

Heritage Capital, LLC

News Release

For Immediate Release

For further information, contact:
Paul Schatz, Founder and President
Heritage Capital, LLC
(203) 389-3553
Paul@InvestForTomorrow.com

Big Decline On Horizon... Long Is Wrong For 1st Quarter!

Says Heritage Capital's Paul Schatz

WOODBIDGE, CT – January 17, 2007 – 2007 should be a significantly up year for investors, especially after the first quarter, but gains won't come easily, says investment strategist Paul Schatz, President of Heritage Capital in Woodbridge, CT. Volatility is going to be the operative word, starting this month, he maintains.

“On Friday, January 12, both of our stock market models turned negative. That's only happened eight times in the last 17 years. On six of those occasions the market saw significantly lower prices, calling the major tops in 1990, 1998 and 2001” said Schatz. “The remaining two times saw little weakness before the models turned positive.”

“My advice to investors for the near term is to do no buying until we see definitive weakness followed by a reversal, and be very careful on positions that have excess appreciation right now. What goes up the most typically goes down the most.”

Heritage Capital's models last turned negative together on May 10, 2006, pre-shadowing the market's drop through mid-June. Whether or not the market slips into a decline this time could depend on corporate earnings reports, which began this week. Schatz is expecting less positive forecasts for 2007 from businesses and maintains the market has yet to feel the real impact of the collapsing housing market.

“With that said, if we don't see a significant decline within the next week and a half, we will move back into equities,” he said. “It doesn't pay to fight the trend. Markets can go up a lot longer than you might think justify.”

According to Schatz, the real surprise of 2006 was the lack of any pullback in the rally that started in July. With the exception of years such as 1995, the market rarely stays vertical for as long as it did in 2006.

“I think there's zero probability that we won't have some big moves in the market this year,” he said.

Years ending in “7” have a history of wild times. 1957 and 1967 both saw double digit declines in the second half of the year. 1977 was essentially a straight down year. 1987 is well remembered for the October 19th market drop. 1997 saw a -10% decline by April and the largest single day point decline in history at that point in October before rallying through year end.

Pullbacks in the market can be good news for investors who take an active approach to protect gains in market declines and move back into fully invested positions when the market turns up, said Schatz. “A decline now could set the market up for a tremendous rally through the summer. If you can limit your losses, there’s more opportunity for gains.”

For 2006, Heritage Capital reported significant gains in 10 of its 11 strategies. Heritage’s Tiger Intermediate-Term Strategy, which takes a broad view of the market investing across market caps, reported an annual gain 19.78%, net of all fees. It was followed by the Heritage Sector Program, which recouped a loss in the 3rd quarter to return 15.43% for the year. Heritage’s Tiger Short-Term NASDAQ program gained 13.4% for the year, followed by its Blue Chip 500 program at 5.6%.

Returns from other strategies were Bond Program – up 7.88%; Asset Allocation – up 4.44%; Gold – up 4.23%; and Select 30, based on the Dow Jones Industrials – up 3.14%. The firm’s only loss for the year occurred in its Tech 100 Program, which fell -10.7% for the year. Returns are all net of fees.

“We were disappointed with the returns of the Select 30, Blue Chip 500 and Tech 100 programs,” said Schatz. “None of the three programs had the year they should have had. There were too many trades, too many whipsaws. As a result, we took the best of those strategies and combined them with the Tiger Intermediate strategy effective January 1, 2007. We look forward to reporting the results of the realigned programs as the year progresses.”

Heritage Capital follows an active investment approach in all of its models, shifting investment positions to take advantage of trends developing in the market, or to avoid periods of greater risk. Client accounts are typically allocated among the different strategies based on the individual’s risk profile.

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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