PARAGON CAPITAL MANAGEMENT, LLC

March 13, 2020

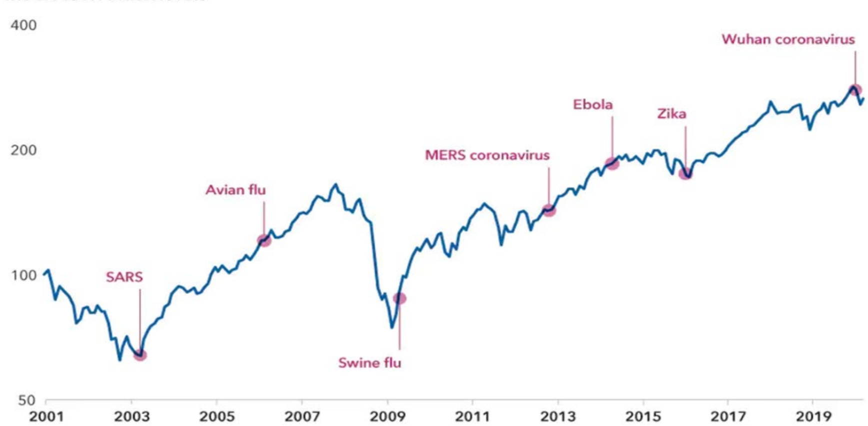
A lot has happened since we last wrote our thoughts on COVID19 or Coronavirus. Two weeks ago, our message was to remain calm and "this too shall pass." We have been following the day to day, hour by hour latest updates and want to share our thoughts on the markets and try to give some perspective from what history has taught us.

Wednesday marked the 11th anniversary of the current bull market and also its end as major indexes closed down 20% or more from the highs. The US markets were up over 30% in 2019 and as we see in the above chart, this downturn takes us back to close to the bottom of the 2018 selloff.

COVID19 is not the first virus to affect the markets. The chart below shows past viral outbreaks and how they affected the Global Markets- All Country World Index

Global equity markets have powered through past viral outbreaks

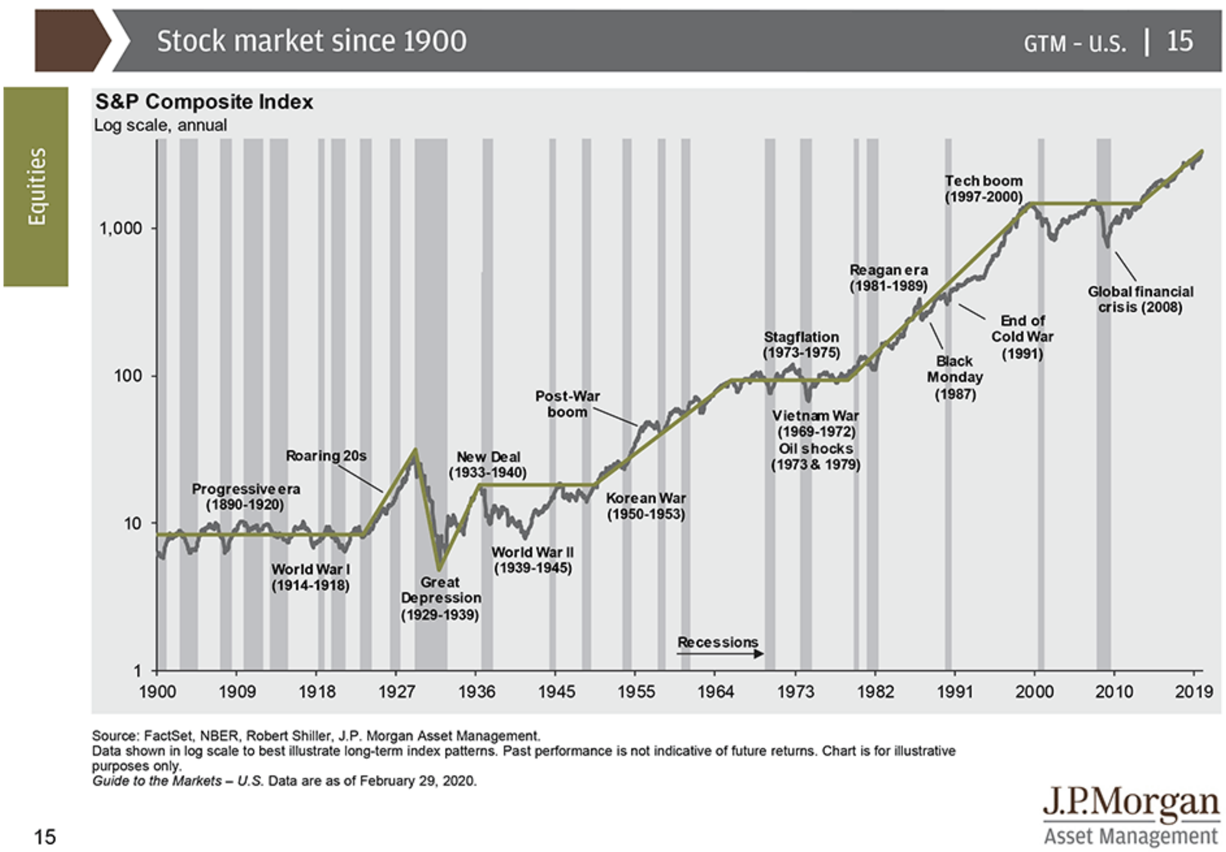
MSCI ACWI index levels



Sources: Centers for Disease Control and Prevention, RIMES, MSCI. As of 3/2/20. Chart shown on a logarithmic scale. Total return index levels in USD, indexed to 100 on 12/31/2000. Disease labels are estimates of when the outbreak was first reported.

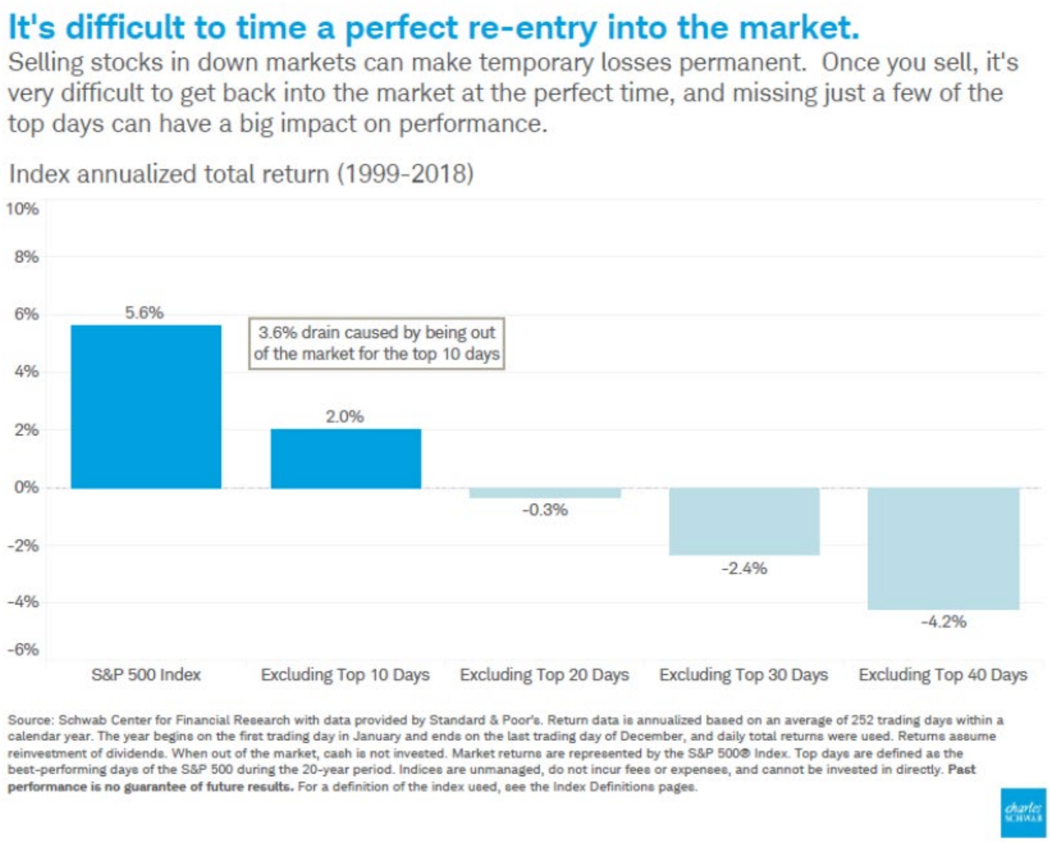
The last few days we have seen an increase in fear and an escalation in precautionary measures as conferences have been canceled, professional sports leagues are suspending, canceling or postponing seasons and events, companies are mandating employees work from home and Spring Break and summer vacation plans are being canceled or changed. The President suspended all travel from Europe to the US as of this evening. The 20% drop in the markets happened in 19 days,the fastest in history. The COVID19 officially was proclaimed a pandemic by the World Health Organization. World leaders, celebrities, athletes and those in our own communities are being confirmed to carry the virus. The President declared a State of Emergency in a news conference this afternoon.

First let's revisit what Bear Markets mean over the long term. As you have heard us say many times, the market goes up 2/3 of the time and down 1/3 of the time.



On the above chart going back to 1900, the Technology boom (50% downturn) and Global Financial Crash (54% downturn) look like small dips in retrospective. We think this will have the same affect long term. We have not had many calls, but the most frequent question that has come up is about selling everything and buying back at the bottom. We advised our clients in both 2000 and 2008 to sell stocks that would not perform well in that environment, upgrade to better names that where too expensive before the selloff and be positioned for the recovery. But we have never encouraged to sell all and buy back.

There have been many different studies done of trying to sell and buy back. Charles Schwab used the below chart to show the difference in returns between staying the course and if you missed the 10 best percentage return days, the best 20 days, 30 days and 40 days between 1999-2018.



Another study showed the returns from March 2009-March 2020. If you stayed invested your returns were 16.8%/yr. If you missed the 20 best days your return dropped to 8.5%/yr.

We are starting to trim some of our stocks on days like today when the market is showing some strength. We are ready to begin buying some new names that we have been watching for awhile but thought were too expensive.

We also want to discuss the growing trend of companies across the country that are asking employees to work remotely from home. We have discussed in some of our newsletters over the last three years the investment we have made in technology to better serve you, our clients. If necessary we have the technology and capability to operate Paragon remotely. We have a detailed Disaster Recovery Plan and Business Interruption Plan. We meet annually to update and review these plans and use industry best practices to continually improve them. We met recently to do additional training if we decide that working from home is in the best interest of our associates and ultimately our clients.

In conclusion, we feel that COVID19 is a real threat and has done considerable amount of damage to the markets, the US Economy and the global economy. We think that this is not over and there will be more downside to the markets and economy. We also think that between Fiscal and Monetary policy, the US will fight to limit the damage with use of interest rate decreases, monetary stimulation (already announced $1.5 trillion) and legislation. We would love to hear from you and schedule a meeting to discuss your portfolio's in person or by phone.

Thanks,

Craig, Howard, Guerry, Josh and Jamie

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