

McCarthy Asset Management, Inc.

Registered Investment Advisor

October 4, 2011

Dear MAM Client,

Since September is quarter-end, I am keeping this month's Commentary short. During the next couple of days we will be mailing your quarterly report. The quarterly letter will include:

- The New Format for Reporting that is Being Introduced this Quarter
- Economic Outlook- Is a Double-Dip Recession Likely?
- Explanation of the European Debt Crisis
- Stock Market Outlook
- Mortgage Rates at Historical Lows

Third Quarter Performance: For the third quarter of 2011, the stock market experienced the worst three months since 2008. *Unadjusted for dividends*, the S & P 500 fell 14.4%, the Nasdaq dropped 12.9%, the Russell 2000 plunged 22.1%, and the international equity index MSCI EAFE dropped 19.6%. Bonds, as represented by the Barclays U.S. Aggregate Index, rose 3.8% for the quarter. *Excluding the "very conservative" portfolios, the composite return of assets in MAM portfolios was a loss of 10.3% (after MAM fees) versus a drop of 13.9% 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 loss of 4.1%.*

Year-to-Date Performance: For the first nine months of 2011, unadjusted for dividends, the S & P 500 fell 10.0%, the Nasdaq dropped 9.0%, the Russell 2000 fell 17.8%, and the international equity index MSCI EAFE dropped 17.2%. Bonds, as represented by the Barclays U.S. Aggregate Index, rose 6.7% for the nine months. *Excluding the "very conservative" portfolios, the composite return of assets in MAM portfolios was a loss of 6.2% (after fees) versus a loss of 8.8% 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 loss of 1.0%.*

MAM In-House Seminar: Alexey is putting together the first client seminar that we will hold in our office. The title of the seminar will be "If The Sky Was Falling, Would I Be Ok?". Since our conference room can hold only 10 to 12 people, we may offer more than one session. The seminar will be free and will last approximately one hour. Please let me know if you would be interested in attending and what time of day or early evening would be best for you. Once we put together a schedule, we will let you know the specific dates and times.

We have already uploaded to the client Vault section of www.mamportfolios.com the September 2011 month-end values and performance for portfolios.

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

Steve McCarthy, CPA, CFP®