



September 10, 2008

Dow: 11,268

THE GLOVES ARE OFF

Well, the Olympic games are over and now China can resume polluting the air and buying up all the oil they can find in their efforts to be the manufacturer to the world. Russia didn't even wait for the games to end before invading Georgia to flex their muscles and try to control the flow of energy to Europe. Here in the US, we are entering the home stretch to elect a new president, and it promises to get down and dirty as it always has back to the Adams/Jefferson clash in 1800.

Second quarter GDP (gross domestic product) numbers came in and indicated that the economy grew at a 3.3% rate in the second quarter. Now we are not going to believe that the economy can sustain this kind of growth over the next several quarters, but it does indicate that our economy is big enough and diverse enough to take a one-two punch in the form of financial and energy setbacks and continue to grow. Consider manufacturing. It was once believed that we were outsourcing all of our manufacturing to China and India. Not so. Over the past year, exports of manufactured goods have risen \$115 billion or 2%. Manufactured goods now make up nearly 13.5% of gross domestic product, the highest percentage since World War II. Exports of commodities and services are also growing, and even auto sales are showing a 4% increase in exports. Heavy equipment manufacturers like Caterpillar and Cummins are actually hiring as their exports are booming. The weakened dollar has obviously helped as our products are more competitive with foreign goods. Even with the recent strengthening in the dollar, the high quality of our manufactured goods will continue to fuel our exports. Never underestimate the US economy. Consumer optimism is growing also. A recent economic poll taken by Investors Business Daily showed consumer optimism rose 7% in August to the highest

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level since last October. No doubt declining prices at the pump are making consumers feel better. Unfortunately, once economies around the world start to rebound, oil prices will rise again as demand increases. We still need to produce more oil and gas domestically as well as develop energy alternatives to keep our economy humming and to protect us from rogue nations controlling the price of oil. The economy and the price of gas and taxes will be the biggest issues on voters' minds this November. Consider this quote: "A tax cut means higher family income and higher business profits and a balanced federal budget. Every taxpayer and his family will have more money left over after taxes for a new car, a new home, new conveniences, education and investment. Every businessman can have a higher percentage of his profits in his cash register or put it to work expanding or improving his business, and as the national income grows, the federal government will ultimately end up with more revenues." So who uttered this statement? Was it George Bush or John McCain? Neither, it was John Kennedy in a televised national address just two months before his assassination.

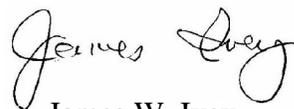
Random thought for September:

The secret of a good sermon is to have a good beginning and a good ending; and to have the two as close together as possible.

George Burns



Michael L. Dana
Chairman of the Board



James W. Ivey
President

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