Herold Advisors, Inc.

Investment Strategies that Stand the Test of Time

Serving Individuals, Corporations & Institutions since 1975

The Investment Environment

Today, your opportunities for portfolio enhancement are more plentiful than ever. New investment products and strategies surface regularly. Investment information resources have multiplied dramatically in the recent past.

Unfortunately, the proliferation of investment products and information has produced as many pitfalls as opportunities.

Your need for skilled, professional counseling has never been greater.

Herold Advisors can help

For over a quarter century, we have successfully managed individual, corporate, institutional and retirement plan portfolios ranging from $250,000 to $20,000,000. We offer the highest level of service and personal attention.

Priorities

HEROLD ADVISORS has thrived for three decades—through many market cycles—by preserving and enhancing clients' portfolios. No matter what the market climate, we always place our clients' needs and goals above all other considerations…**without hesitation and without compromise.**

Equities

Criteria for equities in your portfolio

To qualify as a Herold Advisors value investment candidate, a security must be undervalued, with a market price that does not reflect the "true" or intrinsic value of the company it represents. It must also meet our exacting criteria in these categories:

- Relative price/earnings ratio
- Earnings consistency
- Dividend history
- Cash flow
- Price-to-book-value
- Return on equity

Constant Equity Monitoring

Herold Advisors believes that precise determinations of when to sell are just as important as the timing of equities purchases. We scrutinize all portfolios daily for any extraordinary events within the invested companies, or in the market as a whole.

We keep a long term view. Our average holdings are for over two years. We do not hesitate to take the actions required to maintain the integrity of the portfolio.

Two evaluation disciplines

All our clients' equities portfolios are assigned to one of two investment styles best suited to their needs and goals.

Herold Advisors' professionals use the *GARP* (Growth at A Reasonable Price) style to evaluate securities that have successfully passed the parameters listed above. They then use a variety of other criteria to determine if there are solid reasons to believe that a given security has strong growth potential, **but only at a reasonable price.**

When using the *Quantitative* style, Herold professionals also include the six parameters listed above. Their evaluations begin with some 10,000 securities, which they subject to computerized screening for a variety of fundamental characteristics. They scrutinize the resulting smaller list for securities identified as undervalued. These equities are then analyzed for their growth prospects and for possible additions to our clients' portfolios.

For both disciplines, there is an underlying commonality: **value-driven securities with growth potential.**

Other criteria for your equities

The following investment standards are designed to achieve good returns while lowering the volatility of your portfolio.

Our commitment to *diversification* means each security will represent no more than 5% of the total portfolio at cost. Also, no one industry will be more than 25% of the portfolio.

In the interest of *liquidity*, we will not invest in quantities of securities that cannot be sold quickly, particularly during market declines.

Our *timing* of securities purchases and sales will not be dictated by short-term market swings. Transactions are based on our judgment of an individual security's or group's overall market direction. We believe that short-term attempts to guess market gyrations are not in your best interests.

Fixed Income

Sound fixed income strategies

Herold Advisors bases its simple, yet successful, fixed income strategies on your time horizons. The firm's professionals use a buy-and-hold, maturity laddering strategy.

We also:

- Diversify by company and industry
- Avoid market timing and guessing at short-term interest rate directions
- Select investment grade corporate, municipal, US government and agency bonds exclusively
- Hold bonds until they mature, or are called
- Use an after-tax return criterion in portfolio selections

Duration's role in fixed income

We utilize the duration concept in the structure of a portfolio. Duration takes into consideration each bond's cash flow and is used to lower the portfolio's sensitivity to large interest rate changes.

A typical Herold Advisors fixed income portfolio will have bonds maturing in most years and will be equally weighted among short-term, intermediate and long-term securities. **We have found that this strategy has provided consistently good returns.**

Balanced Portfolios

Carefully orchestrated variety

A meeting with one of Herold's skilled portfolio managers will determine if a blend of equities and fixed income investments are suitable for you.

We will then structure a value-based, Balanced Portfolio with asset classes based on your risk tolerance, income requirements and any other special considerations.

The fixed income portion of Balanced Portfolios is usually fully invested. Our equity managers will determine the cash vs. equities levels for the remainder.

Structuring your portfolio

Your first step as a Herold Advisors client is a comprehensive and confidential meeting with one of our skilled portfolio managers. This professional will create a portfolio that matches your individual needs and goals. The meeting will focus on your:

- Income requirements
- Inflationary influences
- Risk aversion
- Time horizon
- Taxes
- Liquidity
- Legal/ethical considerations
- Unique characteristics

Our practices and avoidances

Value is the critical watchword at Herold Advisors. Our professionals apply this prudent approach to investments in equities, fixed income and balanced portfolios.

We avoid investing trends and fads, like closet indexing or following the herd. Our clients pay for and receive skilled active—not passive—portfolio management. And we protect clients from such trends as portfolio insurance that was associated with the Crash of '87 and the mindless momentum investing that culminated in 2000 with the bursting of the internet bubble.

Keeping you informed

Herold Advisors maintains ongoing and active communication with all clients. You will receive:

- Prompt confirmation of all transactions
- Monthly portfolio statements
- Quarterly management letters, explaining current strategies and offering displays of portfolio assets
- Semi-annual review meetings for: reviews of objectives, performance evaluation and discussions of economic and market perspectives. Performance is calculated versus the Standard & Poor's 500 index and an appropriate bond index

Our cost-effective fees

Our 1% annual fee is payable as .25% of the assets at the beginning of each quarter.

Your bottom line

In the final analysis, Herold Advisors maintains an unwavering focus on the preservation and enhancement of your portfolio. We consistently strive for the achievement of these goals by employing tested and proven investment precepts, blended with imaginative insight and continual hard work.

Herold Advisors believes we can't succeed unless your portfolio succeeds!

Discover more about successful investing

Learn first-hand how Herold Advisors' investment strategies have consistently passed the exacting tests of time since 1975. Call Larry Herold at **800 223-5211.**

Herold Advisors, Inc. is a Registered Investment Advisor under the Investment Act of 1940. It is acknowledged as a fiduciary under the Employee Retirement Income Security Act of 1974.

Herold Advisors, Inc. is affiliated with Bernard Herold & Co., Inc., a member of the New York Stock Exchange.

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