

Heritage Capital, LLC

News Release

For Immediate Release

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Lackluster Summer Returns & Crude Oil At \$100 Equal Investor Misery, Says Paul Schatz of Heritage Capital

WOODBIDGE, CT – July 14, 2006 - Frustrated by the lack of gains in your portfolio for the second quarter of 2006 along with sky high energy prices? Investment strategist Paul Schatz, president of Heritage Capital in Woodbridge, CT., says investors will be looking at much the same for the next two months or more.

“The stock market will go a bit lower right now, followed by a rally, another decline and more rally towards the end of the summer. When all is said and done, we should see a slightly higher market by the end of the quarter, but nothing sensational. Investors with diversified portfolios are going to find it very hard to make money,” said Schatz.

That doesn't mean there hasn't been money to be made in equities, he says. It's just that buy-and-hold investing doesn't work in sideways markets.

“Our sector program returned 12.19% net of fees for the second quarter, bring year-to-date returns for the program to 21%,” said Schatz. “It made a lot of money from April 1 until May 11. On the 11th, for the first time since the bull market launched in 2003, all of our models went negative and we sold 100% of our equity positions. Without that timely warning, we would have given back all of our gains and then some, like many of the mutual funds and hedge funds did.”

In comparison to Heritage's sector strategy, which gained 12.17%, the S&P 500 Index lost -1.9% for the quarter, while the NASDAQ Composite was down -7.17%. According to Schatz, Heritage Capital's other investment programs did well for the quarter with the exception of the firm's Tech 100 and Select 30 programs, which trade the NASDAQ 100 stocks and Dow 30 stocks. Heritage Tech 100 was down -3.09%, while the Select 30 gave back -4.00% net of fees for the quarter. Heritage Spectrum, with its small weighing of sector funds, gained 2.51%. The Heritage Tiger Intermediate-Term program was up 2.35%. The Heritage Blue Chip 500, based on the S&P 500, was down 1.27%. Returns are net of all fees.

“Being successful in volatile and sideways markets, like we have today, requires an active approach to investing. Strong groups stay strong until they are not,” Schatz explained. “It's that simple. You get on a trend and stay with the trend until it turns against you. Then you sell fast.”

Heritage's sector programs are currently invested in energy services, precious metals, basic materials, transports and telecom. "The oddity is finding both energy and transports moving up at the same time. Typically these sectors are inversely correlated," he explained. "But airline, rail and truck stocks are ignoring higher energy prices and continuing to gain value. It's a classic example of not trying to outsmart the trend."

Schatz cautions investors that sector investments are among the most volatile investment classes and have the potential to reverse course very quickly. Without full time management and stop losses in place to prevent excessive losses, sector investing can be very hazardous to a portfolio with bad months and bad quarters quickly eating away gains and principal.

"I can't tell you how many clients ended up with us because they tried sector rotation on their own as a hobby and blew up their portfolio. Investing and trading needs to be treated with respect. If people do not have the time, they should hire a professional investment advisor or invest in an index strategy and accept the mediocre returns," Schatz explained.

On the energy front, Schatz remains steadfast in his bullish forecast for crude oil and unleaded gas. "I haven't altered my upside targets at all since I came out with them in 2004. People laughed at the \$50 price for 2004 and then chuckled when I called for \$60 in 2005. No one said much in January when I reaffirmed \$80 for the summer, and \$100 is still what I see for late 2006," Schatz boldly stated.

"It's going to be even uglier when gas hits \$4 and maybe \$5 at the pumps. No one will be immune. This is one forecast I hope I am dead wrong about."

Looking forward, Schatz anticipates a painful fall for investors with the potential for a major downturn in late September through early November. "After Labor Day, I think the market will start to unravel. Markets don't like uncertainty and the mid-term elections are a giant wildcard. Investors are also going to realize the Federal Reserve is not done raising rates, and there's always the energy issue. The top is not in yet for crude oil."

Schatz' recommendation for investors is to have tight stop losses in place. "Too often investors are worried about missing gains by moving out of positions too soon, but in this market the greater risk is losing principal. We haven't finished the market's downside move yet," 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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