McCarthy Asset Management, Inc.

Registered Investment Advisor

March 1, 2006

Monthly Investment Commentary- February 2006

Stock Market Performance for February: Stocks were mixed for the month—unadjusted for dividends, the S & P 500 rose 0.1%, the Nasdaq dropped 1.1%, and the Russell 2000 fell 0.3%. REITs and bonds rose, foreign stocks were mixed, and commodities fell.

MAM Performance: For the month, MAM portfolios underperformed the S & P 500, with a composite loss of 0.4% (after all fees), versus a rise of 0.3% for the Vanguard Index 500 fund (symbol VFINX) with dividends reinvested.

The five best performing MAM mutual funds were Cohen & Steers REIT (up 2.5%), Oakmark International Small Cap (up 1.9%), iShares Dow Jones Select Dividends (up 1.6%), Nuveen High Yield Muni (up 1.4%), and Loomis Sayles Bond (up 1.2%).

The five worst performing MAM mutual funds were PIMCO Commodity (down 6.7%), Bjurman Micro Cap (-4.8%), American Growth Fund (-2.6%), Artisan Small Cap (-2.2%), and Dodge & Cox International Stock (-1.4%).

For the first two months of 2006, unadjusted for dividends, the S & P 500 rose 2.6%, the Nasdaq climbed 3.5%, and the Russell 2000 jumped 8.6%. MAM portfolios out performed the S & P 500 for these two months, with a composite return of 3.4% (after all fees), versus a rise of 2.9% for the Vanguard Index 500 fund (symbol VFINX) with dividends reinvested.

Will Housing Slowing Down the Economy? The economic data in recent months has provided mixed signals about the performance of the economy. Since last summer, overall economic growth has swung wildly, from a 4.1% annual rate in the third quarter of 2005 to 1.6% in the fourth quarter of 2005. Analyst currently project a first-quarter of 2006 pace of 5% or more. This anticipated dramatic recovery in growth is due in part to the record warm weather experienced in much of the country which benefited housing starts and retail sales.

For now, housing is the economy's only sector showing clear signs of cooling. Fourth-quarter sales of both new and existing homes fell below their third-quarter levels. This weakness is continuing in the first quarter, as indicated by the 5% drop in new home sales for January. In fact, slower sales and rising inventories in January pushed the number of unsold homes nationally up 2.5% in January to 528,000, a 5.2-month supply. That is the highest level of unsold new homes on the market in nearly a decade.

For the rest of the year, housing is likely to play a key role in how much the economy slows from what may well be an exaggerated first-quarter performance. Barring a sudden retrenchment by businesses that would sharply curtail capital spending and hiring, or an unexpected surge in interest rates that would hammer housing, the solid supports under consumer and business demand should help to keep the economy on a solid growth path.

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Corporate Earnings: Last quarter was another strong showing for corporate earnings. Through Feb 17th, 85% of companies in the Standard & Poors 500-stock index had reported profits for the quarter. Combining those results with the current earnings expectations of the remaining 15%, analysts at Thomson Financial say fourth-quarter profits are up 14.4% from a year ago. That's the 10th consecutive quarter of double-digit earnings growth, a feat that has occurred only two other times since 1950. Even excluding the windfall gains in the energy sector, earnings were still up 8.8% in a quarter when revenues were depressed by the aftereffects of the hurricanes. Earnings are sure to slow this year, as they typically do while a business upswing ages. But analysts still expect earnings growth in the high single digits for 2006.

Outlook for the Stock Market: As I said last month, stocks are reasonably priced. I am encouraged by the positive outlook for the economy and corporate earnings for 2006. I do have concerns, though. One of them is the risk that the Federal Reserve repeats its past mistake of raising interest rates too much. We are also vulnerable to further increases in energy prices, due to the unrest which is occurring in many parts of the world that are a significant source of oil.

It appears that investors' interest in the stock market is on the rise. The following is from a February 23rd article in the Wall Street titled "Individual Investors Shift Assets to Stocks". The article stated that "individual investors are moving into the stock market at a stronger clip than seen in years. The number of trades by individual investors has risen substantially at discount brokerage firms in recent months and jumped an estimated 30% to 40% in January from December. The discount firms also report that money flowing into stock mutual funds was at a near record level." The article suggested that "retail investors are being drawn to stocks partly because of weakening returns from some other investments such as real estate and bonds, which have suffered as the Federal Reserve continues to raise short-term interest rates".

I have mixed feelings about investors increasing appetite for stocks. While the shift into stocks is positive because of the increased demand, given my contrarian nature, it also concerns me: historically, investors have a poor track record with their market timing.

Net Worth Analysis- Now on the MAM Website: So far we have sent out questionnaires to the 87 clients who requested the Net Worth Analysis. We received back 42 of the questionnaires and have completed the Net Worth Analysis for 40 of the clients. Once we completed the Analysis, I mailed and emailed a copy of it, along with a letter of explanation. We have now copied the completed Net Worth Analysis to the secure Folders section of the MAM Web site for these clients. If we have completed your Analysis, here is how you can access it:

1. log into www.mamportfolios.com using your username and password.
2. go to "My Portfolios"
3. under the drop down menu go to "My Folders"
4. in the "My Folders Section" click the "+" to expand the "Household Documents"
5. select the account which has the "Client Specific Information" tab and chose either your Net Worth spreadsheet or the letter of explanation.

For those of you who have not returned your completed Questionnaire, please do so. For the others of you who are interested in the Net Worth Analysis but have yet to request it, please send me an email.

Schwab eDelivery- Part II: Schwab is now able to provide eStatements, which is the electronic delivery of your monthly statements. This is an extension of eConfirms, the delivery of confirms via email, which over 50% of our clients have signed up for. *Once you sign up for eStatements, Schwab will no longer mail your monthly statements.*

To sign up for eStatements, you need to do the following:

1. call the Schwab Alliance Service team at 1-800-515-2157, extension 4, and request a user id and password for the SchwabAlliance.com Web site.
2. the first time you log on to the Web site, you will need to select a new password.
3. to sign up for eStatements (and turn off mail delivery), hit the Account tab at the top of the home page
4. then hit the eDocuments tab on the right.
5. select "turn off mail delivery of your statements"
6. check the box "turn off paper delivery for all accounts"
7. check the box consenting to receive paperless documents and hit the "I Consent" tab.

eStatements can significantly reduce the amount of paper that you accumulate. Starting with the month you sign up, Schwab will start saving up to four years of monthly statements for you to access online (statements for the months prior to your enrollment will not be available). Schwab is also providing a financial motivation for those clients that sign up for eConfirms and eStatements: for households with assets at Schwab of less than $1 million the commission rate for individual stock and exchange traded funds will be reduced from $19.95 to $12.95. If you have questions in signing up for eStatements, call either Schwab Alliance or Billy or Marilyn in our office.

Please call or email me if you have any questions or would like to discuss your portfolio(s).

Sincerely,

Stephen P. McCarthy