"Gasoline consumption is up 4% over 2022, another sign the U.S. economy remains strong."
Energy information Agency

shortage of workers and productivity is dropping on the ones we do have. Is Artificial Intelligence the panacea to fix these issues? Only time will tell but that is why the current markets are in love with the world of Tech.

In summary, the expected recession has not occurred, and it may not. We still think that we will have, at the very least, a softening in earnings or an "earnings recession" from our investments which will filter down to their value. While the markets have done very well in early 2023, it is led by a very narrow group of Tech stocks with the promise of great things from Artificial Intelligence. Caution is warranted as we move forward.

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 sometimes 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, 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."

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"Investing is a marathon, not a sprint."

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2023

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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.

Abraham Lincoln won the Presidency of 1860 in a four-way race with less than 40% of the popular vote.

As we commemorate July 4th and at the same time, recognize the 160th anniversary of the Battle of Gettysburg, I find that sometimes facts are just stranger than fiction. I often have thought how unlikely it would be for someone as physically unattractive as Lincoln to be elected President today. We all know how devastating the visual images of Nixon sweating under the hot lights of television during the first televised Presidential debate ever, were to his election chances in the election of 1960. Young, handsome John Kennedy looked cool, calm, and collected during the debate. It turned out to be the closest Presidential race in history. Kennedy won by 112,000 total votes out of almost 70 million votes cast. It always was speculated that something very nefarious had gone on in the states of Texas and Illinois. Did Kennedy's father, Joe, buy union votes? Were voting machines from Chicago really thrown into Lake Michigan? It was a different time in America. The election was finally called at 7:00 Wednesday morning. Nixon conceded that afternoon. Nixon's supporters wanted him to contest the election. Nixon said at the time," Our country cannot afford the agony of a constitutional crisis." Numerous recounts bore out the fact that Kennedy did win the election. Discrepancies were later found to not have been wide enough to change the election results.

Index	2nd QTR	YTD
DIJA	3.4%	3.8%
NASDAQ	12.8%	31.7%
S&P 500	8.7%	16.9%
10-Year Treasury		3.85%
30-Year Mortgage		6.71%
Unemployment Rate		3.70%
U.s. Inflation Rate		4.05%

This brings us back to Abraham Lincoln's Presidency. Most people would rank Lincoln as our greatest President, or at the very least, in the top three of all time. He was a man of the people, born and raised in the Western wilderness. Lincoln had a way with the English language that conveyed high-minded principles to the common man in a manner which they understood. The Gettysburg Address stands as one of the greatest speeches ever written or spoken in any language. The address was just 268 words delivered at the battlefield on November 19, 1863, just 4 months removed from the awful carnage of the turning point in the Civil War. The speech was so short that photographers on hand to memorialize the event were not prepared to take the pictures and missed the opportunity. They all thought that the speech would last much longer and that they had plenty of time to shoot several shots. No pictures of this seminal event exist.

Needless to say, the country was polarized over the Civil War. Lincoln had signed the Emancipation Proclamation in January of 1863, further infuriating the South. Lincoln was not even the primary speaker that day

"America now spends more money on legal marijuana than on chocolate." Bank of America

in Gettysburg. Edward Everett was the primary speaker. He was a famed orator of the time and spoke for over 2 hours before Lincoln. Lincoln was added as an after-thought. Originally, Lincoln's speech was seen through the prism of politics. If you were a Democrat, you hated it. If you were a Republican, you loved it. The Democrat-aligned newspaper, Illinois State Register, sensing a push for Black equality in Lincoln's proclamation of "a new birth of freedom," wrote a blistering review: "Nothing could have been more inappropriate than to have invited the prince of jokers, Old Abe, to be present at the consecration of the Gettysburg Cemetery."

A polarized electorate is nothing new or unique to 2023. The 24/7 "cable news" vehicles now are more interested in selling advertising and generating profits for their corporate masters than they are in reporting truthful news. What is the point of all of this? We are entering the "silly season" of Presidential primaries with too many candidates running who have absolutely zero chance of winning their party's nomination. Let us be honest about why so many are running. They are jostling for the Vice-Presidential slot, a book deal or a seat on a cable political hour and wasting millions of dollars in the process. Why is this important to us? In today's world of "performance politics" it is not about policy. It is about "clicks" and Twitter followers and raising funds over the internet. The more outrageous things you say, the better chance you have of gaining followers. We will probably be lied to daily by one or more of the candidates desperately trying to gain some leverage or traction in their quest for the Holy Grail of the Presidency. As an electorate we have had disagreements before and we should be so grateful that we have the right and the ability to voice them without being sent off to the gulag or concentration camp. So, when a candidate or a "bubblehead" on cable tv tells you that it has never been worse, consider the source and why they would say such an absurdity. We will be fine. If Abraham Lincoln could be attacked by a newspaper from his own state after giving one of the greatest speeches of all time, be prepared for a difficult 16 months! Most importantly, do not let your politics run your portfolio. It is ***always*** a mistake.

The economy and the stock market are never the same things, but they are certainly linked to each other. A small machine shop in Nebraska with 10 employees has nothing to do with the stock market. However, the stock market does reflect the overall health of the massive daily economic interactions that 330 million people have every single day. The first six-month period of 2023 has been a very interesting time frame. Everyone, including us, anticipated an economic recession. To this point, it has not occurred. Businesses are still looking to hire people. The unemployment rate was at a 54 year low of 3.4% in April. That is the lowest since May of 1969 when we had 500,000 men out of the work-force in Viet Nam. The airlines are full carrying people to their travel destinations. Consumers plan on spending more for entertainment this 4th of July weekend than ever before and this is adjusted for inflation! Housing starts surged in May to the most in 7 years even with higher interest rates and mortgage rates. Inflation is dropping. It was 9.1% in June of 2022 and is now around 5% which is still higher than the Federal Reserve's preferred 2% inflation goal. Airline and home builder stocks hit 52-week highs.

So why have we not had a recession yet? One thought is that, in the equity markets when everyone believes something will occur, it rarely ever does. As odd as that sounds, how is this even possible? Investors anticipate something will happen and position their investments to protect themselves from damage or to take advantage of something that they anticipate will be good for their performance. In the process of everyone moving in lock-step in their investments, they tilt the results to something entirely different. Another question, can we have a recession when we have full employment and low energy prices? When I was in my economic classes many years ago, we were taught that 5% unemployment in an economy was as low as it could go. 5% of the population was just unemployable due to education levels, physical problems, or some other issue. We have now moved that number to 3.5% which is an incredibly low number when you think about it. That means that just 4 people looking for work out of 100 are unable to find work. Low energy prices right now are helping the economy, too. It is very rare to have a recession with low energy costs. High energy costs are a tax on every individual and business. Natural gas is half the price it was last year at this time. Therefore, electric generation plants that run on natural gas, which is most of them now, have much lower costs to generate a kilowatt of electricity this summer. Fidelity Investments out of Boston speculates that we have already experienced a recession. It was so mild we moved right through it and we are in a recovery stage. We are not sure that we believe this but it is certainly interesting to think about. We would suggest that we may have rolling recessions instead of one large overall recession. Different sectors of the economy will experience recessionary characteristics at different times. Housing and travel may have already been through their recessions and are moving out of them only to have the next sector or two move into a recession. Of course, we could be totally wrong on our timing of the recession and it is yet to come. Only time will tell.

The S&P 500 Index is up over 16% for the year which is very good. The disconcerting part of this good stock market performance is the narrow field of stocks that are doing well. Most of the gain has been done by 7 tech stocks. The other 493 stocks have had very mediocre results for 2023.

"43 million Americans have student debt. The average monthly expense averages $350 a month."

"Japan now has more pets than children under the age of 16."

The troubling aspect of these narrow market gains is that it is neither healthy or comforting. We like broad gains from multiple sectors of the economy to feel comfortable with the overall market's health. Why has tech done so well at the expense of everything else? Inflation is brutal to asset-heavy companies. Tech companies are incredibly light in assets. They have server farms but most of their assets are people with laptops. The profit margins in the tech sector average 22.6%. Everyone else of the S&P 500 averages 11.5%. Tech's profit margins are double everyone else!

Supply chain issues caused by Covid have been corrected. However, China continues to struggle with their re-opening from Covid lockdown. You cannot trust what China says so you must find other ways to gauge how their economy is performing. One of the best ways is to monitor the air pollution from their four largest manufacturing areas by satellite. Air pollution caused by people travelling to work and by the plants themselves is significantly less than it was before their lock-down. This would indicate a movement of industries away from China to other areas of the world or back to U.S. or Western Europe and also of the difficulty of re-opening a country and economy as large as China's.

The primary reason for the tech sector's outperformance in the first six months is the current love affair with artificial intelligence, or AI, as we will refer to it from now on. A little background is necessary for why AI is viewed so favorably by investors. There are only two ways to grow an economy, productivity growth and/or population growth. We will discuss productivity first. The last surge in productivity that we had was in the late 1990s and early 2000s when Microsoft Windows and the internet became the norm on every workstation and computer in America. Suddenly, computers all over the country and the world, could now communicate with each other. You could have offices on both coasts communicating and sending information to each other. We had a huge leap in how productive workers became on these computers. Productivity per worker is dropping now. It would appear that the most likely culprit is the work from home movement. Tom and I have had long discussions on this and we both agree that everyone we know personally, no anecdotal stories from friends about people they know, but people we actually know that work from home, are giving a full day's work if not more. But the Bureau of Labor Statistics just released some very disheartening information. Work from home averaged 2.5 hours less work at 5.7 hours a day versus 8.2 hours per day from working in the office. 34% of workers were working from home in 2022 compared to 25% in 2019. 41% of work from home employees are women up from 25% in 2019. 28% of men work from home. Occupancy rates in commercial properties is only averaging 49% now compared to well over 94% pre-Covid. We would hate to be trying to re-sign corporate clients to commercial real-estate leases right now. There is a reason CEOs are threatening and cajoling workers to come back to the office. The average worker is just more productive in the office! Can AI replace these workers that are less productive?

There is a shortage of labor in the United States. Some will blame lazy people who just will not work but the numbers do not really back that premise. The labor participation rate for prime age work-age adults of 25 to 54 years of age was 83.3% in April. That is the highest it has been in 21 years. There are 58 million Baby Boomers over the age of 65. 47 million of them have retired, many during our Covid outbreak. That means there are still 11 million Boomers working but retirement is a fairly new phenomenon. I hate to use the cliché, but in the old days, people never retired. They just worked until they died. We have an ageing population. The median age, the age where half of the people are younger than and half older than, hit 38.9 this year. Europe has hit 44 years of age as its median. In the year 2000 the U.S. was 35 and in 1980 it was 30 years of age. India will pass China in 2023 as having the largest population. China has been the largest since 1750. China's average wages on the production floor are $15,000 a year. India's average wage on the production floor is $3,000 a year. The world is, and will be, moving away from China and to the lower cost producers.

Demographics are a powerful thing and not easily changed. Please bear with us while we give you some statistics but it is important for our understanding especially for the rapid embrace of AI right now. Agriculture was invented 10,000 years ago. It is estimated that there were 5 million people on this earth at that time. There were about 1 billion people in 1800. The Industrial Revolution occurred and the population grew by a billion more in just 130 years. We added another 5 billion people in just 100 years primarily due to better health outcomes. There are 7 billion more people than just 200 years ago. Again, they are estimates, but it is believed that half of all children ever born in history have died in childbirth. Up until the early 1900s, four out of six children died before ever reaching adulthood. The average age in the fledgling United States was 23 in 1776. The average life expectancy in the U.S. in 1800 was 30. Life expectancy in 1900 was 47. Today, life expectancy for a child born in the U.S. in 2022 was 79 years. The new issue is birthrates. It takes 2.1 births per woman to maintain population. That is why India has overtaken China in population. China's one child policy years ago has started to shrink China's population. In 1948, women averaged 5 children. Starting in the 1960s this number started to drop dramatically and it is now around 1.66 births per woman in 2021 in the United States. Why is all this important? Social Security and much of Medicare is funded by young working adults paying for the older cohort of citizens in the U.S. and other Western democracies. We already have a

"Kodak had 145,000 employees at its peak. They now have 4,200 due to technology and cameras in cell phones."