

Heritage Capital, LLC

News Release

For Immediate Release

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Being Nimble In Sectors Is The Secret To Making Money In This Market! Says Paul Schatz Of Heritage Capital

WOODBIDGE, CT – April 13, 2006 – The first quarter of 2006 was one of the quietest periods in the U.S. financial markets in some time, with both the S&P 500 Index and the Nasdaq Composite making their moves in the first week and a half and then drifting for the remainder of the quarter. “Volatility contractions,” warns Paul Schatz, “always lead to volatility expansions. The quieter it is now, the wilder it will get. The \$64 billion question is when.”

The S&P 500 had a respectable gain of 3.73% for the first quarter and the Nasdaq 100 was up 4.23%, but the quarter was by no means one where a rising market raises all ships, said Schatz, founder and president of Heritage Capital, Inc., a registered investment advisory firm based in Woodbridge, CT. “Those returns came from a small number of sectors that reported outstanding gains, offsetting losses in other areas. That’s why many investors with broadly diversified portfolios experienced a rather disappointing quarter.”

According to Schatz, a correction of 10% or greater is overdue, but he sees little sign of the current rally ending before early summer. “The longer we go without a correction, the worse it will be,” says Schatz, “But while there is some weakness in the market, I expect this rally to continue on into summer with the cracks appearing in the third quarter.”

Heritage Capital reported its best performance for the quarter ended March 31, 2006 from the firm’s Sector Strategy, which led with 7.22% net of fees for the quarter. The sector performance was followed by Heritage’s Sentiment strategy with 3.78%; the Spectrum asset allocation strategy at 2.16%; Tiger Intermediate strategy at 1.64%; the Heritage Blue Chip 500 strategy with 1.47%, and the Short-term Nasdaq strategy at 1.12%. The firm’s Select 30 strategy, which trades the Dow Industrials, was flat for the quarter while the Heritage Tech 100 was down by 0.14%. Returns are net of all fees.

“Because our strategies are actively managed, the more volatile the market, generally the better we do,” said Schatz. “With the market trading in a very tight range with a couple of brief spurts, it really took a

sector focus to outperform the indices.”

Schatz sees considerable opportunities ahead for investors who are nimble and willing to play the sectors. The catch is the nimble requirement. Sectors are considerably more volatile than the broad market indices, he explained. “Sectors can turn on a dime. It’s like musical chairs. You don’t want to be left without a chair when the music ends.”

Sector trading requires a defined set of rules as to when you get in and out, he explained. The most important rule is when to get out. Investors need to use stop losses and move them up as a position appreciates to preserve those gains. Schatz uses Google as an example of a stock that had a tremendous run, moving from \$300 to almost \$480, only to be back at \$340 a couple months later. “You have to have a strategy in place to protect your gains. Otherwise it’s too hard to make money.”

Schatz’s advice for investors in the second quarter includes:

- Buy weakness every time you see it in energy. Big picture bullish outlook remains unchanged since May 2004. Crude oil should see \$80 and \$100 this year with gasoline more than \$4.00.
- Move stop losses up and protect your gains in metals, but don’t increase your positions.
- If you own transports, the same advice applies. Enjoy your gains but don’t throw more money in right now.
- Look for strength in the semi-conductors, and financial sectors. In a normal, healthy bull market environment, these sectors will lead a rally.
- Risk in the market will be peaking in the summer.

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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