way forward will not be smooth. It never is. There will be virus spikes, global political tensions and silly national political theatre. The market returns will not be smooth, but we are optimistic.

If we do not have an email address for you, we strongly encourage you to provide one to us. Events move very quickly and we have found it necessary to occasionally send out email alerts to our clients 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.

We are excited and optimistic about the future both for you and for our firm. We continue to receive large influxes of new funds thanks to you and your many referrals that we receive every month. 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 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, tbrown@sprengcapital.com and lemory@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

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."

"Investing is a marathon, not a sprint."

Spreng Capital
Management Inc.

P.O. Box 47, 201 South Sandusky Avenue
Bucyrus, Ohio 44820-0047
P: 419.563.0084 F: 419.563.0234

www.sprengcapital.com

Jim Spreng: jspreng@sprengcapital.com
Leslie Lutz: lemory@sprengcapital.com
Tom Brown: tbrown@sprengcapital.com

Monday-Friday 8:30am-4:30pm
Closed 12:00pm-1:00pm

Spring
2021

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 23 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.

"Success is the ability to go from failure to failure without losing your enthusiasm" Winston Churchill

While the opening line is certainly whimsical, like many of Churchill's quotes, they survive through the many years and remain quite poignant. As a young man, Churchill was a failure. He led Great Britain into a disastrous battle in Gallipoli in World War I. If not for Adolph Hitler and Germany, Churchill would be remembered as a failure. Churchill actually was viewed as a "contrarian indicator" in Parliament. Whatever he said was viewed as the exact opposite of the truth, until the rise of Hitler and Germany in the 1930s.

I have always told people, that for a competitive person, there is no better arena than the financial markets. Every day you get to compete. You win sometimes, lose sometimes, and come back tomorrow and start all over again. You can read all of the textbooks, have all the educational credentials behind your name, access to super computers with all the algebraic algorithms, have 50 years of experience and still be left wondering in amazement at the end of the day. Human nature and our vacillations between fear and greed still continue to make the financial markets one of the most fascinating arenas in which to do battle every day.

Index	Quarter
DJIA	7.76%
NASDAQ	2.78%
S&P 500	5.77%
10-Year Treasury	1.73%

The U.S. equity markets certainly reflected this in the quarter just completed. For the first three months, the S&P 500 was up 5.77%, which is a very good start for the year. Covid 19 news is the new economic news. Anyone who actually believed that they would never hear Covid-19 mentioned again after January 20th just was not paying attention to reality. Since the announcement of the success and potential availability of Covid 19 vaccines in early November of 2020, the S&P 500 is up over 12%. The economy is re-opening, albeit more slowly than some would prefer. Disneyland in California is still closed until April 30th. Coupled with an extremely accommodative Federal Reserve promising to keep interest rates at 0% until 2023, you have the makings of a world-wide economic recovery. Add almost $5 trillion in government assistance and one has to be optimistic about the equity markets.

Some review of last year is necessary, not to relive the discomfort but to provide context. Approximately 550,000 people have died so far in the United States from Covid. That is 0.17% of our current total

population. 407,000 military personnel died in combat in World War II which was then 3.1% of our total population. In the second quarter of 2020, US GDP dropped by the most on record, an annualized drop of 32.9%. This was followed by the largest annualized gain in GDP in the 3rd quarter of 33.4%. After the S&P 500 hit an all time high on February 19th, it fell 33.9% in just 22 days of trading. On March 12th it dropped 9.5% in one day. This was followed by another 12% drop on March 16th. Five months later the S&P 500 hit another new record high on August 18th. The index rose 68% from its low and was up over 16% for the year. The economy lost approximately 10 million jobs, 75% in service-sector jobs and half of those in leisure and hospitality. As Eddy Elfenbein has said, "You can't install drywall over Zoom."

All of this leads us to the current stimulus package of $1.9 trillion that was just passed by Congress. Again, it is necessary to provide some background on government bailout programs. When then Treasury Secretary Hank Paulsen was trying to stave off the next Great Depression in 2008 with all the accompanying bank failures that were imminent, he famously said, "If you have a bazooka in your pocket and people know it, you may not have to take it out." It's the equivalent to the "go big or go home" phrase bandied about now. With Janet Yellen, now the current Treasury Secretary, and President Biden as a sitting Senator at the time, they saw the benefits of the large, at that time, $789 billion TARP plan that was passed by Congress. The US government actually made money on the TARP plan! It was repaid with interest. That is why Yellen and President Biden promoted such a large package. They witnessed how the TARP plan worked and felt the need to push through a large stimulus package to try to achieve the same results. There are definitely people who need help, but there are also people who received funds that were in no way harmed by the Covid shutdown. Such is the nature of government programs.

I have had several clients express concern about the level of debt that the US has now incurred and how this will ultimately affect the markets and the overall health of the government. It is a great question with no answers, only opinions. Again, context is so important. Excessive debt is a function of many players. Congressmen and Congresswomen who want to get re-elected are to blame. Presidents and Senators who want to get re-elected are to blame. Tax payers who chafe at taxes but demand benefits are also to blame. It is not a Republican problem. It is not a Democratic problem. It is a democratic society issue. It is very difficult to balance a budget when voters can vote, through their chosen representatives, to give themselves perks and cut their taxes at the same time. President Biden is not off to an auspicious beginning with a $1.9 trillion deficit in his first 2 months of office. However, to be fair, then candidate Donald Trump, was quoted on March 31, 2016, that he "could pay down the national debt of about $19 trillion over a period of eight years by simply renegotiating trade deals and spurring economic growth." Instead, national debt under Trump grew by almost $7.8 trillion of which only $3 trillion was for Covid relief. According to ProPublica, national debt under President Trump jumped from $19.95 trillion when Trump was sworn in to $27.75 trillion an increase of 39%. Only George W. Bush and Abraham Lincoln presided over larger increases in debt relative to the size of the economy. Bush was financing two wars on terror and Lincoln had the Civil War to contend with. Even if we give President Trump some slack and remove the $3 trillion for Covid relief he still grew the deficit by 24%! President Obama was no better with debt. The total amount of debt under Obama rose $8.6 trillion but it was over 8 years instead of just one term like President Trump. All parties involved are to blame, regardless of political affiliation.

So how does this answer the client's question? During my entire life the US government has run a deficit. There was only one time in the entire history of our country, during Andrew Jackson's tenure, that we have not carried debt as a nation. There were a few short years during the Clinton administration that we actually had budget surpluses. Trust me, this was not a function of Congress suddenly getting "balanced budget' religion. It was a benefit of the Cold War ending, less spending on military and gains in trade with the Eastern Bloc. It was simply good fortune and timing, nothing else. As a side note, was there ever a "luckier" politician than Bill Clinton? George H. W. Bush was so strong coming out of the first Iraq conflict that no Democrat wanted to run against him other than Clinton. Then, along came a recession, "read my lips, no new taxes" and a third-party candidate, Ross Perot that guaranteed Clinton's election with only 43% of the vote. Timing is everything in life. But I digress, back to the debt question. My entire life I have heard the US government is going to go broke. It hasn't happened. It has not even been close. As long as the US dollar remains the reserve currency for world transactions, the US government can run the printing presses with little

"From 1975 to 1985, mortgage rates in the US averaged 12%"

fear of reprisal. The Euro was a potential threat to replace the dollar as the reserve currency of the world but the European Union is a mess politically and economically. China's currency is the new threat but China's government is so distrusted, and rightfully so, that it is very difficult to see the world trusting their government and their currency as the backstop for all world currencies. Warren Buffet famously has said, "Never bet against America". Maybe it is a function of Buffet's and my age, but the national debt doesn't worry me nearly as much as it used to even though it has grown greatly. The trade-off is that our economy has grown incredibly through the same time frame. Did we need a stimulus package again? I think that we did. Did we need one so large, only time will tell. Since 2000, U.S. airlines have declared bankruptcy 66 times. Yet CEOs and their Boards of Directors of the six largest airlines have spent 96% of their free cash flow on share buybacks supporting share price and compensation of management despite the vulnerability of this unique sector. Did they deserve a bailout again? Did GM or Chrysler deserve their bailouts in the past? I don't know the answers. I only know that there are a lot of jobs and supporting industries that are involved in discussions such as these. That is why bailouts and stimulus packages are always so contentious.

The personal savings rate of U.S. consumers is at the highest level since the 1940s. Consumers are sitting on a pile of cash and are receiving more cash in the latest package. This, coupled with pent-up frustration and anxiety about being locked down, is a match just waiting to light a huge outpouring of consumption. There are always dark clouds over the horizon. Vaccinations are finally progressing nicely. There will be a segment of the population that will refuse to be vaccinated so herd immunity will take longer until they are infected in enough numbers to develop their own immunity. If there are problems with infection from variants and this causes more hospitalizations and deaths, then obviously the economy will suffer from this disappointing development.

The recovery will not be smooth. There are already major disruptions in the "global supply chain". I don't know about you but if I never hear that phrase again, I won't miss it. There are shortages of houses and cars. The shortage of cars is due to a shortage of computer chips that they are now using in so many new cars. House sales have exploded due to 0% interest rates. Consumers are moving out of the crowded cities into the suburbs and countryside again to escape the pandemic and to work from home. The housing market was described by the CEO at Redfin as a "Soviet-era supermarket" with a lack of available inventory. The number of houses available usually amounts to about 6 months of sales. It is closer to 1 or 2 months now. Prices have exploded on housing and the price of farmland is rising again.

Several months ago, we talked about negative interest rates on mortgages in Europe. There was a fascinating story in the Wall Street journal about this very issue. The story indicated that homeowners with mortgages in Europe were receiving monthly deposits in their accounts for borrowing money from the banks! The homeowner continues to pay their monthly payments on the principal amount but then they receive a deposit into their accounts for interest that they would have paid in normal circumstances. Even though there was incredible pressure exerted in May of 2020 by the past Administration to lower interest rates to negative in the U.S., negative interest rates are not the panacea that politicians perceive them to be. The overall economies of the countries that have negative interest rates are not doing nearly as well as the United States economy. At a certain point, investors have to know that they are going to, at least, have a chance of making a return on their investment. That is why interest rates at 0% in the U.S. are such a stimulus for the equity markets. With the incredibly suppressed interest rates investors are not even keeping pace with inflation in fixed income or CDs. Therefore, funds have flowed into the world's equity markets and real estate seeking return on their investment. I would say what an odd world we live in, but it has always been odd to people during their respective time frames of life. We always think that our time on earth is the most dangerous, or tumultuous, or that our music was the best, or that our politics the most divisive. It is all a matter of perspective. There is risk and return, greed and fear, and as is almost always the case, a combination of all of these emotions occurring at the same time.

We are cautiously optimistic for several reasons. The economy is re-opening. The vaccines appear to be very effective in preventing illness and hospitalizations. Vaccinations are progressing fairly well. There will be a global economic recovery when Covid is contained. Interest rates are at very low rates with the intention from the Federal Reserve that they will remain low until 2023. There was a large stimulus package that is now in the hands of consumers that will circulate throughout the economy. The

"In 1946, the inflation rate was 8.3% per year. In 1947, it was 14.4%" Eddy Elfenbein