I have lived through many world crises, political upheavals, assassinations, wars, riots, protests in the streets in the 1960s and 70s, stock market crashes, soul-crushing inflation, and incredible scientific accomplishments like landing on the moon and the eradication of diseases like polio. Warren Buffet said it best when he said, "Don't bet against America," and we should not either. I don't buy the tired old trope that children in America today will have less opportunity than their parents. The opportunities will just be different. I have no idea what 2024 will bring, no one does. I only know that I continue to be the eternal optimist and we will plan and manage accordingly.

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 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 do not 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 do not 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**, **lemory@sprengcapital.com** and **acole@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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Closed 12:00pm-1:00pm

"Investing is a marathon, not a sprint."

Spreng Capital Management Inc.

WINTER 2024

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 world doesn't end very often."

I have used this quote frequently. I know that it is jarring, unnerving and even morbid, but that is the point. The extreme emotions that it elicits forces the reader to acknowledge the absurdity of the statement, and at the exact same time, the reality of it. Why in the world would I use this lead-in again? Simply because we are in the "silly season" as a prelude to 2024. As the year closed, the major brokerage houses, investment banks and private equity firms, were all making their predictions for the world equity and bond markets for 2024. The vast majority will be wrong. If you followed their predictions over a ten-year period, you would have found that they are horribly incorrect, probably 90% of the time. They just make these predictions so that they can sell products or services that they hold in their inventory to investors. I like to refer to this group of financial snake-oil specialists of the 21st century as the "apex predators" of the financial world. They always have something to sell that is very complicated and very expensive to buy. These are very intelligent people so why are their predictions so wrong? Simply because no one can predict the future, no matter how well-educated or intelligent the predictor may be. Humans have never been able to predict the future and never will be able to do so. It is just too unpredictable.

Index	3rd QTR	YTD
DIJA	12.48%	13.96%
NASDAQ	13.56%	43.56%
S&P 500	11.22%	24.28%
10-Year Treasury		3.84%
30-Year Mortgage		6.61%
Unemployment Rate		3.70%
U.S. Inflation Rate		3.14%

Who in the world anticipated that a virus would shut down the world in 2020? To be honest, I was very concerned in late fall of 2019 with the reports coming out of China. It just sounded different this time. We did not act on our clients' portfolios at the time because we were hoping that it was just going to be similar to SARS outbreaks in Asia in past years, concerning, but contained to a small area of the world. When the virus broke out in the United States, of course we could have sold our investments due to the ensuing panic, but the sell-off was so rapid and wide-spread and the recovery was so quick that to have sold and to have created tax implications for many clients, would have been a mistake. Again, very few people could have predicted this occurrence, the response, and the rapid recovery. Finally, who could have predicted 9/11? What civilized human could ever imagine flying loaded commercial airplanes into fully occupied office buildings?

So why are we discussing the folly of attempting predictions? Because 2023 proved that the best and brightest, once again, were totally incapable of making accurate predictions about the performance of the economy and investment markets. 2023 was supposed to have been the year of

17% of the world's gold is held by Indian consumers. Source: Colossus

the recession. We were struggling with inflation for the first time in 40 years. As I have said in previous newsletters, you have to be at least 65 years old to ever have dealt with inflation in any sense of severity. Inflation in 2022 was 6.2%. The Federal Reserve responded by raising interest rates 11 times from 0.25% to 5.50%. Again, as a reference point, inflation from 1973 to 1982 ***averaged*** 9.2% a year peaking at over 14% at one time. The Federal Reserve raised the interest rate to ***18%*** in 1980! To be blunt, in our view, interest rates are now where they belong. They had been too low for too long. There needs to be a cost of capital. A former President cajoling the Federal Reserve to take interest rates to negative was certainly a very bad idea. Fortunately, the Federal Reserve Committee stood their ground and resisted the pressure. Free money distorts correct capital allocation and too many bad ideas receive funding when there is no cost to the funding. Also, savers are punished in a free money, low interest rate environment.

Full disclosure, we anticipated that the U.S. economy might be in a recession by now as well. We kept looking at the charts that showed that every time the U.S. had experienced inflation above 5%, the corresponding reaction by the Federal Reserve and the Federal government had pushed the economy into a recession, ***every time***. Has the Federal Reserve figured out the magic formula to control inflation by driving down inflation to their desired 2% a year, the so-called "immaculate disinflation", or as it is commonly referred to now, a soft landing? Possibly, but it is too soon to claim victory just yet. It is possible that the Covid pandemic helped with the soft landing. Many Baby Boomers retired from the workforce rather than be exposed to Covid. Covid hates old people! We never went into a recession because we continued to have full employment. We actually had a shortage of workers so everyone who wanted to work had a job and the recession never materialized. A spike in oil prices due to the latest crisis in the Mid-East could easily make all of the Fed's work to control inflation to this point worthless.

The second part of the "silly season" is fast approaching, the U.S. election cycle. It appears to be a foregone conclusion who the nominees for the two parties will be for President. One candidate will be 86 years old at the end of 2028 and the other 82. This is the best that the two-party system can give us? The two-party system is irretrievably broken as it currently exists. I only have one comment on the political front, please ***don't let your politics run your portfolio!*** You cannot assume that just because your party is not in control that the economy and markets will crash or do poorly. I was on a webinar recently with several hundred advisors from around the country. We were listening to the head of a financial firm's research department telling us why their ETFs were better than their competition's ETFs. This person has many years of experience and a doctorate degree. His quote right out of the blue with absolutely no context was, "FDR was a Socialist." Please, I was not alive when FDR was President and neither was this gentleman. We have no idea what the Great Depression was like with 25% unemployment and cardboard shacks or "Hoovervilles" where families who had lost everything were attempting to survive. Of course, Roosevelt was a Socialist! But more importantly, what do economic policies from 90 years ago have anything to do in an economy of worldwide trade and manufacturing, computer chips, spaceships, and Artificial Intelligence? This is a prime case of where this gentleman is letting his politics run his portfolio. I wouldn't dream of following any of his, or his company's suggestions, as long as he is involved in their decision making. As was said about the U.S. generals in Viet Nam, this guy is fighting the last war, not the current war. If I am constantly advising our clients to keep their politics out of their portfolio, why would I listen to someone who obviously cannot keep their politics out of their job. Investing just does not work that way. If you allow politics to shape your portfolio, you will be bitterly disappointed, and financially poorer.

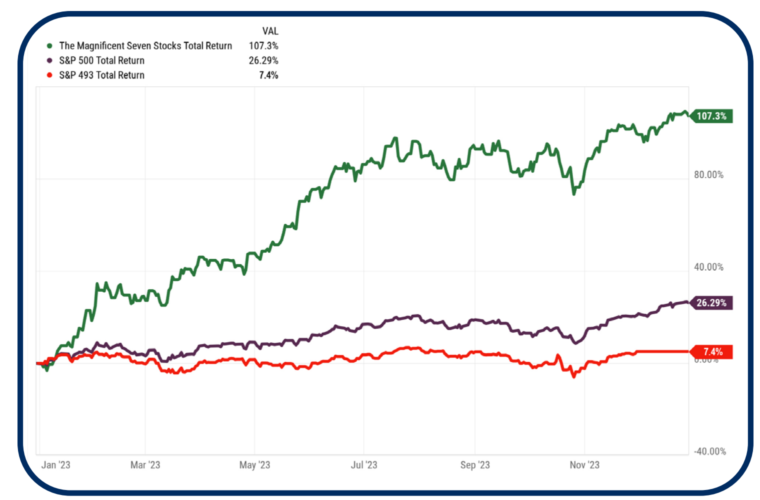
After a brutal year in the equity and bond markets in 2022, how did we do in 2023? The answer is quite well, ***maybe***. The S&P 500 returned 24% in 2023 after losing -18% in 2022. U.S. Treasury bonds and corporate bonds had their ***worst year ever in 2022!*** Even with the tremendous return in 2023, we still only got back to the previous record high from January 3, 2022. In essence, we have just moved sideways for the last two years. This is a function of 11 consecutive increases in interest rates by the Federal Reserve and the insidious effects of inflation for the first time in 40 years. The Federal Reserve has indicated that they are hopeful that inflation is under control and that they may start to lower interest rates next year. The Federal Reserve is indicating that they may cut rates 3 times next year but the futures markets are speculating that they will cut rates more than that. In fact, the futures markets are saying that there is a 99.7% chance that there will be as many as 5 interest rate cuts next year. What did I just say at the beginning of this newsletter? You cannot predict the future and yet humans still try! Any interest rate cuts will be eagerly embraced by stock investors. 3 rate cuts would take interest rates down to about 4.75% which might get 30-year mortgages on homes into the high 5% to low 6% a year range. Inflation costs dropping and interest rate cuts would certainly encourage investments in stocks in 2024. We think that the 5 to 6 interest rate cuts that investors are planning for in 2024 is overly optimistic. We hope that inflation is contained well enough and that the economy is

The electric vehicles Rivian sold in the 1st quarter averaged roughly $83,000 per vehicle in sales. They averaged about $150,000 each to manufacture. Source: WSJ

Half of the world's cashews are sold by Costco. Source: WSJ

doing well enough that 3 cuts would be adequate.

The reason that I said, maybe, in the last paragraph is because 2023 was a very odd market in U.S. equities. Seven stocks, or as they were commonly referred to this year, the Magnificent Seven, carried us to these very good overall returns in the U.S. stock market in 2023. These seven stocks were Apple which was up 48%, Microsoft up 55%, Nvidia up 239%, Alphabet (Google) up 59%, Meta (Facebook) up 194%, Tesla up 102%, and Amazon up 81% for the year just completed. The S&P 500 was up 24% for 2023, but these 7 stocks were up 107% which carried the other 493 stocks. If we did not own these 7 stocks or at the very minimum, the overall S&P 500 index, our returns were rather average. We have enclosed the following chart courtesy of Y Charts to show you in visual form what actually occurred in 2023. As you can see from the chart, the Magnificent 7 are the line at the very top of the chart. These 7 stocks were up 107% for 2023. The line in the middle is the total S&P 500 index which was up 24% for the year. Finally, the line at the bottom is the performance of the other 493 stocks of the S&P 500. While the other 493 were up for the year, they greatly lagged the Magnificent Seven! The Magnificent Seven certainly carried the Index to very nice returns for 2023.



Simply put, Tech was King in 2023. We have had this discussion before. Tech companies are incredibly profitable companies. The only hard assets that they have are the massive server farms where they store the coin of the realm, your personal data. All of their other significant assets are just 26-year-old computer programmers carrying around a laptop computer. They are easily let go, easily replaced by new college graduates coming out every year. The profit margins on the tech companies are around 24%. Everyone else in the S&P 500 averages around 11%. If the purpose of investing is to share in the profits of a publicly held company then of course we want the higher profit margin companies! The only potential downside to the tech investment world would be government intervention to alleviate worry about the damages of social media to children, elections, and society in general. When you realize that Big Tech is the largest single industry contributing to political decision makers, we are not overly concerned that there is a crack-down coming any time soon. Tech spent over $70 million dollars lobbying just Congress in 2022 and that is just what the members of Congress chose to disclose on their forms. "Soft money" probably far outweighs the actual disclosed dollars. Tech outspends every other sector including oil and gas, Big Pharma, and the defense industry. The cynic in me would venture a guess that Tech's current business model is safe for years to come.

Why don't we just back-up the proverbial truck and own nothing but tech stocks? Everyone remembers how painful the markets, both stocks and bonds, were in 2022. The S&P 500 was down -18% in 2022 and bonds were down double-digit losses as well. In 2022 the Magnificent 7 of 2023 had the following returns: Microsoft -28%, Apple -26%, Nvidia -50%, Amazon -50%, Meta -64%, Alphabet -39%, and Tesla -65%. All of these stock returns in 2022 were significantly lower than the average of -18%. You would have to be very young with a very long-time horizon to tolerate that kind of volatility! Diversification is always the correct answer. Even if we have a favorable opinion of a certain sector at any time, we try to diversify through the use of Exchange Traded Funds that usually own 20 or more holdings in that sector to spread out our risk. It can limit our performance in years like 2023 but it saves your assets for another day when you encounter years like we did in 2022.

So, at the risk of repudiating myself on the folly of attempting predictions, we know that you want to know our feelings for the economy and markets in 2024. We are optimistic. The Federal Reserve is slowly trying to remove the "punchbowl from the party" by keeping interest rates high enough to restrict over-consumption by consumers. Tax rates are still incredibly favorable. Unemployment is still low. There are still close to 1.5 open jobs for every 1 unemployed worker. The problem is that the unemployed often are not physically located near the open job or they do not have the necessary skills to fill the open job. Oil prices remain low. Who ever would have guessed that a barrel of oil was $82.66 when Hamas attacked Israel and it is now $75.84 a barrel and it was $93.68 at the end of September! Geopolitical risks are ever present, and always have been. Ukraine, the Mid-East, U.S. elections, the price of oil all have the ability to affect the economy and the markets.

One of the few privileges of old age is perspective.

China's fertility rate fell to 1.09 last year from 1.30 in 2020. It takes a 2.1 rate to maintain a current population. Source: WSJ