

# Heritage Capital, LLC

## News Release

For Immediate Release

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### **One More Decline On Tap Before Stocks Rally Into Year End, Cautions Paul Schatz of Heritage Capital**

WOODBIDGE, CT – Oct 11, 2007 – Look for one more decline in the stock market by the end of November, warns investment strategist Paul Schatz, President of Heritage Capital in Woodbridge, CT. Schatz is tactically repositioning many of his portfolios as stocks work to top shortly before rolling over a bottom before rallying into year end. "We are looking for a short lived and sharp correction to shake out of the weak holders," he explains.

"Recent gains have been made with woefully pathetic volume and sentiment is getting on the frothy side," said Schatz. "The market needs that pause to refresh, while scaring out some of the dumb money before we see any significant year-end rally." Schatz maintains sector longs in energy and materials, but the index positions are a different story with a lot less risk.

"We're going to see two opportunities in the fourth quarter for gains - one on the short side and one on the long side. I'm not ready to short the market today, but I'm also not leaving client portfolios exposed too much. There's too much risk with too little to gain for now."

Heritage's Gold program has been its best performing year to date with a 17.89% gain net of fees through the end of September, although the last quarter saw a small 1.68% gain. The firm's flagship Rydex sector program was up 6.07% in the third quarter to a reach a year-to-date gain of 16.42%. Heritage's short-term Nasdaq strategy is up 12.27% year to date, gaining just 1.77% in the third quarter, while the Heritage asset allocation program has a gain of 10.07% for the first nine months of the year, trailed by the firm's diversified growth index strategy at 7.84 year-to-date.

"The only program we have right now that is still 100% long is our Sentiment strategy, which had a nice gain of 4.26% net of fees for the third quarter to bring it to 11.88% year-to-date," explained Schatz. "But this is a much longer term trading system, which correlates to our expectation for a strong year-end close."

The main regret Schatz has for the third quarter was the Federal Reserve's decision to cut the Fed Funds rate by 0.5%. "That is the one reason the Dow is going to 16,000 next year. The message the Fed sent was that people can and should continue to leverage up their investments and take on as much risk as possible. 'Don't worry if it gets bad, we will bail you out again.' Cutting rates

- more -

that abruptly will cause an asset bubble," he maintains. "I shouldn't complain. It's helping my business. The markets are in a great position for a year end rally, but it was the wrong decision long term."

Looking forward, Schatz expects gold to top the \$800 mark before year end with possibly \$1000 in the first half of next year. That view is based on his belief that the Fed rate cuts will prove inflationary and very good for gold short term. He recommends investors buy any pull backs into the \$700 range.

In equities, Schatz favors large cap over small cap and growth over value. On the sector side utilities, large cap pharmaceuticals, energy and materials look most appealing. His advice to investors is to use any meaningful weakness to add to their portfolios.

After launching two new strategies in July, Developed Markets and Emerging Markets to take advantage of the tremendous opportunities in the international markets, Schatz stayed busy over the summer by finishing up a long research project on the bond market. This resulted in Heritage formally launching its long/short High Yield Bond program on October 1.

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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**Please Note:** **Past performance** may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It **should not** be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

**For reasons including** variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

**In the event** that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

**Information pertaining** to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. **Performance results** have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.