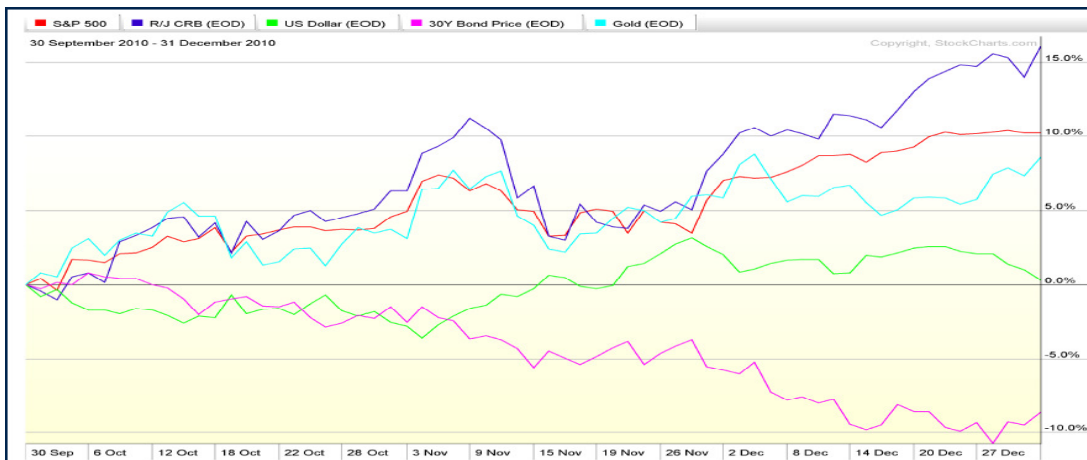


Be fearful when others are greedy and be greedy when others are fearful.

Warren Buffett

I skate to where the puck is going to be, not to where it has been.

Wayne Gretzky



<i>Composite / Index</i>	<i>Q4 %</i>	<i>YTD %</i>	<i>5 Years % Annualized</i>
Regan Macro Absolute Return*	+ 2.67	+ 4.78	+ 6.4
HFRX Macro Index	+ 1.21	- 1.73	+ 0.6
HFRX Absolute Return Index	+ 0.66	- 0.12	- 1.15
Dow Jones Industrial Average	+ 7.3	+ 11.0	+ 1.6
S&P 500	+ 10.2	+ 12.7	+ 0.1
NASDAQ	+ 12.0	+ 16.9	+ 5.7
Balanced Composite (60% Stocks & 40% Bonds)	+ 6.4	+ 13.1	+ 4.5
Gold	+ 7.5	+ 29.2	+ 22.3
Dow Jones/UBS Commodity Index	+ 18.9	+ 26.4	+ 8.9
Vanguard Prime Money Market	+ .02	+ 0.06	+ 1.8
Oil	+ 14.2	+ 15.1	+ 8.4

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.

2010 Performance

We predicted in our 2009 year-end newsletter that the S&P 500 would end 2010 between up 10% and down 10%. We joked that we were not exactly making a Nostradamus-like call. We were close, as the S&P 500 finished up 12%. Perhaps we would feel a little better had we participated more in the second half run-up. But, as the old saying goes, investing is a marathon and not a sprint. Our 3, 5, and 10 year performance well outperforms the S&P 500 over the same timeframe.

While we present many different indices for comparative purposes, we primarily have two benchmarks:

1. The HFRX Macro Index — For judging how we fare vs. managers who invest within the same macro strategy (relative performance).

And

2. CPI Index + 3 -5% — For judging how we are keeping our clients ahead of the inflation rate and growing their wealth (absolute performance). The 3-5% spread is determined by the risk free rate of return for 90 day t-bills. It is adjusted to reflect periods where the risk free rate is virtually zero like today, and other periods where there is positive return for holding cash.

The second benchmark is by far the most important, and is more difficult for the average person to conceptualize.

“The question is, can a debt crisis be solved with more debt?”

Bill Gross, PIMCO Managing Director

Rob Arnott, manager of the Pimco All Asset Fund, has long used CPI + 5% as his benchmark for his \$20 billion dollar fund. Internally, we take it one step further and try to adhere to a similar goal, but average those returns over a five year period. We prefer this longer term average as it tunes out some of the noise. It also allows us to focus on our real goal of preserving our clients money while providing growth that protects from the erosion of inflation.

How have we done? Very well, especially considering we have had one of the worst market down turns in history. The table below shows how we have performed according to our benchmarks; along with the S&P 500 over the last 5 and 10 year periods:

Composite/ Benchmark	5 Year Annual Geometric Mean Return	10 Year Annual Geometric Mean Return
Regan Macro Absolute Return	6.4 %	6.5 %
HFRX Macro Index	0.6 %	4.5 %
CPI + 3-5%	5.25 - 7.25 %	5.4 - 8.4 %
S&P 500	0.1 %	- 0.4 %

We fully understand the frustration some of our newer clients might have after we have underperformed the S&P 500 over the last year and a half. But, as you will read in the following pages, we think there is still the potential for significant losses for those that trade prudence for risk.

Our 2011 strategy looks to maintain somewhat higher stock weightings than in the past. We will look for blue chip names that offer higher dividend yields, and specific sector plays that focus on an increased inflation theme. Because we think there will be increased volatility for the stock market, we will also look to hedge our positions from time to time, as short term corrections could be significant.

Where in the World?

In Marc Faber's book *Tomorrow's Gold*, Faber depicts the global flow of funds as a large bowl perched on bamboo stilts on top of the earth with a continuous supply of fresh water being added. Elephants, at the command of their keepers, use their weight to bend the bamboo so that water spills out of the bowl into whatever region their keepers desire.

Faber's point is that as long as central bankers continuously supply the financial system with money, investors (elephants) will push money into whatever asset classes their keepers (media, analysts, strategists, politicians, and economists) instruct. As shown in the chart below, investors are moving into stock funds.

ETFs ON THE RISE			
Flows into U.S.-based funds in the fourth quarter of 2010 were dominated by ETFs, according to preliminary Lipper data:			
	Total Flows (\$B)	Equity (\$B)	Fixed-Income (\$B)
Mutual Funds	\$21.7	\$18.4	\$3.3
ETFs	\$34.3	\$36.7	-\$2.4

Source: Lipper, 1/7/2010

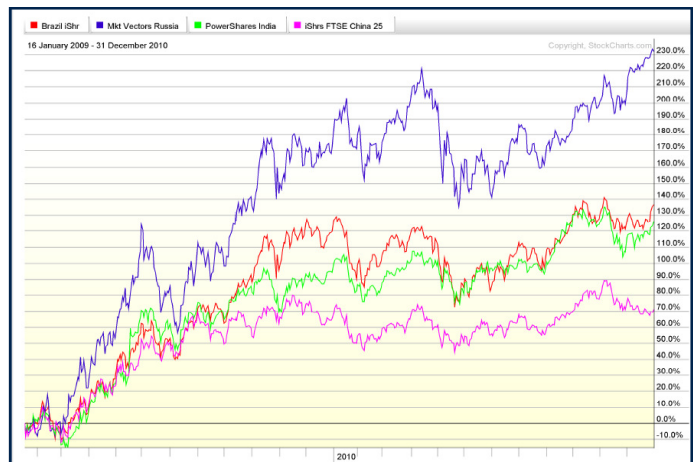
The Federal Reserve is essentially forcing investors to take on more risk as they punish savers with negative real interest rates. Considering the climate for bonds, it is hard to believe that interest yields will add as much to total performance as they have the past three years.

It's hard to justify buying a Duke Energy bond yielding 1.3% when Duke's stock yields 5.5%. But, why buy a utility stock like Duke when you can buy Apple (up 60% in 2010)? Finally, why buy Apple when you can buy Laboratorios Andromaco, a Chilean pharmaceutical company (up 100%)? Obviously, this line of thinking can continue until you are buying rare element exploration companies in Tehran.

While we are not extremely comfortable increasing our exposure in a market that has been on a constant advance for nearly two years, most of the stocks we hold have a much lower correlation to the market, and pay a healthy dividend. We are also confident in our ability to limit risk quickly.

Tomorrow's Gold

As the new year gets underway, one of the main questions we are asked has to do with our minimal investment in the emerging markets, namely, the BRIC's: Brazil, Russia, India, and China. As shown in the chart below, the BRICs have had a wonderful run over the last year.



We feel that the best long-term growth opportunities are South East Asia, Brazil, and India. As these countries continue to make leaps in education and skills training, a growing middle class will strengthen their economies.

In the short-term, we believe that emerging stock market valuations are high, and that growth in these economies will slow. We are patiently waiting for a pullback so that we can initiate our positions and will then look to gradually increase our total exposure. Our top down approach will have us looking specifically at country and sector selection first, with a bottom up overlay of individual stock analysis.

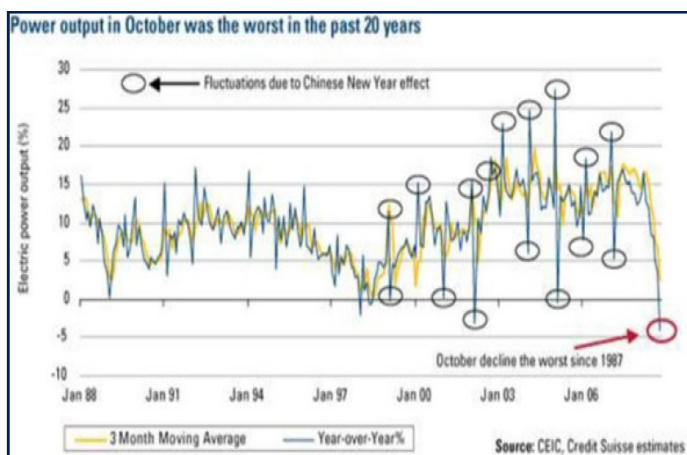
While we will probably not beat the market on the upside, we look to capture 2/3 of the return with 1/3 of the risk.

Where in the World, Cont'd. **India and Russia**

China and Eastern Asia

China is especially significant due to the dependence of other emerging economies on its continued growth. Some large problems for China include:

1. A very unsound banking system.
2. Ghost Cities — 62 million apartments and condos that haven't turned on the electricity due to speculative buyers (see chart below).
3. High inflation causing governments to tighten credit.



If China were to slow drastically, the whole global picture would change. Emerging economies would be hurt most, but the established economies would suffer greatly as well. High inflation rates alone could drastically affect wage inflation for US firms in China that are dependent on inexpensive labor. We do like some of the supporting nations in Asia. Japan looks relatively cheap, Vietnam offers significant upside, and Singapore is one of our long-term favorites.

Australia, Brazil, & Canada

These are the commodity strong countries that rely heavily on China and the US for their exports. They could be hurt in a global slowdown if the demand for oil, copper, sugar, or grains were to be affected. These might be the first areas we would look to buy after a pullback.

India is very interesting with a large, highly educated, English speaking population. They are hindered by corrupt government and business practices.

Russia has the upside of the commodity strong countries but it also has risk with regards to governmental forces. We think there are much more attractive risk/reward equations in the emerging market space.

It is clear that emerging economies have their balance sheets in much better order (see chart below). We do believe another great opportunity is likely to come in the next year or two for these markets, and we look to participate.



US & Europe

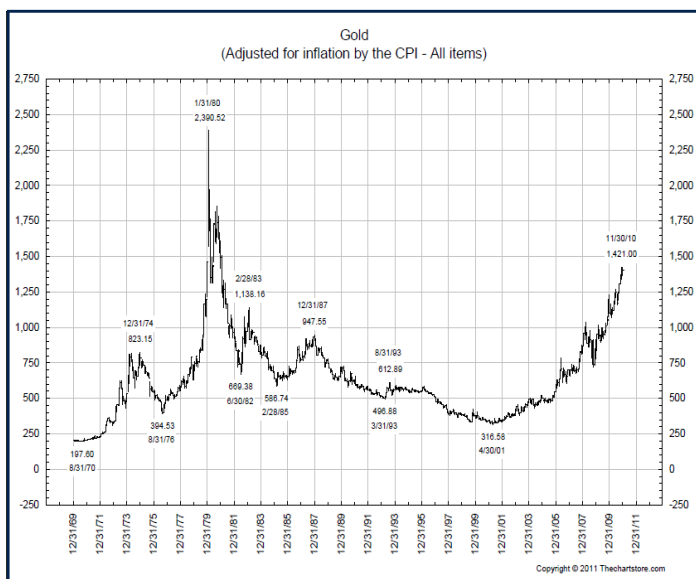
We believe that most developed countries will experience modest growth of 1-3% mainly from government stimulus. This stimulus will likely slow in the later half of 2011 and into 2012. Britain and the southern Euro zone countries could see slowdowns as cuts are made to balance budgets.

While we feel that the US offers better safe keeping of investor dollars for the time being, growth will likely slow as well. State and local budget cuts and higher taxes will be needed to repair financial deficits. Federal deficit spending will have to slow later in 2011 or the bond market will ultimately force more prudence.

Asset Classes

Gold

Everybody wants to talk about gold these days. Will it double? Is it a bubble? Paper or physical? Practical or mystical? The chart below shows gold when adjusted for inflation. While it certainly has had a nice run up over the last 10 years, it is hardly at extreme levels.



If, as George Soros claims, gold is the “mother of all bubbles,” it is conceivable that the price of gold could go higher than anyone ever imagined.

We are not making predictions here, but with global debt reaching astronomical levels and currencies being taken behind the woodshed, it is reasonable to think that a basket of currencies, gold, and other commodities might combine to form the world’s next reserve currency.

“At its 1980 peak, gold represented 3% of the market cap of global assets. Today it is 0.6%. The price has a long way to go.”

Felix Zulauf

“It is reasonable to think a basket of currencies, gold, and other commodities might combine to form the world’s next reserve currency.”

Regan Investments

Commodities

The commodity sector has done extremely well over the last year, and could take a rest. We will look to get back in to various commodity related investments (stocks, ETFs, etc). As notable hedge fund manager Jim Rogers suggests, we are looking for the commodities that have participated the least in the current advance. However, as inflation heats up in the emerging markets, foreign central bank tightening could lead to significant volatility in these markets.

Bonds

We see little value in the bond market. We still own bonds and will cherry pick certain issues from time to time, but the current outlook is unfavorable.

Corporate bonds appear the most attractive, but offer only a substitute for low cash yields. While our positions will likely remain near current levels (25%) it isn’t because we love the outcome, but rather, we are not interested in taking on more risk. Municipals, foreign, high yield, and long treasuries all add significant risk with respect to defaults and currency devaluation.

As Bill Gross notes in the current Barron’s roundtable, “We are looking at creditors receiving negative real interest rates for a long, long time. That in effect is a default.”

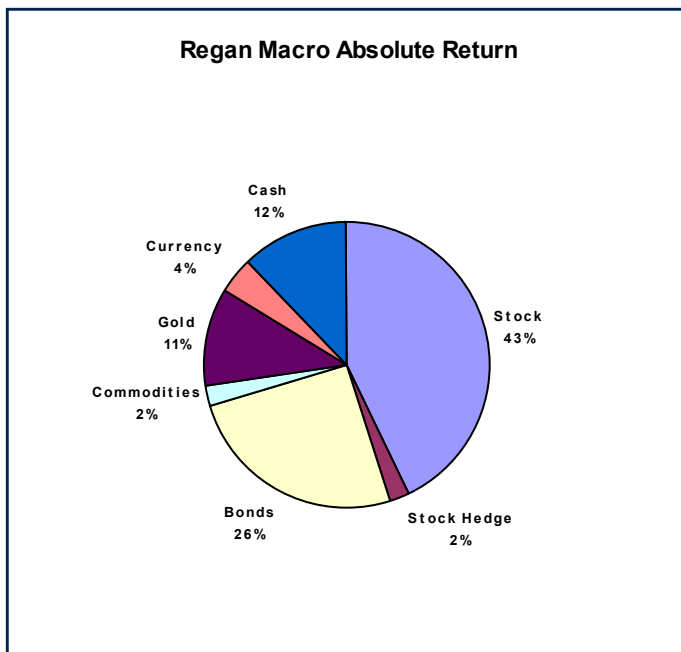
Currencies

Ultimately, the US dollar will be challenged, but in the event of a global slowdown, it is still the safest of all currencies. We favor the dollar versus most other currencies for now.

PORTFOLIO

The Macro Absolute Return Portfolio is still somewhat defensive. Our net stock position is roughly 40% (Stock - Stock Hedge). In addition, our stocks are more conservative in nature. We have various names that provide us growth opportunity (Apple, Celgene, 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 still hold a decent position in gold (6%) and gold mining stocks (6%) but our overall weighting in other more industrial commodities is very small. We tend to like the depressed commodities as a long term investment, but inflationary concerns could change our view drastically. Our goal is to buy more commodity exposure on any pullbacks.

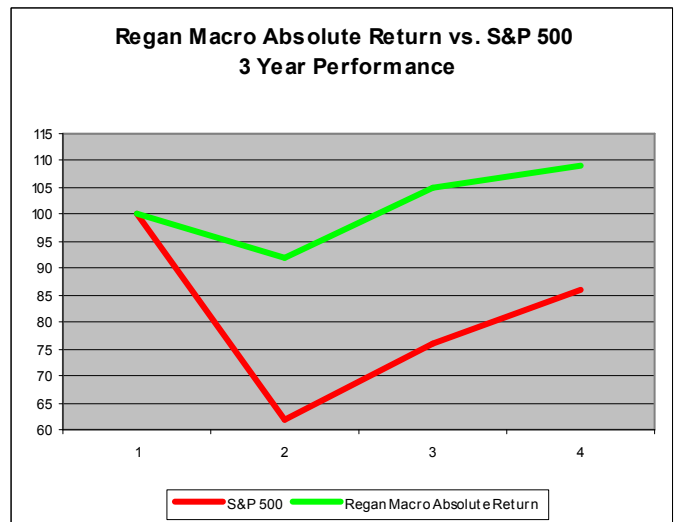


We have a healthy position in bonds (25%) that were purchased at tremendous yields. We will look to replace some of these with similar bonds, albeit, at less favorable yields as they mature. We view short term corporate bonds as the most attractive option, but mainly as a cash substitute.

Our major moves over the quarter included increasing our positions in Microsoft, Medtronic, and Xcel Energy. We also purchased Ford, Sprint and Pluristem as small speculative positions. Our top ten stocks in the Macro Absolute Return Composite are listed below:

Top Ten Stocks	Weighting
Apple	5.2%
Microsoft	4.2%
Celgene	3.5%
Medtronic	3.3%
McDonalds	3.2%
Xcel Energy	3.1%
General Mills	2.6%
Walmart	2.4%
Waste Management	2.0%
Utilities Sector ETF	2.0%

We look forward to continued opportunities in 2011. However, we continue to be watchful of a likely pullback in the markets in the first or second quarter.



Thank you again for your faith and support!
Robert, Robert Jr, Erle, and Cynthia