

McCarthy Asset Management, Inc.

Registered Investment Advisor

Oct 4, 2010

Dear MAM Client,

I am keeping this month's Commentary short because September is quarter-end. This week we will be mailing out your quarterly report. In the quarterly letter I will provide an economic update and discuss the wisdom of investing with the crowds. I also will comment on the historical stock market performance during the fourth quarter of mid-term elections (i.e. the current quarter) and the third year of a presidential term (i.e. 2011). Finally, I provide a tax planning recommendation related to the possible expiration of the Bush tax cuts.

Third Quarter Performance: The stock market had a very strong third quarter of 2010. *Unadjusted for dividends*, the S & P 500 rose 10.7%, the Nasdaq climbed 12.3%, the Russell 2000 rose 11.0%, and the international equity index MSCI EAFE rose 6.3%. For the quarter, 1% of MAM portfolios that were invested for the whole quarter had performance that equaled or exceeded that of the S & P 500. Excluding the "very conservative" portfolios, the composite return of assets in MAM portfolios was a rise of 8.5% (after MAM fees), versus a rise of 11.3% for the Vanguard Index 500 Fund (symbol VFINX) with dividends reinvested. The quarter's composite return for assets in the "very conservative" portfolios was a gain of 4.1%.

Year-to-Date Performance: For the first nine months of 2010, unadjusted for dividends, the S & P 500 rose 2.3%, the Nasdaq climbed 4.4%, the Russell 2000 jumped 8.1%, and the international equity index MSCI EAFE slipped 0.8%. For the year-to-date, 91% of MAM portfolios that were in existence for the whole period had performance that equaled or exceeded that of the S & P 500. Excluding the "very conservative" portfolios, the composite return of assets in MAM portfolios was a rise of 4.7% (after fees), versus a rise of 3.8% for the Vanguard Index 500 Fund (symbol VFINX) with dividends reinvested. The year-to-date composite return for assets in the "very conservative" portfolios was a gain of 6.5%.

Long-Term Care Webinar Recording: We have added to the MAM website (see the bottom link on the left of each page) a link to a webinar recording from Allen Hamm of Superior LTC Planning Services, Inc. The webinar provides an introduction to the long-term care planning services that are now available to MAM clients. Here is an additional link to the webinar:

<http://www.superiorltc.com/modules/FP%20Webinars/McCarthy%20Asset%20Management%204/player.html>

Portfolio Performance Uploaded to MAM Website: Yesterday you should have received an email that we uploaded to your Vault section of www.mamportfolios.com the September 2010 month-end values and performance for your portfolio(s).

Please let me know if you have any questions or comments.

Steve McCarthy, CPA, CFP