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."

"Risk means more things can happen than will happen!"
Elroy Dimson-London Business School.

"Investing is a marathon, not a sprint."

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Summer
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.

"If you can go out to eat in a restaurant in New York City, you can go into work."

James Gorman, CEO of Morgan Stanley

What a classic quote! Mr. Gorman can say or do a thousand different things for the rest of his life and never match the bite and witticism of this pithy quote. But as is usually the case, a statement so all-encompassing lays bare the reality of the moment with just a few words instead of pages and pages of words. As we remember the famous quotes from history, they almost always are short, blunt or to the point to the extreme. That is what makes them so memorable.

Now before someone takes offense that this statement belittles employees who have legitimate health issues or child-care difficulties, that is certainly not the intent. The purpose is to highlight the eternal inherent human conflict of work versus enjoyment or just plain old "fun". No one enjoys sacrificing the enjoyable moments of life in order to work but the bills must be paid and unless you inherit vast sums of money or win the lottery, everyone must work, or in this case, go back to work! We are at that moment in the Covid pandemic. Vaccines hopefully have given us the ability to safely go about our daily lives both at work and at play.

Index	Quarter	YTD
DJIA	4.61%	12.73%
NASDAQ	9.49%	12.54%
S&P 500	8.17%	14.41%
10-Year Treasury	1.49%	

That being said, what the future of work will look like, at least in an office setting, is anyone's guess. Will we truly have a segment of the population that will "work from home" on a permanent basis? Does a hybrid model of a couple of days at home and a couple of days in the office even make any sense? How do you recruit the best talent if they want to work from home and you are demanding that they work several days in the office? How will work from home employees be compensated if their cost of living in the wilds of Montana is 40% of the cost of living of employees who have to live in the San Francisco area? How will work from home be monitored and mentored? What will this new physical work paradigm mean for the value of commercial real estate in the inner cities? Will the rural areas of the country who have excellent internet capabilities have a rebirth? We always have thought that the Midwest eventually would have an economic revival due to the availability of water in the rivers and Great Lakes. We didn't know when this would occur but as the West burns with severe drought and bakes under 100-year record heat in

"The best 10-year return for the U.S. stock market was a gain of 597% or 21% a year starting in the summer of 1949."

the Pacific Northwest which affected the Olympic Track and Field Trials, the reverse migration may begin sooner than we think. We have no answers to any of these questions but they are, and will be, huge issues going forward for the American experience.

One word has dominated the financial media over the past several months, inflation! Everyone has experienced it in one form or another. Food, gasoline, housing, rent, used car prices, lumber, steel and not the least, labor costs, have all risen precipitously this year. Inflation increases hit a 30 year high last week. As is always the case, there is not one single event that has caused this spike but a myriad of issues all converging at the same moment in time that struck the spark that lit this inflation fire. For instance, why is the housing market so hot right now? People fleeing exposure to Covid 19 in the over-crowded cities stoked a demand for housing in the suburbs, or again, rural areas with good broadband internet. By pure chance, the Millennial Generation is also aging into the time when they will start families and want to live in more child-friendly, better public-school opportunity, parts of the country. At the same time, we have been under-building single family dwellings over the last decade or since the Housing Bust of 2008. Historically low mortgage rates also have been prodding home buyers into making the initial leap into home ownership or upgrading their existing home with a larger, more expensive, better located home. Finally, corporate America, fueled by the ability to issue corporate bonds at rates below 2% a year, have recognized the investment opportunities in buying up large amounts of single-family dwellings in the right locations. Companies like Invitation Homes have been scooping up homes in zip codes that they find desirable. They bought 90% of the homes for sale in some zip codes in Atlanta in the early 2010's. They identify areas that are desirable from an income level, schools, amenities and buy up as may homes as they can. They then rent these homes or try to flip them for a profit. For our clients familiar with Ohio, Delaware County is a prime example of an area that they love. Delaware County ranks as one of the ten fastest growing areas in the entire country with their proximity to Columbus, Ohio State, low crime and new public schools. The typical home buyer can find a mortgage between 2% and 4%. Invitation Homes can issue bonds at 1.4% a year. This allows them to pay an extra $5,000 to $20,000 for a typical house, more than a family can afford with the higher borrowing rate. It is easy to see why first-time home buyers are getting squeezed out of the housing markets. As a sidenote, real housing prices in the United States were flat for over 100 years from 1870 through 1975.

The Federal government has played a role in this current inflation spike. In a response to the pandemic, the government printed trillions of dollars and sent them out to a large percentage of the population, whether it was needed or not! We have clients who have told us that they received money from the government even though they were not harmed one bit by our country's response to Covid. They were not laid off nor did they have their hours cut but just because of their income levels they received money from the government. A lot of that money went straight into consumption, or was used to pay off credit cards. Let's be brutally honest about this, as clients of ours invested in the equity markets, we all benefited from this experience because our investments rose in value! As we discussed in last quarter's newsletter, our National Debt is an obscene number. But it has been that way for approaching a hundred years! The TARP response in 2008 actually made money for the government with interest payments because it was loaned to corporations. It is estimated that 72% of the money that was sent out in the last year has been recirculated into the economy through rent payments, consumption of new toys and stock investments. It also has stoked inflation.

The Federal Reserve actually prefers inflation. They are terrified of deflation. The consequences of deflation are purely psychological. No one will buy anything because they know that if they wait, their dollars will buy more in the future. Inflation in the 1930s was negative 19%. Yes, it was negative! One dollar in 1930 would have been worth $1.23 in 1939. I doubt if anyone felt any wealthier in 1939 than they did in 1930 because their dollar would buy more! That is why the Federal Reserve already has not raised interest rates to slow down inflation. They prefer a small amount of inflation to deflation and their view is that this spike in inflation is not permanent. While we do agree that this rise in inflation is an anomaly due to the pandemic, it will reset a lot of costs going forward. Any wage increases that have been given to employees will not be taken away if, and when, inflation goes back down. Costs of refrigerators and washers and dryers that have risen due to shortages will unlikely be lowered once consumers are accustomed to the higher prices. The same goes for hamburger meals at the franchise restaurants. Businesses will respond to these cost increases in labor by adding more technology to replace workers. Businesses always do this whenever possible. McDonald's increased the use of touchscreen ordering kiosks from 20% of restaurants in 2017 to 75% by 2019.

We think this current pop in inflation will ultimately take care of itself. A great deal of this inflation is due to a disruption in the global supply chain driven by the Covid pandemic. I spoke to a client in the tire business. I asked if he was having difficulty getting new tires. He said that his higher end tires were no problem but that tires from China were a problem. The tires were in China ready to be shipped but that there was a shortage of shipping containers in China to ship goods all over the world. There has been discussion by worldwide shipping firms about just loading empty shipping containers on ships and transporting these empty containers to the ports where they are needed, in China or other ports of call. That would be a very expensive move to have to make for those shipping firms.

Covid 19 continues to be a problem with shipping and manufacturing. China's Covid vaccine is being proven to be not as effective as United States' vaccines in preventing serious new cases of Covid outbreak from the Delta variant especially. This will continue to cause disruptions in the manufacturing and shipment in a lot of the world's supply chains. There are rumors that there are products sitting on docks in China waiting to be shipped because of lack of labor availability due to Covid outbreaks in China again. Brazil and India are a disaster fighting Covid right now and Sydney Australia just went back into lock downs due to Covid outbreaks. The reality is that Covid will not magically disappear, even with vaccines. This fact will lead to disruptions, closings, shortages and uneven worldwide recoveries.

There are legitimate fears of inflation for investors and consumers. Of course, we see it in our everyday purchases of things that we need for our lives. As investors, our greatest fear is that the Federal Reserve starts to raise interest rates quickly to try to cool down an economy that is over-heating. Almost all investments would react adversely to a quick rise in interest rates. As someone who once paid 12% for a loan in the 1980s, I find all of this talk of financial Armageddon if interest rates go up amusing. Interest rates at higher levels are the sign of a healthy economy, not the end of the economic world as we know it. Consumers and investors will adjust to inflation and higher interest rates just like they always have in the past. The financial news on television and the internet is just like today's news shows on cable television and the major networks. They are opinion shows that are selling advertising time on their website or time slot on television. The more outrageous and fear-mongering the commentary, the more people tune in or click on their website, and the more they can charge for advertising. You will see the gold salesmen as gold becomes a hedge against inflation hitting the airwaves again in large numbers.

You can see from the performance chart in this letter how the various markets performed for the quarter just completed and year to date. The economy is doing very well. There are millions of job openings available, interest rates are still low with an accommodative Federal Reserve on watch for inflation but still not raising interest rates. GDP grew at 6.4% in the first quarter and the Fed is predicting 7% growth for the year. This would be the highest growth rate since 1984 or 37 years. Granted, this is coming off of a low point last year but still, this is robust growth for an economy the size of ours. We anticipate that the markets will continue to perform well on the back of low interest rates and a global economic recovery from Covid 19. However, it will ***not*** be a smooth ride. We would expect more volatility in the markets as investors digest inflation numbers, Covid shutdowns and possible interest rate increases. You should expect this volatility and not be surprised when it occurs. Just the suggestion that the Federal Reserve might raise interest rates 0.25% or that there might be shutdowns due to Covid 19 again will cause a significant sell off in the markets. We will be closely monitoring the news and the markets and respond accordingly.

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

"Japanese stocks returned 23% per year over 20 years in the 1970s and 1980s. They have returned 1% a year since then."

"Gold compounded at more than 35% a year from 1970 to 1980 for a total return of more than 1900%. Since January of 1980 until today it is up 150% or a little more than 2% a year"