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## Things Are Not Always As They Seem

The world is a funny place. Sometimes events and happenings can be taken at face value; the sun shines, the Royals win, and so on. However, some things observed do not accurately reflect what is going on beneath the surface.

During the past twelve months U.S. payrolls are up, and unemployment is down, which would seem to indicate a robust economy. However, during that same period U.S. GDP growth has consistently underperformed expectations. In a similar fashion the stock market has gained roughly 7% over twelve months. Although this typically indicates a positive outlook for the U.S. and world economies, over the same period crude oil prices have fallen more than 50% (primarily due to falling demand amid steady supply). Of course, lower worldwide oil demand indicates lower worldwide economic output.

We also see signs of perception versus reality in global politics. Greece received its third bailout package since May 2010, as European finance ministers try to forestall an implosion of the Greek economy which they believe would send shockwaves through their own countries. All the while, the vast majority of Greek citizenry wishes that the European Community would leave them alone; not realizing that there is no return to the “good ol’ days” for them.

Even in day to day investing decisions it is sometimes difficult to distinguish between what is real and what is opinion. The key to understanding some of the more unusual decisions of the marketplace is the recognition that actions are often not based on news or results, but are more often based on news and results as they compare to what the expectations were. 10% earnings growth is fantastic if the expectation was for 7%, but is a disaster if the expectation was for 10.1%

We see this in the purchase and sale decisions we make for our clients. For that reason we do not focus on the daily, weekly, or sometimes even quarterly movements of the stock price. We have been doing this long enough to understand that no one can divine the expectations of the market in the near or short-term on a consistent basis. However, solid research and taking advantage

of what the markets give us will lead to more than adequate returns in the long-run. The key is the understanding that investing is for the long-run, always.

And so, we continually 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 of the company 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 in the services Paragon Capital Management provides, and believe that our consistent, time-proven investment philosophy will continue to afford comfort, rather than concern, with the investments you have entrusted to our management.

### **Craig, Howard, Elizabeth, Ward & Brian**

*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 at any time. 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.*

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