

## What's Going On?

The stock market is a mess, the housing market is in the tank, the financial system is in such disarray that the government is stepping in to bring order, and we're in the final days of a contentious presidential election. What is one to make of all of this?

We have a few thoughts that we hope will help comfort and guide you through the coming weeks and months. First of all, from a financial point of view we do not believe the "world is ending". We fully agree with Warren Buffet who writes, "In the 20<sup>th</sup> century, the United State endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497. You might think it would have been impossible for an investor to lose money during a century marked by such an extraordinary gain, but some investors did. The hapless ones bought stocks only when they felt comfort in doing so and then proceeded to sell when the headlines made them queasy."

Secondly, we firmly believe that now is not the time to be obsessively worried over every bit of news (economic, market-related, or otherwise) that comes through the media. As Greg Easterbrook has observed, regarding problems turning into panics, "the media and political systems are now programmed for panic mode. Crises, after all, keep people's eyes glued to cable news shows . . . Crises make Washington seem more important, so Washington influence-peddlers have an interest in proclaiming crises."

Thirdly, we fully endorse Mr. Buffet's opinion piece in The New York Times today (10/17/08) where he clearly states "Be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long-term prosperity of the nation's many sound companies make no sense. These businesses will indeed suffer earning hiccups, as they always have. But most major companies will be setting new profit records 5, 10, and 20 years from now."

So, what are we to make of all this, for ourselves and for our clients? Understand that we are in the business of investing in the "nation's many sound companies". As we wrote last quarter, a great deal of what we do is to analyze and determine the companies that will be successful over time and through many different economic cycles.

Certainly some clients do not have 5, 10 or 20 years for the value of every company in their portfolio to be fully realized in its stock prices. That is why another aspect of our service to you is to recommend, and implement, portfolio asset allocations that protect you from full force of short-term market gyrations.

Although we cannot predict the short-term movements of the stock market, we are fairly certain that the market will move higher before investor sentiment, or the economy, recovers. It is the nature of the market to reflect investors' expectations of the future, rather than their understanding of the present.

If you have any questions, or would like to discuss other portions of the process with us, we would welcome that. Please feel free to get in touch with us at your convenience.

*Howard, Ward, Elizabeth, Ethel and Craig*

## PARAGON CAPITAL MANAGEMENT, LLC

*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 Connie at the phone number, or e-mail, listed below.*

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**Paragon Capital Management, LLC**  
9200 Indian Creek Parkway, Suite 230  
Overland Park, Kansas 66210  
(Located in Corporate Woods, Building 9)

Main line: 913-451-2254  
Toll-free: 800-508-4605  
Fax: 913-451-2505

Howard Jacobson	913-451-2290	hjacobson@paragoncap.com
Ward Williams	913-451-2291	wwilliams@paragoncap.com
Elizabeth McLeod	913-451-0130	emcleod@paragoncap.com
Ethel Davis	913-451-2296	edavis@paragoncap.com
Craig Novorr	913-451-6330	cnovorr@paragoncap.com
Dorothy Boehr, CCO	913-451-2254	dboehr@paragoncap.com
Maryse Schlenk	913-451-2217	mschlenk@paragoncap.com
Connie Gunter	913-451-2254	cgunter@paragoncap.com