

Heritage Capital, LLC

News Release

For Immediate Release

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Tremendous Bottom In The Making!

Says Paul Schatz Of Heritage Capital

WOODBIDGE, CT – October 17, 2005 – October will be the turning point, yet again, for investors as the market works its way to a final bottom for the year, followed by nice rally to close 2005, says Paul Schatz, President of Heritage Capital, LLC., a Woodbridge, CT-based investment management firm.

“The market reached a low, will try to recover this week, only to fall again before the stage is set for two very good months in November and December,” he explained. Behind Schatz’s positive outlook are four factors:

- The last two months of the year are seasonally a great time for stocks, especially when tax related selling is out of the way.
- Overwhelming bearish psychology is building up that sellers are being run out of the market.
- From a technical perspective, price, volume, and advance/decline data are all at or approaching levels that are seen only at significant bottoms.
- Earnings season will be better than expected, on balance, when factoring in forecasts.

“Since January of ’04, the market has been in a giant trading range with respect to the indices. While frustrating for investors, it’s really healthy for the market because it allowed digestion. Once we bottom in the next couple of weeks, I believe we will be on our way to highs for the year in all the indices,” he explained.

One caution, according to Schatz, is that key sectors that have led so far this year will not be the leaders for the remainder of the year. Schatz looks for technology stocks to perform well with semiconductors moving to lead the market. Bank stocks should becoming back to life as the perception that the Federal Reserve is going to stop raising interest rates spreads, and pharmaceuticals should offer a greater risk reward premium.

“I am still bullish on crude oil but I would be very wary of energy stocks that have had big runups,” he said. “The best case for oil is that we have reached a new equilibrium with crude trading between \$55 and \$65 per barrel. But I think we are going to see \$80 per barrel crude sometime next year. I hope I’m wrong because it will be a tremendous tax on the economy, but I don’t think I am.”

Heritage Capital’s top performing investment strategy for the third quarter was the **Relative Strength Sector Program**, which reported a huge gain of 15.5% for the three-month period and 25.41% year-to-date, net of all fees. “Two-thirds of our sector portfolio has been in energy and energy services, which obviously has done phenomenally well,” said Schatz. “But that is the whole premise of the program. We want to always be invested in the best performing sectors.”

The **Heritage Select 30** and **Heritage Stable Income** programs were essentially unchanged for the quarter, while the **Heritage Blue Chip 500** gained 0.16% and **Heritage’s Gold** trading program gained 0.16%. **Heritage’s Spectrum Program** – which combines four strategies in one – gained almost 3% for the quarter. The **Heritage Technology 100**, which led the firm’s performance in the second quarter, was down 7.35% in the third quarter. Performance numbers are net of all fees and transaction costs.

“All programs remain positive for the year and are soundly trouncing the indices year to date,” said Schatz. “I continue to say and believe absolutely that you cannot just buy index funds, hold on and achieve anything in the way of decent performance. The exception is a runaway bull market, in which case I am right behind you. But runaway bull markets are just a fraction the full market cycle. You have to have an investment approach with the potential to give you a steady 1% per month. That means being willing to actively manage your portfolio.”

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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