

McCarthy Asset Management, Inc.

Registered Investment Advisor
Certified Public Accountant
Certified Financial Planner

January 4, 2005

Dear MAM Client:

I hope that you and your loved ones had wonderful Holidays. December is quarter-end, so I am keeping this month's Commentary very short. We will be sending out quarterly reports by the end of the week. In the report, I will discuss both the performance of the market and MAM portfolios for 2004, as well as my outlook for 2005. In case you don't want to wait, I have already uploaded year-end values and performance of the portfolios to the MAM Web site (www.mamportfolios.com) for clients with assets over \$150,000.

December Performance: The stock market continued its winning ways in December. For the month, the S & P 500 rose 3.2%, the Nasdaq climbed 3.7%, and the Russell 2000 rose 2.8%.

2004 Performance: The stock market performed well for 2004. Unadjusted for dividends, the S & P 500 rose 8.8%, the Nasdaq Composite climbed 8.6%, and the Russell 2000 jumped 16.0%. Adding in a 2.1% dividend yield, the return on the S & P 500 was 10.9% for the year. MAM portfolios performed well relative to the S & P 500 with 89% of the portfolios exceeding the performance of the S & P 500. The composite return of assets managed in MAM portfolios was 12.1% (after MAM fees).

Estimated Tax Payments: For those of you who pay estimated tax payments, I want to remind you that the due date for the fourth quarter payments is January 18, 2005.

Office Move: The move to the new office is tentatively scheduled for Wednesday, January 12th. The new address is 3 Lagoon Dr., Suite 155, Redwood Shores, CA 94065. The new phone number will be 650-610-9540 and the fax number will be 650-610-9541.

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

Sincerely,

Steve McCarthy, CPA
McCarthy Asset Management, Inc.
Registered Investment Advisor