

What Just Happened?

What an interesting quarter it was in the world, and in the markets. The 800 pound gorilla was “Brexit”; the voters in the United Kingdom passing a referendum to leave the European Union (EU).

As we’ve written about several times over the last few years, the EU is at a fragile place in its history. Each sovereign nation in the EU has a second government and set of laws; to deal a potential conflict. Most recently, the weaker economic nations of the EU (specifically Greece) needed the blessing, and financial backing, of the stronger economies in order to maintain their economic situations.

The UK voted along pretty specific demographic lines. Older voters, and those in the major cities, voted to leave the EU (and return to the “good old days”) while younger voters, and those in the Commonwealth states (most notably Scotland), voted to remain in the EU.

For our purposes, the dynamics of the week leading up to the vote, and the week following the vote, were most noteworthy. As polls indicated the vote would be to remain in the EU, so markets rose. When the vote was to leave the EU, the markets fell with some companies and industries declining in a rather precipitous fashion. When all was said and done, the vote was a “non-event” for the markets, but a very large event for the future of the UK, the EU, and the world economy.

However, as you well know, we at Paragon are not prone to knee-jerk reactions or immediate prognostications. Will there be some disconnections in the economies of Europe, and the world, as the UK leaves the EU? Yes, but we don’t feel that the ripple effects will be material. After all, each country in the EU already works under two sets of trade and economic systems, the UK will theoretically be streamlining their own system.

Won’t the reduction in free travel from the UK to the other EU nations hinder free trade and economic transactions? Probably not; remember the United States is not a member of the EU, and we travel and trade with the EU countries pretty effectively right now.

Are there profits to be made from the changes taking place overseas? Possibly, however, our main concern is to avoid any losses that are more likely to result for some of the EU nations now that one of its stronger members, the UK, is leaving.

What comes next? We believe that the European Union is much like the Big 12, and other collegiate conferences in the U.S. It was created for the economic benefit of all the members, but over time the members’ various strengths, weaknesses and priorities change. So, we would not be at all surprised for the EU to continue to change, perhaps spinning off some of the weaker members, or changing the “rules of participation” for some members going forward. How that will eventually look, we do not know right now.

Speaking of change, we’d like to share some news about changes in the works at Paragon Capital Management. One of the benefits of running a Registered Investment Advisor firm over the last eighteen years has been the ability to use incredible technology in all aspects of our business. We use technology to

monitor and analyze securities for investments, to trade and maintain your accounts, and to communicate with analysts, brokers, custodians, clients, and each other.

Sometime between now and the end of the third quarter, we plan on converting our systems from an “in-house” environment to a “hosted” environment. This will allow us to better integrate our software applications, and reduce the chance of error when maintaining, measuring, and reporting on our relationships. It will also allow us to concentrate our cyber-security efforts on a single platform, as opposed to the multiple platforms we now use.

To date, we have not had a single security breach through our system or the third-party vendors we use in our business. It is our primary goal to maintain this perfect record. We anticipate greater efficiency in managing your accounts, and our relationships with you, as well as the ability to enforce greater cyber-security than the SEC already mandates for us.

There might be some small bumps along the way. Some reports might look a bit different, but will still convey the same information as before. We might ask for you to re-iterate certain information you’ve already given us, or prompt you to change (and strengthen) some passwords that you are currently using.

We believe that most of the technology changes will be seamless, and unnoticeable. But we also believe that making these changes now will allow us to offer a better client experience, in an even more secure environment.

Thank you for your confidence in Paragon Capital 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.

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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