McCarthy Asset Management, Inc.
Personalized Wealth Management

February 2026 Monthly Commentary

March 2, 2026

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Stock Market & Portfolio Performance

February 2026: Stock prices were relatively flat for the month. As with January, value stocks outperformed growth stocks and small cap stocks outperformed large cap stocks. International stocks posted strong gains due in part to a further decline in the U.S. dollar. Bonds prices posted solid returns due to a decline in the 10-Year Treasury bonds.

	Feb '26	YTD 2026	Description:
Without Dividends:			
S&P 500	-0.9%	0.5%	500 Largest Public U.S. Companies
Russell 2000	0.7%	6.0%	2000 of the smallest U.S. stocks
MSCI EAFE	4.5%	9.9%	international stock index
U.S. Aggr Bond	1.6%	1.9%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	1.3%	2.9%	non-very conservative MAM portfolios
MAM Consrv	1.3%	2.7%	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.

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

RYAN McCARTHY,
CPA®, CFP®
Financial Planner
650 610-9540
ryan@mamportfolios.com

MARILYN BLANCARTE
Executive Assistant/
Office Manager
650 610-9540 x 305
marilyn@mamportfolios.com

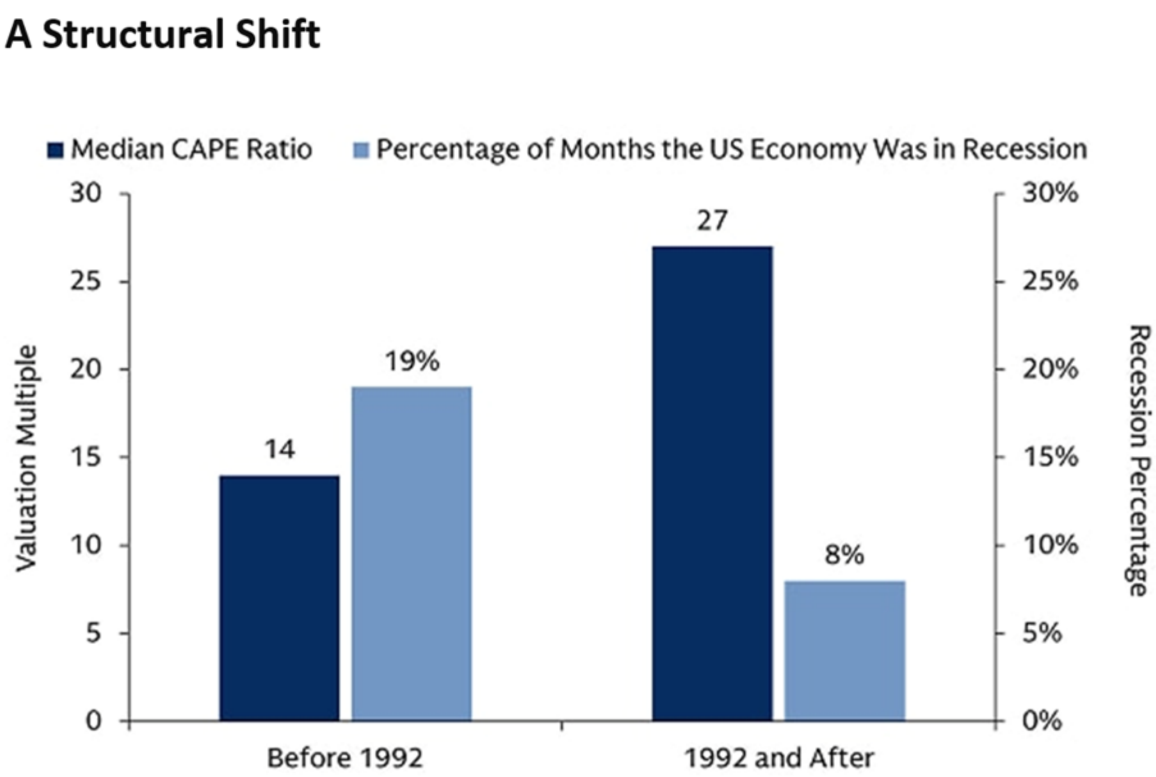
U.S. Recessions Have Become Less Frequent

Recessions are a feature of U.S. economic cycles. In the history of the U.S., they have occurred with regularity, usually after periods of excess within the economy or bad economic policy. Fortunately, as shown in the chart below, they have been less frequent in recent years.

Definition of a Recession: In the U.S., a recession isn't officially defined by "two consecutive quarters of negative Gross Domestic Product," which is often assumed to be the case. The official designator of recessions is the National Bureau of Economic Research (NBER). To determine if the economy is in a recession, it looks at a range of indicators such as employment, income, industrial production, and consumer spending. When economic activity contracts broadly and meaningfully for more than a few months, the NBER declares a recession.

Why Are Recessions Important for Investors? Typically, bear markets start just before a recession starts. Bear markets are defined as a 20% decline in stock market prices. The two most recent bear markets were the Dot-Com Bust in 2001 and the Financial Crisis of 2007 – 2009, both of which occurred during recessions with the S&P 500 index falling 50%.

How Frequently Do Recessions Occur? Since World War II, the U.S. has experienced 12 recessions. This works out to one recession every 6 to 7 years. Importantly, recessions have become much less common. In the 1950s to 1980s, recessions occurred every 3 to 5 years. Since 1990, recessions have become much less frequent. This can be seen in the Goldman Sachs table:



Source: Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management. As of January 5, 2026. Chart shows the median CAPE ratio for the S&P 500 as well as the percentage of months the US economy was in a recession before and after 1992. Chart is based on data since 1945. A recession is defined as a period of significant decline in economic activity that is spread throughout the economy and lasts for a few months. For Illustrative Purposes Only. 'We' refers to Goldman Sachs Asset Management.

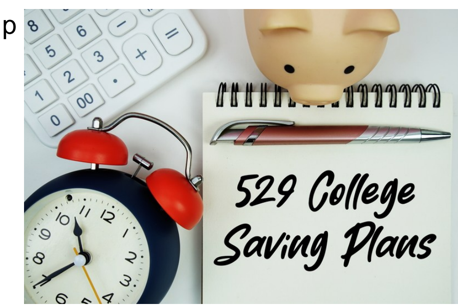
U.S. Recessions Have Become Less Frequent– Con't

The chart shows that before 1992 the U.S. economy was in a recession for 19% of the months. Since then, the U.S. economy was in a recession only 8% of the months. Economic growth has likely become less volatile because today the economy is dominated by services (about 70% of GDP) including healthcare, technology, finance, education and professional services. Services are less cyclical than heavy manufacturing, which used to play a much greater role in the U.S. economy.

This may also explain why stock prices are historically high. The chart above shows the CAPE ratio before 1992 averaged "14," while it has averaged "27" since then. The CAPE ratio is defined as "stock prices divided by average annual earnings over the last 10 years." The higher the ratio, the more expensive stock prices are relative to corporate earnings.

MAM Comments: As discussed in last month's Monthly Commentary article, "Markets Have Rewarded Discipline," there is often economic and geopolitical "noise" that can cause short-term fluctuations in stock prices. At MAM, we try to block out much of this "noise" and instead focus on how the U.S. economy is performing. We will become more cautious with portfolio positioning if we feel a recession is approaching. As discussed above, it is encouraging to know that recessions have become less frequent in recent years.

Why a 529 Plan Might Make Sense for You
By Ryan McCarthy



A 529 plan is a special type of tax-advantaged investment account designed to help families save for future education expenses. These plans can be used by parents, grandparents, and others to pay for a child's college or other qualified schooling expenses.

Tax Treatment: One of the biggest advantages of a 529 plan is its tax benefits. Contributions are made with after-tax dollars, but the money in the account grows tax-free. When withdrawals are used for qualified education expenses, those withdrawals are also tax-free. In addition, some states may also offer a state tax deduction or credit for contributions.

Why are 529 plans beneficial? 529 plans can be a powerful savings tool because they combine long-term investment growth with tax advantages. Over time, this can help families build an impactful education fund. They are also flexible, as account owners maintain control of the funds.

Who might a 529 plan apply to? Parents wanting to save for college in a tax-advantaged way or grandparents looking to leave a meaningful gift are the most common account owners. However, even families who aren't sure about college plans yet may find them useful because of their flexibility and long-term growth potential.

What costs are considered qualified expenses?

1. College costs. This includes tuition, books, supplies, and room and board (if the student is enrolled at least half-time).

2. K–12 tuition. 529 plans can be used for up to **$10,000 per year** per student for tuition at public, private, or religious elementary and secondary schools.

3. Trade schools. Expenses for eligible technical schools or career training programs also qualify.

4. Apprenticeship programs. Costs related to registered apprenticeship programs, such as fees, books, and required equipment, may be covered.

5. Student loan repayment. Up to **$10,000 lifetime** per beneficiary can be used to pay down qualified student loans.

Why a 529 Plan Might Make Sense for You
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What happens to unused funds? Any funds that are not used in a 529 account are not automatically wasted. There are several options for unused funds.

1. Change the beneficiary. The account owner can transfer the plan to another qualified family member, such as a sibling, cousin, grandchild, or even a parent.

2. Keep the money for future use. There is no federal time limit on when the funds must be used, so the account can stay open in case the beneficiary decides to pursue education later.

3. Withdraw the money (non-qualified withdrawal). If the money is withdrawn for non-education purposes, the earnings portion of the withdrawal will generally be subject to income tax and a 10% penalty. The original contributions are not taxed again since they were made with after-tax dollars.

4. Roll over to a Roth IRA. This is a new option, as under recent rules, some unused 529 funds (up to $35,000 per beneficiary) can be rolled into a Roth IRA for the beneficiary, subject to certain limits and requirements. This can be a helpful alternative if the student doesn't need the funds for school.

MAM Comments: In summary, a 529 plan is a flexible and tax-advantaged way to save for education, offering families a powerful tool to prepare for rising school costs while allowing investments to grow tax-free when used for qualified expenses. Beyond the immediate benefits, these plans provide valuable peace of mind because unused funds don't have to be wasted—you can change the beneficiary, hold the account for future education, or even explore newer options like rolling funds into a Roth IRA. Overall, a 529 plan is not only a smart strategy for supporting a child's educational future, but also a versatile financial resource that can adapt as life and goals change.

Sincerely,

Steve P. McCarthy

Stephen P. McCarthy, CPA, CFP®,

Sincerely,

Ryan S. McCarthy

Ryan S. 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

MAM

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

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.**