

August 2025 Monthly Commentary

Sept. 2, 2025

Stock Market & Portfolio Performance

August 2025: U.S. stocks, led by small-caps, posted strong returns for the month. International stocks also rose. Bond prices rose modestly with the Federal Reserve now expected to lower short-term rates after their September meeting.

		Aug '25	YTD '25	Description:
Without Dividends:				
	S&P 500	1.9%	9.8%	500 Largest Public U.S. Companies
	Russell 2000	7.0%	6.1%	2000 of the smallest U.S. stocks
	MSCI EAFE	4.1%	20.4%	international stock index
	U.S. Aggr Bond	1.2%	5.0%	index of U.S. bonds
With Dividends, after all fees:				
	MAM portfolios	2.0%	7.9%	non-very conservative MAM portfolios
	MAM Consrv	1.7%	6.9%	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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Two months ago, we wrote about how international equities have outperformed U.S. equities this year. This month, we are focusing on European equities and how they have become appealing relative to U.S. equities. Valuations remain historically cheap. Furthermore, while growth in Europe may be slowing in the near term, the longer-term outlook is improving, driven by accommodative monetary policy and increased fiscal spending, particularly in Germany.

**Cheap Valuations:** Since 2007, European equities have underperformed U.S. stocks by 220%. As a result, European stocks are historically inexpensive. The 12-month forward price-earnings ratio for the Euro Area MSCI Index was recently at 14.2, compared with 22.8 for the U.S. index. That's a 38% discount.

**Fiscal Stimulus:** In 2008, the Global Financial Crisis (GFC) and the Debt Sovereign Crisis led to a decade of fiscal austerity in Europe. European countries engaged in aggressive fiscal cuts after the GFC. In contrast, the U.S. opted for near record fiscal stimulus to boost economic growth.

A succession of crises in recent years—the pandemic, war in Ukraine, energy crisis, and more recently, the trade tensions with the U.S., has highlighted the need for more fiscal spending, both at the country and European Union level. This is now starting to happen. European governments are injecting 150 billion euros (\$175 billion) into defense, infrastructure and A.I., and 500 billion euros (\$585 billion) into a German infrastructure fund.

**Private-Sector Deleveraging is Done:** Europe's prolonged private-sector deleveraging has been another major impediment to growth and a drag on European equities. Today, the private sector is faring much better. The sector's debt load has fallen from a peak of 110% of GDP to 95%, the lowest in 17 years. Households and corporations have excess liquidity, and debt service ratios are healthier in Europe than in the U.S., with France being the exception. Similarly, European banks have significantly improved their balance sheets. Non-performing loans are no longer a threat, capital and liquidity ratios are robust, and profitability has improved.

**The U.S. Dollar May Have Entered a Multi-Year Bear Market:** The U.S. dollar is down 12% versus the euro since the start of 2025. Structural reforms, deeper integration within the European Union, and improved capital markets, strengthen the euro's long-term appeal. Meanwhile, expectations for Federal Reserve interest rate cuts could put downward pressure on the dollar. In addition, political actions—including attacks on institutions like the Bureau of Labor Statistics and the Federal Reserve have rattled investor confidence in the U.S. dollar.

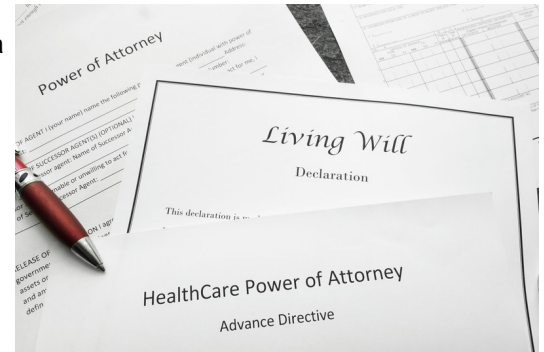
**MAM View:** MAM portfolios primary exposure to European equities is through Goldman Sachs GQG International Opportunities (GSIMX), which recently had 57% of its assets in European equities, and Vanguard Total International Stock (VXUS), which recently had 42% of its assets in European equities. We are considering increasing the European equity exposure in portfolios during the next semi-annual repositioning.

# Spring Into Action— Estate Planning Documents

## By Robert J. Silverman, Esq.

Spring is recognized as a time for renewal and growth; a time to be hopeful and take on new tasks. In that spirit, if you have not yet established a comprehensive, meaningful estate plan for you and your loved ones (or updated an older plan), you will feel good about springing into action!

My staff and I are pleased to direct colleagues, prospective clients and others to our “Estate Planning Primer” and other robust reference material on our website. But, sometimes people prefer to read something “short and sweet”. So, this month, I thought it would be useful to write about the basics - to present a concise outline of core estate planning documents, including what they accomplish and why they’re important.



### I Essential Documents:

1. Durable Power of Attorney: You nominate someone who will be responsible for your financial affairs if you become unable to manage your own finances. Becoming incapacitated without one can result in problematic delays in attending to crucial financial matters. Moreover, an expensive, inconvenient and potentially contentious court conservatorship proceeding might need to be initiated. Moreover, someone you may not want to handle your finances could be appointed to do so.

2. Advance Health Care Directive: You nominate a person you trust to have legal authority to manage your health care matters, as guided by your stated wishes, if you become incapacitated. Without one: a court conservatorship proceeding could become necessary; a court-appointed health care decision maker (potentially not the person you’d want) would make critical health care decisions on your behalf; and your health care wishes may not be known or followed.

3. Will: You nominate a personal representative (Executor) to oversee your estate matters; you specify who will inherit your assets; and you can nominate a guardian for minor children. If, upon your death, you have no valid Will, the personal representative and the beneficiaries entitled to inherit your estate will be determined by rigid statutory (Probate Code) state rules; and such legally entitled persons may be painfully contrary to your wishes. Further, if you die owning more than a relatively low threshold of assets (without beneficiary designations or “payable on death” designations on file), a Probate – long, tedious, expensive court proceeding – will be required to settle your estate.



### II Cornerstone Document:

Revocable Living Trust (“Trust”): For many readers, especially those of you who own a home and/or other real estate, this fourth core document is nearly always recommended as the cornerstone. A Trust serves primarily as a “Will substitute”, offering many advantages over a simple Will. You designate a trustee (Trust “manager”) and successor trustees; set forth standards under which the successor trustee is to manage your Trust assets during your life (e.g. if you become incapacitated or you’re elderly and want to transition management to a loved one); and insert provisions for when you’re gone that control your assets for your loved ones, including any who may be minors, young adults or disabled. The most widely promoted benefit of a Trust is that, if substantially all of your assets are titled in your Trust upon your death, your estate will be exempt from Probate.

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**III Advanced Planning:** In addition to core estate planning, individuals with a net worth of approximately \$5 Million or more (married couples with approx.. \$10 Million or more) should at least begin to explore “advanced planning” - tax efficient succession planning. The upcoming national election and the “sunset” of the current Estate/Gift Tax law at the end of 2025 could render advanced planning profoundly beneficial for many more people than it has in the recent past.

**MAM Update:** *The 2025 Tax Act raised the Estate/Gift Tax exemption to \$15 Million starting in 2026.*

**Estate Planning \* Trust Administration & Probate \* Real Estate \* Business**

**Please contact the author to request a complimentary: i) “Estate Planning Primer”; ii) Real Estate titling brochure; iii) introductory meeting.**

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***This article is intended to provide information of a general nature, and should not be relied upon as legal, tax and/ or business advice. Readers should obtain specific advice from their own, qualified professional advisors.***

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## The Importance of Accessing Your Estate Documents During Difficult Times

*Last month, Marilyn emailed this article to clients who have not yet uploaded their estate documents to their MAM portal. We are including this article in our August Monthly Commentary as a reminder to these clients. In addition, we want to remind other clients to consider whether their estate planning documents should be updated.*

In moments of personal difficulty or crisis, having your estate documents easily accessible can make an enormous difference. Whether it's a medical emergency, a sudden change in circumstances, or the loss of a loved one, having your estate plan organized and on hand ensures that your wishes are clearly understood and followed, and that your family is not burdened with uncertainty during an already stressful time.



We strongly recommend that you:

- Upload your current estate documents to your MAM portal for safekeeping.
- Keep physical and digital copies of your estate documents in a secure but accessible location. Your MAM portal is the perfect place to ensure that your documents are accessible when needed.
- Inform trusted family members or your designated agents where these documents are kept.
- Review your estate plan regularly to ensure it still reflects your current wishes.

If you need assistance creating or reviewing your trust and other estate documents, please let us know, and we can recommend an estate attorney. We're here to help guide you through these important steps and provide peace of mind for you and your family.

Sincerely,

*Steve McCarthy*

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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 are able to utilize the income tax services provided through either the firm Stephen P. McCarthy, CPA or from the CPA firm of Lauren Be. 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

- Estimated Tax Payments: Third quarter 2025 estimated payments are due on September 15th.



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