McCarthy Asset Management, Inc.

Personalized Wealth Management

February 2022 Monthly Commentary

Mar. 1, 2022

Inside this issue:

Stock Market & Portfolio Performance

February 2022: U.S. and international stocks fell further in February. In addition to the impact of Federal Reserve raising short-term interest rates starting in March, the Russia invasion of Ukraine has resulted in a sharp increase in market volatility. Bond prices also slipped for the month, adding to their year-to-date declines.

	Feb 2022	YTD 2022	Description:
Without Dividends:			
S&P 500	-3.1%	-8.2%	500 Largest Public U.S. Companies
Russell 2000	1.0%	-8.8%	2000 of the smallest U.S. stocks
MSCI EAFE	-2.0%	-6.7%	international stock index
U.S. Aggr Bond	-1.1%	-3.3%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-2.0%	-6.5%	non-very conservative MAM portfolios
MAM Consrv	-1.5%	-5.0%	portfolios with 45%+ bond allocation

The returns showed above are unaudited. Past performance is not indicative of future results. Returns for McCarthy Asset Management Portfolios ("MAM Portfolios") are net of management fees and transaction costs, and reflect the reinvestment of dividends. Results represent a composite of clients using a similar investment strategy, individual results will vary.

Returns for the indices are provided solely as a general indication of current market conditions. MAM Portfolios are not invested in a style substantially similar to any index. Indices do not reflect the deduction of management fees or transaction costs or the reinvestment of dividends. Performance for the indices would be lower if these costs were reflected.

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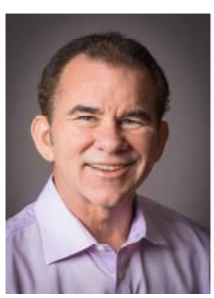

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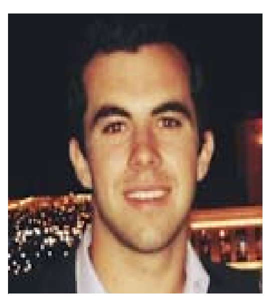

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Russia's Invasion of Ukraine– Still just a Stock Market Correction?

In our January Monthly Commentary, we said we felt the selloff in equities in January was likely just a long-overdue correction rather than the start of a bear market. Does Russia's unprovoked invasion of Ukraine on February 24th change our view?

Impact of Russia's Invasion of Ukraine: The death and destruction resulting from Putin's invasion of Ukraine is truly tragic. The United States and its allies are taking steps to punish Russia. There will be negative economic impacts from the sanctions. How may all of this impact the stock market?

- Energy prices will rise. Europe imports approximately 40% of its natural gas from Russia. It is unlikely Europe will halt Russian energy imports as the resulting sharp rise in energy prices could cause a recession in Europe. In the long run, though, European nations are likely to diversify away from their reliance on Russian energy.

- Sanctions against Russia are likely to have a very negative impact on the Russian economy. Russia's economy, though, is only the world's 11th largest, according to the International Monetary Fund. It is 1/20th the size of the U.S. and 1/15th the size of China. As such, it is not big enough by itself to significantly affect global economic growth.

- Although in the short run, inflation may climb higher due to rising energy prices, the Federal Reserve may be less aggressive in raising interest rates than they were planning prior to the invasion. This is because rising energy prices may slow the economy enough for the Fed to be cautious with its interest rate increases.

- An increase in short-term stock market volatility is a given. On the day the invasion started, the Nasdaq was down as much as 3.4% before ending the day with a 3.3% increase.

Rising Interest Rates: Investors were already dealing with the prospect of rising interest rates. Stocks often fall when bond yields rise suddenly, but usually bounce back as long as yields do not move into economically restrictive territory. Economists are predicting the yield on the 10-year Treasury will end this year at 2.0% to 2.25%. This is well below the level that could trigger a recession.

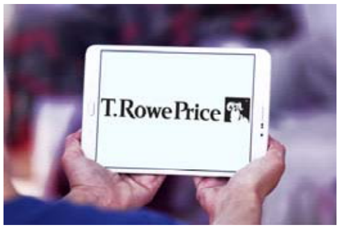
Historically, equity bear markets coincided with recessions. While corrections occur outside of recessionary periods, for stocks to go down and stay down, corporate earnings need to fall. That almost never happens unless there is a major economic downturn. In fact, the only time in the last 50 years the US stock market fell by more than 20% outside of a recessionary environment was in October of 1987. At this point, we don't see the start of a U.S. recession on the horizon.

The market was due for a correction. At the start of 2022, the S&P 500 had gone 61 straight weeks without experiencing a 6% slide, the third longest stretch over the past two decades. Stocks were ripe for a pullback. The rise in bond yields provided a catalyst for stocks to sell off. As predicted in last month's commentary, growth stocks fell the hardest, as they are most vulnerable to rising interest rates. Through February 25th, the iShares S&P 500 Growth ETF (IVW) was down 12.6% year-to-date compared to the iShares S&P 500 Value ETF (IVE) which was down only 2.5% year-to-date.

While we don't see a recession or bear market occurring in 2022, it is just a matter of time before one occurs again. If inflation does not prove to be transitional, then a wage-price spiral could set in by late 2023. In response, the Federal Reserve may feel compelled to raise rates by late 2023 or sometime in 2024 to a level that would suppress economic growth. If we feel this could occur, we are likely to take defensive steps in portfolios by the middle of 2023.

MAM Portfolios: At this point, we don't plan to make any portfolio adjustments as a result of Russia's invasion of Ukraine or the Fed raising short-term interest rates. While market volatility is likely to remain heightened for the foreseeable future, we are focused on the bigger picture. For us, that means monitoring the performance of the U.S. economy and corporate earnings. At least at this point, we expect another solid year for both.

New Share Class from T. Rowe Price



In December, Charles Schwab announced T. Rowe Price as the first and, so far, only mutual fund company selected for a new strategic relationship. Per an article from Charles Schwab, it chose T. Rowe Price for this strategic relationship because:

- Over 90% of its institutional share classes have expense ratios at or below the average Morningstar Category expense ratio for institutional share classes.
- It offers a depth of experience, with an average portfolio manager tenure of 22 years.
- 70 of their 159 institutional share class funds earned a 4-star or 5-star Overall Morningstar rating, as of 10/31/21.

We concur with Charles Schwab's very favorable view of T. Rowe Price, as approximately 18% of MAM-managed assets are invested in three of its funds. By far, this is the highest allocation we have to an actively-managed fund family.

As a result of this new strategic relationship, T. Rowe Price introduced a new share class for all of its funds that has reduced expense ratios and still qualifies for Schwab's no transaction fees. For instance, the T. Rowe Price Capital Appreciation Fund, which is our largest fund, reduced its annual operating expenses from 0.69% to 0.58% with the new share class. This new share class is only available to non-institutional investors who invest at least $1 million in the fund.

On February 17^{th} we did a mass transfer of our T. Rowe holdings across all of your portfolios to the new share class. These were all tax-free exchanges without any transaction fees. If you noticed trades being done in your portfolios on that day, this was the reason for it.

Sign Up for Schwab Alliance Today!
By Marilyn Blancarte

I want to say thank you to all of you who have already signed up for Schwab Alliance! I hope you have found it to be beneficial. For those who have not signed up, there are many benefits to having Schwab Alliance access. Here are a number of them:

- For starters, changing your mailing preferences to electronic delivery on statements, confirms, shareholder materials and even your tax documents will cut down tremendously on the amount of mail you receive each month from Schwab.
- By having access to your Schwab accounts either by mobile app or your PC, you can view, print, or email your documents on demand at your discretion.
- In addition, having the ability to eSign documents via DocuSign, change your address, update your beneficiaries, approve money transfer requests, setup a Schwab MoneyLink to your bank account, view recent activity, and much more, allows you to manage account details securely and quickly without the hassle of waiting for forms to come in the mail, return the forms and then wait for Schwab to process your request.

To get started with signing up for Schwab Alliance, please email marilyn@mamportfolios.com. I will initiate the activation email to get you started with the registration process. Alternatively, you can click here and navigate to the "New user?" link within the log in box. Schwab Alliance's dedicated 800-515-2157 number is for our clients to call if you need assistance or get locked out of your account. Unfortunately, we are not authorized to unlock your account or reset passwords. Please click here to view Schwab Alliance's brochure for additional reference, including instructions on setting up mobile access.

Sincerely,

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Our Services

McCarthy Asset Management, Inc. (MAM) is an independent, privately owned Registered Investment Advisor firm. We provide clients with the peace of mind that comes from knowing professionals are managing their financial affairs. The services we offer include:

Investment Management Services:

- **MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.**

Financial Planning Services:

- **The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.**
- **"Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.**
- **Social Security Planning is an analysis of the best strategy for when and how to start claiming Social Security benefits.**

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- **Tax Return Preparation**
- **Income Tax Projections**
- **Tax Minimization Ideas**
- **Tax Authority Representation**

Other Services: MAM has retained outside experts, whose services are available at no cost to our clients:

- **Long Term Care Planning– Allen Hamm of Superior LTC Planning Services, Inc.**
- **Medicare Advisory Program (MAP) - Eileen Hamm**

Reminders/Updates

ADV Part II: You were provided a copy of our ADV Part II when you became a MAM client. As a Registered Investment Advisor, we file this document with the Securities and Exchange Commission. Along with other items, it contains information regarding our fees and our educational backgrounds. Each year, the SEC requires us to offer clients the opportunity to receive a copy of our most recent ADV Part II. **Please let us know if you would like to receive a copy.**