had become a career soldier and was killed in 1964 in the early years of Viet Nam. I wonder how the parents who lost three sons in the service of their country, who never had grandchildren from the two killed in World War II, would feel about the state of "sacrifice" in our Country today.

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. 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.

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"Investing is a marathon, not a sprint."

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Closed 12:00pm-1:00pm

Fall
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 the internet has taught us anything, it's that sometimes it's easier to speak our minds anonymously."

Ted Lasso

How quickly things change in today's world. Three months ago, we were talking about employees of companies going back into the office environment around the first of September. Then Covid exploded again and a great deal of the "back to the office" plan was postponed until at least January, if not longer, for a lot of large companies. I am not going to talk about Covid. I am not going to change anyone's mind about the seriousness or politics of the pandemic. The only thing to remember is that this is a worldwide health issue and responses are different in other countries. China is still dealing with the disease as are other countries who supply goods and services to the US economy. Shut downs in manufacturing and shipping of products in these countries are occurring, and will continue to occur, until we either gain an international "herd immunity" or develop better treatments. The only comment that I will make is that anyone who thought that this was a contrived issue that would magically disappear from life or the news headlines when, and if, President Biden was elected were greatly mistaken. It is, and will continue to be, a huge issue worldwide. We just passed over 700,000 deaths in the US and over 5 million worldwide. Numbers like that guarantee that Covid issues will dominate the news cycles for months, if not years, to come. You might not like it and tire of the constant drumbeat of bad news, but that is the news business. Negative news has always led, and has always attracted the most viewers and clicks.

Index	Quarter	YTD
DJIA	(1.91%)	10.58%
NASDAQ	(0.39%)	12.10%
S&P 500	.23%	14.67%
10-Year Treasury	1.52%	

We see it in our own lives and hear of anecdotal stories of supply shortages every day, all due to Covid issues. Things cost more due to supply shortages. The cost of used cars has exploded due to the fact that there is a shortage of new cars. Large assembly plants of the large automakers in the US are sitting idle because there are shortages of the computer chips that are now installed in so many new vehicles to run all of the "bells and whistles" that today's American consumer demands. The shortage in computer chips is due entirely to Covid problems. The computer chips predominately are made in Asia. The US used to make 37% of all computer chips in the world but thanks to "offshoring" and lack of investment that number has dropped to 12%. Multiple Asian countries continue to "shut down" whole parts of their economies or physical areas of their country as a response to Covid outbreaks. Even if the products in the supply chain are being made, they may sit on docks for months in containers waiting to be shipped due to a shortage of dock workers, due to Covid, or a shortage of ships to ship them to America or Western

Europe.

There are serious disruptions in the global supply chain right now. These disruptions will continue, possibly for years. The question becomes, how quickly, if at all, will large US based companies respond to these disruptions by moving their supply chain closer to home? Intel, the largest computer chip manufacturer in the US, recently announced that they will spend $20 billion to build two new computer chip manufacturing plants in Arizona as a direct result of disruptions caused by Covid. How ironic that politicians can beat their chests and promise to bring back American jobs but in reality, it appears that it took a pandemic to start the process of bringing back good jobs to the US. We shall see if this "localizing" of the supply chain is a long-term effect of Covid or just a minor blip on the screen.

Looking back to the first sentence of this newsletter and how quickly things change, the first nine months of 2021 had been remarkably calm in the US equity markets. Until the last two weeks of September, the S&P 500 had not dropped 5% from its all-time high for almost nine months. For the month of September, the S&P 500 dropped 4%, which in the total scheme of things, to be down 4% in any one month is inconsequential. But in comparison to the exceptionally quiet previous nine months, the 4% drop felt like a downward drop on a roller coaster.

Why the increased volatility right now, and what does it bode for the future? There are four predominate reasons of which Covid, of course, is one. The second reason is that the Federal Reserve has announced that they will finally begin the "taper" of interest rates which should cause interest rates to begin to rise. Remember, in response to Covid, the Federal Reserve basically cut interest rates to 0% but they also have been buying US Treasury bonds and mortgage-backed securities every month. They have been buying $80 billion of Treasury bonds and $40 billion in mortgage-backed every month. This has kept interest rates low and the cost of financing a home at rock-bottom. They will start to reduce their buying or tapering of additional bonds as soon as the end of this year and hopefully be out of the bond-buying aspect of their easing by the end of 2022. The Fed is projecting that the economy will be healthy enough to start to normalize interest rates sometime in late 2022 or early 2023.

This movement upward in interest rates is long overdue. Artificially suppressed interest rates are not a good thing. This suppression of interest rates has greatly distorted the markets and led to excessive speculation in stocks and bonds of companies that actually should have gone out of business. We criticize China for supporting their "zombie" steel and real estate companies with funds from the Chinese government in order to keep their people employed. We capitalists are not much better. We have kept our own "zombie companies" alive with artificially low interest rates. Rising interest rates are a good thing. They indicate a healthy economy that can support and justify the true cost of borrowing money. My primary concern is that we have had artificially suppressed interest rates off and on since the mid-1990s. We have raised an entire generation that has never known anything but low interest rates. How will they respond when the cost of borrowing to finance a home, car, washing machine or college education for their children reverts back to the norm? I can tell you in advance how they will respond, not well! The historical average for a 30-year loan for a house used to be 9% a year. I paid 12% a year to buy our first farmland in the 1980s and our 12% was lower than the average at the time because my wife and I were a good credit risk. Banks used to be able to price their loans based upon risk rather than one size fits all like they have to price loans now. Will American consumers who are used to asking, "how much is my monthly payment" revolt and scream at their politicians to fix rates again? I think we all know the answer to that question.

The third reason for the increased volatility is inflation. Inflation is real and is reflected in almost everything we buy right now. The Federal Reserve has referred to this inflation as "transitory" which is a polite way to say that it is a Covid and supply chain issue. There are supply shortages everywhere, almost all due to the reasons that we described in the previous paragraphs. While inflation is very painful, especially for the poor or those on fixed income, if it is indeed transitory, it will eventually revert back to more normal numbers if, and when, the world gets Covid under control. Interestingly, we have also raised a generation that has never known anything about inflation other than how it affects the cost of health care and college tuition.

The fourth reason right now is in Washington D.C. and the miasma emanating from our hallowed halls of Congress and the White House. Again, we are not going to spend a lot of time and ink discussing the ineptitude that we all are witnessing. We have preached for years how desperately we need a major infrastructure bill in this country. We are talking about a physical infrastructure bill, not a social one. The social one is its own issue and needs to be handled as such. But the physical infrastructure bill is an investment, one that will return trillions of dollars to the economy over the years. Bridges, roads, internet and the electric grid, we need them all. We have bridges collapsing in Minneapolis. This is the kind of thing that you hear happening in a Third World country. For the Progressive wing of the Democratic Party to hold this hostage to their social agenda or for the Republican party to hold this up to deny a Democratic White House a "win" is unconscionable by both Parties.

The debt ceiling and threatened default is just as bad. The debt ceiling discussion is a joke. If you spent the money, the credit card bill must be paid when it comes due! If you don't like it, don't spend the money. The Republicans under President Trump were running a trillion-dollar deficit a year when we had unemployment running at 3.5% a year. The Democrats are now running trillion-dollar deficits as well. If you don't want the bill to come due, don't spend the money!!!!! This whole debt ceiling discussion and threatened default and shutting down the government has become so tiresome. A default or even a threat of a default on trillions of dollars of US debt is a HUGE deal. This is what has really roiled the markets the last few weeks. The world's investors are witnessing children in Washington playing with investors' lives and they do not like what they see for one minute.

I have to vent on Washington one more time. Rand Paul, the Libertarian/Republican Senator from Kentucky, is always holding himself out as fighting for the people. The esteemed Senator from Kentucky doesn't seem to hold up so well under the harsh glare of a Free Press. According to CNBC, Senator Paul bought stock in a company called Gilead Sciences in early 2020.....in his wife's name..... even though neither he nor his wife had bought stock in an individual company in at least 10 years. The purchase was made one day after the first clinical trial began for Gilead's remdesivir as a treatment for Covid-19. Senator Paul sits on the Senate Health Committee which was briefed on the Covid-19 threat in January of 2020, a month before his wife bought Gilead shares and fully two months before the American public was informed of how deadly Covid truly was. And finally, this bastion of a man disclosed his wife's purchase of this stock fully 16 months after the legal deadline for such disclosures by a member of Congress. When asked why he waited so long to disclose this purchase the Senator replied, "I forgot".

Not to be accused of picking on the poor Senator from Kentucky, two Federal Reserve members were forced to resign last week although one claimed it was for "health reasons". It seems that Eric Rosengren, the president of the Federal Reserve Bank of Boston and Robert Kaplan, the president of the Dallas Federal Reserve Bank both had been trading in securities that had benefitted from decisions these two "gentlemen" had made while sitting on the Federal Reserve Board. Thank goodness for a free press that reveals how truly unethical some of our so-called leaders actually are.

So, where do we go from here? Earnings for companies are still extraordinarily good. While costs are rising and will be reflected in earnings going forward, we still continue to be optimistic about the markets. However, we must anticipate that the markets will not be as quiet as they have been so far this year. What we have encountered the last nine months is not the norm. The markets have historically been more volatile, both up and down. The four things that we have discussed in this quarter's newsletter all have the ability to move the markets significantly, either individually, or as a group. A default, or a threat of a default, is a really big deal. Covid is not going away. Interest rates may start to rise and inflation has reappeared after 20 years of lying dormant.

We have had a very small handful of clients in the last two weeks ask how much drop in the markets would generate a sell response from us. We need to make this very clear. We will not sell in response to a normal correction in the markets. We constantly make minor changes from one holding to another but we do not make major transitions just because of a normal correction. A normal correction can be as much as a 20% to 25% drop. It can be caused by global military tensions, pandemics, defaults, interest rates rising, natural disasters or any combination of very small issues all coalescing at once. None of these are a reason to panic and diverge from our plan. We are long-term investors not day traders or speculators. We need to be prepared for more volatility and accept that sell-offs are a natural and healthy sign for markets. The last two weeks have reminded us that markets don't always go up in a straight line, nor should they.

On a personal note, I have not been in the office since early July. I have been out recovering from major back surgery which the surgeon indicated could take between 3 and 6 months. I will admit that this is a difficult surgery from which to recover but I am doing fine. I am walking 3 miles a day for the last month so I am progressing as well as I can expect. Tom, Leslie and Stephanie have been doing a great job handling everything, as I knew they would. I will probably remain out of the office and work from home for several months due to Covid. I am in a somewhat medically compromised situation right now as I recover from surgery so I will continue to work remotely for a while.

I don't really believe in fate but sometimes strange things occur in our lives that defy explanation. I sometimes walk in the cemetery for my 3 miles. With Veteran's Day right around the corner on November 11th I found my walk in the cemetery one day incredibly poignant. Our County actually has a tax that buys American flags that allows our local Veterans groups to place new flags on veterans' tombstones twice a year on Memorial Day and Veterans Day. It is quite a moving sight when the flags are new and you look through a cemetery with 17,000 total graves and see so many flags. I found myself walking past a tombstone that had multiple flags so I walked over to investigate. I don't know the people but the family's name is Stoneburner. They lost two sons in World War II. They are both buried along with their parents. The father had served in World War I and had a flag on the grave as well as two for the sons. As I was researching the two lost sons from World War II which I thought was just devasting, I found out that they had lost a third son in Viet Nam. He was a Major in the Army so obviously he