showed obvious signs of what we now refer to as PTSD. He had the shakes, a very short temper and nightmares for the rest of his life. As we complain about things we can't buy or slow service at a restaurant, take a deep breath and realize how good we have it thanks to people like Jimmy Stewart and the Greatest Generation.

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."

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

Winter
2022

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.

"History did not begin the day you were born"

Anonymous

Where do the years go? Spreng Capital's origins began over 20 years ago. Our market trials, tribulations, and successes, have been extensive but overall, rewarding. We endured the dot.com disaster, a major terrorist attack on our home soil, a possible Second Great Depression with the housing melt-down and the greatest medical threat to civilians in 100 years. That is a lot to manage in just 20 years. Our growth with new clients has been extraordinary but our success has been tempered by the wonderful clients we have lost through death over the 20 years. The New Year is a time to be reflective on past successes, failures, loss and new opportunities. To that end, this newsletter will dwell on history and perspective more than usual.

Index	YTD
DJIA	18.73%
NASDAQ	21.39%
S&P 500	26.89%
10-Year Treasury	1.55%

By any measure, 2021 has to be deemed a rousing success from an investment stand point. The S&P 500, our preferred standard of measurement, was up 26.89% for the year. As is always the case, all 500 stocks in this index were not up 20+% for the year. There were major winners and major losers during the year, just as there are every year. For instance, Apple was up 34.65% for 2021. If you had bought Apple on June 6, 1983 and spent $10,000 to buy it, on April 17, 2003 it would have been worth $8,400. You had lost $1600 over 20 years, not a very good rate of return! Along came the iPhone and if you continued to hold it until today, that $10,000 would be worth over $6.2 million.

The business news-cycle over the last six months of 2021 was dominated by four things, Covid, inflation, labor shortages and supply-chain disruptions. Again, anyone who thought that Covid was a concocted disease to affect elections and that you would never hear about it again after November of 2020 ..... could not have been more incorrect! It still dominates the news and will for months, if not years, to come.

Inflation is back. What a shock. I am being sarcastic when I say that it is a shock. Inflation in 2021 rose approximately 7% over 2020. This 7% increase in inflation from the previous year was the largest increase in the last 20 years. Previously, the highest rate of increase in the last 20 years was 3.8% in 2008. You would have thought the world was coming to an end. I know that I sound like the crotchety old man shouting to the neighborhood kids, "Get off my lawn," but inflation rising 7% in one year really doesn't phase me at all. Inflation in June of 1920, exactly 100 years ago, was 23.70%. During my lifetime it got as high as 12% a year in 1974 and 15% a year in 1980. You will have to pardon me if I don't become overly concerned with an increase of 7% in one year. When Federal Reserve Chairman, Paul Volcker, raised interest rates and threw

the US economy into a recession in 1980 the inflation rate had averaged **6.9% a year for the previous 11 years!!!** By the end of 1982, the Fed had crushed inflation but the unemployment rate was 11%. We have the tools to break inflation in six months but the economy will also be driven into a recession that would greatly increase the suffering of the populace. It is a balancing act between stimulating and retracting a $20 trillion economy. If we raise interest rates to squelch inflation that is not going to fix supply-chain issues. Interest rates will not unpack container ships in L.A. nor load ports in China shut down by Covid outbreaks. Interest rates are not the reason for inflation. The Fed kept rates at almost 0% from 2008 to 2015 and there was no inflation. From 2009 to 2020 the average inflation rate in the U.S. was just 1.5% a year.

No, this inflation is a demand driven inflation spike. Some interesting facts: the U.S. stock market has never been higher, retail sales are at an all-time high, net-worth of Americans is at an all time high, because of the pandemic people have left their jobs and started their own businesses at a record rate, job openings are at an all time high, interest rates are near all time lows, people are quitting their jobs at the fastest pace ever (a sign of confidence in their future employment choices), ... and yet consumer sentiment is falling off a cliff. People are unhappy. I get it. Everyone is tired of Covid and lock-downs. Social media fuels the discontent. A great quote from Ben Carlson, "A certain amount of the internet and tv exists strictly to create outrage." They exist solely to get clicks and viewers to charge more for the advertising that they sell. No need to worry if it is the truth, the more outrage, the higher the advertising revenue.

The talking heads on the internet and tv are all talking about stagflation and hyperinflation again. These people are doing you a huge favor because of their reporting. You now know that anything that these people say in the future you can completely ignore. They have no clue what they are talking about or are too young, or lazy, to do their homework. Again, they are throwing around buzzwords that garner attention for them, regardless if it has any semblance of truth. Hyperinflation, please, we have one year of inflation and the world is coming to an end. In 1973, due to the OPEC oil embargo, the price of a barrel of oil went from $4 a barrel to $40 a barrel. In today's world, that would be the equivalent of our $75 a barrel oil going to $750 a barrel! The world economy was not nearly as fuel efficient then as it is today. The results were devasting to the western economies of the world. Inflation and unemployment roared upward together. That is the definition of stagflation. How could anyone possibly think we have stagflation with 7% inflation for one year and 11 million job openings? I take personal affront to these individuals trying to scare investors by espousing stagflation and hyperinflation because I have lived through a serious bout of inflation and stagflation. In 1973 there were gas lines in the large metropolitan areas to buy gasoline for our huge, gas-guzzlers due to the price of oil. I could only buy gas while in college in New York state based upon the last number of my license plate. Since my license plate ended in 2, I could only buy gas on even-numbered days of the month. If I was travelling on the New York Thruway, I could buy gas at any time since the stations were controlled at rest stops by the Thruway Commission. This was obviously not an enjoyable event nor was the nasty recession of 1973-74 that followed this turmoil so I think you can see why my disdain for these charlatans is so high.

We now shift to discussing the current labor shortage. New filings for unemployment were 184,000 for the week ending December 4th. This is the lowest reading since September of 1969 when it was 182,000 but our total population was 203 million then instead of 334 million today. As we said, there are 11 million job openings available right now. Why is there such an imbalance? As is usually the case, there are a lot of reasons. One continues to be problems with Covid and sickness. Over 6000 flights were cancelled worldwide over Christmas due to sickness from flight crews, ground support and air traffic controllers. Day care continues to be a huge issue. School issues dealing with sickness are a perpetual problem. 3.6 million people quit their jobs in November. ***90% were over the age of 55!!*** The economy has always anticipated worker shortages when the Baby Boomers were all to be retired. It would appear that this day of reckoning has accelerated a decade. A booming stock market and home values rising have made older Americans feel as if they can retire now instead of taking the chance of getting sick in the workplace. Low-wage employees have quit their jobs to take better jobs that have been vacated by retiring, older workers. As you would expect, businesses have responded with higher wages and benefits but also with robots. Tyson Foods is going to spend $1.3 billion on robots to try and debone chickens on their assembly lines. Buffalo Wild Wings is testing a robot called "Flippy Wings" on their chicken wing fryer. White Castle is testing a hamburger flipper. Peanut Robotics cleans and sanitizes restrooms, Makr Shakr is a robotic bartender and Lennar Builders is going to try to make 100 3-D printed homes in Austin Texas. As former Prime Minister of England Harold Wilson once said, "One man's increase in wages is another man's price hike."

The supply-chain issue is the most difficult to decipher. I am going to lean heavily on an expert in logistics, Phil Levy in an interview with the Wall Street Journal. Mr. Levy is chief economist for Flexport, a global logistics firm that specializes in containers on the huge container ships that we all see in the media. In summary, typical transit time for a container to leave China, arrive in the U.S., truck the container to Chicago, unload the container and get trucked empty back to California and return to Shanghai is now 117 days. It used to be 71 days. The biggest delays are at the ports in the U.S. and trucking to and from the final outlet. It takes 33 days just for the trucking due to a shortage of truckers compared to 20 days pre-pandemic. Another issue is cost of transporting the containers. Pre-pandemic it used to cost $1,500 to bring a container over from China. It is now $15,000. You can imagine if the contents of your whole container were valued at only $15,000, you're not going to bring it in to resell here in the States. There is no profit. Covid is real and taken seriously in other countries. China shut down the port of Yantian for a whole month over Covid concerns and illness. Yantian alone handles a third more total output than the port of Los Angles, the United States' largest port. Shutting down a massive port like this means supplies just stack up on the docks further exacerbating the supply-chain issue. Unfortunately, Mr. Levy is not optimistic on relieving these issues any time soon. He predicts it will be at least 2023 until things return to some semblance of normal.

Finally, what about Covid and its effects on 2021 and going forward? Covid is real, it is dangerous to older people and to the medically compromised. Those are both statements of fact. We now have the Omicron variant after having experienced the Delta variant over the summer. I am not going to lecture or talk about things of which I do not know. I am just going to list the issues from an economic and investor viewpoint. Over 800,000 people have died from Covid in the United States. 75% of these deaths were over the age of 65. The following countries have issued, to some degree, shut downs of their societies and workplaces due to the Omicron breakout. Finland, Germany, Austria, England, Holland and of course, China and a great deal of Southeast Asia as well. China locked 30,000 people into Shanghai Disneyland and made them all pass a Covid test before being released from the Park. One person had tested positive at a train station leaving the Park. The Chinese government locked everyone else in until they tested negative before allowing them to leave. That is how concerned China is with Covid. China is telling their citizens to stockpile food and staples in case of extended shutdowns of vital industries. The NHL, the hockey league in the U.S., had negotiated with their players union that the players could take off two weeks to participate in their native country's Olympic hockey at the China Winter Olympics in February. The players have since decided that they will not be participating due to the fact that if they test positive for Covid while in China, China can quarantine them in China for 3 weeks before releasing them, all without pay from their NHL team in the U.S. Nike had to cancel 130 million units of shoes due to non-delivery. The bottom line is, while we shrug off Covid as just another case of the flu, the rest of the world doesn't really care what we think. They are going to do what they think is best for their people and their country and if that means creating inconveniences for us by shutting down ports and factories so that we can't buy all of the trinkets and toys that we want and when we want, they don't care!

2021 is over. What do we anticipate for 2022? First, some history, sorry, that is what I do. In previous years where we have had very good returns like 2021, the following year median rate of return has been 10.19%. Three out of four years have been positive or 75% of the time. Congress finally passed a much-needed infrastructure bill which is a long-term investment in our economy, something that was desperately needed and a great thing for the country and markets. We have no idea what 2022 holds for investors. If we prophesied about anything else to you, we are no better than the snakeoil salespeople that I chastised earlier. What is of importance is that we will make adjustments as needed. When the Delta variant exploded on the scene, we stayed calm and did not panic or implement changes just to look like we were doing something. That was the correct and proper thing for us to have done. We will treat 2022 the same way, with a cautious and well thought out response to the events as they occur.

As I indicated earlier, the New Year is a time for reflection. We will be fine no matter the challenges that are thrown our way. Two things for you to ponder for perspective. The Great Depression and World War II had to be some of the most traumatic events that "modern" society could possibly endure. In 1939, World War II had just begun in early September. England euthanized 750,000 dogs and cats and buried them in mass graves to try and save food for their population. The pets were going to eat too much food that could be fed to soldiers and civilians. Imagine, sending your son off to war and then having to destroy your pet at the same time. Jimmy Stewart was too old to be drafted but like many others in Hollywood he volunteered for the Army Air Corps. They wanted him to make enlistment movies to promote men joining up but he refused. He volunteered to fly bombers instead. Even though he was deemed 10 years too old to command a flight group, his leadership skills were so obvious that he was given control over other young bomber pilots and their crews. He flew 20 missions over Europe and enemy territory. His worst mission was the bombing of the German city of Gotha. Stewart lost multiple planes in his squadron along with the men in them. The floor of his own plane was hit by anti-aircraft shrapnel and it blew an open hole in his plane. It was estimated that temperatures dropped to 20 degrees below zero as he flew his plane back to England. He blamed himself for losing so many planes and their crew, even though he did absolutely nothing wrong. When he returned to Hollywood in 1946 he