

Brochure

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Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Thomas J. Herzfeld Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 305-271-1900 and/or info@herzfeld.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Thomas J. Herzfeld Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Thomas J. Herzfeld Advisors, Inc. is a registered investment adviser with the SEC. This registration does not imply a certain level of skill or training.

Item 2: Material Changes

None.

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Item 4: Advisory Business

Thomas J. Herzfeld Advisors, Inc. is a registered investment advisor specializing in two areas:

- closed-end funds
- investments in the Caribbean Basin (through the firm's HERZFELD/CUBA division)

Ownership Structure

The firm was established in 1984. The principal owner is Thomas J. Herzfeld who currently owns 100% of the voting stock of the firm. On November 30, 2012 the firm amended its articles of incorporation to authorize two classes of capital stock, namely voting and non-voting common stock, both of which have no par value. As a result of the recapitalization there are currently 1,000 shares of voting common stock and 99,000 shares of non-voting common stock authorized, issued and outstanding, respectively. In addition, in December 2012, Thomas J. Herzfeld, the former sole shareholder gifted 70,000 shares of non-voting common stock to certain family members, who are also employees of the firm, while he retained all of the voting common stock (1,000 shares) and 29,000 shares of the non-voting common stock.

Advisory Services

Generally, investment advice offered by the firm is limited to the investment strategies described above. However, occasionally, at the request of the client, the firm will monitor other investments/investment strategies than those listed above, placed with brokers or other advisers. Additionally, in unique situations where a client with a substantially large account (over \$10 million) requests that the firm does so, the firm may invest the client in other investments/investment strategies than those listed above, for diversification purposes.

Services are tailored to each client's investment objectives and risk tolerance. Clients may request to be included in a closed-end fund Managed (Composite) Portfolio program.

The Managed (Composite) Portfolio programs are:

- Herzfeld Balanced & Flexible Composite (includes option open only to RBC clients)
- Herzfeld Fixed Income Composite
- Herzfeld Foreign Equity & Fixed Income Composite
- Herzfeld U.S. Equity Composite
- Herzfeld Tax-Exempt Composite
- Herzfeld Special Situations Composite
- Herzfeld Preferred Composite

If a client wishes to impose a specific restriction on investment in certain securities or types of securities, we request that those instructions be submitted to the firm in writing at the time the account is opened or subsequently if the client wishes to add a new restriction. Clients should discuss any such changes with a portfolio manager to clarify how a particular restriction may impact or impair portfolio management.

Discretionary account management is offered on a fee basis. As of December 31, 2017, assets under management totaled approximately \$361,486,000. As of December 31, 2017 the amount of client assets managed on a discretionary basis totaled approximately \$335,458,000.

Item 5: Fees and Compensation

For retail and most institutional clients, investment advisory fees range between 0.75% - 2% (negotiable) per annum of the market value of the assets in the account at the close of each calendar quarter. For large institutional accounts, including investment company products such as mutual funds, fees range between 0.50% to 2% (negotiable) per annum of the value of the client's assets under management, billed quarterly in arrears. All advisory fee invoices are sent following the end of each calendar quarter. Relationships with several of the custodians used by the firm are structured so that fees are deducted

from clients' assets after receiving written consent from clients. Clients may request that fees not be automatically deducted and, depending on which custodian is used, the firm seeks to accommodate their requests. All investment advisory contracts provide for termination upon written request by the client.

In addition to advisory fees, the brokerage firms used to execute client transactions charge either commissions or a wrap fee. If a separate custodian is used, that custodian may also charge a fee. Clients with investment companies in their portfolios (for instance closed-end funds and mutual funds) effectively pay us and the mutual fund advisor for the management of their investment because investment companies pay fees to their advisors and such fees are therefore indirectly charged to all holders of the investment companies' shares. Clients who place investment company securities under our management are therefore subject to both our direct advisory fee and the indirect advisory fee of the investment company advisor. Please see Item 12, Brokerage Practices, for more information.

We may trade on margin for clients' accounts which could result in a high portfolio turnover ratio. This happens infrequently. Furthermore, there are inherent risks associated with this style of management.

Item 6: Not Applicable

Item 7: Type of Clients

Thomas J. Herzfeld Advisors, Inc. provides services to several types of clients including: individuals, investment companies, trusts, corporations and various types of retirement accounts.

The current suggested minimum account size is \$500,000 for retail clients and \$1,000,000 for institutional clients.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Thomas J. Herzfeld Advisors, Inc. uses an active management approach to take advantage of both short- and long-term investment opportunities in closed-end funds. We believe that continuous trading and rotation of the portfolio, rather than using a buy and hold method, improves the risk/reward relationship, increasing allocations to cash when investment opportunities temporarily diminish. Flexibility is the key in identifying market dislocations and for taking advantage of seasonal trading strategies.

Our basic closed-end fund investment strategy identifies funds for purchase based on excessive or unusually wide discounts to net asset value and which we believe have a favorable possibility of appreciation. Discounts are evaluated and measured relative to the entire universe of closed-end funds, similar funds and the individual fund's historical discount and trading patterns. A similar analysis identifies funds that are overvalued and/or should be considered for sale.

Once a fund is identified for potential purchase or sale via quantitative discount-based analysis, approximately twenty other factors are analyzed, i.e., volatility, liquidity, yield, financial ratios, potential for dissident activity, portfolio earnings assessments, leverage, etc.

Caribbean Basin securities are evaluated based upon fundamental and technical analysis. In some cases, the analysis includes assessment of whether the company will benefit if there is an easing or a lifting of the U.S. embargo against Cuba.

Please note that all investment in securities involves the potential risk of loss. Active trading can impact investment performance after factoring brokerage commissions, other transaction costs and taxes. Closed-end funds trade on the securities exchanges and are subject to some of the same risks associated with trading equity securities, including market fluctuation. Closed-end funds can trade at discounts to their underlying portfolio net asset values and are subject to the risk of discount widening. Investment in Caribbean Basin securities involves risk of investment on foreign exchanges and, in some cases, currency risk.

Item 9: Disciplinary Information

Thomas J. Herzfeld Advisors, Inc. has no disciplinary information to report.

Item 10: Other Financial Industry Activities and Affiliations

Thomas J. Herzfeld Advisors, Inc. (through its HERZFELD/CUBA division) is the investment advisor to The Herzfeld Caribbean Basin Fund, Inc. (CUBA), a closed-end fund listed on the NASDAQ Capital Market.

Beginning in September of 2012, Thomas J. Herzfeld Advisors, Inc. entered into an agreement with Virtus Investment Partners, Inc. whereby Thomas J. Herzfeld Advisors, Inc. serves as subadvisor to an open-end fund of closed-end funds, The Virtus Herzfeld Fund.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Thomas J. Herzfeld Advisors, Inc. maintains a Code of Ethics ("Code") which is based on the principle that the directors and officers of the Company owe a fiduciary duty to its clients.

The Code includes descriptions of prohibited transactions, exempted transactions, as well as compliance procedures. The Code requires that access persons and investment personnel complete initial and annual reports to the Chief Compliance Officer, and that access persons complete quarterly reports. Access persons, excluding independent directors, are also required to have duplicate copies of confirmations and statements from any brokerage accounts maintained by the person, sent to the Chief Compliance Officer on a timely basis.

The Code requires access persons to notify the Chief Compliance Officer of any personal conflict of interest relationship. In addition, it includes procedures used to report violations of the Code and includes a requirement to annually report any issues, material violations, recommended changes, and a certification that procedures are in place to prevent access persons from violating the Code.

Officers of Thomas J. Herzfeld Advisors, Inc. may, and do, have accounts to trade closed-end funds. Procedures are in place to ensure that clients receive the same average price or a better price than employees of the firm if purchases or sales are made on the same day. The Code requires that employees of the firm that do not participate in the Managed Account Programs get pre-clearance from the Chief Compliance Officer before they purchase or sell any securities the firm may consider for investment by clients for their personal account(s). Additionally, the Code imposes a 30 day holding period rule for covered accounts of employees that buy or sell closed-end funds.

The Code of Ethics is provided to clients upon request.

Item 12: Brokerage Practices

Clients may request that a specific broker be used to execute transactions, for their account, however, Thomas J. Herzfeld Advisors, Inc. limits the number of relationships it maintains with brokers and may ask a client to select from a list of approved brokers.

Brokers are selected based on various criteria which may include the ability to offer a competitive commission rate, the broker has referred clients to the firm for advisory services, as well as other considerations such as maintaining all the client's accounts in one location for convenience, etc. Thomas J. Herzfeld Advisors, Inc. has set up a prime brokerage agreement with Charles Schwab.

Thomas J. Herzfeld Advisors, Inc. seeks to obtain best execution when placing orders with a broker for the purchase and sale of securities. Best execution generally is understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. The firm takes into account factors

such as price, commission, size of order, difficulty of execution, and skill required of the broker. The capability and financial condition of the broker may also be relevant criteria for the choice of that broker.

The firm currently does not have soft dollar relationships and does not receive research services as a result of commissions paid to broker-dealers.

Brokerage Client Referrals

If a broker refers a client to Thomas J. Herzfeld Advisors, Inc. for advisory services, brokerage transactions for that client are generally directed to the referring broker and the client's account is maintained at that broker. The commission cost associated with the relationship is considered, but is not the overriding factor in determining which broker will be recommended.

Directed Brokerage

The firm generally recommends that new clients referred by a specific broker maintain their account with that broker in an already established relationship. If the client asks for recommendations, the firm provides a list of brokers with which we currently maintain a relationship or give a specific recommendation after discussion with the client of such considerations as commission rates, online access requirements, level of broker involvement desired, etc. Note that by directing brokerage we may be unable to achieve the most favorable execution of client transactions, which may result in a higher cost to the client. This may occur, for example, because we are unable to aggregate orders to reduce transactions costs, or the client may receive a less favorable execution price.

Whenever possible or practical, we seek to aggregate orders to achieve better executions or more favorable transactions costs.

Item 13: Review of Accounts

Accounts are reviewed on an ongoing basis but at least quarterly by the portfolio managers, Thomas J. Herzfeld, Erik M. Herzfeld, and Ryan Paylor.

Clients are notified each time a transaction occurs for their account. Clients are accommodated as to the nature and frequency of reports as they indicate when accounts are opened, or from time to time.

Item 14: Client Referrals and Other Compensation

Thomas J. Herzfeld Advisors, Inc. is available for consulting assignments.

Arrangements may be made whereby third parties are compensated based on a percentage of fees paid to the advisor for referring clients.

Item 15: Custody

Securities are generally held through the custody relationship associated with the broker used to execute transactions, or, in the case of some institutional clients, by a custodian designated by the client. In the case of Delivery Versus Payment (DVP) accounts, a different custodian than the broker may be specified by the client.

Thomas J. Herzfeld Advisors, Inc. does not maintain custody of securities.

Item 16: Investment Discretion

Client accounts are managed on a discretionary basis which is limited to making investment decisions to buy and sell securities and this arrangement is described in the investment advisory agreement. When the firm, at the request of the client, monitors investments other than closed-end funds and Caribbean

Basin securities (generally placed with brokers or other advisers), the firm does so on a non-discretionary basis.

Item 17: Voting Client Securities

The firm has adopted Proxy Voting Policies and Procedures for our discretionary clients under which it votes proxies on behalf of clients unless such clients have chosen to vote their proxies themselves by notifying us of this decision when the account is opened. When voting proxies, our utmost concern is that all decisions be made in the best interest of our clients.

Fund of fund accounts may be required to “mirror vote.” For these clients, the firm directs a third party to vote such securities in the same proportion as other shareholders to satisfy regulatory requirements.

The firm’s policies and procedures address which employees are responsible for ensuring that proxies received are voted in a timely manner and that consistent action is taken across all portfolios. The policies also address conflicts of interest which may arise and set voting guidelines, although allowance is made to deviate from such guidelines. The policies also dictate record keeping requirements. Clients may obtain information on how their securities were voted, or copies of the Company’s Proxy Voting Policies and Procedures, by requesting this information from the firm at 305-271-1900.

Item 18: Financial Information

Not applicable.

Brochure Supplement

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Form ADV Part 2B

March 28, 2018

This brochure supplement provides information about certain Thomas J. Herzfeld Advisors, Inc. employees listed below that supplements the Thomas J. Herzfeld Advisors, Inc. brochure you should also have received. If you did not receive Thomas J. Herzfeld Advisors Inc.'s brochure or if you have any questions about the contents of this brochure supplement, please contact us at 305-271-1900 and/or info@herzfeld.com. The information in this brochure supplement has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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Thomas J. Herzfeld (Mr. T. Herzfeld), born 1945

Education

LHD, University of Philadelphia, 2008

BS, University of Philadelphia, 1966

Business Background

1984 – Present, Chairman and Portfolio Manager, Thomas J. Herzfeld Advisors, Inc.

1984 – 2016, President, Thomas J. Herzfeld Advisors, Inc.

1981 - 2010, Chairman and President, Thomas J. Herzfeld & Co. Inc. (a broker/dealer)

1970, formed a New York Stock Exchange member firm

Disciplinary Information

None.

Other Business Activity

Chairman of the Board of Directors of The Herzfeld Caribbean Basin Fund, Inc.

Additional Compensation

None.

Supervision

Mr. T. Herzfeld serves as the Chairman of Thomas J. Herzfeld Advisors, Inc., and as such is not subject to additional supervision.

Erik M. Herzfeld (Mr. E. Herzfeld), born 1973

Education

SM (MBA), MIT Sloan School of Management, 1997

BA, Johns Hopkins University, 1995

Business Background

2015 – Present, President and Portfolio Manager, Thomas J. Herzfeld Advisors, Inc.

2007 - 2015, Managing Director and Portfolio Manager, Thomas J. Herzfeld Advisors, Inc.

2000 – 2007, Vice President, JPMorgan Chase, foreign exchange options trading

1997 – 2000, Associate, Lehman Brothers, FX options trading desk

Disciplinary Information

None.

Other Business Activity

President of The Herzfeld Caribbean Basin Fund, Inc.

Additional Compensation

None.

Supervision

Mr. E. Herzfeld is the President of Thomas J. Herzfeld Advisors, Inc. and as such is not subject to additional supervision.

Ryan Paylor, born 1981

Education

BA, Williams College, 2004

Business Background

2015 – Present, Portfolio Manager (SMAs), Thomas J. Herzfeld Advisors, Inc.

2012 - 2015, Senior Trader, Thomas J. Herzfeld Advisors, Inc.

2005 – 2012, FX Derivatives Operations, JPMorgan Chase

Disciplinary Information

None.

Other Business Activity

None.

Additional Compensation

None.

Supervision

Mr. Paylor is supervised by Mr. E. Herzfeld pursuant to Thomas J. Herzfeld Advisors, Inc.'s policies and procedures.