

Heritage Capital, LLC News Release

For Immediate Release

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Stock Market On The Death March!

Says Paul Schatz Of Heritage Capital

WOODBIDGE, CT – January 13, 2005 – The stock market’s performance in late December, early January has laid to rest any hopes that the bull market is quietly resting, says Paul Schatz, founder and president of Heritage Capital, LLC, a registered investment advisory firm based in Woodbridge, CT. Schatz advises investors to lighten up on their equity holdings, using any rallies over the next few days to lock in gains and move to the sidelines.

“2005 is going to be a troublesome year for the market. Our best case scenario is a repeat of 2004 with the first half down a little bit or unchanged. In our worst case scenario, the market will drop significantly in 2005,” said Schatz. “This is absolutely not the year that you buy a fund or some stocks and come back a year later expecting to have made money.”

The market decline in the first week of 2005 sets a negative tone for the remainder of the year, regardless of forecasts to the contrary, maintains Schatz. “The Russell 2000 index put in its worst showing in more than 15 years, dropping 6% in the first week of trading. That’s weaker than 2001 and 2000, which were horrific years for the market. We also had one of the weakest advance/decline lines that I’ve ever seen for the first five days of the year.”

Schatz also believes sentiment is at a bullish extreme, another danger sign. “Investors are way too complacent. People think the market is fine. But I see almost no hope of a big rally anytime soon. This year is going to be about keeping what you have earned and trying to make a few dollars.”

Capital preservation is a key aspect of Heritage Capital’s investment approaches, Schatz said. In 2004, the firm’s Exchange-Traded Funds program experienced the greatest gains increasing 5-6% after fees. Heritage’s sector fund program was essentially even net of fees; the firm’s bond, gold and asset allocation programs lost slightly.

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“The bull market will be back. When that happens, we want our clients positioned to profit from the up move” said Schatz. “That means conserving assets when markets are uncertain so the funds are there to make money in good times.”

For now, Schatz says there are very few areas he is willing to invest in. Sectors that are not economically sensitive, such as pharmaceuticals and food stocks appear to have the most promise. Many stocks in these industries have been decimated in recent months, creating low-risk value plays. He suggests aggressive investors might consider shorting technology sectors such as semi-conductor stocks, which have been trading poorly with terrible fundamentals.

2004’s gold and bond rallies look to be over and those asset classes are likely to remain in trading ranges for some while, according to Schatz. Despite the Federal Reserve raising short-term interest rates, long-term rates are continuing to decline, pointing to an absence of real inflation. As for the declining dollar, Schatz says it’s irrelevant in terms of the stock market. “The dollar always gets a lot of play in the media, but for the life of me, I can’t figure out why. If you go back and look at 1992-1993, the dollar was pummeled to almost the same levels as today with no effect on the market.”

With that said, Schatz advises investors to take all forecasts of the market with a grain of salt.

“Forecasts are great fun to make, but when it comes to investing, you have to take the data as it comes and make your investment decisions based on what is actually happening. Right now, indicators point to further declines in the market. Next month could be a different story. The main principle of successful investing is to control your risk. It’s a lot harder to make up losses than most people realize,” he said.

Heritage Capital LLC is a registered investment advisory firm that utilizes an active management approach in its investment strategies. Active management seeks to take advantage of market cycles to position portfolios in rising asset classes and avoid declining investment classes by following market trends. Schatz has been active in the financial markets for more than 15 years, including positions as chief investment officer for a regional advisory firm and equities trader with Shearson Lehman Brothers and Cowen & Company.

Heritage Capital offices are located at 1 Bradley Road, Suite 202 in Woodbridge, CT.

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