

Here's to a new year! There will be trials and tribulations. I defy anyone to pick a year in time when there have not been problems. The virus will continue to be with us for many months. Please, stay safe.

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, 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."*

Winter
2021



Spreng Capital Management Inc.

Pfizer is going to save the peoples of the world and the economies of the world and Pfizer's stock was down (0.89%) for the year. Tesla stock was up 743% for the year!

It's done. It's over. The year 2020 is officially behind us. I would love to say that it is all sunshine and roses from here on but it would not be the truth. Covid 19 did not magically disappear last summer. It was never going to and to suggest otherwise was disingenuous at best. We still have a long, hard winter ahead of us. The election is behind us and despite countless hours and words spent debating the potential outcomes, it too is over. It was not stolen. Over 50 lawsuits were presented to various state and federal courts, to federal judges who had been placed on the bench by Democratic and Republican Presidents. The Supreme Court with 3 appointees by President Trump refused to take the case. There was no evidence to support the accusations that the election was stolen. President Trump's own appointed Attorney General of the United States said there was no evidence of massive fraud that would have changed the election outcome. The vote was not particularly close. Compared to Nixon and Kennedy in 1960, this one was a landslide. Kennedy beat Nixon by 118,000 votes! Biden defeated Trump by over 7 million votes.

Index	Quarter	YTD
DJIA	10.17%	7.25%
NASDAQ	15.41%	43.64%
S&P 500	11.79%	16.26%
10-Year Treasury	0.93% A YEAR	
10-Year Treasury 1 year ago	1.92% A YEAR	
Long-term average of 10-year Treasury	6.03% A YEAR	

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.

While we may bemoan how contentious and sometimes even uncivilized this election was, this was nothing compared to previous elections. Presidential elections in 1800, 1824, 1860, 1876 and as recently as 1912 were far worse. Andrew Jackson won the popular vote and the electoral college in 1824 but because he did not have a majority of the electoral college it was thrown to the House of Representatives to select the President at which time the House selected John Quincy Adams. Jackson's supporters were so outraged at the "corrupt bargain" that they formed today's Democratic Party. Jackson buried Adams in a rematch in 1828 but what is more interesting is that Jackson faced the threat of South Carolina secession over "tariffs" that had been imposed by the Federal government. Who knew that South Carolina had this long history of radicalism years before the Civil War? In 1912, Theodore Roosevelt turned on his former close friend, William Howard Taft calling

*“The World just doesn’t end that often. We will get through this but life will be different.”
Brian Rogers during the financial crisis of 2008*

him a “fathead with the brains of a guinea pig”. Politics is not for the timid or those with a thin skin.

It is important for investors not to mix your politics with your portfolio! Both sides are always, and I repeat, always, going to try to scare voters with the most dire threats imaginable. “They’ll lead us to war”, “They’ll raise your taxes”, “They’ll ruin the economy and you will lose your job”. These bromides are repeated over and over every election cycle because the consultants have convinced the candidates and the political parties that these sound bites work. Mark Cuban, a billionaire who owns his own professional sports team and is on a reality television show, said that if Donald Trump was elected in 2016 stocks would plunge and the bond market would capsize! The actual reality is, every single President since 1928, no matter of which political party affiliation, has had at least one drop of 20%, or more, in the US stock market during their four years in office. Every single President, no exceptions. Since 1926, the US stock markets have continued to climb higher regardless of who the President has been or what Party was in power. According to Morningstar, since 1926 until September 30, 2020, the US stock market has had a cumulative investment return of 975,910% with dividends reinvested! You have concerns about Congress and a President not working together? Since 1933, a unified government with Congress and the President of the same party has yielded 10.0% return per year. A unified Congress with a President of the other party has yielded 7.4% a year. Finally, a split Congress has returned 10.4% a year. Again, don’t mix your politics and your portfolio.

The irony is that the President of the United States and all of the United States Senators are not the most powerful people in the world anymore when it comes to the economy. That title belongs to Jerome Powell, the Chairman of the Federal Reserve Board. The Federal Reserve sets interest rates and since the mid-1990s the Fed has been experimenting with new and improved methods of stimulating and contracting an economy worth over \$21 trillion a year. Tax policy, regulations and just plain old “jaw-boning” do have an effect on economic output, but nothing compared to the raising and lowering of interest rates. It is no coincidence that recoveries from recessions are quicker now than they used to be. Interest rates lowered to literally 0% a year is an incredible boost to “animal spirits” when the government is giving away “free money” to invest in businesses, cars and homes!

On top of the free money supplied through artificially suppressed interest rates, the Federal Reserve is buying massive amounts of bonds on the open market every month. The Fed currently buys \$80 billion worth of Treasury bonds every month. Yes, that sounds exactly like you think it does. One branch of the government buys debt that another branch of the government has borrowed! The Fed also buys \$40 billion a month of mortgage-backed securities. That is why mortgage rates are so low. It should come as no surprise that the housing market has responded and housing starts continue to be very strong. Fed Chairman, Jerome Powell, and his cohorts on the Federal Reserve Board, wield incredible economic power for the entire world not just the US.

As this newsletter goes to press, the latest Covid stimulus package remains in purgatory. A deal was reached in late December to send out \$600 to individuals who qualify. Inexplicably, President Trump then attacked the bill that his own Treasury Secretary and his own Republican Senate had spent months negotiating. Millions of citizens are in dire financial need, especially in the hardest hit sectors of the economy. We hope that this issue is resolved in a favorable manner and very quickly. The cynic in me finds the Republican Senate’s new-found old-time religion on fiscal responsibility a little hypocritical. The Republicans are now worrying about deficit spending when it comes to relief for their citizens. Remember, these are the same people who were running trillion-dollar a year budget-deficits over the last four years with unemployment at a 50-year low. It really is no wonder that the economy has been so good over the last several years. We have had significant corporate and individual tax cuts, incredibly low interest rates and out of control government spending at the same time. It just doesn’t get any better than that!

Granted, we have spent trillions of dollars for Covid relief in 2020. How does this compare to previous government programs like the New Deal and Troubled Asset Relief Program, TARP? In inflation adjusted dollars so we are comparing apples to apples, the first CARES Act in 2020 was \$2 trillion dollars. The Recovery Act and TARP in 2008 was \$1.8 trillion. The New Deal total spending from 1933 to 1940 and the advent of World War II was \$826 billion. As a percentage of GDP for each time period, CARES was 10% of our \$21 trillion GDP, Recovery and TARP were 10% of GDP and the New Deal was a whopping 40% of the country’s GDP during the Great Depression!

“Boeing delivered just four planes in May, its lowest total for the month in 60 years and about 87% fewer than it delivered in May of 2019.”

“In 1960, close to 80% of Americans polled agreed with the following statement, “I trust government to do the right thing most of the time or just about always.” Today, the figure is closer to 20%.

The year 2020 eventually ended up being a very good year for the US equity markets. Driven by 0% interest rates, trillions of dollars of stimulus spending and the development of multiple vaccines to attack Covid 19, the S&P 500 ended the year with a 16.26% return. The S&P 500 index actually closed at an all-time high on December 31st. This is very good in any year. In a year such as 2020 it is truly remarkable. How can this be when millions of Americans have lost their jobs or slipped into poverty and close to 400,000 people have already died from Covid 19? It is said that the equity markets are always looking forward 6 months. That was obviously the case in 2020. Vaccines, and to some degree, herd immunity from all of the infections this winter, will eventually control the virus. If you are tired of hearing about Covid we hate to be the bearer of more bad news for you. Virus stories and vaccination problems will continue to remain the lead news story for many months to come. Covid news will not magically disappear from the news cycle on January 20th.

These continued virus stories will affect the markets. When will California allow Disney to re-open Disneyland? Will Disney move Disneyland to Texas? When will cruise ships sail again? Will restaurant chains be full again a year from now? Will people ever go back into a movie theater or will all movies go straight to streaming now? Will you pay for a new release movie like you pay for a heavyweight boxing match now like a pay-per-view event? Will the Super Bowl, college football playoffs or college basketball’s March Madness become a pay-per-view streaming event? Some of these are abstract questions but do not think for one moment that they are not being discussed at very high corporate levels! It has been said, and correctly, that the advent of the virus has taken ideas that were just being imagined and considered, possibly to be implemented in 10 years, to be forced to become reality immediately just for companies to survive.

Disney was already deep into planning on streaming content, both new product and Snow White which has been in their film vaults since 1939, before the virus hit. Once Disney’s parks, cruise ships, sporting events for ESPN and movie theaters were all closed, streaming became the primary, if not the only, driver of revenue for the company. Once again, what had been part of a long-term plan suddenly became the new way of doing business.

We are optimistic going forward. Please, there are going to be serious issues to be resolved. President Biden

“At the end of April 2020, 43 states in the US reported their highest unemployment rate in history. US states have measured monthly jobless rates since January 1976.” Source: Department of Labor

will have at least one 20% correction during his first term! The virus will disrupt our lives and kill many thousands of people in the next year. But the Federal Reserve has all but promised that interest rates will remain low until 2023. There will be a global economic recovery when the virus is eventually controlled. I recently read an incredible article by Ben Carlson. He surmised that Covid 19 and our response to it could be like NASA and our moon shot in the 1960s. When President Kennedy proclaimed on May 25, 1961 that we should commit to sending a man to the moon and back within the decade, we didn’t have any rockets capable of lifting men into space. We had no spacesuits, no spaceship to land on the moon, no tracking stations to follow their flight, no vehicles capable of docking in space and lastly, no computers small enough and capable enough to achieve any of these tasks. The computer aboard Apollo 11 could handle 85,000 instructions per second. The newest iPhones can process 5 trillion instructions per second! Your new dishwasher has more computing power than the one that landed astronauts on the moon. A commitment was made and look at all the wonderful things that came from this adventure. A man landed on the moon. In 1966, there were 20,000 companies all across the country in the supply chain for parts and assembly for the Apollo mission. The first computer chips were made for NASA. NASA revolutionized weather forecasting and global communications.

Is it possible that our development of vaccines for Covid 19 and our response to the virus itself will usher in a new age of development and innovation? Historically, it has taken approximately 10 years to develop a vaccine. We accomplished the same thing in 9 months! Will we develop new ways of fighting and controlling future pandemics? Will our flu shots each year become more effective at combatting mutated flu viruses? Have we developed new ways of fighting illness in the future? Time will tell if this is our new moon shot.

I continue to work from home until I can be vaccinated. It has actually been a good thing for our firm. Tom and Leslie, along with Stephanie, have handled everything and done it incredibly well. It has given our clients the opportunity to see just how committed they are to your needs and investing success. It has been a very good year for our firm as we have had more new accounts opened this year than at any other time in our history. I am sure that much of this success is due to Tom and Leslie and how they have handled a difficult year. To all of our clients, thank you.