



<i>Composite / Index</i>	<i>QTD %</i>	<i>YTD %</i>
Regan Macro Absolute Return*	+ 1.55	+ 2.67
HFRX Macro Index	- 2.00	- 2.97
HFRX Absolute Return Index	- 0.92	- 3.87
Dow Jones Industrial Average	- 12.09	- 5.74
S&P 500	- 14.33	- 10.04
NASDAQ	- 12.91	- 8.91
Balanced Composite (60% Stocks & 40% Bonds)	- 7.65	- 3.01
Gold	+ 7.61	+ 15.26
Dow Jones/UBS Commodity Index	- 10.77	- 10.35
Vanguard Prime Money Market	+ 0.01	+ 0.04
Oil	- 17.00	- 13.33

** Performance numbers for the Regan Macro Absolute Return composite are back tested with best efforts internally by Regan Investments and not audited by outside parties. This newsletter contains general information that is not suitable to everyone. The information contained herein should not be construed as personal investment advice. Past performance is no guarantee of future results. There is no guarantee that the views expressed in this newsletter will come to pass. Investing in the stock market as well as all financial markets involves gains and losses and may not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. Regan Investments Inc. is a registered investment advisor with its principal place of business in the state of Minnesota. All other performance numbers for listed indices, managers, and stocks are used for comparative purposes only in this report are not verified by Regan Investments. They are taken from public sources and Regan Investments does not claim any responsibility for their accuracy. For a complete list of our sources, or a detailed explanation on how we calculate our internal numbers please contact Regan Investments directly.*

Economic Outlook

Fear was back in the third quarter of 2011. Most of the major stock indices were down well over 10% in the US. In fact, the S&P 500 index saw its worst third quarter performance (-14.33%) since 1928. International markets fared much worse as Lipper averages for international stock funds saw a decline of nearly 21%. We are very pleased with our performance considering there were few places to hide.

A lot of this weak performance is blamed on the crisis within the European Union with respect to a credit default by Greece (We discuss Greece later in this newsletter).

Another school believes that the US is relatively sheltered from the European situation due to the shoring up of our banking system during the 2008 credit crisis. The belief is that the current quarter is a result of the poor US economy. Jobs (Chart 1), housing, lending, and consumer spending are all sluggish reminders of an economy that is destined to “muddle through.”

We think all of these scenarios, along with a slow down of the Chinese and emerging economies, will factor into the equation. In the global game of musical chairs, the music is still playing, but all participants should be looking for a seat.

No one really knows what will happen with Greece. But, in a interconnected world run on credit default swaps and commercial paper, it is anybody's guess. The US does not hold a lot of Greek debt. Our problems arise from our exposure to the European banks that are directly exposed to Greek debt. It is frightening to think that we were on the edge of financial ruin when Lehman Brothers went under, and now we have sovereign nations to worry about.

The game is to print money in one manner or another and push the day of reckoning out so that it falls on another's watch. While this can be effective in the short run, demographics and economic contraction will eventually catch up. We have suggested for a long time that excessive debt levels in the developed nations would wreak havoc throughout world economies.

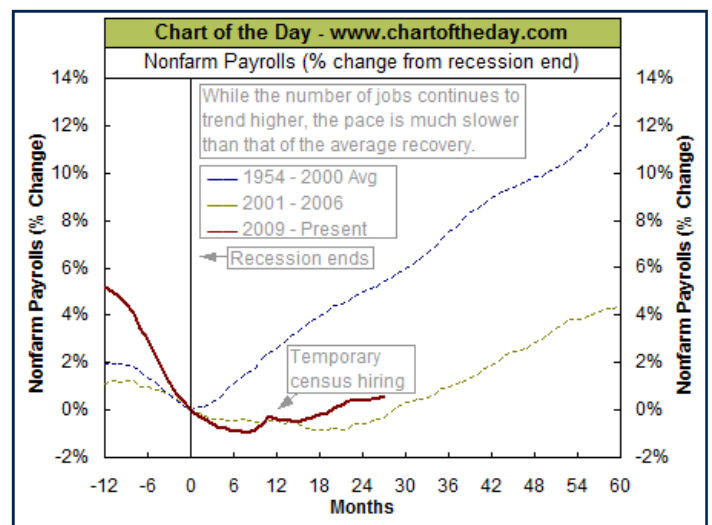


Chart 1

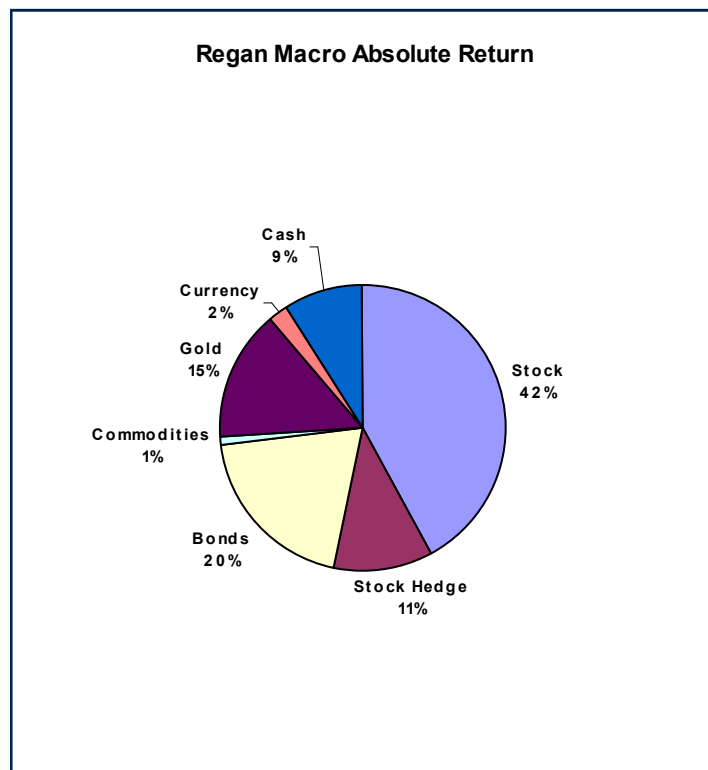
PORTFOLIO

We made some major structural changes to our accounts during the third quarter. First, we removed our gold hedges and diversified our bullion holdings by buying the Swiss bullion ETF (SGOL).

Second, we bought a small position in an emerging market government bond ETF which yields nearly 5%. We also bought Reynolds American which yields nearly 6%. Finally, we bought a position in a Nasdaq inverse ETF to coincide with our Long-term indicator turning bearish.

We believe that we are properly positioned for increased volatility, and we will be ready to liquidate our hedges if the market should break to the upside.

Top Ten Holdings	Q3 Performance
Gold Miner ETF	+ 1.08%
Gold Bullion ETF	+ 15.27%
Apple	+ 13.92%
Russell 2000 Inverse Fund	+ 39.60%
Microsoft	- 3.48%
Medtronic	- 13.05%
1-3 Yr. Corporate Bond ETF	- 0.45%
McDonalds	+ 4.92%
Celgene	+ 2.67%
General Mills	+ 4.29%
S&P 500	- 14.33%



The Macro Absolute Return Portfolio is still highly defensive. Our net stock position is roughly 20% (Stock - Stock Hedge x 2). In addition, our stocks are more conservative in nature. We have various names that provide us growth opportunity (Apple, Celgene, Pluristem, etc.) but the majority of our holdings are blue chip companies that sell at a value (Microsoft, Medtronic) or provide higher dividend income (Xcel Energy, Waste Management).

We hold decent positions in gold (8%) and gold mining stocks (7%). We have a healthy but shrinking position in corporate bonds (20%) that were purchased at tremendous yields. We will look to replace some of these names, albeit, at less favorable yields as they mature.

European Outlook

WHAT'S THE END GAME FOR GREECE?

In an interesting report titled “Navigating the Eurozone Crisis and Preparing for Greece’s Failure” by the folks at STRATFOR, the conclusion is that ejecting Greece from the Euro zone may be the only real solution. While not a popular solution to the Greeks, to not do so greatly raises the risks that sovereign default may arise with larger countries like Italy and Spain.

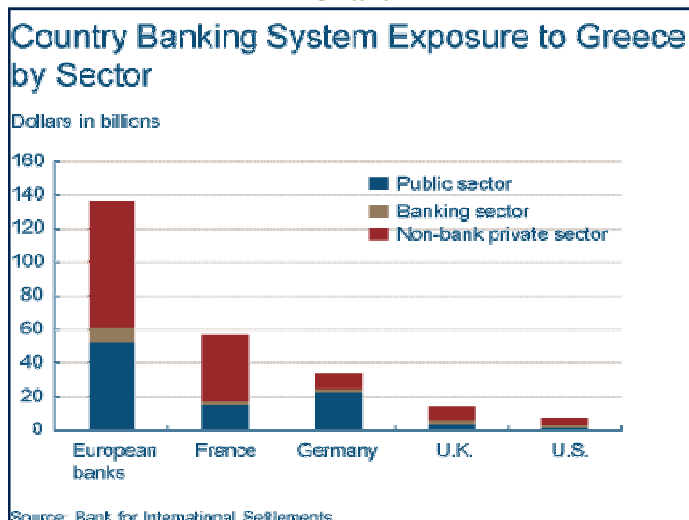
This is really about protecting the European banks, as they are much more important to the growth and stability in the region than banks are in the US. European banks supply over 70% of funding needs for consumers and corporations. This compares to about 40% in the US. As STRATFOR notes, “The banks’ crucial role and their politicization mean that in Europe, a sovereign debt crisis immediately becomes a banking crisis and a banking crisis immediately becomes a sovereign debt crisis.” Even worse, since the banks are linked via stock and bond holdings and the interbank market (Chart 2), trouble quickly moves across borders.

We have heard official estimates at roughly €1 Trillion and other estimates as high as €7 Trillion. STRATFOR estimates the total bailout cost from a Greek ejection would run close to €2 trillion. Art Cashin of UBS puts these sums into perspective, “A trillion dollars would require \$500M every week for 40 years.”

Not all of this is needed at once. Europe would probably need €400B to combat Greek contagion and another €300B for the banks. Italy alone will require €800B over a three-year timeframe. The International Monetary Fund (IMF) can provide roughly €150B, and the European Financial Stability Facility (EFSF) will likely be authorized to commit €440B. As STRATFOR concludes, this only contains the Greek problem. There are many fundamental issues going on with Europe that will need to be dealt with in the future. By expelling Greece from the union, it gets the Greeks on the road to recovery and allows the other countries more time to focus on cleaning up future debts.

Confidence in Europe, even if temporary, will create buoyancy in the US and other global markets. This will allow more time to hopefully address our own debt problems.

Chart 2



US Outlook

The US looks a lot safer in the short term than Europe, China (High Inflation) and the emerging countries that are tied to continued growth in China. We have included some of our projections on various economic metrics in the table below:

Recession	↑	Increased likelihood (65%)
Unemployment	↔	Remain flat at 9-10%
Cons. Spending	↔	Savings rate up to 3-5%
Cons. Income	↔ ↑	Mostly overtime
Housing	↔ ↓	Banks hesitant to lend
Capex	↓	Corporations still weary
Inventories	↔ ↓	Less channel stuffing
Corp. Earnings	↔ ↓	Strong dollar will hurt
Trade Deficit	↑	Some improvement
Govt. Deficit	↑	No spending cuts
State Deficits	↓	Meaningful spending cuts

STOCKS

We think that the stock market will continue to be volatile. We could make the argument that the European situation could spiral down, causing markets to drop another 10-20%. On the other hand, the potential also exists for a temporary Euro zone solution and more liquidity injections by the Federal Reserve. These actions could cause stocks to rally 20%. Our long-term models for all major US indices went negative in August and September. We remain cautious.

BONDS

Interest rates appear to be heading lower for the time being with the Federal Reserve targeting longer dated maturities via “Operation Twist.” This will be a huge problem for pension plans that need to utilize long bonds for their participants, but it will certainly benefit home buyers/owners with record low mortgage rates (Chart 3).

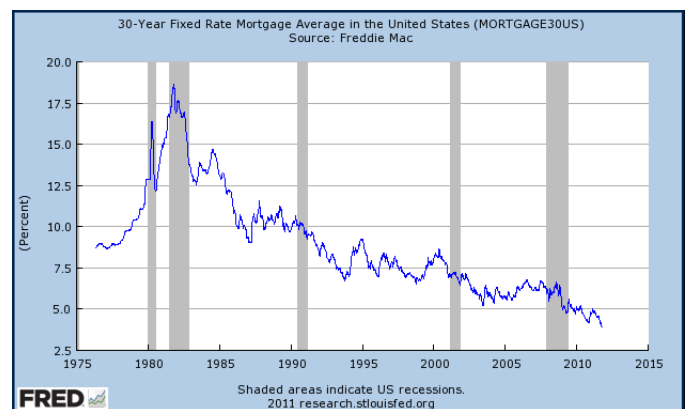


Chart 3

COMMODITIES and CURRENCIES

The US dollar will likely trade in a choppy pattern but will be a safe haven for investors as Europe’s story unfolds. The range for the dollar (currently \$77) is between \$75-88. A break of the lower or upper bands of this range would favor the prevailing trend.

We feel that oil could trade to \$70 per barrel and copper could fall to \$2.80 as a global slowdown escalates. Gold will continue to be volatile as weak hands are shaken out via sharp pullbacks. The range for gold suggests \$1585 to \$2000 per ounce.

News

Two major events happened over the last quarter that are near and dear to our hearts. First and most importantly, Sheila Harris has joined our team. Sheila lives in Edina with her husband and their three children. Sheila's youngest child has Down Syndrome and she is an active member of the Down Syndrome Association of Minnesota.

Sheila, along with her sister Annie, are the owners of Preferred Speakers, the nation's oldest speakers bureau. She is very familiar with the ins and outs of running a small business, and has already proven invaluable to us in helping manage our office. Please do not hesitate to introduce yourself.

Welcome, Sheila!

Secondly, Steve Jobs, CEO of Apple died in early October. Apple is one of our largest individual holdings and has contributed significantly to our historical performance. In addition, Apple products have made huge contributions to the efficiency of our professional and personal lives. We will miss the future innovations that Steve would have produced, had he been given more time.

We made our first investment in Apple several years ago, for roughly \$13 per share. We thought the iPod was a great product, but more importantly, Apple had \$7 per share in cash on their balance sheet.

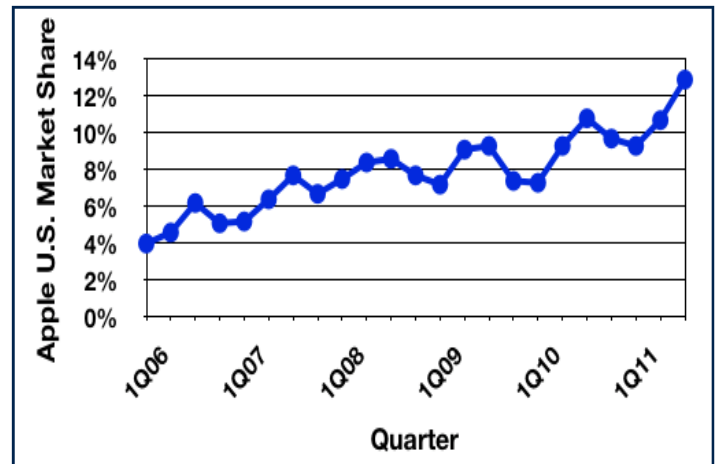


Chart 4

We knew we were getting a great value on Apple. They had a possible revolutionary product and the potential for large PC market share gains (Chart 4). But, we never envisioned that Apple would be worth over \$350B today.

Our initial purchase was a great investment, but even better was our decision to buy more Apple at \$85 per share. That was roughly the low tick in December of 2008. It was a psychologically tough time to buy Apple after it had fallen 50% from two months earlier, but it quickly proved rewarding.

Today, Apple is nearing \$400 per share. As sad as it was, Steve Job's death was a major overhang on the stock's performance. A potential iPhone deal with China Mobile and their 650 million subscribers will likely be part of the future. We think that Apple is easily worth \$500 per share.

Thank you again for your business, faith, and support!

Robert, Robert Jr, Erle, Cynthia, and Sheila