

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

Opportunities Abound... Trading Is The Key! Says Paul Schatz Of Heritage Capital

WOODBIDGE, CT – July 14, 2005 – The first half of 2005 took a toll on buy-and-hold investors with the NASDAQ Composite down -5.45% and the S&P 500 Index off by -1.7%, but that doesn't mean there weren't profits to be had, says Paul Schatz, president of Heritage Capital, LLC a Woodbridge, CT-based investment management firm.

“Net of fees, our **Heritage Technology 100** program, based on the NASDAQ 100, was up 7% in the second quarter, giving us a 11.36% return year to date,” said Schatz. “Naturally there's a catch. We actively trade the technology index using exchange-traded funds, e-mini futures and mutual funds that allow us to profit whether the index is going up or down. Technology was particularly volatile for the period which meant more opportunities to be on the right side of the market.”

If investors are to profit in today's uncertain markets, active management is essential, Schatz maintains. “The 1990s gave investors the impression that all they had to do to make money was to buy a good fund or stock and sit back,” he explained. “But if you look at the history of the stock market, there are long periods when the market as a whole declines or goes sideways. In fact, the stock market only trends about 25% of the time. If you are going to make money during those non-trending periods, you have to trade.”

While investors are becoming more and more frustrated with not making money, they are still making the same mistake Schatz has seen over the last four years – holding on to former high flyers waiting for them to go back up again.

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“It’s a rarity when high flyers that have been taken out and shot regain leadership,” said Schatz. “It’s like waiting for snow in the Caribbean. But we see it all the time. My advice, when in doubt... get out and move on. The Lucent, Oracles and Suns may recover to some extent, but there are plenty of better places to invest your money.”

Schatz recommends that investors look for strong sectors that are gaining value and use stops to protect their gains. For those fortunate enough to have gains in today’s leading sectors, including defense, homebuilding and energy, he says don’t sell but move your stops up.

“A 13-month rally in the bond market signifies economic problems by the end of the year,” he explained. “The Fed is fighting the wrong battle. It’s not inflation but deflation and an economic slowdown we have to worry about.”

Crude oil is going to \$80-100 per barrel, adding to the strains on the market and keeping it range bound through the third quarter, Schatz believes.

There are still positives, however, that can create trading opportunities, according to Schatz. “Mid-caps and small-caps are breaking out to new all time highs and leadership is shifting back to the semiconductors and some technology areas. We are also seeing more money coming into the market creating liquidity. From a sentiment point of view, investors are not overly optimistic and that’s good news for the market.”

Schatz expects the market to remain range-bound through the third quarter and then develop a definitive trend in the fourth quarter. Whether that trend is up or down is going to depend on how the current quarter closes. “If the market is at the top of the range at quarter end, I would expect the market to head down for the fourth quarter. If it’s at the bottom of the range, the fourth quarter could be very strong,” Schatz said.

Heritage’s active management programs all reported profits for the first half of 2005 and very respectable returns for the second quarter. Heritage Technology 100, which led performance for the period, was followed by the firm’s **Sector program** – up .88% for the quarter and 8.78% YTD; **Heritage Blue Chip 500** – up .01% for the quarter and 5.71% YTD; **Heritage Select 30** – down .76% for the quarter but up 5.27% YTD; **Heritage Spectrum**, which combines four strategies in one – up 2.40% for the quarter and 2.74% YTD; **Heritage Stable Income** – up 3.10% for the quarter and 1.74% YTD and **Heritage’s Gold** trading program, up .07% for the quarter and .86% YTD. Performance numbers are net of all fees and transaction costs.

“Our goal is to make money every year,” said Schatz. “That means trading favorable risk/reward ratios and looking at investments as trading vehicles, not stocks we fall in love with and refuse to sell while we wait for the long-term payoff. It’s a lot harder work than sitting back and waiting for the market to recover, but it has paid off handsomely for our clients.”

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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