

It was a difficult quarter for the equity markets but it could have been so much worse. Volatility has greatly increased because the world suddenly became much more dangerous and uncertain. However, you must always remember that volatility and risk are two completely different things.

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 [lemory@sprengcapital.com](mailto: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](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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2022



# Spreng Capital Management Inc.

***"If goods don't cross global borders, soldiers will."***  
**Frederic Bastiat French economist from the 19th century**

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.

The voyage of the ship, Mayflower, to the New World that later would become the United States, is well-known to all adults and school-age children, at least I would hope so. There are interesting side-notes about this event that are not as well known. There were all kinds of problems with outfitting the ship that delayed its departure. The ship did not leave Plymouth England until September 6, 1620, a very late start for a tiny wooden sailing ship to traverse a huge ocean. The Atlantic Ocean is notorious for violent storms in the fall and early winter. The Mayflower finally arrived in what is now the state of Massachusetts around November 11, 1620. During the trip, a man named John Howland, an indentured servant, was swept overboard during a particularly violent storm. As he was being carried past the ship to his inevitable death, he managed to grasp a trailing sail rope and was pulled from the stormy waters to safety. Who was John Howland and why does this matter 400 years later?

Index	YTD
DOW	(4.6%)
NASDAQ	(9.1%)
S&P 500	(4.9%)
10-Year Treasury	2.35%
10-Year Treasury (1 Year Ago)	1.74%

John Howland married Elizabeth Tilley, another passenger on the Mayflower who was the adopted daughter of the family to whom Howland was indentured. John & Elizabeth had 10 children and 80 grandchildren. It is calculated that there are over two and a half million descendants of John and Elizabeth Howland living in the world today. Some of their more famous descendants are actor Humphrey Bogart, Presidents Franklin Delano Roosevelt, President George H. W. Bush and President George W. Bush. I am sure that there are hundreds of thousands more of their descendants who have contributed greatly to society and to the world.

Why does this one life matter enough to warrant an opening paragraph in this investment newsletter? Without question, every life matters and any life lost before its time is a tragedy. What is important about this story is the effect that one life in a world of 8 billion people can have on the world, both good and bad. Unfortunately, we now are witnessing what one bad person in the world can do, Vladimir Putin's personal invasion of Ukraine. To be clear, this is not the country of Russia invading a neighboring, sovereign nation of 44 million people. This is an individual with power choosing the path of conquest and in his mind, glory. He has forced the 18-year-old boys in his army to attack the citizens of a country with which they share so much genetically, historically and culturally. Hitler did the same thing in the late 1930s when he "annexed" Austria

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*According to an MIT study, 1 in 6 Americans are not sure that the world is round and 1 in 5 think that 9/11 was a government set-up.*

and the Sudetenland from Czechoslovakia. The West did nothing at that time and we all know how the result of that appeasement eventually turned out.

I am not going to dwell on the details of this horrible event. You all are aware of it and how it is affecting your daily lives. These are dangerous times that require serious thought and not knee-jerk reactions or flippant comments to the press. It is interesting that in the time period from 1991, when the Cold War ended until now, the world has had the fewest wars and deaths due to wars in recorded history! We stopped the ridiculous "proxy wars" of the Soviet Union supporting one side and the U.S. supporting the other side. Korea and Vietnam are two of the most vivid reminders of proxy wars. I have one last true story on international affairs and one that again, reflects upon one human life. During the Cuban missile crisis in 1962 the world was on the precipice of nuclear war. On October 27, 1962, Air Force pilot, Rudolf Anderson Jr. was flying his U-2 spy plane 14 miles above Cuba, photographing Russian missile installations on the island of Cuba. The Soviets fired two surface-to-air missiles at his plane. One of the missiles exploded near the plane piercing the cockpit and Anderson's flight suit killing him instantly. When news of the strike reached the White House, President Kennedy's military advisors, who were all veterans of World War II, immediately clamored to reduce Cuba to ash and bomb them back to the Stone-Age. Kennedy refused, correctly speculating that Premier Nikita Khrushchev had not given the order to shoot down unarmed reconnaissance planes. It was found, after the fact, that a single Soviet officer on the ground in Cuba had given the order. If Kennedy had responded as his Generals had wanted him to, the world as we know it would not exist today. One man's life was sacrificed for the good of the world. The Ukrainian crisis requires this same disciplined, well-thought out, unified and reasoned responses to an obviously deranged individual. A single life always matters, both good and bad.

So how does Russia's war play out for our investments? Russia provides roughly 33% of Europe's oil, 45% of its natural gas and 50% of its coal. Russia appears to receive \$20 billion a month in hard currency from just its energy exports. Sanctions on Russia definitely hurt Europe much more than they hurt us in the U.S. All of this is compounded by Europe's very rapid movement to a more ecologically correct economy. In 2000, Germany generated 30% of their electricity from nuclear power. In 2020, that number had dropped to 11%. At the end of 2021, Germany shut down 3 of their remaining nuclear power plants and the last three are slated to be shut down this year, although we doubt that this will occur now. Also, Europe has limited oil and

natural gas exploration in an effort to reduce green-house gases. While Europe has cut traditional energy sources, they forgot the security for their sources or mistakenly assumed it didn't matter. Simply put, are your sources from which you are buying energy physically secure and provided by countries that align with your values as a country, or will they eventually hold you hostage? To be fair, the United States is not as pure as driven snow when it comes to security of exports. There were several times in which we have used the export of food as a weapon. We did it in 1980 when the then Soviet Union invaded Afghanistan and again in 2016 when we slapped tariffs on grain exported to China in retaliation over trade disagreements. The world is a complicated place, full of shifting alliances and allegiances. For proponents of green energy, Putin is their worst nightmare!

There is another huge problem with the invasion of Ukraine beyond energy, food prices and food security. Ukraine is the "breadbasket" of Europe. They have very fertile soils and adequate infrastructure for movement of large amounts of grain. They also have access to a warm water port that never freezes. These are the primary reasons that Stalin wanted Ukraine 100 years ago! Without a secure food source there can be no stable government or society. The U.S. exports billions of dollars of grain a year. Brazil threatens to take over that number one designation in the future. However, Ukraine plays a large role in supplying food for the world. 19% of the corn exported to the world comes from Ukraine. Another 2% comes from Russia so 21% of the corn used in the world comes from an area consumed by conflict. 35% of the wheat used in the world comes from Ukraine and Russia too! Also, Ukraine is the world's single largest exporter of sunflower oil which is used in cooking in many parts of the world. It will soon be time to plant corn in Ukraine. Will they have fuel to put into their tractors? Will they have the necessary fertilizers and seed corn? Will they even have the men to plant the corn or will they all be gone to fight the Russians who invaded their homes? The wheat is in the ground and soon will be growing again. It was planted last fall. Will they be able to harvest the wheat in the summer or will they still be at war? Will they be able to transport the wheat to terminals or will the terminals all have been destroyed or damaged? The world needs to be prepared for much higher food costs. Corn is currently \$7.12 a bushel in Crawford County, Ohio and probably headed to \$9.00 or more. Soybeans are \$16.64 a bushel and generally run double the price of corn. Chicken, beef, turkeys, pizza, tacos even pet food all use corn, soybeans and wheat. Food prices are going to go up. The world definitely does not need weather problems in

*All young men now live in Garrison Keillor's Lake Wobegon where everyone is above average in looks, ability to drive a car and the ability to trade stocks daily.*

Brazil or the U.S. during their growing seasons for the next couple of years

Unfortunately, Covid is still not behind us. While life has returned to some semblance of normalcy in the United States, there are other parts of the world that are having different issues with Covid, particularly China. Hong Kong is on fire with Covid right now and deaths are rising. It is still an issue in the United States as well. I spoke to a local business owner who told me that in the last 3 ½ months he has only had one day where everyone who was scheduled made it to work! Employees or their children or their spouses or their baby-sitters have had either Covid or the flu, or both! He said that he also had been sick and that he had missed days of work too. I specifically asked him if employees were abusing the "system" and just taking days off. He indicated that this was absolutely not the case. He has a small work-force and he knew that they were telling him the truth. China's response to Covid has been to implement massive shut-downs of their local economies and movement of people. As of March 14th, there were 51 million people in lock-down in China. That is the equivalent of shutting down the states of Ohio, Michigan, Indiana, Illinois and Wisconsin! This causes incredible disruptions to the world's supply chain. Once again, Americans can scream all that they want to about people not working and not supplying them with the essential things they need to run their businesses or to supply their trinkets that they think that they must have. The Chinese government does not care what Americans think! They are going to do what they must to retain power and to protect and provide for their population. To the Chinese, if the American economy suffers as a consequence of this policy, all the better. Punishing the U.S. is not the primary reason for this policy. This has been the Chinese response since the original lock-down in Wuhan in 2019 long before it spread to the rest of the world. It appears that the Chinese imposed lock-down policy will continue to persist which absolutely guarantees continued shortages and higher prices for some time.

**Globalization is dead!** I don't really believe that statement in its entirety. One should never make declarative statements as absurd as this but the starkness of it is a good way for us as investors to begin to think about the future. As the response to the Ukrainian conflict is proving, a unified approach with Western Europe and the rest of the Western world is much more advantageous than going it alone. That being said, China's abuses of trade agreements, human rights abuses, abysmal record on the environment and their total disregard for human life, as evidenced by their tainted milk formula fiasco several years ago, have already started a movement away from China as a source

of many things in the supply chain. Couple this with the covid pandemic and the subsequent shut-downs and China is no longer a reliable trading partner. Now we add in Russia and their imperial designs and it becomes crystal clear that governments and businesses in the West will not be able to rely upon less than democratically inclined trade partners in the future. Jobs that had been outsourced beginning in 1989 when the Berlin Wall came down and around 1995 with the agreement with China to trade, are slowly but surely starting to migrate back to countries that share the values and laws of the U.S. and Western Europe.

This migration back to the U.S. will be a wonderful thing for jobs and stable communities again, but not necessarily great for the companies in which we invest. The movement to outsource jobs over the last 30 years was driven by one thing, lower cost of production. It costs less to produce products in other countries than it does in the U.S. Our costs of labor are higher, our regulations more stringent and our environmental restrictions are increasingly more difficult to meet. This does not mean that companies will suddenly stop making profits. It just means that their growth in profits will inevitably slow due to increased costs. Labor is one of the biggest input costs in anything that is produced and it will cost more to bring jobs back to the U.S. The trade-off will be a more consistent, safe and secure supply chain. Everything will **not** come back to be made in the U.S.A. There are just some things that will never come back due to the higher labor costs. But high margin products that can be made with the assistance of robotics are definitely going to come back to be made domestically. It took many years to off-shore so much of the supply chain. It will take many years to bring these jobs back but the movement is already underway.

Finally, we need to retain a little perspective in our lives. While no one likes it when the markets experience increased volatility, that is absolutely nothing compared to what the poor people of Ukraine are experiencing in their lives right now. One only needs to imagine hunger, cold, no bed in which to sleep, your home totally destroyed, no electricity and the constant fear of injury or death to make some minor, short-term paper losses in our accounts seem rather inconsequential. I have no idea how this ends. The country of Ukraine, with thousands of years of culture and history may just disappear, gobbled up by a larger neighbor with imperial aspirations. Incredible damage has already been done, physically, financially and emotionally to the people of Ukraine. How lucky we are that we live in our great country.

*Cell phone usage in 2010 was 3% of our waking hours or 24 minutes a day. It is growing 25% per year and is now 4 hours and 23 minutes or 30% of our waking hours.*