

## EFFECTIVE vs. EXCITING

Periodically, we restate the Paragon investment philosophy in various ways that we trust are meaningful to you. Too often it is easier to say what we are not rather than what we are, i.e. we are not out to “hit home runs”, “climb aboard a rocket ship”, find the “next ‘big’ thing”, or “re-invent the wheel”.

We are much more concerned with preserving our clients’ wealth and purchasing power through proven, cautious, low-risk avenues of growth. We believe that growth is achieved by investing in companies that generate ever-growing profits through effective utilization of their assets in providing necessary goods and services. Better yet, we try to invest in those companies when their stock prices are “cheap” on various valuation measures.

Taken together, this strategy is known as “Growth At a Reasonable Price”, or GARP. Although it is not very glamorous, GARP is very sustainable when it is applied correctly to the research and stock selection process.

We do not look at risk as a function of how much stock prices swing relative to the market (which is that standard investment measurement of risk), but rather we consider risk like a business owner does; what is the likelihood that a company will be able to maintain its growth and profitability over various economic environments? Although low-risk in the business sense, the stocks that we purchase for clients must have price volatility – or they would never fall to buyable levels.

Now comes a report written by two quantitative stock market researchers which shows that successful, long-term stock investing is a truly a matter of finding “dull, low-risk, widow and orphan ‘value’ stocks”. (“Wall Street’s Biggest Secret”, June 7, 2011, Marketwatch.com) Robert Haugen and Nardin Baker argue that investors are not paid for the extra risk (volatility) they take on in their portfolios, but rather are rewarded for buying stocks that are “cheap in relation to their net assets, earnings, cash flows, and dividends”.

Amazing, a research paper that shows what we have been providing for, and preaching to, our clients for years really does work! All kidding aside, it is rewarding to find out that at least a couple of those who care about proving such things statistically have validated our method of investing.

Instead of waiting for the next press release, or earnings announcement, we are much more interested in finding companies that provide products and services around the world, do so profitably, and can continue to do so under a variety of economic environments. We are even more interested in purchasing the stocks of those companies when the market has beaten them down. And, we like to own them for a very long time, or at least until the market again realizes the value in their ongoing profitability.

So, there is our investment philosophy. It’s not glamorous, or fast-paced, or headline-worthy; it might even be called dull. But we believe that it is amazingly effective, and we trust that you do too.

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*

Paragon Capital Management is pleased to announce that Ethel Davis was selected by the Kansas City Business Journal as one of the “Women Who Mean Business” honorees for 2011. The Business Journal’s program honors professionals who are “at the top of their game”.

**CONGRATULATIONS ETHEL !!!**

*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.***

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