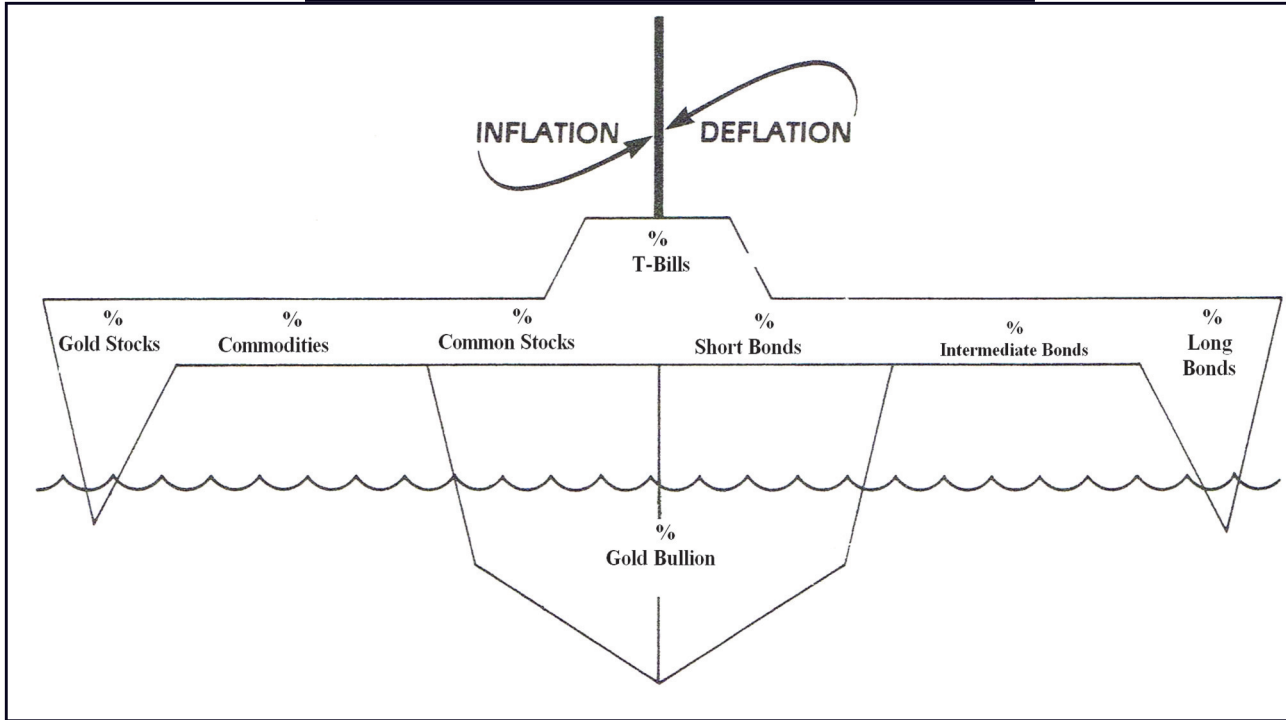


ALL WEATHER PORTFOLIO



Composite / Index	QTD %	YTD %	5 - Year Annual Mean Return	5 - Year Largest Loss
Regan Macro Absolute Return (Net of Fees)*	- 0.08	+ 1.71	+3.41	- 8.09
HFRX Macro Index	- 2.28	- 5.18	- 1.52	- 8.78
HFRX Absolute Return Index	- 0.12	- 3.72	- 3.29	- 13.09
S&P 500	+ 11.15	0.00	- 2.38	- 38.49
NASDAQ	+ 7.86	- 1.80	+ 3.98	- 41.89
Gold	- 5.49	+ 8.93	+ 22.11	NA
Dow Jones/UBS Commodity Index	+ 2.49	- 8.12	+ 7.02	- 49.70
Vanguard Prime Money Market	+ 0.01	+ 0.04	+ 1.08	NA

* 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.

2011 Review/2012 Preview

Positive gains were hard to come by in 2011. Many legendary investors (George Soros, Bill Miller, Carl Icahn, etc.) quit the investment business due to increased difficulty in the markets. If you had told us at the beginning of 2011 that we would see US debt downgraded, the Japanese Earthquake/Tsunami, an Egyptian revolution, the collapse of MF Global, Bin Laden and Gadhafi killed, Steve Jobs' death, the fourth most volatile stock market in history, and a late 20% pullback in gold, we might have agreed to take a year of 0% returns. Luckily, we did not, and we beat a flat S&P 500 by 2%.

The Dow Jones Industrial Average posted a 5.5% return. As a price weighted index, however, this return was skewed by basically two stocks, McDonald's and IBM. Of the 640 points the Dow rose in 2011, 180 were from McDonalds and 400 were from IBM. Without those two, the Dow was up a meager 0.5%.

We are as anxious as anyone to have a double digit year to the upside; but, we will take a positive return in 2011 and look forward to more opportunity in 2012. Since new years are filled with predictions, the following are some things that we see possible in 2012:

A. The Dow Jones Industrial Average (DJIA) will be up 2.5%. Our prediction is based, in jest, on the average return of the DJIA going back to 1929 in election years and also, the average fourth year performance of the DJIA after a drop of 20% or more.

We expect high volatility to continue in 2012. We could see the major indices being down 10-20% at some point in the year. In our research from above, the standard deviation of the DJIA ranged from an annualized rate of 16-27 during those years.

- B. The Federal Reserve will announce a new round of quantitative easing (QE3) by mid year. All assets will rise, but the gains will be short lived as investors realize that the economic situation is worse than expected. Gold will break above \$2,000 per ounce as currency fears, QE3, and Geo-Political events all add to the rise.
- C. Europe will continue to be a drag on the world economy. Recession is probable as leaders try to kick the can down the road. Increased social unrest is likely due to high unemployment and contagion fears. No long-term solution is foreseeable in 2012.
- D. The Chinese economy will contract. A shaky banking system and a real estate crash will be the catalyst. Nations that rely on China (Australia, Brazil, Africa, etc.) will experience declines in their own investment markets. Emerging markets could plummet. The US dollar will be the benefactor of a slowing China and an unstable Europe. A strong US dollar is likely and investment inflows could help domestic stocks surprise on the upside.
- E. States will look for new ways to raise revenue. Gambling, internet taxes, legalization of certain drugs, etc., are all likely to see increased interest. States will either pressure Amazon.com and other internet retailers for sales tax revenues to make brick and mortar stores (Job providers) more competitive, or they will make financial deals like California.

Being in a deleveraging world and nearly out of ammunition is a very difficult position to be in.

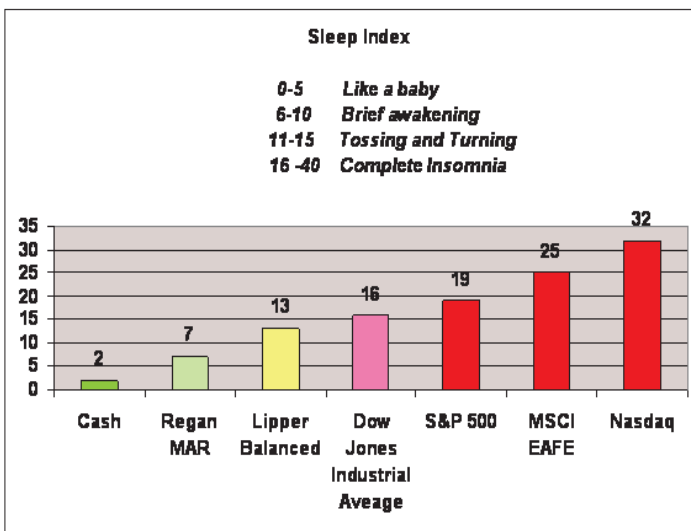
Ray Dalio, Bridgewater Associates

PERFORMANCE

It was a difficult year for nearly all investors as 2011 saw increased volatility and very little gain for all their efforts. While we beat the S&P 500 for the eighth time in 11 years, returns under 5% never seem very satisfying. Risk control is another story, however as the S&P experienced historic volatility (going from YTD, +6% to -9% to 0% in 2011). The Regan portfolios were much more subdued. Our *Sleep at Night Index* below emphasizes this point more clearly.

Our top ten holdings below performed very well in 2011.

Security	Performance
Gold Bullion ETF	+ 10%
Apple	+ 26%
Gold Miner ETF	- 16%
McDonalds	+ 31%
Microsoft	- 7%
Medtronic	+ 3%
Xcel Energy	+ 17%
Celgene	+ 14%
Corporate Bond ETF	+ 2%
General Mills	+ 14%



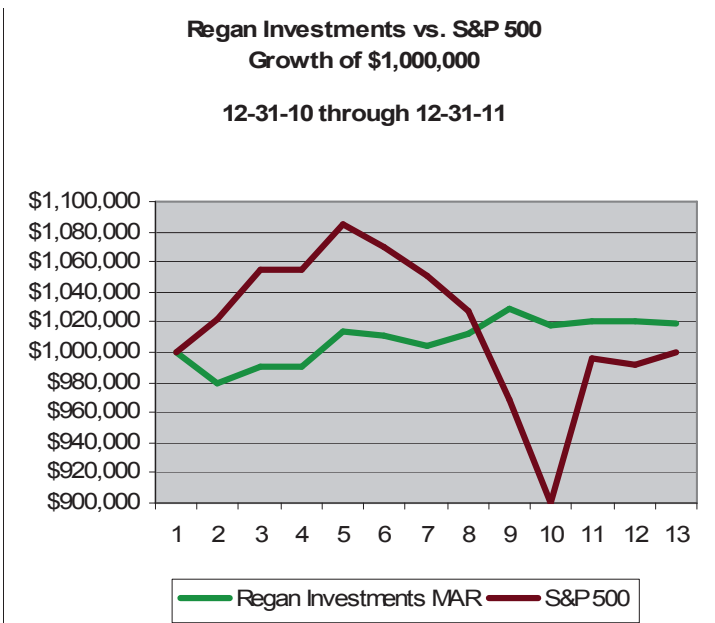
Our timing in our hedge positions and the gold market pullback in November and December really muted our performance. By November, we were leading the S&P 500 by roughly 6% total return. Then, the market rallied and we lost our lead. Looking back, our hedges were the most disappointing aspect of our overall performance in 2011.

Another way to view this is via a growth of \$1,000,000.

That being said, with all of the volatility, you had to be a market timer with luck on his side to effectively navigate the chaos in 2011. Caution was our biggest error, and we still were able beat the S&P 500 by taking one-third of the risk. We can live with that.

Many of our larger holdings had nice runs into the end of the year (Apple, Microsoft, Medtronic, Celgene, Waste Mgmt). Some of these are extremely cheap and could have much more room to run. We still like the defensive sectors which offer much higher yields but also decent growth.

We are excited for 2012 as gold begins the year at very attractive levels. We may look to add to our gold mining stocks and are specifically watching the junior miners.



The Good

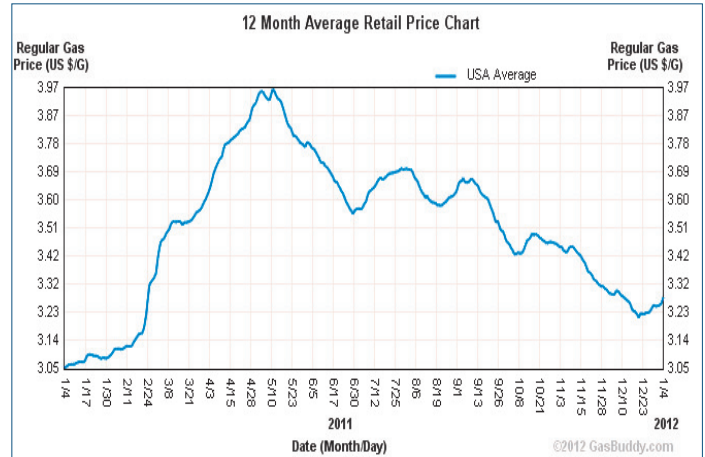
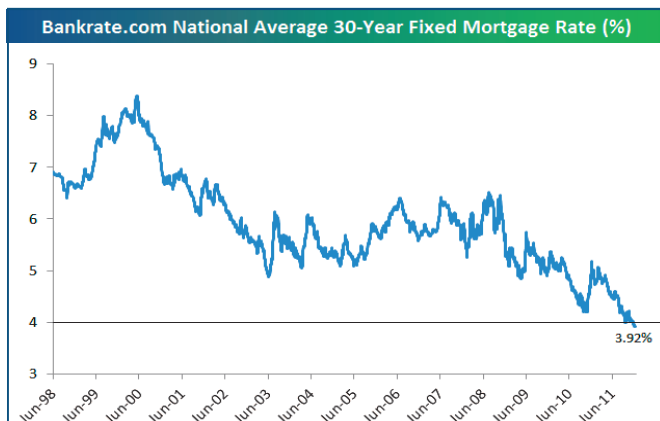
CNBC’s Jim Cramer makes for good entertainment. He is the perfect tonic for those that have the attention span of a tsetse fly. Cramer’s line “There’s always a bull market somewhere,” is very true, however. While we sometimes are called too negative, always remember, we are usually bullish on at least two or three investments markets. Some of the positives for the markets are listed below:

STOCKS

In 2011, The Dow Jones Industrial Average saw the fourth most 100 point days in history. The silver lining is that in the three most volatile years, the Dow was down an average of 19%, while 2011 saw the Dow rise by 5.5%. This is encouraging, as volatility is usually associated with downside movement. In addition, the Dow was able to erase a mid year loss of nearly 9%. While the other indices didn’t fare as well, it is encouraging that there was some positivity in a world that is so gloomy.

MORTGAGES

Credit is extremely tight, foreclosures are still very high, and housing values continue to weaken. However, mortgage rates are at historic lows (chart below). While a large majority will not be able to take advantage of these low rates, some will. This allows people to decrease interest costs and increase their discretionary spending.



COMMODITIES

Commodities performed poorly in 2011. However, for consumers and manufacturers, this was a good event as costs did not rise as much as the past. Grains, industrial metals, platinum, cocoa, sugar, cotton, and many others saw declines of 15-30%. While oil prices rose, consumers saw some relief at the pump (chart above) as gasoline prices retreated from nearly \$4 per gallon to a much more manageable \$3.25.

GOLD

It is hard to include gold in the “good” category when it declined by nearly 20% in the last quarter of the year. However, gold finished up again for the eleventh straight year. Gold mining stocks performed poorly in relation, but continue to look very inexpensive relative to the metal.

US DOLLAR

While not exactly our favorite long-term investment, the US dollar was up 1.5% in 2011. Luckily, we hold a 3% position in a US dollar ETF. While most people had written off the dollar in early 2011, problems in Europe and the emerging markets saw increased currency concerns for global investors. More importantly, the dollar gained as oil and gold rose. The dollar could easily surprise on the upside again in 2012 as the flight to safety continues.

The Bad, and the Ugly

A country's gross domestic product (GDP) equals:

$$\text{Consumption} + \text{Investment} + \text{Government Spending} + (\text{Exports} - \text{Imports})$$

The investment markets typically reflect the economic picture and will factor in the forward views of investors. Looking directly at all of these components, it appears that US GDP output, which is 70% consumer driven, may have some issues going forward.

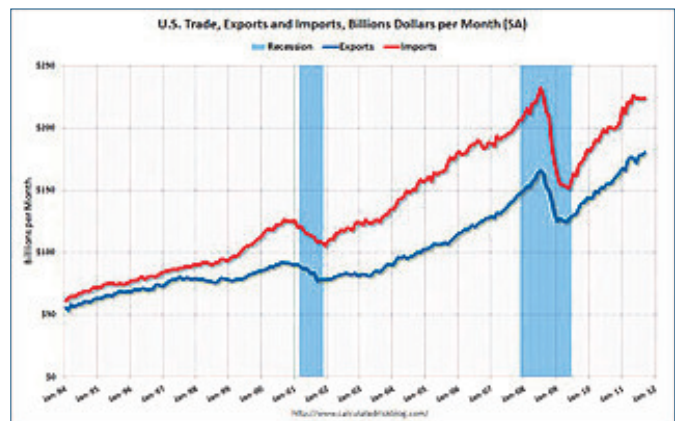
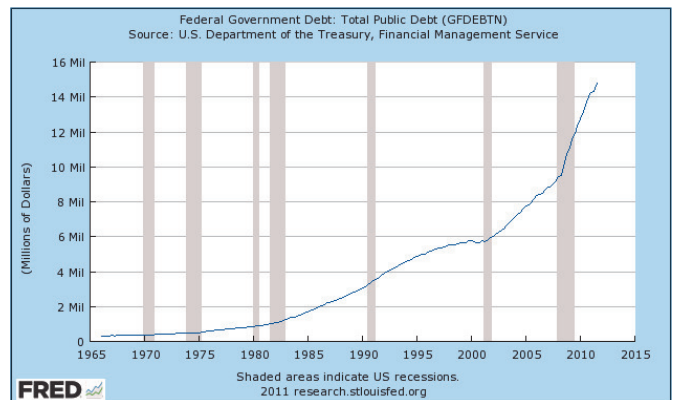
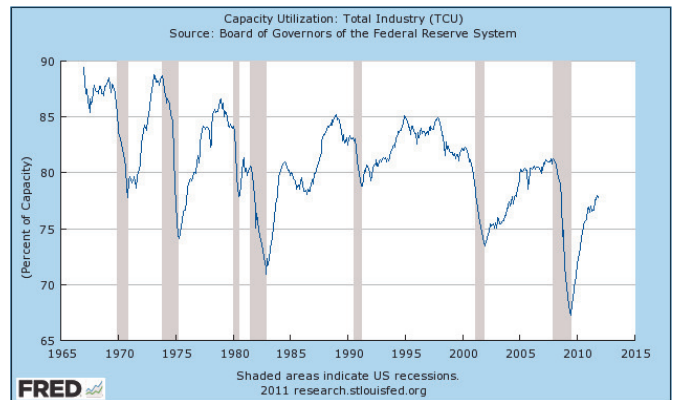
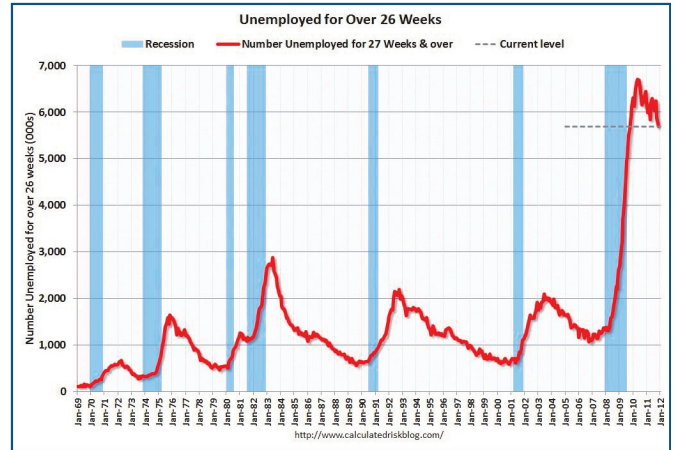
Consumption is dependent on income and credit. Considering the high unemployment rate (chart 1), low credit authorizations, and the loss of individual wealth related to the stock and real estate markets, it appears consumption may continue to be a drag on GDP.

Investment capital is up from the bottom (chart 2), but companies are running far from 100%. This implies that capital is sitting on the sidelines rather than being put to work in the economy.

Government spending has been keeping the game going in recent years (chart 3). However, with \$15 Trillion in outstanding debt and calls to curb federal spending, it is probable that government spending may decline.

Trade deficits (chart 4) are large, and this trend will likely continue. A weakening dollar would help, but considering the European environment, a Yen that is living on borrowed time, and volatility in the emerging market currencies, the US dollar might be the cleanest dirty shirt in the closet.

We think GDP growth in 2012 will be 0-2%. In addition, corporate profits could fall by 5%. These issues alone are worthy of hesitation in the investment markets. There will likely be upside surprises, but as the world economy deleverages, caution is still the name of the game.



What Time Is It?

Suppose you are standing on the pitcher's mound at Fenway Park at 12:00 noon. Next to you is a magic eyedropper that dispenses a drop of water every minute that doubles in size from the previous droplet. If Fenway is completely water tight, how many hours/days/weeks do you think it will be before Fenway is completely flooded? At what time would you make a run for the exits?

At 12:44 PM, Fenway is still 97% empty. Things look pretty good. However, in the next five minutes, by 12:49 PM, Fenway is completely filled with water. Not too many would have felt the need to evacuate Fenway at 12:44 with the stadium only 3% filled with water.

There are many parallels of exponential growth in our world today. Most people have seen our debt clock. The numbers are staggering. The service on this debt is growing at an exponential rate similar to the water in Fenway. And like a family that has too much credit card debt, there is a point where paying off the principal becomes virtually impossible because of the rising interest costs. Most of the developed world is in a similar situation with regards to current debt and future liabilities that are not on the balance sheet. Deleveraging is what the world will be going through for several more years. As one of the most respected asset managers in the world, Pimco states:

The year ahead will likely be very challenging for the global economy. Growth faces several hurdles that we believe collectively will impose a sense of greater uncertainty and increased volatility on financial markets. These hurdles include the need for accelerated balance sheet deleveraging, slowly creeping but surely rising risks of financial and economic de-globalization, and the constant drum beat of re-regulation, particularly in developed country banking systems.

“The question remains, “What time is it?”

NEWS FROM REGAN INVESTMENTS

In the current economic environment, most large investment firms are cutting back the services they provide their clients. Regan Investments, is leveraging our relationships with our partners so that we can offer you the best services available.

As many of you know, in addition to our capabilities as your trusted asset manager, we also offer a range of financial planning services to our clients. Our primary partner custodian, Fidelity Investments, recently launched a new retirement evaluation tool that allows us to prepare a quick and brief projection of your ability to meet your retirement goals. For those of you who are not yet in retirement and who may be reluctant to commit to the comprehensive overall planning exercise, we can now offer an abbreviated, retirement specific analysis.

In addition, we are in the process of upgrading our client reporting system. Soon, your performance reports will offer much more detail. Also, we will be able to provide you access to our proprietary reporting website that will provide much more in-depth tools to track portfolio allocation and performance statistics. We are excited for this change because it will help our clients better understand our management style, and offer a much more valuable way to view your portfolio in real time.

Please do not hesitate to contact any of us for more detail.

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

Robert, Robert Jr, Erle, Cynthia, and Sheila