

Herold Advisors, Inc.

805 Third Avenue, 18th Floor

New York, NY 10022

212- 371-3950

www.heroldinc.com

Managed Account Firm Brochure

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This Brochure provides information about the qualifications and business practices of **Herold Advisors, Inc.** ["Herold"]. If you have any questions about the contents of this Brochure, please contact us at 212-371-3950 and/or www.heroldinc.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.

Herold is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Herold is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes made to Herold Brochure since the Annual Amendment filing on January 1, 2019.

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Item 4 – Advisory Business

- A. Herold Advisors, Inc. (“Herold”) was founded in 1975 by Bernard Herold. It was originally known as ERIAC, Inc. then changed its name to Herold Advisors, Inc. in 1999. Herold is majority owned by Larry Herold and Paula Herold. They each own over 40% of the company.
- B. Herold offers its clients (individuals, business entities, trusts, estates, pension and profit-sharing plans, and charitable organizations, foundations and other US Institutions) Portfolio Management Services on a discretionary and non-discretionary basis. In addition, Herold offers these portfolio management services under a management account program or a wrap-fee program (See Part 2A Appendix 1 of Form ADV.) This brochure covers only the managed account program.
- C. Herold first reviews a client’s investment advisory needs, investment objectives and risk tolerances. Herold then works with the client to determine the optimum balance between equity, fixed income, mutual fund, exchange traded funds (ETF’s) and money market products to meet those needs. For some advisory clients Herold may employ a strategy of writing covered call options. Herold investment advice is limited to these types of investment products. Clients may impose restrictions on investing in certain securities or types of securities.
- D. Herold does not participate in third-party wrap fee programs.
- E. Herold had \$186 million assets under management on a discretionary basis as of December 31, 2019.

Item 5 – Fees and Compensation

- A. All management fees charged are subject to negotiation with each client. Fees for each client are documented in the Investment Advisory Agreement completed by each client at the inception of the client relationship with Herold. Herold charges 1% of the market value of the assets placed under Herold's management.
- B. The specific manner, in which fees are charged by Herold is established in a client's Investment Advisory Agreement with Herold. Herold will generally bill its fees on a quarterly basis. Clients are billed in advance each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Herold to directly debit fees from client's accounts. Management fees may be prorated for each capital contribution made during the applicable calendar quarter depending on the nature and size of the contribution. Management fees will not be prorated for withdrawals made during the applicable quarter unless the management agreement has been terminated.
- C. Herold's managed account program fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Herold's fee. Herold does not receive any portion of these commissions, fees and costs. Herold does not charge a management fee for assets invested in open end mutual funds except for advisor class shares. In certain instances client funds may be kept or placed in a A, B or C class shares of a mutual fund that pay 12(b)1 fees to Bernard Herold & Co. where a different class of shares of the same fund managing the same portfolio exists that does not have 12(b)1 fees but, since Herold Advisors does not charge a management fee on these shares, affected clients are benefitted by the 12(b)1 fee being less than the management fee that would otherwise apply. Also, in certain circumstances switching funds out of class A, B or C shares may be a taxable event.

Managed accounts generally have some assets in money market funds. Also, generally, these funds are FDIC insured. Periodically we may place client funds in a money market fund that is not FDIC insured based on prevailing yields and client risk and liquidity needs. Bernard Herold & Co. receives payments from money market funds. Herold does charge a management fee on assets invested in closed end mutual funds and exchange traded funds (ETFs). BH & Co. is a participant in Pershing's FundVest ticket charge program. This program offers clients no-load mutual funds with no transaction fees. Through formal agreements BH & Co. is eligible to receive revenue sharing participation for assets that are held within these programs. Restrictions may apply in certain situations.

- D. Item 12 further describes the factors that Herold considers in selecting Bernard Herold & Co., Inc. ("BH & Co.") for client transactions and in determining the reasonableness of their compensation (e.g. commissions). BH & Co. is a participant in Pershing's FundVest ticket charge program. This program offers clients no-load mutual funds with no transaction fees. Through formal agreements BH & Co. is eligible to receive revenue sharing participation for assets that are held within these programs. Restrictions may apply in certain situations.
- E. As described in Item 5 B above, clients will be charged a fee in advance. Upon termination of any account any prepaid unearned fees will be promptly refunded and any earned unpaid fees will be due and payable. Unearned fees will be computed based on the number of days that have expired in the quarter.

- F. Supervised persons receive fee-based compensation from Herold based on the fee stipulated in the clients' Investment Advisory Agreement.

Item 6 – Performance-Based Fees and Side-By-Side Management

Herold or their supervised persons do not manage performance-based accounts. As such no clients are charged any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

Item 7 – Types of Clients

Herold provides portfolio management services to individuals, business entities, trusts, estates, pension and profit-sharing plans, foundations and charitable organizations and other U.S. institutions. Herold Advisors, Inc. does not require an annual minimum fee or asset level for portfolio management services.

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

- A. Herold uses several methods of analysis to determine client investments. This includes using computer databases to screen investments to see if they meet certain criteria such as earnings and cash flow ratios. We also use fundamental analysis looking at annual reports, analyst reports and major news sources like the Wall Street Journal and other periodicals. For bonds we look at rating agency ratings and corporate reports.
- B. Our investment strategy is to determine a client's risk tolerances and income needs and tailor a portfolio that meets those needs. This is generally done mainly with domestic large capitalization and mid cap equities, and occasionally foreign equities and some smaller cap stocks. We also utilize domestic government, corporate and municipal bonds. Foreign bonds would rarely be used.

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s).

Item 9 – Disciplinary Information

Herold has not been the subject of any disciplinary actions. Herold management disclosures are contained in Section DRP of Form ADV.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Each member of the investment committee spends half of his time as an officer or representative of BH & Co., Inc. a broker dealer registered with FINRA.
- B. Neither Herold nor its representatives are registered or have an application to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.
- C. BH & Co. and Herold are affiliated companies and are owned and operated by essentially the same management. Aside from the commission schedule, Herold has no other special arrangements with BH & Co. Herold is also affiliated with Herold Insurance Agency, Inc., an insurance agency. This arrangement does create a material conflict in that Herold recommends these affiliates. This is mitigated by the quality of the services provided by both.
- D. Herold does not recommend or select other investment advisors for its clients.

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

- A. Herold has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

All supervised persons at Herold must acknowledge the terms of the Code of Ethics annually, or as amended. Herold clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Larry Herold at Herold.

- B. Herold anticipates that, in appropriate circumstances, consistent with client's investment objectives, over which Herold has discretionary authority to effect transactions, it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Herold, its affiliates and/or clients, directly or indirectly, have a material position of interest. This situation may cause a conflict of interest but is addressed by requiring Herold's employees and persons associated with Herold to follow Herold's Code of Ethics at all times.
- C. Herold or its officers, directors and employees may invest in the same securities or related securities that it recommends to clients. This may cause a conflict of interest, however the Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Herold will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt securities, based upon a determination that these would not materially interfere with the best interest of Herold's clients.
- D. Herold or its officers, directors and employees may recommend securities or related securities to clients or buy or sell securities for client accounts at or about the same time that Herold or its officers, directors and employees buys or sells the same securities for their own account. Since this type of activity may cause a conflict of interest and there is a possibility that employees may benefit from market activity by a client in a security held by an employee, the Code of Ethics is strictly followed. The Code of Ethics requires pre-clearance of some transactions, and restricts trading in close proximity to client trading activity unless the client gets the same or a better price. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Herold and its clients.

In addition, certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Herold's obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Herold will retain records of the trade prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial order. Partially filled orders will be allocated on a pro rata basis or in a manner that makes economic sense for the orders such as filling the smaller orders first. Any exceptions will be explained on the order.

It is Herold policy that the firm will not affect any principal or agency cross securities transactions for client accounts except in rare circumstances. Herold will also not cross trades between client accounts except in rare circumstances. If we do a cross transaction we will promptly notify you of the transaction and explain the nature of the transaction. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or for the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in

which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

- A. Herold utilizes BH & Co. generally for all brokerage transactions. Customer accounts are maintained at BH & Co., where brokerage is performed for commissions that are at least 30% below the 1975 industry fixed commission schedule. This generally amounts to less than 1% of the principal amount of each trade. There is a minimum commission of \$60 except for very small trades. Commission rates of BH & Co. are negotiable and may, on certain occasions, be lower than the commission rates charged by BH & Co. to advisory clients. BH & Co. generally charges a commission of \$3.50 per bond for fixed income trades. Also, BH & Co. receives 12B1 fees for mutual funds held in Herold accounts.

Herold has chosen BH & Co. to execute a majority of its client orders. Clients may pay commissions that are higher than those that can be obtained from other broker-dealers when effecting securities transactions; however, Herold used the following factors in determining the reasonableness of BH & Co.'s commissions:

- The commissions charged for similar trades by full service and discount brokerage firms.
- The relatively small size (compared to most institutional orders) of Herold's trades
- BH & Co. and its clearing firm Pershing LLC do not charge a custodial fee to maintain the account. Most banks charge a custodial fee.
- Having most of Herold's accounts maintained at one location greatly simplifies record keeping for trading and customer reports.
- BH & Co. provides consistent quality order execution.

A-1. Research and Other Soft Dollar Benefits – Herold does not utilize soft dollar arrangements

A-2. Brokerage for Clients – Herold receives referrals from BH & Co. Refer above for a description for selecting BH & Co. for brokerage.

A-3. Directed Brokerage – Herold does not generally accept directed brokerage arrangements.

- B. Herold generally bunches client orders together. The effect is that in terms of execution, each client will pay or sell at the same price as each other client by means of the trade being "average priced" when this is applicable.

Item 13 – Review of Accounts

- A. Each portfolio manager has access to a daily record of all of their transactions, dividends and interest received and a complete picture of all securities in each portfolio along with their cost and value. Portfolio managers review accounts with clients on a periodic basis. Herold has a supervisory person, Larry Herold, President, that reviews all transactions regularly.
- B. Each portfolio manager may conduct account reviews on other than periodic basis upon occurrence of a triggering event, such as a change in client's investment objectives and/or financial situation, market corrections and by client request.
- C. Each client receives a quarterly evaluation of his/her account including the positions in the account, a market evaluation and the account's performance relative to leading market indicators. This is in addition to brokerage statements which are generally issued monthly. Specific requests for account evaluations for specific dates and events are available to the client if desired. The client also receives a written quarterly market commentary.

Item 14 – Client Referrals and Other Compensation

- A. Bernard Herold, Inc & Co. (BH & Co.) may refer clients to Herold. BH & Co. provides clients with brokerage services. Herold does not share financially in these brokerage services. Herold Advisors, Inc. does not utilize the services of other Sub-Advisors or executing brokers.
- B. Registered representatives of BH & Co. who refer accounts to Herold receive a percentage of the commissions on trades done by Herold through BH & Co. for those accounts.

In addition, Henry Pacht, Fran Horneff, Barbara Giammarco and Mario Giammarco are registered representatives at BH & Co. and they also manage money for Herold. They receive part of the Herold management fee and their share of commissions generated from their accounts. Herold discloses that they receive dual compensation. From time to time there might be other persons at BH & Co. that manage client assets for Herold. Herold will disclose that they also may receive dual compensation.

Outside individuals that introduce clients to Herold will receive a percentage of the management fees that those accounts generate, or they will receive a referral fee. If a person refers an account to us, we will disclose this information to the client.

Item 15 – Custody

Clients receive monthly or quarterly statements from the broker dealer that holds and maintains client's investment assets. Herold urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Herold usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. The client must complete a Portfolio Management Agreement at that time. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the client account.

When selecting securities and determining amounts, Herold observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions should be provided to Herold in writing.

Item 17 – Voting Client Securities

As a matter of practice Herold does not usually vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from the custodian. Herold may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Herold's financial condition. Herold has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.