



THE DANA VIEWPOINT

March 9, 2009

Dow: 6,556

IN LIKE A LION...

Well, March certainly came storming in with the Dow Jones Industrial average breaking 7000 and the broader S&P 500 breaking 700. So will March go out like a lamb? March is a very changeable month. Ancient peoples believed that bad spirits could affect the weather (stock market today) adversely, so they were cautious as to what they did or did not do in certain situations. Those beliefs often included ideas that there should be a balance in weather and life (include the stock market here). So, if a month came in bad (like a lion), it should go out good and calm (like a lamb). Investors certainly have been cautious as there is now over \$4 trillion invested in money market funds. This money is poised like a sleeping volcano ready to erupt and pour money over the economic landscape. So what is holding it back? Confidence, or should we say, a lack of confidence. The economic news continues to be bad, but that is not the real problem. Everyone knows that we are in a recession and that the news is bad. However, investors are now looking beyond the problems and looking for solutions.

There are many solutions being proposed to turn this economy around. We favor free enterprise, the system that fostered the creation of IBM, Hewlett Packard, Microsoft, Google and thousands of other companies that have created jobs and improved our standard of living. It is these and other startup companies now waiting in the wings to move our economy forward. How do we best help these new and existing companies create the new technologies that will enhance the job market and our standard of living? We have several ideas that others have also expressed:

1. Over 70% of new jobs are created by small businesses. These are the risk takers. Some remain mom-and-pop businesses while others grow to employ thousands of people. We need to make sure we do not tax them out of business. Many remain mom-and-pop businesses and pay individual tax rates. We need to keep tax rates low to encourage these people to expand. Other small businesses incorporate and pay taxes at about the 35% rate. The corporate tax rate should be reduced to at most 25% to make their products and services more competitive in the world economy.
2. We need an energy policy that reduces our reliance on foreign oil. Research on renewable sources of energy (wind, solar and others) is warranted, but for the time being, we will need fossil fuels. Renewable sources of energy supply less than 10% of our needs. By restricting and regulating the further development of fossil fuels we are increasing energy costs for individuals

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and businesses which will leave less money to be saved and invested. When the economy turns up, and it will, energy demand will increase again, and we will be paying \$4 plus for a gallon of gasoline again. Increased energy costs hit hardest those that can least afford them. Nuclear energy is being considered again. This source burns clean, and we have plentiful supplies of uranium here at home.

3. Re-evaluate the proposed cuts in our defense budget. It's a dangerous world out there, and we need to be constantly vigilant. Our mainstay fighter plane, the F-16 is being grounded after one fell apart in mid-air. Its replacement, the F-22 Raptor, is far more advanced than anything in the air today. This program will probably be shelved. Likewise, the production of the Navy's stealth destroyer, a ship that is virtually invisible to enemy radar and so loaded with high-tech systems that they need only half the crew as today's destroyers is also questionable. Not only will these defense projects provide millions of jobs, but they will keep our shores and our airspace safe. Now that's a government stimulus plan that works.
4. Focus more on fixing our financial system. As soon as investors and businesses feel that we have a workable solution to the credit crisis and can obtain capital, and as soon as lending institutions feel confident enough to lend again, this economy will once again roar forward. Then we can look forward to the next problem. That would be inflation and isn't that a pleasant thought at this time.

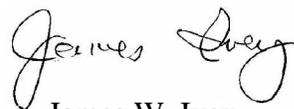
Everything is coming together for a turnaround. We just need a jump-start, and a little more positive attitude would certainly help.

Random Thought for March 2009: "I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."

Winston Churchill



Michael L. Dana
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