

## February 2020 Monthly Commentary

Mar. 1, 2020

### Stock Market & Portfolio Performance

#### Inside this issue:

Market & Portfolio Performance **1**

Financial Impact of the Coronavirus **2**

Dimensional Fund Advisors **3**

Our Services **4**

**February 2020:** U.S. and international stocks experienced a sharp sell off starting on February 20th due to rising concerns about the negative economic impact from the coronavirus that originated in Wuhan, China. Bonds rose as yields fell to near record lows.

	Feb 2020	YTD 2020	Description:
Without Dividends:			
S&P 500	-8.4%	-8.6%	500 Largest Public U.S. Companies
Russell 2000	-8.6%	-11.5%	2000 of the smallest U.S. stocks
MSCI EAFE	-6.3%	-8.3%	international stock index
U.S. Aggr Bond	1.4%	3.0%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-5.3%	-6.0%	non-very conservative MAM portfolios
MAM Conserv	-3.7%	-4.1%	portfolios with 50%+ 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.*

#### Advisor Team

#### McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155  
Redwood Shores, CA 94065  
USA



**STEVE MCCARTHY**  
CPA, CFP®,  
Owner and Principal  
650 610-9540 x 303  
[steve@mamportfolios.com](mailto:steve@mamportfolios.com)



**LAUREE MURPHY, CFP®, EA**  
Financial Planner  
Tax Specialist  
650 610-9540 x 304  
[lauree@mamportfolios.com](mailto:lauree@mamportfolios.com)

**ANTHONY BERTOLACCI, EA**  
Director of Compliance  
Tax Accountant  
650 610-9540 x 302  
[anthony@mamportfolios.com](mailto:anthony@mamportfolios.com)

**MARILYN BLANCARTE, PACE**  
Executive Assistant  
650 610-9540 x 305  
[marilyn@mamportfolios.com](mailto:marilyn@mamportfolios.com)



## Dimensional Fund Advisors

Dimensional Fund Advisors (DFA) is a large money manager and mutual fund company that was founded in 1981. Although the firm manages over \$600 billion in assets, many investors have not heard of them. One of the reasons for this exclusivity is that the firm only wants patient investors that will stay invested for the long-term. As such, DFA does not market or offer its funds directly to individual investors. Instead its funds are only available through fee-only financial advisors who have attended the Company's two-day introductory workshop in Santa Monica and been approved by the firm.



A few years ago, I attended the two-day DFA workshop. I was very impressed by the quality of the information provided and the knowledge of the numerous speakers who presented. Dimensional is an academically-based investment firm. It was founded by David G. Booth and Rex Sinquefeld, both graduates of the University of Chicago Booth School of Business. The Company's board of directors and academic consultants include Eugene Fama, Myron Scholes, and Robert C. Merton, all of whom won the Noble Prize for economics. Most of the presentations at the workshop were very academically-oriented. Two of the speakers were famed economists Eugene Fama and Kenneth French, whose research forms the foundation of Dimensional's philosophy.

The core philosophy includes these beliefs:

- *Passive investing is superior to active investing.* Active investing is a "zero sum game" where the return of all active investors is equal to the return of the market minus the fees that active managers charge. It is very difficult to distinguish luck from skill and therefore, it is nearly impossible to identify active managers that will consistently beat the market. Instead, Dimensional focuses on identifying where returns come from, and building portfolios that capture these higher returns.
- *Market timing is futile.* As the famous annual DALBAR study shows, the average mutual fund investor dramatically underperforms the stock market averages. Much of this underperformance can probably be explained by poor market-timing moves by investors (for instance those that cashed out late in 2008 or early in 2009 and missed the subsequent 200% run-up in the market).
- *DFA utilizes enhanced indexing to design portfolios and limit trading costs.* These enhancements often allow them to slightly outperform index funds. Meanwhile, Dimensional funds have very low operating expenses, well below the expense level of actively managed funds.

**MAM Comments:** We started utilizing DFA funds in MAM portfolios in November of 2018. We have been pleased with the performance of their funds and look forward to continuing to utilize them in portfolios.

For additional information about Dimensional, please visit their website at [www.us.dimensional.com](http://www.us.dimensional.com)

Sincerely,

*Stephen P McCarthy, CPA, CFP®*,

## McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155  
Redwood Shores, CA 94065  
USA

Phone: 650-610-9540  
Fax: 610-9541  
E-mail: Steve@mamportfolios.com



## 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.**



Discover the difference with a  
Registered Investment Advisor.