

HERALD INVESTMENT FUND plc
– The Herald Worldwide Technology Fund

CONDENSED INTERIM REPORT &
UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2019

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

CONDENSED INTERIM REPORT & UNAUDITED FINANCIAL STATEMENTS
for the six months ended 30 June 2019

Organisation	3
Background to the Company	4
Investment Manager's Report	6
Profit and Loss Account.....	13
Balance Sheet.....	14
Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares	15
Notes to the Financial Statements	16
Schedule of Investments.....	23
Schedule of Portfolio Movements	25
Appendix 1 Securities Financing Transactions Regulation	26

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
ORGANISATION

REGISTERED OFFICE OF THE COMPANY

4th Floor
76 Baggot Street Lower
Dublin 2
D02 EK81
Ireland

INVESTMENT MANAGER

Herald Investment Management Limited
10-11 Charterhouse Square
London EC1M 6EE
England
www.heralduk.com

**ADMINISTRATOR, REGISTRAR
AND TRANSFER AGENT**

Northern Trust International Fund Administration
Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
D02 R156
Ireland

DEPOSITARY

Northern Trust Fiduciary Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
D02 R156
Ireland

INDEPENDENT AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
D01 X9R7
Ireland

DIRECTORS OF THE COMPANY

William Backhouse LVO (British)*
Charles Ekins (British)*
Paul Halley (Irish)*
Fergus Sheridan, Chairman (Irish)*

* Independent Directors

SECRETARY

Sanne Corporate Administration Services Ireland Limited
4th Floor
76 Baggot Street Lower
Dublin 2
D02 EK81
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LEGAL ADVISERS

In Ireland
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Dublin 2
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Ireland

In England
MacFarlanes
20 Cursitor Street
London EC4A 1LT
England

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
BACKGROUND TO THE COMPANY

DESCRIPTION

Herald Investment Fund plc (the “Company”), is an open-ended investment company with variable capital organised under the laws of Ireland as a public limited company pursuant to the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (“the UCITS Regulations”) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (the “Central Bank UCITS Regulations”). It was incorporated on 12 February 1998.

The Company is organised in the form of an umbrella fund with segregated liability. Its Memorandum and Articles of Association and Prospectus (“Constitution”) provide that the Company may offer separate classes of shares, each representing interests in a fund comprising a distinct portfolio of investments. As at the date of this condensed interim report and unaudited financial statements the Company has one sub-fund in operation. The Company obtained the approval of the Central Bank of Ireland for the establishment of The Herald Worldwide Technology Fund (the “Fund”) and this Fund was launched on 3 April 1998.

INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to seek to achieve capital growth by investing principally in securities of issuers in the technology, communications and multi-media sectors which in the view of Herald Investment Management Limited (“the Investment Manager”) offer potential growth in excess of the average.

MEETING INVESTMENT OBJECTIVE

In pursuing its investment objective, the Fund may hold a number of financial instruments which comprise:

- Equity shares, convertible shares, debt securities, adjustable rate index notes (“ARINs”), depositary receipts and shares of investment companies held in accordance with the Fund’s investment objective and policies; and
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations.

PRICES

The price for buying and selling redeemable participating shares in the Fund is represented by the Net Asset Value (“NAV”) per redeemable participating share. For Class A shares, an initial charge of up to 3.5% of the NAV per share may be payable directly to the Investment Manager.

For Class A shares, a repurchase charge of 3% of the repurchase monies is payable in respect of repurchases made within one year of subscription for redeemable participating shares and 1% in respect of repurchases made within two years of subscription.

There is no initial or repurchase charge for Class B shares.

DEALING

Subscriptions and repurchases of redeemable participating shares may be made on a dealing day. Unless otherwise determined by the Directors, every Irish business day shall be a dealing day.

Northern Trust International Fund Administration Services (Ireland) Limited (the “Administrator”) determines the NAV per redeemable participating share of the Fund on each dealing day in accordance with the Prospectus and by reference to the last quoted trade prices as of close of business on the relevant market on the business day preceding the dealing day.

Applications for redeemable participating shares and purchase orders must be received by the Administrator by 5.00pm (Irish time) on the business day preceding any dealing day. Applications received after 5.00pm (Irish time) will be dealt with on the next succeeding dealing day.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
BACKGROUND TO THE COMPANY *continued*

DEALING *continued*

Applications should be made to the Administrator:

Northern Trust International Fund Administration Services (Ireland) Limited
Georges Court,
54-62 Townsend Street,
Dublin 2,
D02 R156
Ireland
Tel +353 (0)1 542 2000
Fax +353 (0)1 542 2920
www.northerntrust.com

DIVIDENDS

The Fund may declare a distribution in April of each financial year in an amount not less than 85% of the Fund's net income, where sufficient net income is available for distribution. No distribution was declared in April 2019 (April 2018: Nil).

MINIMUM SUBSCRIPTION

For Class A shares, the minimum initial investment requirement of the Fund is GBP10,000 and each subsequent investment must be a minimum of GBP5,000. For Class B shares, the minimum initial investment is GBP1,000 and there is no minimum for subsequent investments. The Directors reserve the right to vary or waive the minimum investment requirements.

INVESTMENT MANAGEMENT

Herald Investment Management Limited serves as Investment Manager pursuant to an investment management agreement dated 23 March 1998 (as amended by addendums dated 29 June 2006 and 25 May 2018).

NET ASSET VALUE

The NAV per share of a class shall be calculated by dividing the NAV of the relevant fund attributable to the class by the number of shares in issue in that class at the close of business on the dealing day immediately preceding the dealing day on which the NAV per share is being calculated.

PUBLISHED INFORMATION

Except where the determination of the NAV has been suspended, the NAV per share shall be made available at the registered office of the Administrator on each dealing day and shall be available on the business day immediately succeeding each dealing day.

In addition, the NAV shall also be available in respect of each dealing day on the Investment Manager's website, www.heralduk.com on the business day immediately succeeding the relevant dealing day. Such information shall relate to the NAV per share for the previous dealing day and is available for information only. It is not an invitation to subscribe for, repurchase or convert shares at that NAV.

The above details are in summary form only and must be read in conjunction with the detailed information contained in the Prospectus of the Company.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019

The defined remit for the Fund is to invest globally in information technology, communications and multimedia. The Investment Manager believes this area of the economy offers growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial asset value per Class A share of £10.00. At the end of the period the net asset value per Class A share was £60.75. On the 9th June 2010, a Class B share was launched with an initial net asset value per share of £10.00. At the end of the period the net asset value per Class B share was £38.83.

Total return* for the six months to 30th June 2019

Herald Worldwide Technology Fund NAV (Class A)	20.2%
Herald Worldwide Technology Fund NAV (Class B)	21.3%

Global*

S&P Dow Jones World Technology^	23.3%
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United States*

Russell 1000 (Large Cap) Technology	24.7%
Russell 2000 (Small Cap) Technology	23.1%
S&P 500	19.0%
Russell 2000 Small Cap	17.4%

United Kingdom*

iShares Core FTSE 100 UCITS ETF	12.9%
Numis Smaller Companies plus AIM (ex. Inv. Cos.)	9.8%

Europe*

DAX	16.6%
Deutsche Bourse TECDAX	16.6%
CAC 40	19.9%

Asia Pacific*

NIKKEI 225	8.5%
KOSDAQ IT Composite Index	11.1%
Taiwan Electronics Index	9.7%

*All percentage returns are in GBP.

^The Fund is not managed by reference to any benchmark and the indices above are shown for comparative purposes only.

Source: Herald Investment Management Limited and Bloomberg.

Summary

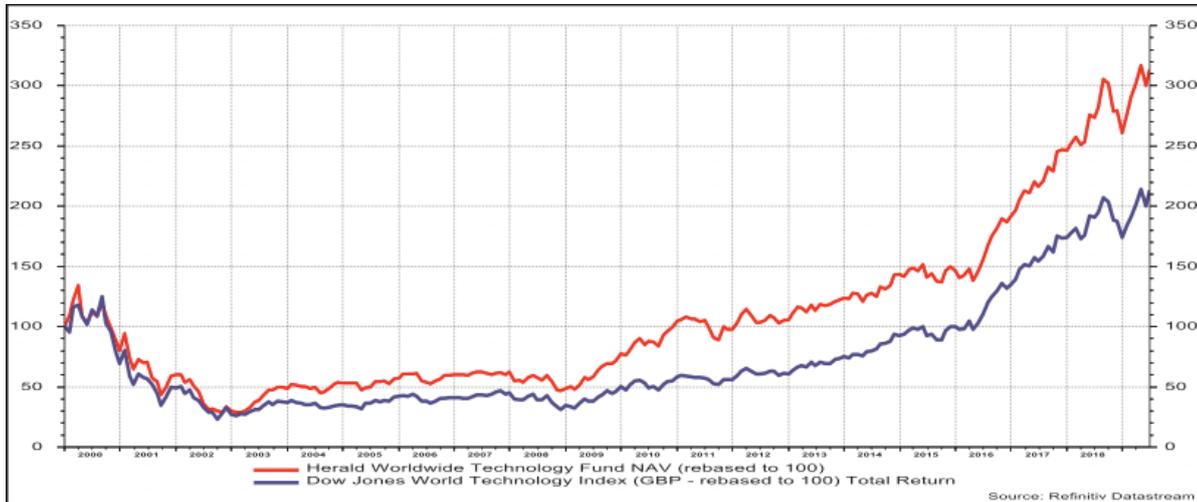
Equity markets have been robust in the first half after the wobble in the fourth quarter of 2018 and the fund has returned more than 20%. The North American element of the portfolio has again led the way returning 26.9%. Late in 2018 the markets were unnerved by the Federal Reserve tightening interest rates and the confrontation between the US and China regarding trade tariffs. The Federal Reserve then stopped further interest rate rises. It is evident that it is challenging for the central banks to restore interest rates to historical levels. In consequence the returns on cash and bonds are negligible which inevitably makes equities attractive to investors. At the end of the period the 12 month forward p/e (price/earnings) of the portfolio stood at 21.6x. Technology is becoming as central to organisations as electricity, and many technology companies have the characteristics of a utility with growth and without regulation, and many of their clients have little scope to reduce expenditure in a downturn. On this basis the portfolio still seems good value. In the small companies world liquidity is an increasing challenge, but there are no such issues with this fund.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

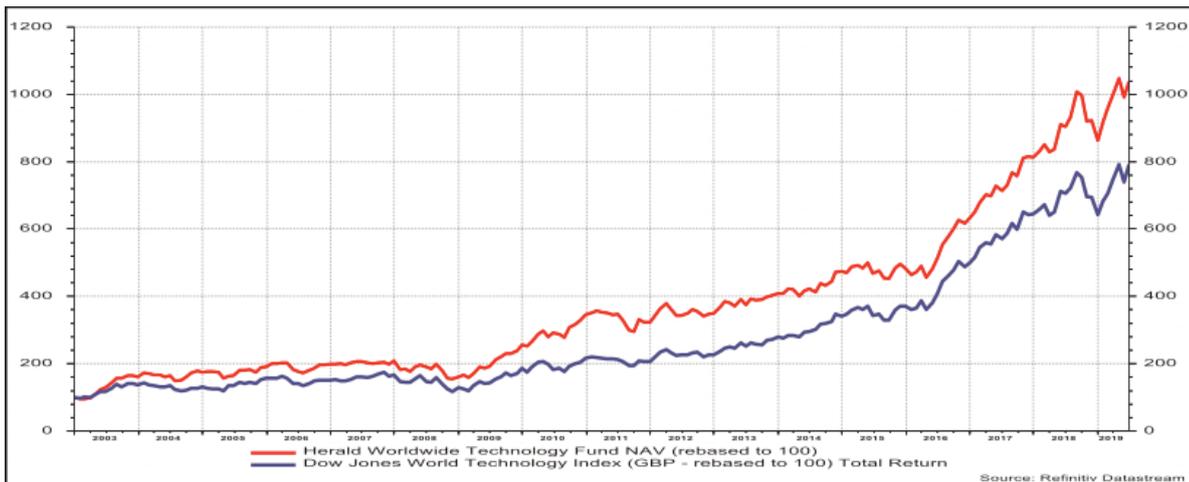
INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

Summary *continued*

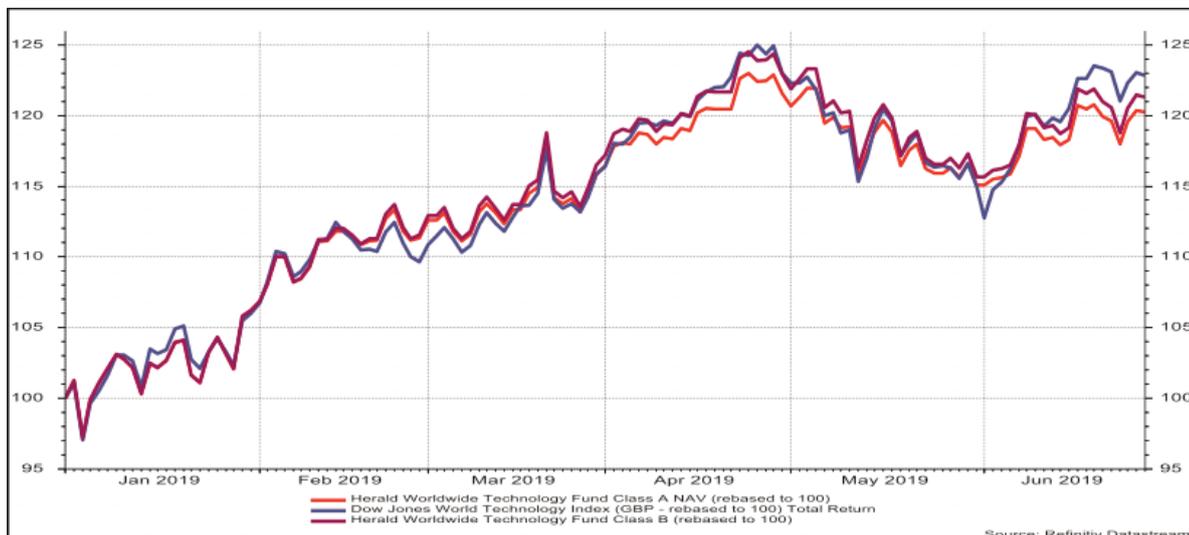
The Fund v Dow Jones World Technology Index (Total Return): 31/12/1999 - 30/06/2019



The Fund v Dow Jones World Technology Index (Total Return): 31/12/2002 - 30/06/2019



The Fund v Dow Jones World Technology Index (Total Return): 31/12/2018 - 30/06/2019



HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

North America

The total return for the US portfolio was 26.9% which compares favourably with the Russell 1000 Technology Index total return of 24.7% and is pleasing after last year's strong outperformance. It also comprises the majority of the fund (72.1%).

The star performer in sterling terms was Microsoft, which was a large position and appreciated 33%. Microsoft distinguishes itself by being the leader in the personal computer /client server era and is now winning in the personal computer/cloud era. It is successfully migrating both consumer and business users to Office 365, and hosts emails on a recurring revenue basis. More significantly the Azure data-centre business is the trusted enterprise partner, and in the last quarter growth to the end of June has been 64% (68% in constant currency).

A number of smaller holdings have returned more than Microsoft in % terms. The North American holdings that returned more than 40% are Advanced Micro Devices (AMD) 65.1%, Cadence Design Systems 63.5%, Teradyne 53.9%, Leidos 53.4%, Pegasystems 49.6% and Atlassian 47.6%. Cloudera disappointed. We acquired Hortonworks which was then acquired for paper by Cloudera, the best course of action would have been to sell immediately, but we were too greedy on price. There was a discernible slowdown in the semiconductor sector last year as the market adjusted from component shortages to surplus, exaggerated by the slowdown in growth and destocking in smartphones, the uncertainty surrounding trade tariffs, and the Huawei trading ban for US companies, albeit a temporary concern. The pricing of commodity DRAM and Flash memory has fallen sharply. However even Micron Technology, which as a memory manufacturer is at the eye of the storm, has appreciated 22.1% in the period. We retained a holding because we felt the valuation was discounting the downturn and reflects relief that in this cycle Micron has maintained quarterly profitability. Last quarter to 31st May Micron reported DRAM revenues down 45% year-on-year and NAND flash memory down 25% year-on-year. Still in the last quarter, Micron generated eps of \$1.05 and \$2.7bn of operating cash flow. (end June share price \$38.59).

Apple remains a significant holding. There is concern that the smartphone market is mature. We remain supportive because they have a loyal base comprising the richest consumers, they have security advantages, an ecosystem that traps the user with content easily migrated to new devices and growing service revenues.

Significantly there is an evident path towards more vertical integration. Why pay suppliers to develop products for competitors to use? They do not have the political issues of the social media advertising related companies. However, there is a risk relating to a dependency on Chinese manufacturing and Taiwanese semiconductors. We have always perceived that one of the biggest risks to the sector would be a catastrophic earthquake in Taiwan because so much hardware is dependent on Taiwan Semiconductor Manufacturing Company's output. Chinese invasion could be added to this, but if you worry about everything you would not cross the road.

One area of the sector that we have deliberately maintained a modest exposure to is the mainly West Coast based SAAS companies. This is because reported earnings are often described on an adjusted basis, which is before share-based compensation. There is a bubble in remuneration in this area, and we do not believe the market sufficiently reflects these costs in valuations. We remember Siebel, now surpassed by Salesforce, being the CRM darling at the turn of the century. Cognos, Business Objects and Hyperion are now all being replaced. Companies that discount too many years growth in valuation provide the wrong risk/reward. Equally do not be persuaded that the technology sector is too highly valued because of this subset.

The p/e of the North American portfolio on Bloomberg forecasts was 22.8x compared to 17.2x at the end of 2018. For a growth sector this valuation is still attractive.

Europe

The small European element of the fund returned 39.5% in 2017, fell a disappointing 19.8% in 2018, and disappointingly has only rallied by 9.8% in the first half. A satisfactory return from SAP has been offset by a torrid United Internet performance.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

UK

Having had a good year in 2016 when the UK portfolio's total return was 46.3%, it appreciated a further 71.3% in 2017, but declined 6.4% in 2018. In the first half of 2019 the return has been 16.8% which is dominated by the holding in Herald Investment Trust, but Avast, the endpoint anti-virus company, did return 7.9%. Other stocks that we do not own have performed quite well this year as they have in Europe, but we find the valuations high for modest growth rates.

Asia

The total return on the Asian portfolio was a positive 28.6% in 2016, with a further rise of 67.2% in 2017, but it declined 17.1% in 2018. In the first half of 2019 the return has been 17.5%. Alibaba and C-Trip.com have returned more than 20% and Samsung has been a useful part of the portfolio.

The macro background has remained especially difficult for the Asian technology sector with many of the listed companies exposed to widespread weakness in demand for technology hardware and a commensurate softness in semiconductor prices. However there has been a widespread recovery in share prices after the torrid fourth quarter of 2018, reflecting anticipation that we are approaching the bottom of the semiconductor cycle. The trade wars between the US/China, Korea/Japan and China/Korea have been economically highly disruptive and growth forecasts have been scaled back across much of the region. The Asian portfolio is exposed to semiconductor demand and prices through holdings in TSMC and Samsung – respectively the world's leading logic and memory foundries. Although the growth in consumer spending in China has slowed versus prior expectations, the holdings in Ali Baba, 58.com and C-Trip, which are the leading players in e-commerce, online classified advertising and online travel in China, are still benefitting from revenue growth of between 20-50% year on year (based on the latest reported quarterly financial statements).

Although, given the current environment, analysts expect these growth rates to slow somewhat, revenue growth is expected to remain well into double digits as the consumerisation and digitalisation of the Chinese economy continues.

Market Background

In the UK the market has been shaken by the suspension of the Woodford Equity Income Fund. In the technology sector Mr Woodford invested early stage with no relevance to the stocks in this portfolio and minimal relevance to Herald Investment Trust with its smaller company focus and this should have no bearing on investors attitude to the technology sector. The closure of the fund does however illustrate the significance of liquidity, which we suspect will be an ongoing issue. Liquidity has become conspicuously more difficult in the UK reflecting the ongoing effect of regulatory changes. Happily this is not a concern for this fund, over 90% of which could be liquidated in a day assuming <5% of daily volume.

In the US the greater concern is the dominance of passive funds – ETFs and trackers. They are making new issues intriguing, not for issuers, but for investors, because the requirement for weightings can distort prices. It can become a game for active managers to spot companies before they go into an index. Elsewhere specialist trackers which have had large inflows have chased shares up to stupid levels. They have provided an exit for venture investors when companies have been introduced to the public market without raising funds, such as Spotify and Slack. At what point does the weight of passive investors lead to a breakdown of effective pricing? Fingers crossed it increases the opportunities for active managers.

Sector Background

I started my working life as an undergraduate going to work through picket lines in the unionised automotive component industry. Salaries rose and the industry became uncompetitive and largely disappeared from the UK. When I came to the City in the 1980s there was "big bang". Salaries began to rise. My mentor at my first City employer bemoaned the end of the Accepting Houses' gentlemanly agreement that they would not poach each other's staff. Employment law dictated that this was unacceptable and the Americans were not in the club. It is obvious, when one thinks about it, that the excesses of the City that emerged in the 1980s were not the excesses of capitalism but the excesses of too much shop floor power. In a market place where everyone is known, the price of talent was auctioned up. It became impossible to manage. If as an employer you did not react you would lose your best staff, so you had to increase pay, and take greater risks to meet pay expectations. Employees did well. Shareholders did not. The "excesses of capitalism" is often used to describe this, but is a misnomer. That literally is when excess returns go to shareholders. The shortage of "capitalists" in the City today is a regret to me. The City I joined was full of partnerships: owner-run firms of stockbrokers and privately owned Accepting Houses. They also had commercial common sense. Evidently they were more risk conscious than an employee of an impersonal large bank. Now I see worrying parallels in the technology sector.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

Sector Background *continued*

“An illegal plot among Silicon Valley companies, including Apple and Google, to suppress engineers’ wages produced a drawn-out court fight over how much the employees should get in compensation—and how much the lawyers representing them should be able to collect from that amount. Now, the numbers are finally official.

On Wednesday, U.S. District Judge Lucy Koh approved a deal in which Apple, Google, Intel, and Adobe will pay \$415 million for their role in the pact, which involved senior executives like the late Steve Jobs creating “no-poach” lists. The lists were part of a scheme whereby companies agreed not to recruit each others’ employees.”

Source: Roberts, J. (2015). Apple, Google, Intel, Adobe will pay \$415 million in anti-poach deal. Fortune. Available at: <https://irving.fortune.com/2015/09/03/koh-anti-poach-order>.

This settlement occurred in 2015. Subsequently salary inflation has been extreme. Staff turnover in the San Francisco/Silicon Valley area often exceeds 20%, and RSUs (restricted stock units) have largely replaced stock options. These generally have nil cost and only require a short time period to vest. Brokers generally forecast adjusted eps, because they do not forecast share based payments, which overstates earnings and understates p/es. Large companies are reacting by building up centres of excellence in different parts of the world. That is why London has seen huge growth from Alphabet, Apple, Amazon and others. They say salaries are lower and staff turnover is much lower. Furthermore, the City is a marketplace, where everyone knows everyone. In the past developers were hidden anonymously in offices with little contact with the outside world. Now their CVs are for all to see on LinkedIn which is further exacerbating the talent retention challenge.

This may be a rather gloomy argument. It is, but only to a point. There is a key difference between the value of companies depending on how dependent they are on sought-after skills. If companies are scalable and can generate \$millions in revenues per employee, they can afford to overpay a relatively small number of people and still deliver good profits. For example Apple has over \$2m in revenue per employee with returns leveraged by subcontract manufacturing to low paid workers. The cloud operations of Amazon Web Services and Microsoft Azure are scalable models where capital expenditure is replicated. For software companies the marginal cost of a sale is low in terms of developers so if the market is big enough good returns can still be made. The big companies that have scaled therefore have low risk associated with excess employee pay, elsewhere analysis is required to see if the market is scalable enough to cover expensive resources. We have invested in Atlassian and Pegasystems because the founders still have c50% ownership so they have reached scale without excessive use of outside capital. Smaller companies can still generate leadership in smaller markets, but must not be valued to scale to infinity. Certainly, value is easier to find away from northern California, but they do have expertise and generally capital to scale businesses.

The bottom line is that we are in an interconnected knowledge-based world. People with skills are earning more than ever, and those without are on a minimum wage. So it is with companies. The sector more than any other has the capacity for premium margins, when they have intellectual property, brands and networking scale.

Remarkable progress has been made in developing cheap processors, memory, sensors and networking which has enabled enormous networks of datacentres to be built and the delivery of complex network applications from this computing “cloud.” The capability of cloud computing platforms such as Amazon Web Services (AWS), Microsoft Azure, Google Cloud or Ali Baba Cloud to offer a range of advanced applications that deliver a combination of data storage and processing, data analytics and decision-making in the form of artificial intelligence is unparalleled and is enabling computers to take on a range of tasks which hitherto only humans were capable of performing. As humans become increasingly comfortable communicating with a computer either by text or ever increasingly through voice interaction (as evidenced by the success of virtual assistants such as Amazon’s Alexa), then more customer service or support roles can be automated. The increasing intelligence of robots and the use of advanced 3D sensing and vision systems is allowing robots to work safely alongside humans as co-robots, moving robots from industrial-scale use on car production lines and into the automation of limited-scale tasks within smaller companies spread throughout the economy.

Over the next decade there will be very few jobs that will not be fundamentally impacted by technology. This transition, whereby an exponentially increasing number of tasks and roles can be performed by computers or robots, entails an enormous transfer of value from humans and traditional industries to the technology sector. Potentially these seismic shifts in technology partially explain the disparity between the stagnation of the wages of blue collar workers and the high financial returns available to those providing the intellectual and financial capital.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

Sector Background *continued*

The nature of international rivalry is also being altered by the increasing power and capability of technology. Governments are battling each other using technology, engaging in cyber warfare and using intellectual property and tariff and non-tariff trade barriers to capture the economic benefits of technology-led growth. There is a continuing fight to control, secure and protect the resilience of the internet global data network, with an ongoing debate about the rights that individuals have over the privacy of their personal data and governments' ability to control the use and misuse of the network for propaganda purposes.

Increasing challenges to network security generate ever-growing opportunities for a raft of security technology businesses to assist in protecting the network.

The rapidly increasing capabilities of technology are disrupting the global economy in a pervasive manner, creating enormous opportunities for those that deliver information technology and use it effectively. A number of the companies within the portfolio look well positioned to grow on the back of these trends. These businesses include those that provide the key underpinning semiconductor technologies and cloud computing infrastructure or that offer specific software applications targeted at particular user cases.

Outlook

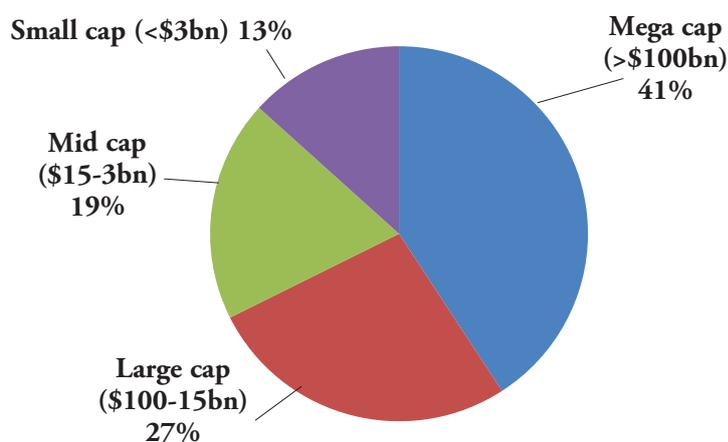
I continue to believe the scope for performance in the technology sector is better than the market as a whole from current valuations. The pressure is on companies in many sectors not to be "left behind". Technology spend is increasingly recurring and non-discretionary. Equity markets will become challenged when pay rises lead to inflation and rising interest rates, but other sectors will be more challenged by this.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2019 *continued*

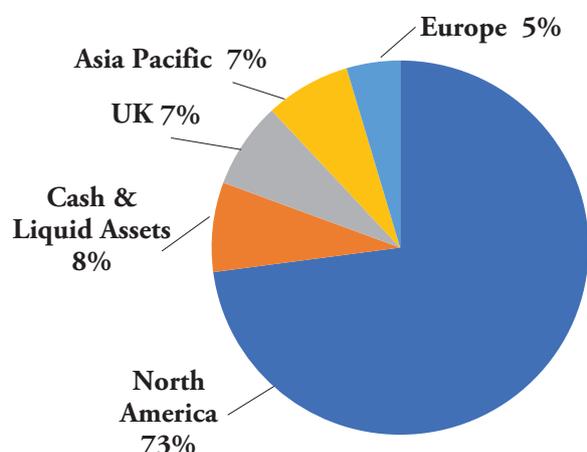
BREAKDOWN BY MARKET CAP

	30/06/2019	31/12/2018
Mega cap (>\$100bn)	41%	40%
Large cap (\$100-15bn)	27%	23%
Mid cap (\$15-3bn)	19%	21%
Small cap (<\$3bn)	13%	16%
	<u>100%</u>	<u>100%</u>



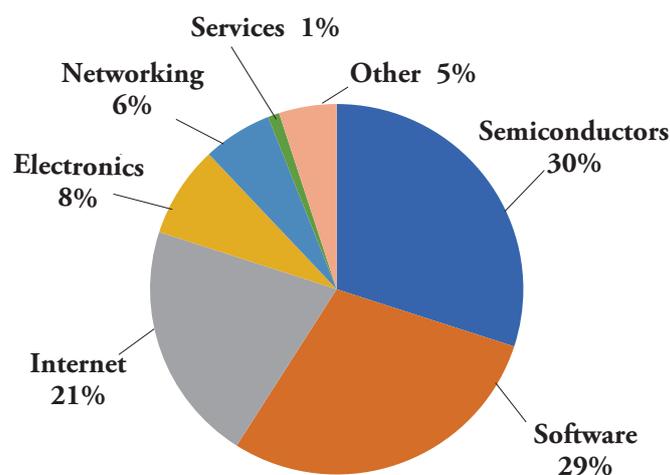
GEOGRAPHICAL BREAKDOWN

	30/06/2019	31/12/2018
North America	73%	72%
Cash & Liquid Assets	8%	9%
UK	7%	8%
Asia Pacific	7%	6%
Europe	5%	5%
	<u>100%</u>	<u>100%</u>



SECTOR BREAKDOWN

	30/06/2019	31/12/2018
Semiconductors	30%	29%
Software	29%	29%
Internet	21%	21%
Electronics	8%	7%
Networking	6%	7%
Services	1%	1%
Storage	-	1%
Other	5%	5%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited
 Date: 30/06/2019

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
PROFIT AND LOSS ACCOUNT for the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 GBP	Six months ended 30 June 2018 GBP
Income			
Operating income	6	140,076	147,877
Net gains on financial assets and liabilities at fair value through profit or loss	7	6,314,579	3,494,535
Total investment income		<u>6,454,655</u>	<u>3,642,412</u>
Operating expenses	8	(592,381)	(326,088)
Expense reimbursement from investment manager	10	119,543	42,836
Profit for the year before tax		<u>5,981,817</u>	<u>3,359,160</u>
Non-reclaimable withholding tax		(33,878)	(35,150)
Increase in net assets from operations attributable to holders of redeemable participating shares		<u><u>5,947,939</u></u>	<u><u>3,324,010</u></u>

There are no recognised gains or losses arising in the financial period other than the increase in net assets attributable to holders of redeemable participating shares of the Company. In arriving at the results of the financial period, all amounts above relate to continuing operations.

The accompanying notes form an integral part of the Condensed Interim Report and Unaudited Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
BALANCE SHEET as at 30 June 2019

	Note	As at 30 June 2019 GBP	As at 31 December 2018 GBP
ASSETS			
Financial assets at fair value through profit or loss		32,153,090	26,656,540
Cash and bank balances	9	2,833,311	2,815,838
Debtors		664,390	9,277
TOTAL ASSETS		<u>35,650,791</u>	<u>29,481,655</u>
LIABILITIES			
Creditors - amounts falling due within one year		(801,739)	(52,864)
Net assets attributable to holders of redeemable participating shares		<u><u>34,849,052</u></u>	<u><u>29,428,791</u></u>

The accompanying notes form an integral part of the Condensed Interim Report and Unaudited Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO
HOLDERS OF REDEEMABLE PARTICIPATING SHARES
for the six months ended 30 June 2019

	Six months ended 30 June 2019 GBP	Six months ended 30 June 2018 GBP
Net assets attributable to holders of redeemable participating shares at beginning of period	<u>29,428,791</u>	<u>30,323,962</u>
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	5,947,939	3,324,010
Amounts received on issue of redeemable participating shares	824,482	993,670
Amounts paid on redemption of redeemable participating shares	(1,352,160)	(1,871,962)
Decrease in net assets resulting from share transactions	(527,678)	(878,292)
Net increase in shareholders' funds	<u>5,420,261</u>	<u>2,445,718</u>
Net assets attributable to holders of redeemable participating shares at end of period	<u><u>34,849,052</u></u>	<u><u>32,769,680</u></u>

The opening net assets attributable to holders of redeemable participating shares for 2019 differs to the closing position in 2018 by the change in net assets attributable to holders of redeemable participating shares for the second half of the comparative financial period.

The accompanying notes form an integral part of the Condensed Interim Report and Unaudited Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019

1. Significant Accounting Policies

Basis of Preparation

These condensed interim financial statements have been prepared in accordance with FRS 102, Interim Financial Reporting (FRS 104), the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Irish law and accounting standards issued by the Financial Reporting Council “The Financial Reporting standards applicable in the UK and Republic of Ireland” (Generally Accepted Accounting Principles in Ireland).

The format and certain wording of the financial statements have been adapted from those contained in Irish Statute so that, in the opinion of the Directors, it more appropriately reflects the nature of Herald Investment Fund plc’s (“the Company”) business as an investment company.

The Herald Worldwide Technology Fund (“the Fund”) meets all the conditions set out in FRS 102, Section 7, and consequently has availed of the exemption available to certain funds not to prepare a statement of cash flows.

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018.

2. Fair Value Measurement

FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

2. Fair Value Measurement *continued*

The tables below set out the classification of the Company's financial instruments measured at fair value in accordance with FRS 102:

30 June 2019

Assets	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets designated at fair value through profit or loss				
Equity securities	30,483,090	-	-	30,483,090
Exchange traded investment funds	1,670,000	-	-	1,670,000
Total Assets	32,153,090	-	-	32,153,090

31 December 2018

Assets	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets designated at fair value through profit or loss				
Equity securities	25,312,790	-	-	25,312,790
Exchange traded investment funds	1,343,750	-	-	1,343,750
Total Assets	26,656,540	-	-	26,656,540

3. Net Asset Value

	As at 30 June 2019 GBP	As at 31 December 2018 GBP	As at 31 December 2017 GBP
Net Asset Value Class A share	30,473,702	25,563,046	26,667,757
Net Asset Value Class B share	4,375,350	3,865,745	3,656,205
Net Asset Value per Class A share	60.75	50.52	47.70
Net Asset Value per Class B share	38.83	32.01	30.27

4. Share Capital

The Company was incorporated in Ireland on 12 February 1998 as a public company, limited by shares, with registered number 280256 under the Irish Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017). The address of the registered office of the Company is 4th Floor, 76 Baggot Street Lower, Dublin 2, D02 EK81, Ireland.

The share capital of the Company shall at all times equal the Net Asset Value. Each of the shares entitles the shareholder to participate equally on a pro rata basis in the dividends and net assets of the Fund in respect of which they are issued, save in the case of dividends declared prior to becoming a shareholder. The proceeds from the issue of shares shall be applied in the accounting records of the Company to the Fund and shall be used in the acquisition on behalf of the Fund of assets in which the Fund may invest. The records and accounts of each Fund shall be maintained separately. Each of the shares entitles the holder to attend and vote at meetings of the Company and of the Fund represented by those shares.

Subscriber Shares

As at 30 June 2019, the Company has issued 7 subscriber shares (31 December 2018: 7). The holders of these shares are not entitled to dividends or any surplus of assets over liabilities upon the winding-up of the Company. They are thus described in the financial statements by way of this note only.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

4. Share Capital *continued*
Subscriber Shares *continued*

Shares in Issue	Six months ended 30 June 2019	Six months ended 30 June 2018
Number of Class A Shares issued and fully paid		
Balance at beginning of period*	506,026	559,043
Issued during period	11,255	2,165
Redeemed during period	(15,622)	(28,744)
	501,659	532,464
	501,659	532,464
Number of Class B Shares issued and fully paid		
Balance at beginning of period*	120,759	120,786
Issued during period	4,034	29,496
Redeemed during period	(12,118)	(15,318)
	112,675	134,964
	112,675	134,964

* The opening shares for 2019 differs to the closing position in 2018 by the number of issued and redeemed shares in the second half of the comparative financial year.

As at 30 June 2019, one shareholder held 46.85% of the issued share capital of the Company (31 December 2018: 45.92%).

5. Related Party Transactions

FRS 102 requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Investment Manager

Related parties include the Investment Manager and its holding company, HIML Holdings Limited. Amounts earned by the Investment Manager are disclosed in Note 8.

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 30 June 2019, the number of shares held by Herald Investment Management Limited was 45,572 (31 December 2018: 45,572) and the number of shares held by HIML Holdings Limited was 50,431 (31 December 2018: 42,208).

Directors' Interests in Shares and Contracts

	As at 30 June 2019 Class A Shares	As at December 2018 Class A Shares
William Backhouse and connected persons	12,597	12,597

None of the Directors other than those listed above who held office at the period end had any interests in the shares of the Company at that date or at any time during the financial period.

The Company invests in another fund which has the same Investment Manager, the Herald Investment Trust plc. At 30 June 2019 the number of shares held was 125,000 and the fair value of this investment was GBP1,670,000 (31 December 2018 the number of shares held was 125,000 and the fair value of this investment was GBP1,343,750).

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

5. Related Party Transactions *continued*

Directors' Fees

The total Directors' fees are disclosed in Note 8.

6. Operating Income

	Six months ended 30 June 2019 GBP	Six months ended 30 June 2018 GBP
Interest income	6	-
Dividend income	140,070	147,877
	<u><u>140,076</u></u>	<u><u>147,877</u></u>

7. Net gains on Financial Assets and Liabilities at Fair Value Through Profit or Loss

	Six months ended 30 June 2019 GBP	Six months ended 30 June 2018 GBP
Realised gains on sale of investments	516,822	2,161,226
Net currency gains	1,680	1,137
Net change in unrealised appreciation on investments	5,796,077	1,332,172
	<u><u>6,314,579</u></u>	<u><u>3,494,535</u></u>

8. Operating Expenses

	Six months ended 30 June 2019 GBP	Six months ended 30 June 2018 GBP
Administration fees	66,939	66,657
Auditors' fees	9,692	9,979
Custody fees	1,110	2,063
Depository fees	19,617	19,945
Directors' fees	30,771	24,613
Investment Management fees	125,961	123,268
Performance fees	291,191	32,074
Other expenses	47,100	47,489
	<u><u>592,381</u></u>	<u><u>326,088</u></u>

9. Cash and Bank Balances

	As at 30 June 2019 GBP	As at 30 June 2018 GBP
The Northern Trust Company	<u><u>2,833,311</u></u>	<u><u>2,815,838</u></u>

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

10. Fees

Investment Management

The Investment Manager will receive an investment management fee (expressed as a percentage of the Fund's NAV attributable to the relevant class) of 0.75% for Class A Shares and 1.00% for Class B Shares. The investment management fee will be paid monthly in arrears and accrues on each dealing day. Other classes may be established within a Fund which may be subject to different fee structures. Fees of GBP20,457 were payable at 30 June 2019 (31 December 2018: GBP20,737).

The Investment Manager has voluntarily undertaken to limit the aggregate annual ordinary expenses of each class of the Fund to be no more than 1.10% of the NAV of Class A Shares and 1.25% of the NAV of Class B Shares of the Fund's NAV for the financial period end 30 June 2019. The expense reimbursement at 30 June 2019 on Class A Shares is GBP102,835 (30 June 2018: GBP32,432) and on Class B Shares is GBP16,708 (30 June 2018: GBP10,404).

Performance Fee

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV of the Class A Shares, excluding performance fees at the end of the accounting period, exceeds the target NAV (110% of the previous highest NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Fund over the relevant period. The opening NAV per Class A Share this financial period was GBP50.52 and the closing GBP60.75. To date the previous highest NAV per Class A Share at a financial period end was reached on 31 December 2018 when the Net Asset Value was GBP50.52 per share. Therefore, a performance fee on the Class A Shares of GBP291,191 (30 June 2018: GBP32,074) was accrued for the period end 30 June 2019. There is no performance fee charged on the Class B Shares.

Administration Fee

The Administrator receives a fee of up to 0.12% per annum on the first GBP25 million of the NAV of the Fund, 0.10% per annum on the next GBP25 million and 0.08% per annum on that portion of the NAV of the Fund which exceeds GBP50 million, subject to a annual minimum fee of GBP130,000 per fund (plus VAT, if any, thereon) with a single Share Class plus GBP3,000 per additional share class.

The Administrator's fee is paid monthly in arrears and accrues on each dealing day based on the NAV of the Fund on each dealing day. The Administrator is reimbursed a flat fee of GBP3,600 per annum for out-of-pocket expenses incurred.

For the Class A shares performance fee calculation, the Company shall pay the Administrator a fee of 0.0025% per annum of the NAV of the Class A shares, which is accrued daily and paid monthly in arrears.

Fees of GBP10,693 were payable at 30 June 2019 (31 December 2018: GBP11,784).

Depositary Fee

The Depositary will be entitled to receive a depositary fee out of the assets of each Fund, accrued daily and payable monthly in arrears of 0.0175% per annum on the first GBP150 million of the NAV of the Fund and 0.015% on the portion which exceeds GBP150 million, subject to a minimum annual fee of GBP40,000. In addition, the Depositary is paid out of the assets of each Fund safekeeping fees of up to 0.05% per annum of the NAV of the Fund, accrued daily and payable monthly in arrears, and is reimbursed all sub-custodial and transactional fees and expenses charged at normal commercial rates, and is reimbursed any reasonable out of pocket expenses.

Fees of GBP3,551 were payable for the month of June 2019 (31 December 2018: GBP3,880).

Transaction Costs

Transaction costs of the Fund were GBP2,605 for the period ended 30 June 2019 (30 June 2018: GBP5,463) and are included in net gains on financial assets and liabilities at fair value through profit or loss.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

11. Exchange Rates

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company:

	As at 30 June 2019	As at 31 December 2018	As at 31 December 2017
Euro	1.1176	1.1141	1.1265
Hong Kong Dollar	9.9430	9.9715	10.5749
Korean Won	1,469.5231	1,421.0830	1,448.1867
Taiwan Dollar	39.5294	39.1467	40.2559
US Dollars	1.2727	1.2736	1.3528

12. Taxation

Under current law and practice the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains.

However, Irish tax may arise on the happening of a “chargeable event”. A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- (a) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- (b) certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

13. Transactions with connected persons

Any transactions carried out with the Company by a management company or depositary to the Company, the delegates or sub-delegates of the management company or depositary, and any associated company of such a management company, depositary, delegate or sub-delegate (“connected persons”) must be carried out as if negotiated at arm’s length. Transactions must be in the best interests of the shareholders.

The Directors are satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations are applied to all transactions with connected persons, and are satisfied that transactions with connected persons entered into during the financial period complied with the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations.

14. Soft Commission Arrangements

There were no soft commission arrangements affecting the Company during the period.

15. Distributions

There were no distributions declared during the period ended 30 June 2019 (30 June 2018: Nil).

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2019 *continued*

16. Significant events during the period

There were no significant events during the period, which, in the opinion of the Directors, may have had an impact on the financial statements for the period ended 30 June 2019.

17. Events After the Balance Sheet Date

There were no events after the Balance Sheet date, which, in the opinion of the Directors, may have had an impact on the financial statements for the period ended 30 June 2019.

18. Approval of Financial Statements

The financial statements were approved by the board on 27 August 2019.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
SCHEDULE OF INVESTMENTS as at 30 June 2019

Holdings	Security Name	Industry Sector ⁺	Value Gbp	% of Fund Net Assets
EXCHANGE TRADED INVESTMENT FUNDS: 4.79% (Dec 2018: 4.57%)				
125,000	United Kingdom - 4.79% (Dec 2018: 4.57%) Herald Investment Trust	Exchange Traded Funds	1,670,000	4.79
Total United Kingdom			1,670,000	4.79
Total Exchange Traded Investment Funds			1,670,000	4.79
EQUITIES: 87.47% (Dec 2018: 86.01%)				
Cayman Islands: 1.38% (Dec 2018: Nil)				
16,600	Ctrip	Internet	481,422	1.38
Total Cayman Islands			481,422	1.38
China: 2.57% (Dec 2018: 2.55%)				
8,000	58.com ADR	Internet	390,791	1.12
3,800	Alibaba ADR	Internet	505,940	1.45
Total China			896,731	2.57
Germany: 4.59% (Dec 2018: 4.98%)				
10,000	SAP	Software	1,080,549	3.10
20,000	United Internet	Internet	518,263	1.49
Total Germany			1,598,812	4.59
Netherlands - 0.84% (Dec 2018: Nil)				
3,800	NXP Semiconductors	Semiconductors	291,442	0.84
Total Netherlands			291,442	0.84
Republic Of South Korea - 1.70% (Dec 2018: 1.71%)				
18,500	Samsung Electronics	Semiconductors	591,689	1.70
Total Republic Of South Korea			591,689	1.70
Taiwan - 1.68% (Dec 2018: 1.87%)				
19,000	Taiwan Semiconductor Manufacturing ADR	Semiconductors	584,765	1.68
Total Taiwan			584,765	1.68
United Kingdom - 2.65% (Dec 2018: 3.04%)				
250,000	Avast	Computers	750,000	2.15
285,193	IQE	Semiconductors	173,112	0.50
Total United Kingdom			923,112	2.65
United States - 72.06% (Dec 2018: 71.86%)				
70,600	Advanced Micro Devices	Semiconductors	1,684,703	4.83
15,200	Akamai Technologies	Software	957,121	2.75
2,350	Alphabet	Internet	1,999,356	5.74
1,165	Amazon	Internet	1,733,385	4.97
16,110	Apple	Computers	2,505,297	7.19
8,000	Atlassian	Software	822,440	2.36
21,100	Cadence Design Systems	Software	1,173,954	3.37
11,400	Check Point Software Technologies	Computers	1,035,557	2.97
65,250	Cloudera	Software	269,675	0.77
19,000	Intel	Semiconductors	714,646	2.05
4,112	Leidos	Computers	257,989	0.74
13,870	Mellanox Technologies	Semiconductors	1,206,092	3.46
25,000	Micron Technology	Semiconductors	758,034	2.18
30,600	Microsoft	Software	3,220,850	9.24
25,000	Mimecast	Internet	917,537	2.63
1,450	NVIDIA	Semiconductors	187,109	0.54

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
SCHEDULE OF INVESTMENTS as at 30 June 2019 *continued*

Holdings	Security Name	Industry Sector ⁺	Value Gbp	% of Fund Net Assets
EQUITIES: 87.47% (Dec 2018: 86.01%) <i>continued</i>				
United States - 72.06% (Dec 2018: 71.86%) <i>continued</i>				
18,000	Pegasystems	Software	1,007,134	2.89
10,200	Qualcomm	Semiconductors	609,660	1.75
50,000	Radware	Software	971,557	2.79
28,000	Teradyne	Semiconductors	1,054,043	3.02
19,000	Xilinx	Semiconductors	1,760,415	5.05
10,000	Yelp	Internet	268,563	0.77
Total United States			25,115,117	72.06
Total Equities			30,483,090	87.47
Total Value of Investments			32,153,090	92.26
Cash at bank			2,833,311	8.13
Other net liabilities			(137,349)	(0.39)
Net assets Attributable to holders of Redeemable Participating Shares at Last Traded Prices			34,849,052	100.00
			30	31
			June	December
			2019	2018
			% of Total	% of Total
			Assets*	Assets*
Analysis of Portfolio (Unaudited)				
Transferable securities admitted to an official stock exchange listing or traded on a regulated market			90.19	90.42
Other net assets			9.81	9.58
			100.00	100.00

⁺Bloomberg Industry Group Classification System.

*Calculation based on the total assets of the Fund (excluding liabilities).

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
SCHEDULE OF PORTFOLIO MOVEMENTS
for the six months ended 30 June 2019

PURCHASES*		VALUE GBP
165	Amazon.com	199,570
16,600	Ctrip.com	390,531
3,800	NXP Semiconductors	288,249
SALES*		VALUE GBP
4,000	Atlassian	377,253
3,900	Cadence Design Systems	192,320
20,000	CEVA	359,997
7,080	Mellanox Technologies	476,371
8,440	Western Digital	288,758

* The above purchases and sales represents the total trading for the period.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
APPENDIX 1 - SECURITIES FINANCING TRANSACTIONS REGULATION

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) is required on all reports and accounts published after 13 January 2017. During the financial period ended 30 June 2019, the Fund did not enter into any SFTs.