

2009 – Year of the Roller Coaster?

After a dismal first quarter for the stock market, the second quarter produced positive, if confusing, results. The Dow Jones Industrial Average (DJIA) closed the second quarter at 8,447, up 11% or 838.08 points, for the last three months, but down 3.8% for the year-to-date.

The DJIA was up 29% from the 12-year low hit on March 9, 2009, as the index posted its first quarterly gain in over a year and a half. Even after this remarkable recovery, the index was in positive territory, year-to-date, for only one day during the quarter.

It was the best quarterly performance for the Dow since the fourth quarter of 2003, early in the last bull market. The S&P 500-stock index finished June at 919.32, up 15% for the quarter and up 1.8% for the year-to-date, before dividends.

Volatility was the watchword for the first six months, as many sectors of the economy (think autos, financial, etc.) experienced wild swings from “barely surviving” to “bouncing off of the bottom”. As indicated by the following chart, the stock returns of various Dow industries experienced movement not often associated with mature, established parts of the economy.

	First Quarter 2009	Second Quarter 2009
Auto Parts	-21.9%	+52.4%
Banks	-37.4%	+33.1%
Life Insurance	-45.2%	+60.6%
Paper	-40.6%	+98.4%

Source: Dow Jones & Co.

Although these are just a few examples, we believe they indicate the irrationality of the markets over the last 6 months. As always, we strive to ignore the noise and listen to what the fundamentals of each individual company is telling us about its own health and longevity. We believe that our focus on quality companies, in sustainable and profitable industries, has served you well over the years and will continue to do so.

We are very proud to report that one of our partners, Ethel Davis, received the "Service Above Self" award as part of the 2009 Overland Park Rotary Foundation Grant program. Along with Ethel's commitment to Rotary and other civic activities, she is actively involved as a volunteer and board member of The Rose Brook Center. The organization's mission is to break the cycle of domestic violence so that individuals and families can live free from abuse. The Rose Brook Center will receive a \$7,500 grant from the OP Rotary Foundation which will be used to support the organization's Emergency Shelter, providing shelter and supportive services for victims of domestic violence and their children. Congratulations Ethel!

We are sad to report that Connie Gunter, our administrative assistant extraordinaire, will be leaving us at the end of July. Although we hate to see her go, we are thrilled that it is because her husband, Warner, has been transferred back to their hometown of Detroit. Connie has been an absolute joy to work with these last four years and we wish her all the best.

Thank you for your continued trust in Paragon Capital Management, and please know that we are always available to discuss your investments, the current economic environment, or anything else that you might want to chat about.

Thank you for choosing Paragon as your investment management partner. As always, we are actively seeking new clients, so feel free to pass our names on to anyone who you feel might benefit from our services.

Regards,

Howard, Ward, Elizabeth, Ethel & Craig

A copy of our SEC Form ADV Part II is available to you at any time. This document describes who we are, what we do, and how we do it. If you would like to have a copy sent to you please contact Becca at the phone number, or e-mail, listed below.

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