



January 12, 2009

Dow: 8,452

## ***CHICKEN LITTLE HAS LEFT THE BUILDING***

The year 2008 has finally drawn to a close, and although the markets do not generally recognize calendar years (in case you hadn't noticed, the stock market is up 18% from its November lows), there is something to be said about fresh starts. The beginning of a new year does invigorate people in general and investors in particular. Chicken Little (the media) worked everyone into a frenzy last year that exacerbated a slowdown in the economy that has turned into a recession. The moral of this story is do not believe everything you are told and do not be a "chicken," but you must have courage. Now that the Fed has capitulated and stated that the economy is in worse shape than even they imagined, we are near the bottom of this recession. Is there more bad news out there? Of course there is, but is there anyone who doesn't know this? When everyone knows something, it is generally the end of that trend. The sky is not falling. It may have dropped somewhat, but we expect the recovery to commence this year. As a friend of ours in the real estate business said recently: "I have been down so long it looks like up to me." It is time. We have faced a major crisis, and we are in the process of wiping the slate clean and starting a new course that will lead our economy and our lives in a new and profound direction. We are a nation of creators and innovators, and there are new and exciting business ideas out there just waiting to take hold. We are a nation that takes action, and we are doing so now. The future is so bright you may need sunglasses.

Don't lose faith in capitalism. The free enterprise system is what built this great nation, and it is the free enterprise system that will continue our growth. We are fond of quoting Winston Churchill, who said that "democracy is the worst form of government in the world – except for all the rest." Churchill recognized that there are flaws in what we like to call a "capitalistic democracy." Just look around at all the countries that have embraced the free enterprise system. Many are former Eastern Europe communist countries. Even Russia and China have adopted the capitalist model, at least to a degree. The world has been riding the free-

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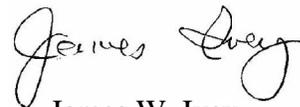
enterprise gravy train for the last twenty-five years. The confidence generated by this explosion in wealth was the biggest bubble of all. That led to a complacency that encouraged individuals, corporations and countries to take too much risk. This, of course, led to the inevitable collapse and the current lack of confidence, but out of chaos comes order and opportunity.

The reason this time seems so much worse is because it is global in nature and the numbers are staggering. In past economic downturns, we were talking billions of dollars. Today, we are dealing with trillions of dollars. It just makes it seem worse. In addition to that, technology has allowed money and ideas to travel much more quickly than in the past. It seems that events are traveling at the speed of light, so it stands to reason that when this global economy turns, it will be with the same rapidity. So don't get caught watching the paint dry. Just a note on the stock market. Having been in the investment business through many cycles, we have heard the refrain: "I will never own a common stock again." Another good sign of a bottom. Remember, it's not a stock market, it's a market of stocks, so it is a process of good analysis to pick the most favorable stocks.

**Random thought for January:** If you don't read the newspaper, you are uninformed. If you do read the newspaper, you are misinformed. A final bit of irony?



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Chairman of the Board



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