

April 2013

## Happy New Year!

The New Year is starting out much like 2012. For the first quarter of 2013, the market (as measured by the S&P 500) was up almost 11%. As you recall, last year the stock market was up just over 12% during the first three months of the year. However, the next three quarters were interesting and volatile (-2.75%, +6.35%, and -0.37%) and only added about 3% to the year's return. We are not bold enough to predict what will happen the rest of this year, but only to observe that the market has been alternating good and bad quarters for a while now.

A more interesting comparison, however, would be the one between the first quarter of 2013 and the first quarter of 2009. After the market hit a high in October of 2007, it began a steady, and deep, fall to its low on March 9, 2009. If ever there was a time for "doom and gloom", that was it.

The U.S. financial markets were in disarray with iconic companies announcing massive losses seemingly every day. Overseas, the rumblings of faltering sovereign debt were intensifying and no one could quite quantify what the fallout would be. Politically, a new administration had just taken office in Washington, with a grand agenda for healthcare reform that would be "the story" of the next year or two.

In our April 2009 newsletter (entitled "May You Live in Interesting Times"), we tried to sound cautious – but aware. Although we had no idea what the next year, much less four years, would hold, we were positive that the world was not ending. And yes, it certainly felt as though we were in the minority.

We wrote, "We remain confident in the resilience of the American people, and the ideal that capitalism and an ever-changing public policy can peacefully co-exist, and will ultimately lead to the resolution of our current economic woes."

In the four years since, the economy has taken a steady, albeit slow, turn for the better. Interest rates remain at historic lows. European problems are better understood, and meaningful steps have been taken to facilitate the stability of the EU and the Euro currency. And, as the media informs us every day, the stock markets are at all-time highs.

Just as we cautioned against panic in 2009, so we caution against euphoria in 2013. Yes, markets have recovered relatively quickly and materially. And yes, interest rates are still low. However, the economy is not yet thriving, but still muddling.

Anecdotally, the signs are abundant that there might not be another significant upward move for a while. Mutual funds, which saw massive outflows during late 2008 and early 2009, are seeing similar sized inflows for the last several months. Investors who were "spooked" by the bear market four years ago are now on the record as being "more comfortable" with investing in the market again – now that it has doubled.

"Cheap" stocks are becoming harder to find, and although there is more confidence in the earnings prospects of bellwether names – that confidence comes at a price. Keenly aware of this, we are placing great emphasis on the "reasonable" variable of our investing formula; *Growth at a Reasonable Price*.

*"Be fearful when others are greedy and greedy when others are fearful". Warren Buffett*

## **PARAGON** CAPITAL MANAGEMENT, LLC

In that light, we continue to strive to identify industries and companies that are profitable in all kinds of economic environments. We attempt to determine appropriate values for those companies, and invest in them when the stock price is materially below what we believe the true value to be. There is no magic in that, and there is no timetable, there is simply work.

As always, we thank you for your continued trust and support.

*Craig, Howard, Elizabeth & Ward*

In the ongoing effort to continue to give our clients the most detailed, and meaningful, data available, you may have noticed that your Schwab statement now includes, within the detail sections, cost basis information on your individual securities.

Although this is information which we provided to you on an ongoing, quarterly basis in the past, it is now available on your custodial statements. We trust that you find it useful.

*A copy of our SEC Brochure (formerly Form ADV Part II) is available to you at anytime. This document describes who we are, what we do, and how we do it. Also, our Proxy voting policy is available to you at any time. If you would like to receive either of these documents, or inquire as to how your shares have been voted, please contact us at a phone number, or e-mail, listed below.*

*As a Registered Investment Advisor, Paragon Capital Management receives and collects non-public personal information from various activities and statements.*

*Paragon does not disclose such information unless instructed to do so by the client.*

*We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your non-public personal information*

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

Craig Novorr  
Howard Jacobson  
Elizabeth McLeod  
Ward Williams  
Dorothy Boehr, CCO  
Maryse Schlenk  
Dana Berry

913-451-6330  
913-451-2290  
913-451-0130  
913-451-2291  
913-451-2254  
913-451-2217  
913-451-2254

cnovorr@paragoncap.com  
hjacobson@paragoncap.com  
emcleod@paragoncap.com  
wwilliams@paragoncap.com  
dboehr@paragoncap.com  
mschlenk@paragoncap.com  
dberry@paragoncap.com