there have been any changes in your financial circumstances of which we should be made aware, please notify us at once. If you would like a copy of our most recent Form ADV, Form CRS or our Privacy Policy, please call the office.** If you have not visited our website, please do so at [www.sprengcapital.com](http://www.sprengcapital.com)

We appreciate the opportunity to work with you, your families and your businesses. We are very grateful for the many referrals that you have provided to us. We can think of no greater compliment than to have you recommend us to your family and friends. We will continue to do our very best to provide you with healthy, consistent returns with a minimum of risk. Always remember, "Investing is a marathon, not a sprint."

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