

HERALD INVESTMENT FUND plc
- The Herald Worldwide Technology Fund

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

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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 AUDITOR

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
Ireland

LEGAL ADVISERS

In Ireland
Arthur Cox
Ten Earlsfort Terrace
Dublin 2
D02 T380
Ireland

In England
MacFarlanes LLP
20 Cursitor Street
London EC4A 1LT
England

HERALD INVESTMENT FUND PLC
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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 Annual Report and Audited 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.

Online dealing is available at:

Hargreaves Lansdown: www.hl.co.uk

Transact: www.transact-online.co.uk

A.J.Bell: www.youinvest.co.uk

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

BACKGROUND TO THE COMPANY *continued*

DEALING *continued*

Alternatively application forms for redeemable participating shares and purchase orders are available from Herald Investment Management Limited at www.heralduk.com and 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.

Applications should be made to the Administrator:

Northern Trust International Fund Administration Services (Ireland) Limited

2nd Floor, Block A

City East Plaza

Towlerton, Ballysimon

Limerick V94 X2N9

Ireland

Tel +353 (0)1 434 5119

Fax +353 (0)1 434 5251

Email Herald_TA@ntrs.com

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. Please note that Class A shares are currently closed to new investors.

INVESTMENT MANAGEMENT

Herald Investment Management Limited serves as Investment Manager pursuant to an investment management agreement dated 23 March 1998 (as amended by addenda 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
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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 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 £67.30. 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 £43.46.

Total return¹ for the financial year ended 31st December 2019

Herald Worldwide Technology Fund NAV (Class A)	33.2%
Herald Worldwide Technology Fund NAV (Class B)	35.8%

Global¹

Dow Jones World Technology (DJWT)	39.0%
MSCI World Information Technology	42.4%

United States¹

Russell 1000 (Large Cap) Technology	41.5%
Russell 2000 (Small Cap) Technology	29.5%
S&P 500	26.4%
Russell 2000 Small Cap	20.6%

United Kingdom¹

iShares Core FTSE 100 UCITS ETF	17.1%
Numis Smaller Companies Index plus AIM (ex Investment companies)	22.2%

Europe¹

MSCI Europe	19.5%
MSCI Europe Information Technology	30.1%
DAX	19.0%
Deutsche Bourse TECDAX	16.8%
CAC 40	22.9%

Asia Pacific¹

MSCI Asia	15.2%
MSCI JAPAN	16.7%
KOSDAQ IT Composite Index	6.3%
Taiwan Electronics Index	39.1%

¹ - All percentage returns are in GBP

Source: Herald Investment Management Limited and Bloomberg.

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

Summary

2019 proved a good year for equities markets, and particularly for the Telecoms, Media & Technology (TMT) sector targeted by this Fund.

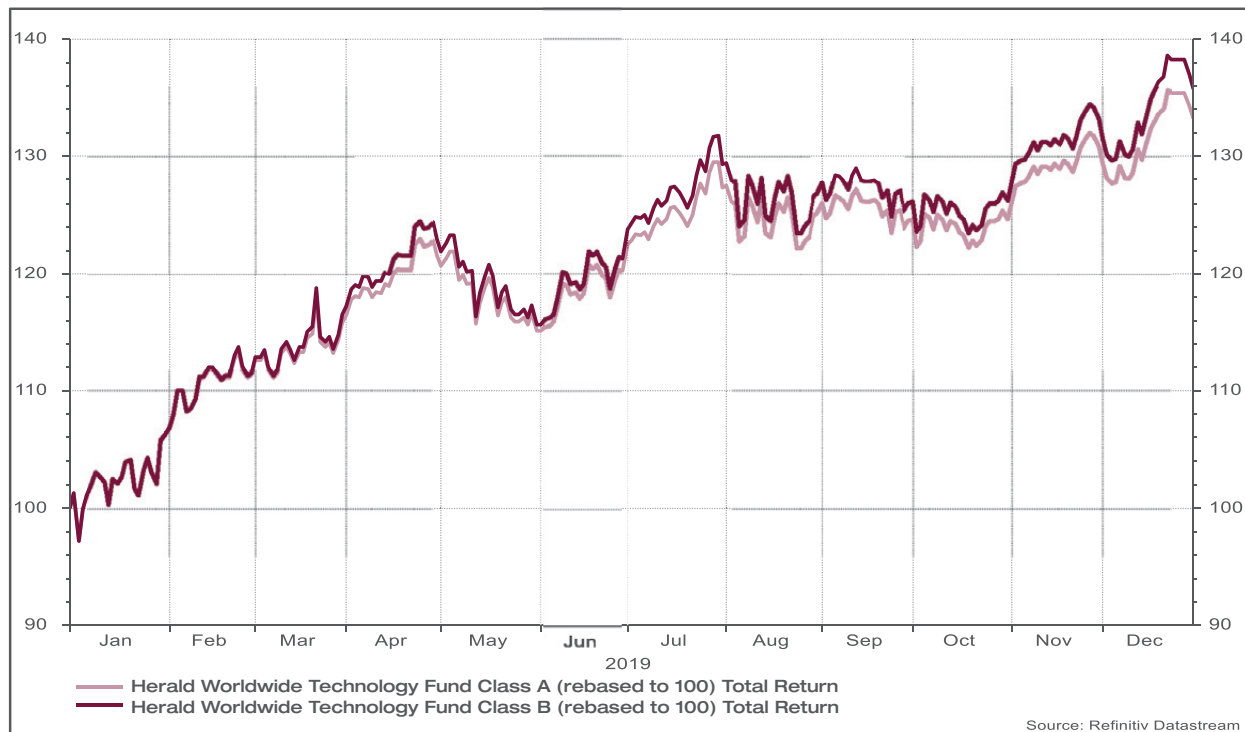
In 2019 the equity returns for the Fund were good. However, cash balances dragged performance by 3%. It is relatively expensive to hold cash in such a strong market. Further analysis indicates that cash has been a 12.4% drag on performance over 5 years, because cash balances have on average been 5.75% of the Fund's assets. The performance over three years is in the top 10 out of over 4,000 offshore funds on Trustnet.

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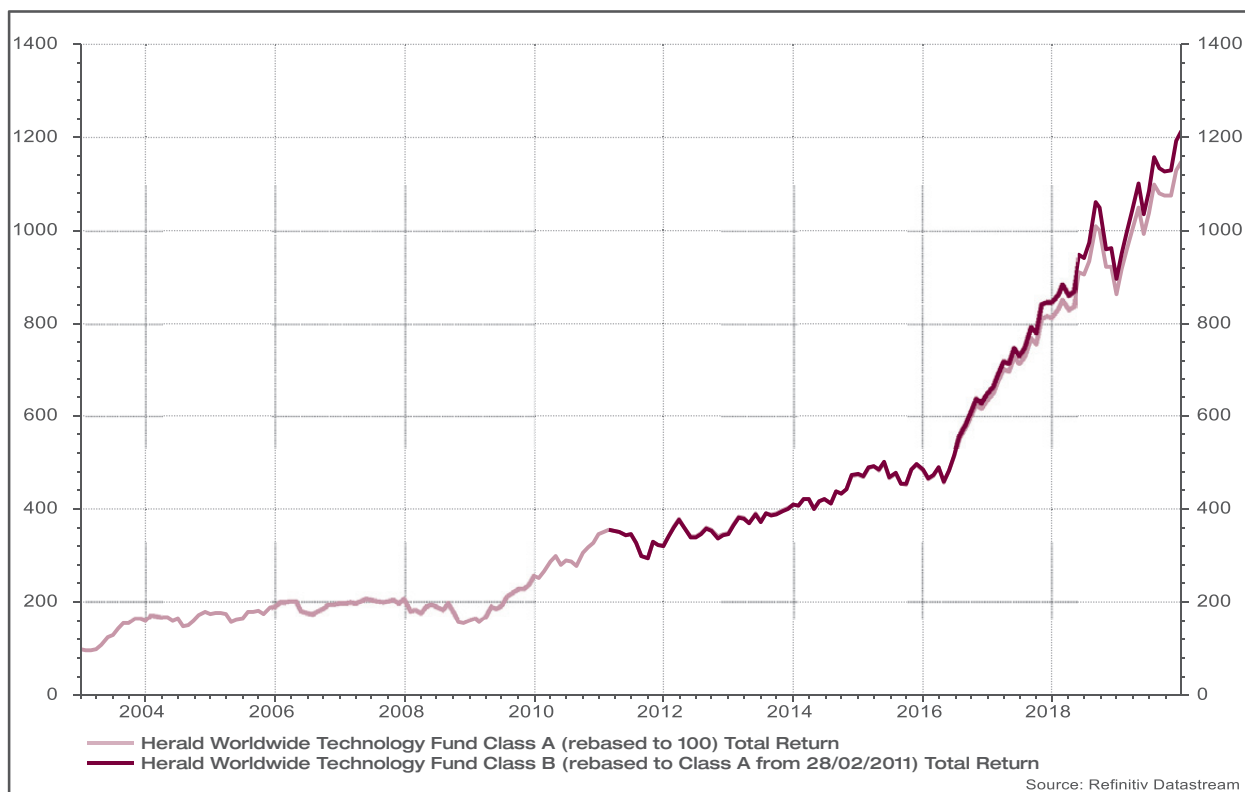
INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Summary *continued*

Total Return: 2019



Current Manager - Total Return: 31/12/2002 - 31/12/2019



HERALD INVESTMENT FUND PLC
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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Summary *continued*

Total Return by region ²	1 year	3 years	5 years
Asia	35.4%	85.1%	127.0%
EMEA	4.3%	16.6%	54.6%
North America	43.5%	111.2%	212.1%
UK	40.3%	122.8%	197.6%

2 - Time weighted return

North America

The total return for the US portfolio was 43.5%. This is better than the various technology indices. Apple and Microsoft are the largest positions in the portfolio accounting for 17.7% of the assets, their weighting in the indices is much higher. Microsoft's total return was 51.4% in £ and Apple's a remarkable 81.6%. Microsoft now has the characteristics of a utility, because many of their products, such as Office 365 and the Azure datacentre, are non-discretionary recurring costs for the enterprise, government and the consumer alike. Furthermore, they have growth and do not have the price controls of regulated utilities. On Bloomberg estimates, the forward p/e to June 2020 was 27.5x at the year-end which we believe is still relatively attractive given the quality of earnings in a world of negative real bond returns. Apple recovered from concerns that came to the fore in 2018 that the smartphone market was saturated and reduced demand in China a problem. Instead the market has focused on the high-quality recurring service element of revenues. The forward p/e had expanded to 21.6x (Bloomberg estimate) which is not too demanding.

A couple of the smaller holdings have performed even better. Advanced Micro Devices (AMD) appreciated 138.8%, and Teradyne 110.4%. AMD has become a credible competitor to Intel in laptops and the datacentres and it continues to have a strong position in graphics processors. Although the growth rate is faster than Intel's the forward p/e of 42.7x has scope for compression. Some gains have been realised. Teradyne's performance has reflected the Fund's exposure to the semiconductor capital equipment space, enhanced by the division which tests wireless devices. Revenues in the latter grew 19%, but this should be the start of several strong years as 5G is adopted.

Atlassian continued to perform well returning 74%. This holding was acquired in August 2016 at \$30.5/share, and we sold the position in August at \$142.8/share. We are sad to see it go because we have great respect for what they have achieved but there was concern that the valuation was too stretched with it approaching 30x revenue. Along with other SAAS (software as a service) companies, Atlassian have started diluting with Restricted Stock Units (effectively nil cost options) and a convertible debt instrument. There was at last a shakeout in these stocks and by October there was value in others in the sector. This led to purchases of CyberArk, Zscaler and Varonis all in the cybersecurity space, as well as Envestnet.

Other strong performers included Leidos (+81.7%), an IT services business, Nvidia (+70.3%) a leader in GPUs and Micron (+63.1%), a commodity memory manufacturer, and the market is assuming a 2020 recovery in that market. The latter has a forward p/e of 16.3x which is low if the recovery comes as expected.

Mellanox returned 22.0% and remains in the portfolio but is under offer at \$125/share from Nvidia. It was acquired at c\$44 in 2015 and 2017. The delay in settlement is political and needs the all clear from the Chinese Government. The datacentre space that they supply is strong, and speeds are ever increasing. We would be delighted if the offer was blocked.

Europe

The small European element of the Fund returned a disappointing total return of 4.3%. United Internet was the underperformer of the Fund declining 26%. It was purchased at €13.3/share in 2008, and rose to €60 at the end of 2017. We have now cut this position at €30.2/share.

UK

The UK element of the Fund had a total return of 40.3%. The main contributor to the return was Avast, which appreciated 64.5%. This Czech based company was acquired at IPO when it listed in London, but was poorly marketed, which provided a good entry point. There is little left in the UK sector unfortunately and it is unlikely to feature significantly in future performance. Herald Investment Trust, a holding on which no fee is charged, returned 37.7%. It provides an exposure to a range of smaller TMT companies globally.

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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Summary *continued*

Asia

The total return on the Asian portfolio was 35.4%. It is a much more important market for the TMT sector than Europe, with a number of world class companies. The sector's manufacturing is focussed in this region, and the Chinese internet companies are leading edge. TSMC (Taiwan Semiconductor Manufacturing Company) was the best performer returning 58.6%. It has become the leading foundry in the world and overtaken Intel in successfully manufacturing at the smallest geometries. The position was reduced late in the year on valuation grounds. Alibaba, the Chinese online retailer, and Samsung also performed well returning 48.9% and 36.5% respectively.

Market Background

The Fund, the sector and the market all decisively recovered from the wobbles of the fourth quarter in 2018. There was a combination of concerns about tariffs in China, a cyclical economic slowdown and rising interest rates. It is proving challenging for central bankers to raise interest rates and they seem likely to remain low, but we are a year nearer an economic slowdown. We believe that the sector is less vulnerable to a slowdown than it has been in the past, because so much of its revenue is recurring in nature, and not discretionary capital expenditure. Whilst it will not be immune, the sector is more defensive than many other sectors in the market, particularly those exposed to higher interest rates.

The prospective p/e of the portfolio was 16.4x at the end of 2018 on Bloomberg estimates, and has risen to 22.8x at the end of 2019. Shares have therefore risen faster than profits. It is unwise to expect a similar re-rating this year, but relative to other assets, such as bonds, the valuations are not in general frightening. The companies we are inclined to avoid are those where forecasts are for adjusted earnings which exclude share-based payments. Often, they are in fact loss making on a GAAP basis. Generally, analysts do not forecast share-based payments, so for many stocks the forward p/e is flattered. Within the sector the area where there is a conspicuous bubble is in salaries in Northern California. Meanwhile US companies continue to expand in London where they find a skill set at a lower cost.

The US remains the intellectual capital of the technology/internet sectors, but the number of listed companies is continuing to fall. This reflects normal consolidation as markets mature, but more notably a continued trend for profitable companies to be acquired by private equity. Meanwhile venture backed companies are staying private for longer with more follow-on funding occurring in private rounds. It is evident that investment banks are similarly encouraging UK private companies to raise money privately rather than float. It remains uncertain whether this is a structural change or merely a cyclical fashion. In theory companies should have permanent capital, and investors perfect liquidity. For long periods the public markets provided this, whereas clearly private equity provides temporary capital, and limited liquidity for investors. What is the appeal? Firstly, the valuations have been higher for private companies. This has probably been the main driver to the market. After all debt is a cheaper form of capital than equity, and private equity has exploited this. Their returns have been good, through leverage in an era of declining and very low real interest rates, so investors have allocated further capital. There are early signs of strain. Uber and Lyft came to market with lower values than expected, and performance has been lacklustre for Slack, which now trades with a market value of c\$11.3bn, and the EV/sales is 18.5x. We have not participated in any IPOs this year, and we rarely do so. The last one was Avast when allocations and the valuation was sensible. Some of the IPOs have performed well, but we are reluctant participants when the listing information is so dressed by the vendors and investment bankers, and we do not have a chance to meet management. Whilst companies may provide access to roadshow presentations on the internet, these "Netroadshows" provide a useful background, but are a veneer in terms of ascribing an appropriate valuation.

Asia remains the manufacturing centre and TSMC and Samsung are world leaders. China is investing heavily in semiconductors but has a few years to compete at the leading edge, although their internet companies are par to none. We expect the trade issues between China and the US to endure and can see an increasingly parallel sector between the regions.

The US must be clever to retain leadership, and clearly some US players will be designed out in China, which will be a headwind for some companies. It is inconceivable that somehow the US will not retain manufacturing to some extent for defence purposes. Intel and Micron look well placed for this. There is a worrying sector dependency on TSMC, which is the dominant manufacturer for customers such as AMD, Xilinx, Nvidia, Apple and many others. An earthquake in Taiwan must be on the risk map for many companies.

Passive investors now account for c50% ownership of the US public markets, reflecting the growth in ETFs. We do not feel competitively challenged by this because we have performed better than indices, but we do worry that it is leading to a potential instability. If the herd sells rather than buys will there be enough value aware investors to mop up the selling? Liquidity will be a major issue in the next bear market. Fortunately, this Fund invests in a particularly liquid group of stocks.

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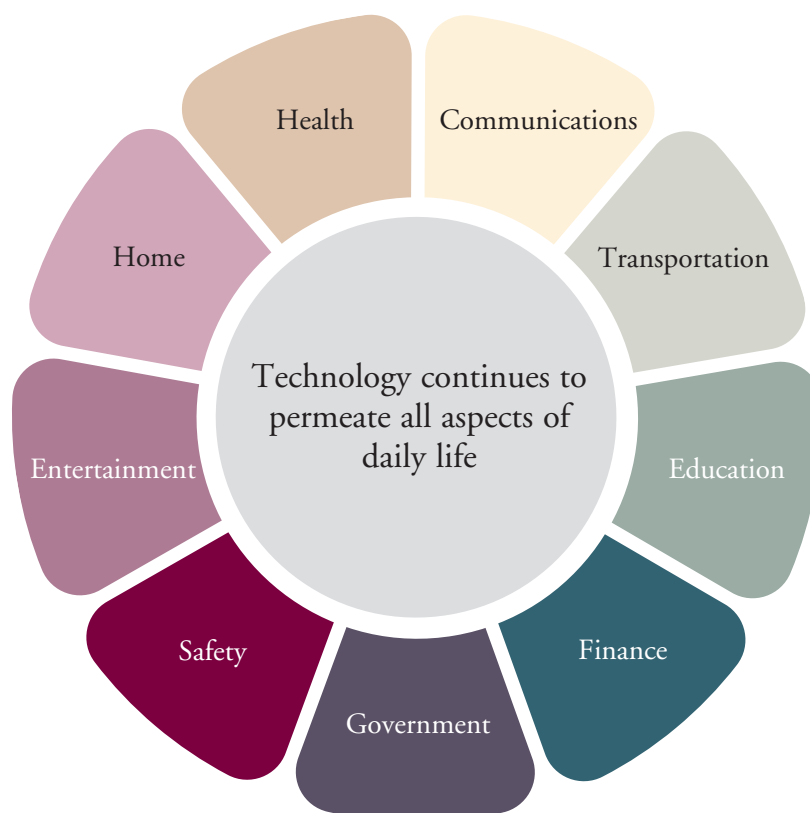
INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Market Background *continued*

Brexit is a non-issue for the technology sector, because the UK is still an attractive base for US companies to both attract skills and sell into Europe. Much of the sector is zero rated from a tariff perspective anyway. There are other political issues of more relevance, not least the forthcoming presidential election.

Sector Background

We remain enthusiastic about the outlook for investing in the technology sector. Cloud computing and ubiquitous connectivity will continue to drive disruption across different sectors, creating opportunities for technology companies. Although we expect trade tensions and regulatory concerns to continue to cause short-term volatility, ultimately the sector is among the few which is investing heavily in innovation, creating high value employment and bringing benefits to consumers, enterprises, and governments around the world whilst generating attractive returns.



Cloud Computing, Artificial Intelligence, and Machine Learning

The concept of IT as a utility has been talked about since the mid 1990's. But it was with the wide acceptance of opensource software post 2000, the availability of mobile data networks in the mid-2000's, the launch of the Amazon Web Service (AWS) in 2006 and the Apple app model in 2007/2008 that the pieces of the puzzle were in place for the concept to go mainstream. Today we call that utility model "Cloud Computing."

While we are 10+ years into the adoption of Cloud Computing, the size of the market is very large and growth rates remain robust. Gartner Group estimate public cloud revenues to grow from \$227bn in 2019 to over \$350bn in 2022³.

Moreover, we see the adoption of Cloud Computing disrupting about \$1Trillion of the current annual spending on legacy systems. Application modernisation and cloud migration are at the heart of most corporate digital transformation plans, offering secular growth which benefits a number of portfolio companies.

The combination of ubiquitous connectivity and cloud computing is allowing the collection and analysis of unprecedented amounts of data. Companies small and large across different sectors can benefit from the \$50bn+ annual capital investments in cloud computing by Alphabet, Amazon, Microsoft, Apple, and Alibaba to analyse and try to glean new insights from disparate data sources.

3 - Gartner source:

<https://www.gartner.com/en/newsroom/press-releases/2019-11-13-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-17-percent-in-2020>

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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Sector Background *continued*

Alphabet, with the origin of its offerings based on Google's own infrastructure and technology stack, is arguably the most advanced in using artificial intelligence (AI) to drive its different businesses, though investments in AI are being made by companies across sectors. According to CBInsights over \$66billion⁴ has been invested in AI start-ups in the last 6 years. Advancements in AI and Machine Learning (ML) span horizontal applications. Image processing and Natural Language Processing (NLP) are examples of horizontal applications whose use is permeating across sectors such as finance, healthcare, and security.

Beneficiaries of AI and ML are broad. They range from the first movers which drive efficiency and or create differentiated Intellectual Property (IP) in their respective domains to software and hardware vendors in the supply chain. We continue to view semiconductors and semiconductor capital equipment companies as key beneficiaries of AI and ML and continue to favour the sub-sector on a multi-year view.

Secondary and tertiary investment opportunities we see playing out over the next 5+ years as a result of the continued growth in Cloud Computing and Ubiquitous Connectivity

Artificial
Intelligence and
Machine Learning

Virtual Reality /
Augment Reality

Environmental
and Regulatory

Security

Ubiquitous Connectivity and 5G

5G adoption is expected to accelerate in 2020. 5G promises higher connection speeds and lower latencies compared to 4G. We consider 5G evolutionary and are wary of some of the hype. We believe there are attractive investment opportunities in selective parts of the supply chain, most notably companies designing specialty semiconductors. Due to the higher frequencies at which 5G operates, networks need to be denser. Since the launch of 3G, operators across the world have explored network sharing arrangements with competitors to reduce capital investment requirements but have had little success. For network sharing to work, there is a fine balance between maintaining competitive differentiation for an operator, while optimising capex, and meeting regulatory requirements. The higher cell density requirements of 5G is sparking another round of network sharing discussions amongst telecom operators. This time however, environmental factors are also part of the discussion, with the argument that network sharing is more environmentally friendly. Wide adoption of network sharing and new software defined network architectures are among some of the factors which may lead to less than expected growth opportunities for some parts of the 5G supply chain.

Regulation, Trade, and China 2025

Regulation will be an important factor during the next few years. As long-term investors in technology we have seen first-hand, the material, long-term impacts of both regulation and strategic investment initiatives by different governments during the past 25 years.

Notable past examples include the digital cellular standards wars of the late 1990's, the United States Department of Justice 10-year consent agreement with Microsoft and Korean, Taiwanese, and Singaporean government initiatives to support their industries in the 1990's and 2000's.

In 2015, the Chinese government laid out bold strategic objectives called Made in China 2025, targeting diverse sectors but with an emphasis on the technology sector. This was followed by a 2017 plan focused on AI. The recent US government's trade policies have had the adverse impact of accelerating the shift by Chinese companies to source products from domestic companies. We expect US/China trade discussions to continue to cause short-term volatility in the technology sector. Longer term, we believe the same way that Taiwanese and Korean companies hollowed out much of the Japanese and US technology industries, China's initiatives will create multi-year headwinds for many technology companies in the US, Japan, Taiwan and Korea. The software sector will continue to be relatively immune from these risks.

4 - CB Insights source:

<https://www.cbinsights.com/research/report/ai-in-numbers-q2-2019/>

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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Sector Background *continued*

Regulation, Trade, and China 2025 continued

China, Next Generation AI Development Plan⁵		
Phase 1	By 2020:	<ul style="list-style-type: none">• China becomes one of the world's most advanced nations in AI technologies.• The AI industry becomes a new sector of important economic growth.• The application of AI technology becomes a new way to improve people's lives.• The value of core AI industries to reach 150 billion RMB (\$22bn), while that of AI-related industries to reach 1 trillion RMB (\$144bn).
Phase 1	By 2025:	<ul style="list-style-type: none">• China becomes the world leader in some sets of AI technologies and their application, and a driver of major breakthroughs for fundamental AI theories.• AI should be well applied in areas such as smart manufacturing, smart healthcare, smart cities, smart agriculture, and national defence.• Preliminary establishment of a new legal framework for AI, including standards, safety assessments, and supervision.• The value of core AI industries to reach 400 billion RMB (\$57bn), while that of AI-related industries to reach 5 trillion RMB (\$720bn).
Phase 1	By 2030:	<ul style="list-style-type: none">• China will be a leader in AI-related theory, technology and applications.• China becomes a major AI innovation centre in the world and will make notable AI achievement in the economy and society.• The value of core AI industries to exceed 1 trillion RMB (\$144bn), while that of AI-related industries to exceed 10 trillion RMB (\$1.4tn).

5 - China next generation AI plan source:

<https://na-production.s3.amazonaws.com/documents/translation-fulltext-8.1.17.pdf>

<https://www.newamerica.org/cybersecurity-initiative/blog/chinas-plan-lead-ai-purpose-prospects-and-problems/>

Environmental, Social and Governance (ESG)

In a world of limited resources and growing environmental and social concerns, it is worth highlighting that a number of the technology companies have taken it onto themselves to be standard-bearers, raising the environment and social bars for all.

For example, Apple is using 100% renewable energy for all of the electricity used by its facilities around the world and is striving to make products using 100% recycled and renewable materials.

Apple imposes its own exacting standards on all of its suppliers and the suppliers of their suppliers. Apple's lead in this area has spurred others such as Google, Microsoft and Amazon to up their commitments. For example, Microsoft recently committed to being carbon negative by 2030. Therefore, although the US government, driven by corporate lobbies, drags its feet on environmental commitments, this has not stopped the leading US technology companies from rapidly raising standards across their supply chains around the world. This leads small companies which are customers and/or suppliers of the large companies to also become progressively more environmentally efficient.

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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

Environmental, Social and Governance (ESG) *continued*

“We’re sourcing 100% renewable energy for all the electricity used at our facilities in 43 countries around the world. Two thirds of this renewable energy comes from Apple-created projects.” “We take responsibility for our entire carbon footprint. That includes the emissions beyond our direct control, like those from sourcing materials, making our products, and our customers using their devices.” “Partners across our supply chain are installing or investing in sizable solar projects and purchasing clean energy directly from renewable projects or from their utility. As of April 2019, 44 manufacturing partners in 16 countries have committed to 100% renewable energy for Apple production”

Apple Environmental Responsibility Report, 2019

Summary

The same way that the internet democratised information flow and we are still grappling with its second and third order effects, Cloud Computing and Ubiquitous Connectivity continue to democratisise software development across different end markets with changing second and third order effects.

Investing in technology gives us a front seat to see the ripples and aftershocks of seemingly unconnected small innovations which often combine to create tectonic shifts across different industries. Regardless of the source of the innovations, smaller companies and entrepreneurs behind them tend to be the first ones to exploit the nascent opportunities throughout global supply chains. Our intimacy with smaller companies through our management of the Herald Investment Trust gives us a unique perspective on emerging disruptions.

Based on the trends we are seeing, we continue to be enthusiastic about the opportunity to generate long-term capital appreciation by investing in the technology sector.

Outlook

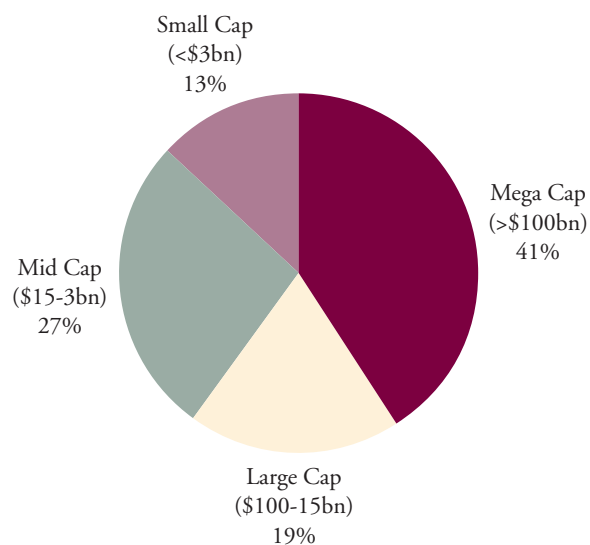
Valuations are not as attractive as a year ago, but we continue to believe the scope for performance in the technology sector is better than the market as a whole. Last year the portfolio had a skew towards value which meant overweight semiconductors and the datacentre, and underweight software. This continues to be our preference.

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INVESTMENT MANAGER'S REPORT for the financial year ended 31 December 2019 *continued*

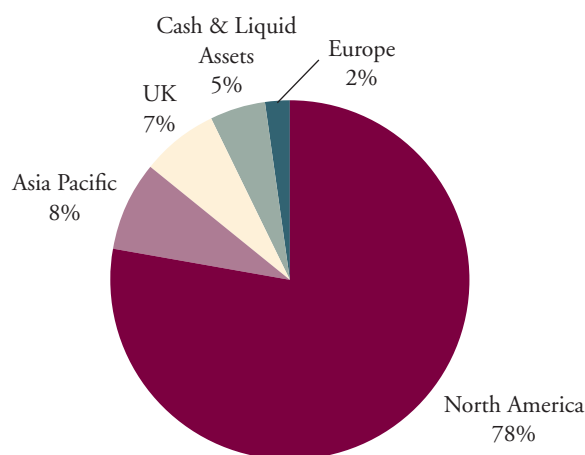
**BREAKDOWN OF EQUITY INVESTMENTS
BY MARKET CAP**

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



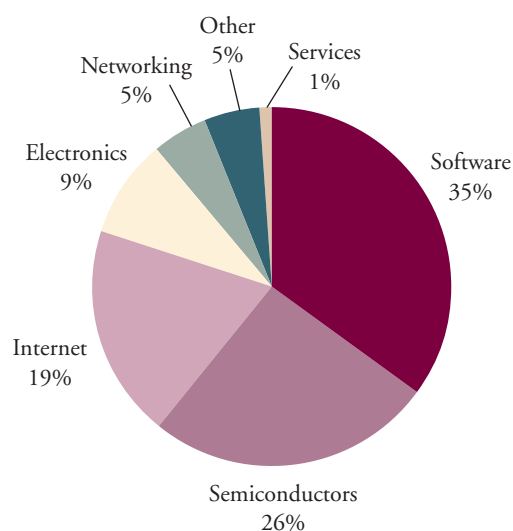
GEOGRAPHICAL BREAKDOWN

	31/12/2019	31/12/2018
North America	78%	72%
Asia Pacific	8%	6%
UK	7%	8%
Cash & Liquid Assets	5%	9%
Europe	2%	5%
	100%	100%



SECTOR BREAKDOWN

	31/12/2019	31/12/2018
Software	35%	29%
Semiconductors	26%	29%
Internet	19%	21%
Electronics	9%	7%
Networking	5%	7%
Other	5%	5%
Services	1%	1%
Storage	-	1%
	100%	100%



Source: Herald Investment Management Limited

Date: 31/12/2019

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DIRECTORS' REPORT for the financial year ended 31 December 2019

The Directors present herewith the Annual Report and Audited Financial Statements for the financial year ended 31 December 2019.

Statement of Director's Responsibilities

The Directors are responsible for preparing the Annual Report and Audited Financial Statements in accordance with Irish law and accounting standards issued by the Financial Reporting Council, including FRS102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" (Generally Accepted Accounting Principles in Ireland) and UCITS Regulations.

Irish Company law requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards and notify shareholders in writing about the use of disclosure exemptions of FRS 102; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017) and enable those financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In carrying out this duty, the Directors have delegated depository of the Company's assets to the Northern Trust Fiduciary Services (Ireland) Limited (the "Depository").

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017).

The financial statements are published on the Company's website www.heralduk.com. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Statement

The Board of Directors ("the Board") has voluntarily complied with the Corporate Governance Code for Irish Domiciled Collective Investment Schemes as published by the Irish Funds Industry Association ("Irish Funds"), as the Company's corporate governance code ("IF Code").

The Board has assessed the measures included in the IF Code as being consistent with its corporate governance practices and procedures for the financial year.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DIRECTORS' REPORT for the financial year ended 31 December 2019 *continued*

Internal Control and Risk Management Systems

The Company is responsible for establishing and maintaining adequate internal control and risk management systems in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including the production of annual and half-yearly financial statements. The annual and half-yearly financial statements of the Company are required to be approved by the Board of the Company and filed with the Central Bank of Ireland. The financial statements are required to be audited by independent auditors who report annually to the Board on their findings.

The Board regularly reviews the performance of the Administrator to ensure its performance is satisfactory and in accordance with the terms and conditions of the Administrator Agreement and Prospectus.

The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Operation of the Shareholder Meeting, the Key Powers of the Shareholder Meeting, Shareholders' Rights and the Exercise of Such Rights

The convening and conduct of shareholders' meetings are governed by the Constitution of the Company and the Irish Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017). Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company every calendar year within nine months of the Company's financial year end and no more than fifteen months from the date of the previous annual general meeting. Shareholders representing not less than one-tenth of the paid up share capital of the Company may also request the Directors to convene a shareholders' meeting. Not less than twenty one days notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to shareholders. Fourteen days notice must be given in the case of any other general meeting unless the auditors of the Company and all the shareholders of the Company entitled to attend and vote agree to shorter notice.

Two members present either in person or by proxy constitute a quorum at a general meeting provided that the quorum for a general meeting convened to consider any alteration to the class rights of shares is two shareholders holding or representing by proxy at least one third of the issued shares of the relevant sub-fund or class.

Every member present in person or by proxy who votes on a show of hands is entitled to one vote. On a poll, every member is entitled to one vote in respect of each share held by them. The chairman of a general meeting of the Company or at least five members present in person or by proxy or any holder or holders of participating shares present in person or by proxy representing at least one-tenth of the shares in issue having the right to vote at such meeting may demand a poll.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. An ordinary resolution of the Company or of the shareholders of a particular sub-fund or class requires a simple majority of the votes cast by the shareholders voting in person or by proxy at the meeting at which the resolution is proposed. A special resolution of the Company or of the shareholders of a particular sub-fund or class requires a majority of not less than 75% of the shareholders present in person or by proxy and voting in a general meeting in order to pass a special resolution including a resolution to amend the Constitution.

Composition and Operation of the Board of Directors and the Committees of the Board of Directors

Unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors may not be less than two nor more than twelve. Currently, the Board of the Company is composed of four Directors, being those listed on page 3 of these financial statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DIRECTORS' REPORT for the financial year ended 31 December 2019 *continued*

Composition and Operation of the Board of Directors and the Committees of the Board of Directors *continued*

The business of the Company is managed by the Directors, who exercise all such powers of the Company as required by the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017) or by the Constitution of the Company.

A Director may, and Sanne Corporate Administration Services Ireland Limited (“the Company Secretary”) of the Company on the requisition of a Director will, at any time, summon a meeting of the Directors. Questions arising at any meeting of the Directors are determined by a majority of votes. In the case of an equality of votes, the chairman has a second or casting vote. The quorum necessary for the transaction of the business at a meeting of the Directors is two.

There are no sub-committees of the Board.

Principal Activities and Future Developments

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 the Investment Manager offer potential growth in excess of the average. The Investment Manager’s Report contains a review of the factors which contributed to the performance for the financial year.

Risk Management Objectives and Policies

The main risks arising from the Company’s financial instruments are market risk (comprising of market price, interest rate and foreign currency risk), credit risk and liquidity risk which are disclosed further in note 2 ‘Financial Risk Management’ in the financial statements.

Significant Events During the Year

There were no significant events during the year which, in the opinion of the Directors, may have had an impact on the financial statements for the financial year ended 31 December 2019.

Events Since the Financial Year End

There were no other events after the Balance Sheet date which, in the opinion of the Directors, may have had an impact on the financial statements for the year ended 31 December 2019.

Results and Dividends

The results and dividends for the year are set out in the Profit and Loss Account on page 24.

Directors

The Directors who held office during the year under review were:

William Backhouse LVO (British)*

Charles Ekins (British)*

Paul Halley (Irish)*

Fergus Sheridan, Chairman (Irish)*

*Independent Directors

Directors’ Interests in Shares and Contracts

The Directors’ interests in shares and contracts are detailed in note 10 .

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DIRECTORS' REPORT for the financial year ended 31 December 2019 *continued*

Transactions Involving Directors

There are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), at any time during the financial year.

Accounting Records

The Directors believe that they have complied with the requirements of the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), with regard to the keeping of accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function.

The accounting records of the Company are maintained at:

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

Independent Auditors

In accordance with Section 383 (2) of the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, are willing to continue in office.

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 a 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 43(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 year complied with the obligations set out in Regulation 43(1) of the Central Bank UCITS Regulations.

Directors' Compliance Statement

The Directors, in accordance with Section 225(2) of the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in Section 325 of the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), where applicable, the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Prospectus (Directive 2003/71/EC) Regulations 2015, the Transparency (Directive 2004/109/EC) Regulations 2007 and Tax laws ('relevant obligations'). The Directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies with regard to such compliance;
- appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company's compliance with its relevant obligations.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DIRECTORS' REPORT for the financial year ended 31 December 2019 *continued*

Statement of Relevant Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware. The Directors have taken all the steps that should have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Brexit

The manager obtained temporary permission from the FCA to allow the Fund to be marketed in the UK post Brexit.

On behalf of the Board of Directors

Fergus Sheridan
Director

Paul Halley
Director

3 March 2020

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

DEPOSITARY'S REPORT to the Members of Herald Investment Fund plc (the "Company")

We, Northern Trust Fiduciary Services (Ireland) Limited, appointed Depositary to Herald Investment Fund plc ("the Company") provide this report solely in favour of the members of the Company for the year to 31 December 2019 ("the Annual Accounting Period").

This report is provided in accordance with the UCITS Regulations – European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (SI No 352 of 2011) as amended, which implemented Directive 2009/65/EU into Irish Law ("the UCITS Regulations"). We do not, in the provision of this report, accept nor assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Depositary obligation as provided for under the UCITS Regulations, we have enquired into the conduct of the Company for this Annual Accounting Period and we hereby report thereon to the members of the Company as follows:

We are of the opinion that the Company has been managed during the Annual Accounting Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Constitutional documents and by the UCITS Regulations; and
- (ii) otherwise in accordance with the provisions of the Constitutional document and of the UCITS Regulations.

For and on behalf of:

Northern Trust Fiduciary Services (Ireland) Limited
3 March 2020

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc

Report on the audit of the financial statements

Opinion

In our opinion, Herald Investment Fund plc's financial statements:

- give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2019 and of its results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

We have audited the financial statements, included within the Annual Report and Audited Financial Statements, which comprise:

- the Balance Sheet as at 31 December 2019;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the year then ended;
- the Schedule of Investments as at 31 December 2019; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc *continued*

Reporting on other information

The other information comprises all of the information in the Annual Report & Audited Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc *continued*

Responsibilities for the financial statements and the audit *continued*

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Patrick Glover
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm

3 March 2020

Notes:

- The maintenance and integrity of the www.heralduk.com website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

PROFIT AND LOSS ACCOUNT for the financial year ended 31 December 2019

	Note	Financial year ended 31 December 2019 GBP	Financial year ended 31 December 2018 GBP
Income			
Operating income	3	242,524	239,397
Net gains on financial assets and liabilities at fair value through profit or loss	4	10,718,566	2,268,752
Total investment income		10,961,090	2,508,149
Operating expenses	5	(1,301,733)	(603,454)
Expense reimbursement from investment manager	8	251,000	83,986
Profit for the year before tax		9,910,357	1,988,681
Non-reclaimable withholding tax		(54,612)	(61,922)
Increase in net assets from operations attributable to holders of redeemable participating shares		9,855,745	1,926,759

There are no recognised gains or losses arising in the financial year 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 year, all amounts above relate to continuing operations.

On behalf of the Board of Directors

Fergus Sheridan
Director

Paul Halley
Director

3 March 2020

The accompanying notes form an integral part of the Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund
BALANCE SHEET as at 31 December 2019

	Note	As at 31 December 2019 GBP	As at 31 December 2018 GBP
ASSETS			
Financial assets at fair value through profit or loss	2	38,850,969	26,656,540
Cash and bank balances	9	2,524,181	2,815,838
Debtors	1 (g)	212,759	9,277
TOTAL ASSETS		41,587,909	29,481,655
 LIABILITIES			
Creditors - amounts falling due within one year	1 (f)	(765,517)	(52,864)
Net assets attributable to holders of redeemable participating shares		40,822,392	29,428,791

On behalf of the Board of Directors

Fergus Sheridan
Director

Paul Halley
Director

3 March 2020

The accompanying notes form an integral part of the 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 financial year ended 31 December 2019

	Financial year ended 31 December 2019 GBP	Financial year ended 31 December 2018 GBP
Net assets attributable to holders of redeemable participating shares at beginning of year	29,428,791	30,323,962
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	9,855,745	1,926,759
Amounts received on issue of redeemable participating shares	3,746,327	1,081,005
Amounts paid on redemption of redeemable participating shares	(2,208,471)	(3,902,935)
Increase/(decrease) in net assets resulting from share transactions	1,537,856	(2,821,930)
Net increase/(decrease) in shareholders' funds	11,393,601	(895,171)
Net assets attributable to holders of redeemable participating shares at end of year	40,822,392	29,428,791

The accompanying notes form an integral part of the Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

1. Significant Accounting Policies

a) Basis of Preparation

In preparing the Annual Report and Audited Financial Statements for the financial year end 31 December 2019, the Directors have applied Financial Reporting Standard 102 (“FRS 102”) the Financial Reporting Standard applicable in the UK and Republic of Ireland and Irish Statute comprising Companies Act 2014, the Companies (Accounting) Act 2017 and the UCITS Regulation and the Central Bank UCITS Regulations and these financial statements comply with that standard.

The financial statements have been prepared on a going concern basis and in accordance with Irish law and accounting standards issued by the Financial Reporting Council, including FRS102 “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’s”) 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 financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

b) Fair Value Measurement

By fully adopting FRS 102, in accounting for its financial instruments, the Company has chosen to implement the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments.

c) Investments

(i) Classification and Recognition/Derecognition

The financial assets and financial liabilities at fair value through profit or loss comprise of equities and exchange traded investment funds.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company’s documented investment strategy. The Company’s policy is for the Investment Manager and the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information.

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets, and the exposure to the risks inherent in those benefits, are transferred to the Company. The Company derecognises financial assets and financial liabilities when all such benefits and risks are transferred from the Company.

Regular purchases and sales of financial assets are recognised on trade date. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Profit and Loss Account.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

1. Significant Accounting Policies *continued*

c) Investments *continued*

ii) Fair Value Measurement Principles

Investments listed on a recognised exchange or traded on any other organised active market are valued at fair value. The last traded price on the principal exchange or market for such instruments, being a quoted price, is taken as the best evidence of fair value. Investments acquired or traded at a premium or discount outside or off the relevant exchange, or on an over the counter market, may be valued at fair value.

If for specific investments the close of business prices do not, in the opinion of the Investment Manager, reflect their fair value or are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

d) Cash

Cash comprises current deposits with banks.

e) Income

Dividends are recognised as income on the dates the securities are first quoted “ex dividend” to the extent that information thereon is reasonably available to the Company. Income which suffers a deduction of tax at source is shown gross of such withholding tax.

Bank deposit and bond interest are accounted for on an effective interest basis.

f) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. The difference between the proceeds and the amounts payable is recognised over the year of the payable using the effective interest method.

g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost less provision for impairment.

h) Fees and Charges

Management fees, administration fees, custody fees and other operating expenses are charged to the Profit and Loss Account on an accruals basis.

i) Redeemable Participating Shares

The Company issues redeemable shares, which are redeemable at the holder’s option and are classified as financial liabilities. Redeemable shares can be redeemed at any time for cash equal to a proportionate share of the Company’s Net Asset Value (“NAV”). The redeemable share is carried at the redemption amount that is payable at the Balance Sheet date if the holder exercises the right to redeem.

Redeemable shares are issued and redeemed at the holder’s option at prices based on the Company’s NAV per share at the time of issue or redemption. The Company’s NAV per share is calculated by dividing the net assets attributable to the holders of redeemable shares by the total number of outstanding redeemable shares. In accordance with the provisions of the Company’s Constitution, investment positions are valued based on the last traded market price, for the purpose of determining the NAV per share for subscriptions and redemptions.

All issued redeemable shares are fully paid. The Company’s capital is represented by these redeemable shares with no par value and with each carrying one vote. They are entitled to dividends and to payment of a proportionate share based on the Company’s NAV on the redemption date.

Financial liabilities, arising from the redeemable participating shares issued by the Company, are carried at the redemption amount representing the investors’ right to a residual interest in the Company’s assets.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Technology Fund

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

1. Significant Accounting Policies *continued*

j) Foreign Exchange

(i) Functional and Presentation Currency

The Company's investors are mainly from the UK, with the subscriptions and redemptions of the redeemable participating shares denominated in GBP. The primary activity of the Company is to invest in global securities and to offer UK investors a high return compared to other products available in the UK. The performance of the Company is measured and reported to the investors in GBP. The Board considers GBP the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in GBP, which is the Fund's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Profit and Loss Account within the net gains/(losses) on financial assets and liabilities at fair value through profit or loss.

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

	As at 31 December 2019	As at 31 December 2018
Euro	1.1802	1.1141
Korean Won	1,532.0072	1,421.0830
Taiwan Dollar	39.7120	39.1467
US Dollars	1.3248	1.2736

k) Net Assets Attributable to Holders of Redeemable Participating Shares

In accordance with the provisions of the Offering Memorandum, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last quoted trade price as at the close of business on the valuation day for the purpose of determining NAV per share for subscriptions and redemptions and for various fee calculations.

Net assets attributable to shareholders represent a liability in the Balance Sheet, carried at the redemption amount that would be payable at the Balance Sheet date if the shareholders exercised the right to redeem shares in the Fund.

l) Transaction Costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are included as part of the cost of such purchases. Any transaction costs are included in net gains/(losses) on financial assets and liabilities at fair value through profit or loss. See note 8 to the financial statements for further information.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

2. Financial Risk Management

In accordance with the investment objective of maximising capital appreciation, the Company invests in securities on a worldwide basis. The Company's financial assets consist of cash, equities and exchange traded investment funds and short term debtors and creditors.

The main risks arising from the Company's financial instruments are as follows:

A. Market Risk - comprising:

- (i) Market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement;
- (ii) Interest rate risk, being the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates; and
- (iii) Foreign currency risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

B. Credit Risk - being the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

C. Liquidity Risk - being the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Day-to-day risk management is undertaken by the Investment Manager. Risk management issues are reported separately to the Directors by the Administrator and Depositary monthly.

The Company is subject to a number of investment restrictions imposed by external regulators or self-imposed by its Constitution. These restrictions are intended to reduce the risks associated with the Company's financial instruments.

These policies for managing risk have been applied throughout the financial year and are summarised below.

A. Market Risk

(i) Market Price Risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuit of the investment objective.

A full list of the Company's investments is given in the Schedule of Investments on pages 40 and 41. The Company has a number of investment restrictions which aim to limit risk by ensuring a degree of diversification. For instance, the Company will hold a maximum of 10% of the NAV in securities or money market instruments issued by the same body, and the total of securities or money market instruments which are greater than 5% of the NAV are not to exceed 40% of the NAV in aggregate.

Some of the recognised exchanges on which the Company may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements. The trading and settlement practices on some of the recognised exchanges on which the Company may invest may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Company.

Where the Company acquires or values securities on the over-the-counter market there is no guarantee that the Company will be able to realise such securities at that valuation price due to the nature of the over-the-counter market. There were no securities held on the over-the-counter market at the financial year end.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

2. Financial Risk Management *continued*

A. Market Risk *continued*

Market Price Risk – Sensitivity Analysis

The portfolio does not target any exchange as a benchmark, and the performance of the portfolio does not track any generally used market index due to insufficient relevance. However, to comply with the disclosures required by FRS102 only, in 2019 Share Class A returned 33.2% (31 December 2018: 5.9%) while the USD denominated MSCI World IT Index, a global technology index, returned 42.4% in sterling terms (31 December 2018: 3.7%). Based on the NAV of the Fund as at 31 December 2019, and a historic one-year sensitivity analysis, if the MSCI World IT Index increased by 10.00% in sterling terms, the Fund would increase by 7.35% (31 December 2018: increase by 8.13%), resulting in a gain of GBP 3,000,518 (gain of GBP 2,392,163 based on 31 December 2018 NAV and sensitivity of the Fund). If the MSCI World IT index decreased by 10.00% in sterling terms then the reverse would apply.

This sensitivity analysis assumes a significantly correlated relationship between movements in the index and the Fund. It also assumes a change in the market price of the Fund while holding all other variables constant (e.g. correlation with index, asset allocation etc.). In practice this is highly unlikely to occur and changes in some of these variables may be correlated. In addition, as the sensitivity analysis used historical data as a basis, it does not encompass all possible scenarios, in particular those that are extreme in nature. Historical movements are not indicative of future events and the movements may differ materially from the movements disclosed above.

(ii) Interest Rate Risk

The Company did not employ any leverage or borrowings for liquidity purposes in the years ended 31 December 2019 or 31 December 2018. The majority of the Company's financial assets and liabilities are non-interest bearing. Excess cash is invested in instantly accessible accounts at prevailing interest rates. The Company was, therefore, not materially exposed to interest rate risk from unfavourable fluctuations in interest rates.

(iii) Foreign Currency Risk

The Company's reporting currency is sterling, but investments are made in overseas markets as well as the United Kingdom and the Net Asset Value can be affected by movements in foreign currency exchange rates.

Furthermore, many companies trade internationally, both through foreign subsidiaries and through exports. The greatest foreign currency risk occurs when companies have a divergence in currencies for costs and revenues.

A much less risky exposure to currency is straight translation of sales and profits. The Investment Manager's report breaks down the portfolio by geographic listing. However, the location of the stock market quote only has a limited correlation to the costs, revenues and even activities of those companies, and so this note should not be regarded as a reliable guide to the sensitivity of the portfolio to currency movements. For example, at times when the USD is weak, portfolio holdings in UK companies with USD revenues and sterling costs would be significantly affected.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

2. Financial Risk Management *continued*

A. Market Risk *continued*

(iii) Foreign Currency Risk *continued*

Exposure to foreign currency risk through asset allocation by currency of listing is indicated below – all figures are stated in GBP:

31 December 2019

Financial Assets	EUR	KRW	USD
Non-monetary assets			
Financial assets held at fair value through profit or loss	<u>1,019,507</u>	<u>932,424</u>	<u>33,924,794</u>

31 December 2018

Financial Assets	EUR	KRW	USD
Non-monetary assets			
Financial assets held at fair value through profit or loss	<u>1,466,007</u>	<u>503,806</u>	<u>22,447,602</u>

Foreign Currency Risk – Sensitivity Analysis

Companies whose cost base diverges in currency terms from their sales will in the longer term have a significantly greater effect on valuation than simple translation. In the short term, investee companies generally cover their currency exposure to varying degrees. There is insufficient publicly disclosed information to quantify this, but in the long term this effect is expected to dwarf simple translation of foreign listings in terms of both risk and reward, because many investee companies trade globally. Furthermore, the country of listing is not necessarily an indication of the geography of some or even any operational activities for investee companies. At 31 December 2019 and 31 December 2018, the Company did not use financial instruments to protect against currency movements.

B. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment which it has entered into with the Company. The Investment Manager has a monitoring procedure whereby counterparty risk is monitored on an ongoing basis.

All transactions in listed securities are settled/paid for upon delivery using approved brokers and counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the broker or counterparty has received payment. Payment is made on a purchase once the securities have been received by the broker or counterparty. The trade will fail if either party fails to meet its obligation.

Northern Trust Fiduciary Services (Ireland) Limited (“NTFSIL”) is the appointed Depositary of the Fund, responsible for the safe-keeping of assets. NTFSIL has appointed The Northern Trust Company (“TNTC”) as its global sub-custodian. Both NTFSIL and TNTC are wholly owned subsidiaries of Northern Trust Corporation (“NTC”). As at year end date 31 December 2019 NTC had a long term credit rating from Standard & Poor’s of (A+) (2018: (A+)) and TNTC had a short term deposit rating of (A-1+) (2018: (A-1+)).

TNTC (as global sub-custodian of NTFSIL) does not appoint external sub-custodians within the US, the UK, Ireland and Canada. However, in all other markets, TNTC appoints local external sub-custodians.

NTFSIL, in the discharge of its depositary duties, verifies the Fund’s ownership of Other Assets, (as defined under Other Assets, Art. 22(5) of UCITS V Directive 2014/91/EU), by assessing whether the Fund holds the ownership based on information or documents provided by the Fund or where available, on external evidence.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

2. Financial Risk Management *continued*

B. Credit Risk *continued*

TNTC, in the discharge of its delegated depository duties, holds in custody (i) all financial instruments that may be registered in a financial instruments account opened on the books of TNTC and (ii) all financial instruments that can be physically delivered to TNTC. TNTC ensures all financial instruments (held in a financial instruments account on the books of TNTC) are held in segregated accounts in the name of the Fund, clearly identifiable as belonging to the Fund, and distinct and separately from the proprietary assets of TNTC, NTFSIL and NTC.

In addition TNTC, as banker, holds cash of the Fund on deposit. Such cash is held on the Statement of Financial Position of TNTC. In the event of insolvency of TNTC, in accordance with standard banking practice, the Fund will rank as an unsecured creditor of TNTC in respect of any cash deposits.

Insolvency of NTFSIL and or one of its agents or affiliates may cause the Fund's rights with respect to its assets to be delayed.

The Responsible Party (the Company) manages risk by monitoring the credit quality and financial position of the Depository and such risk is further managed by the Depository monitoring the credit quality and financial positions of sub-custodian appointments.

C. Liquidity Risk

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and so that most of the assets can be realised without an excessive discount to the market price. The Company had no holding in unquoted securities as at 31 December 2019 or 31 December 2018.

The Company is an open-ended investment company and shareholders may redeem their investment without notice on any dealing day. Redemption fees are unlikely to discourage redemption as they are low and apply only in the first two years, and the Directors have only limited powers to defer redemption requests. The Company, therefore, has a potential material exposure to liquidity risk which could result from being forced to realise assets to meet large unexpected redemption requests.

For this reason it invests either in cash or actively traded securities that can be readily disposed of. The Company has the ability if required to borrow in the short term to ensure settlement of redemptions. In exceptional circumstances the Company may also temporarily suspend the determination of the net asset value and the sale or repurchase of shares.

To reduce liquidity risk, it is also the policy of the Company to diversify the holdings and generally to restrict the holding in any one company to less than 10% of the share capital of that company. Furthermore, the guideline is for no single investment to account for more than 10% of the net assets of the Company.

The market valuation of each underlying security gives an indication of value, but the price at which an investment can be made or realised can diverge materially from the bid or offer price depending on market conditions generally and other factors which apply to each investment.

All of the Company's liabilities at 31 December 2019 and 31 December 2018 were repayable within one to three months.

D. Fair Value Disclosure

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).

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

2. Financial Risk Management *continued*

D. Fair Value Disclosure *continued*

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.

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

31 December 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	37,370,969	–	–	37,370,969
Exchange traded investment funds	1,480,000	–	–	1,480,000
Total Assets	38,850,969	–	–	38,850,969

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. Operating income

	Financial year ended 31 December 2019 GBP	Financial year ended 31 December 2018 GBP
Interest income	15	–
Dividend income	242,509	239,397
	242,524	239,397

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

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

	Financial year ended 31 December 2019 GBP	Financial year ended 31 December 2018 GBP
Realised gains on sale of investments	3,525,111	4,348,224
Net currency losses	(6,041)	(4,950)
Net change in unrealised appreciation/(depreciation) on investments	7,199,496	(2,074,522)
	10,718,566	2,268,752

5. Operating Expenses

	Financial year ended 31 December 2019 GBP	Financial year ended 31 December 2018 GBP
Administration fees	136,305	137,050
Auditors' fees	19,802	19,928
Custody fees	4,070	4,324
Depository fees	40,000	40,220
Directors' fees	65,304	50,410
Investment Management fees	277,692	255,146
Performance fees	654,438	–
Other expenses	104,122	96,376
	1,301,733	603,454

6. 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 (“NAV”). 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 31 December 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.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

6. Share Capital *continued*

Shares in Issue

	Financial year ended 31 December 2019	Financial year ended 31 December 2018
Number of Class A Shares issued and fully paid		
Balance at beginning of year	506,026	559,043
Issued during year	11,256	2,165
Redeemed during year	(25,899)	(55,182)
Total number of Class A Shares in issue at end of year	491,383	506,026
	Financial year ended 31 December 2019	Financial year ended 31 December 2018
Number of Class B Shares issued and fully paid		
Balance at beginning of year	120,759	120,786
Issued during year	74,956	31,996
Redeemed during year	(17,321)	(32,023)
Total number of Class B Shares in issue at end of year	178,394	120,759

As at 31 December 2019, one shareholder held 42.97% of the issued share capital of the Company (31 December 2018: 45.92%).

7. Net Asset Value

	As at 31 December 2019 GBP	As at 31 December 2018 GBP	As at 31 December 2017 GBP
Net Asset Value Class A share	33,069,507	25,563,046	26,667,757
Net Asset Value Class B share	7,752,885	3,865,745	3,656,205
Net Asset Value per Class A share	67.30	50.52	47.70
Net Asset Value per Class B share	43.46	32.01	30.27

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

8. 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 shall accrue on each dealing day. Other classes may be established within a Fund which may be subject to different fee structures. Fees of GBP 28,027 were payable at 31 December 2019 (31 December 2018: GBP 20,737).

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. The expense disbursement on Class A shares is GBP 210,818 (31 December 2018 GBP 63,898) and on Class B shares is GBP 40,182 (31 December 2018 GBP 20,088).

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 year was GBP 50.52 and the closing GBP 67.30. To date the previous highest NAV per Class A share at a financial year end was reached on 31 December 2018 when NAV was GBP 50.52 per Class A share. Therefore, a performance fee on the Class A shares of GBP 654,438 (31 December 2018: GBP Nil) was earned for the year end 31 December 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 GBP 25 million of the NAV of the Fund, 0.10% per annum on the next GBP 25 million and 0.08% per annum on that portion of the NAV of the Fund which exceeds GBP 50 million, subject to an annual minimum fee of GBP 130,000 per Fund (plus VAT, if any, thereon) with a single share class; plus GBP 3,000 per additional share class.

The Administrator's fee is paid monthly in arrears and shall accrue on each dealing day based on the NAV of the Fund on each dealing day. The Administrator is paid a flat fee of GBP 3,600 per annum in lieu of 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 GBP 12,165 were payable at 31 December 2019 (31 December 2018: GBP 11,784).

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 GBP 150 million of the NAV of the Fund and 0.015% on the portion which exceeds GBP 150 million, subject to a minimum annual fee of GBP 40,000. In addition, the Depositary will be paid out of the assets of each sub-fund safekeeping fees of up to 0.05% per annum of the NAV of the Fund, accrued daily and payable monthly in arrears, and shall be reimbursed all sub-custodial and transactional fees and expenses which will be charged at normal commercial rates, and will be reimbursed any reasonable out of pocket expenses.

Fees of GBP 3,990 were payable at 31 December 2019 (31 December 2018: GBP 3,880).

Transaction Costs

Transaction costs of the Fund were GBP 13,521 for year ended 31 December 2019 (31 December 2018: GBP 10,271) and are included in net gains on financial assets and liabilities at fair value through profit or loss.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

9. Cash and Bank Balances

	As at 31 December 2019 GBP	As at 31 December 2018 GBP
The Northern Trust Company	2,524,181	2,815,838

10. 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 5 and note 8.

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 31 December 2019, the number of shares held by Herald Investment Management Limited was 69,980 (31 December 2018: 45,572) and the number of shares held by HIML Holdings Limited was 74,839 (31 December 2018: 42,208).

Directors' Interests in Shares and Contracts

	As at December 2019 Class A Shares	As at December 2019 Class B Shares	As at December 2018 Class A Shares	As at December 2018 Class B Shares
William Backhouse and connected persons	12,597	820	12,597	–

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

Related Investments

The Company invests in another fund which has the same Investment Manager, the Herald Investment Trust plc. At 31 December 2019 the number of shares held was 100,000 and the fair value of this investment was GBP 1,480,000 (31 December 2018 the number of shares held was 125,000 and the fair value of this investment was GBP 1,343,750).

Directors' Fees

The total Directors' fees are disclosed in note 5.

11. 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.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019 *continued*

11. Taxation *continued*

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.

12. Auditor's Remuneration

The remuneration for all work carried out by the statutory audit firm in respect of the financial year is as follows:

	Financial year ended 31 December 2019	Financial year ended 31 December 2018
	EUR	EUR
Statutory audit of company accounts	18,050	18,050

The remuneration above is quoted in EUR and is exclusive of VAT. At year end closing rate and including VAT the statutory audit of company accounts amount is GBP 19,802 (31 December 2018: GBP 19,928).

13. Distributions

There were no distributions declared during the financial year ended 31 December 2019 (31 December 2018: Nil).

14. Significant Events During the Year

There were no significant events during the year, which, in the opinion of the Directors, may have had an impact on the financial statements for the financial year ended 31 December 2019.

15. 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 year ended 31 December 2019.

16. Approval of Financial Statements

The financial statements were approved by the Board on 3 March 2020.

HERALD INVESTMENT FUND PLC
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SCHEDULE OF INVESTMENTS as at 31 December 2019

Holdings	Security name	Industry Sector ⁺	Value GBP	% of Fund Net Assets
EXCHANGE TRADED INVESTMENT FUNDS: 3.63% (2018: 4.57%)				
United Kingdom: 3.63% (2018: 4.57%)				
100,000	Herald Investment Trust	Investment Funds	1,480,000	3.63
Total United Kingdom			1,480,000	3.63
Total Exchange Traded Investment Funds			1,480,000	3.63
EQUITIES: 91.54% (2018: 86.01%)				
China: 4.26% (2018: 2.55%)				
8,000	58.com ADR	Media	390,896	0.96
5,800	Alibaba ADR	Retail-Discretionary	928,613	2.27
16,600	Trip.com ADR	Media	420,279	1.03
Total China			1,739,788	4.26
Germany: 2.50% (2018: 4.98%)				
10,000	SAP	Software	1,019,507	2.50
Total Germany			1,019,507	2.50
Republic of South Korea: 2.28% (2018: 1.71%)				
25,600	Samsung Electronics	Hardware	932,424	2.28
Total Republic of South Korea			932,424	2.28
Taiwan: 1.02% (2018: 1.87%)				
9,500	Taiwan Semiconductor Manufacturing ADR	Semiconductors	416,645	1.02
Total Taiwan			416,645	1.02
United Kingdom: 3.65% (2018: 3.04%)				
250,000	Avast	Software	1,132,000	2.77
50,000	Wandisco	Software	222,500	0.54
285,193	IQE	Semiconductors	139,744	0.34
Total United Kingdom			1,494,244	3.65
United States: 77.83% (2018: 71.86%)				
42,300	Advanced Micro Devices	Semiconductors	1,464,335	3.59
15,200	Akamai Technologies	Software	991,112	2.43
2,740	Alphabet	Media	2,770,280	6.79
1,165	Amazon	Retail-Discretionary	1,625,011	3.98
16,110	Apple	Hardware	3,571,015	8.75

HERALD INVESTMENT FUND PLC
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SCHEDULE OF INVESTMENTS as at 31 December 2019 *continued*

Holdings	Security name	Industry Sector ⁺	Value GBP	% of Fund Net Assets
EQUITIES: 91.54% (2018: 86.01%) (continued)				
United States: 77.83% (2018: 71.86%) (continued)				
		Design, Manufacturing & Distribution		
7,800	Arrow Electronics		498,941	1.22
21,100	Cadence Design Systems	Software	1,104,734	2.71
9,200	Check Point Software Technologies	Software	770,585	1.89
65,250	Cloudera	Software	572,831	1.40
11,400	CyberArk Software	Software	1,003,217	2.46
8,500	Envestnet	Software	446,767	1.09
		Design, Manufacturing & Distribution		
11,500	Fabrinet		562,868	1.38
19,000	Intel	Semiconductors	858,388	2.10
4,112	Leidos	Technology Services	303,849	0.74
25,000	Medallia	Software	587,092	1.44
13,870	Mellanox Technologies	Semiconductors	1,226,863	3.00
25,000	Micron Technology	Semiconductors	1,014,908	2.49
30,600	Microsoft	Software	3,642,665	8.92
25,000	Mimecast	Software	818,645	2.01
15,250	NetApp	Hardware	716,597	1.76
1,450	Nvidia	Semiconductors	257,547	0.63
9,923	NXP Semiconductors	Semiconductors	953,237	2.34
18,000	Pegasystems	Software	1,082,242	2.65
50,000	Radware	Hardware	973,014	2.38
17,900	Teradyne	Semiconductors	921,382	2.26
12,500	Varonis Systems	Software	733,252	1.80
19,000	Xilinx	Semiconductors	1,402,249	3.43
10,000	Yelp	Media	262,918	0.64
18,000	Zscaler	Software	631,817	1.55
Total United States			31,768,361	77.83
Total Equities			37,370,969	91.54
	Total value of investments		38,850,969	95.17
	Cash at bank		2,524,181	6.18
	Other net liabilities		(552,758)	(1.35)
Net assets attributable to holders of redeemable participating shares at last traded prices			40,822,392	100.00
			31 December	31 December
			2019	2018
Analysis of Portfolio (Unaudited)			% of Total	% of Total
			Assets*	Assets*
	Transferable securities admitted to an official stock exchange listing or traded on a regular market		93.42	90.42
	Other net assets		6.58	9.58
			100.00	100.00

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

+Bloomberg Industry Classification System - Level 2

HERALD INVESTMENT FUND PLC
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APPENDIX 1 Other Disclosures (Unaudited) for the financial year ended 31 December 2019

Remuneration Policy

Regulation 89(3A) of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the “UCITS Regulations”) requires the annual report of the Company to contain certain remuneration-related information in the financial year of the Company ended on 31 December 2019:

- (a) Only fixed remuneration (meaning payments or benefits without consideration of any performance criteria) was paid by the Company to the Directors. The Directors of the Company are responsible for awarding remuneration and any benefits, and these are set at a level that reflects the qualifications and contribution required, taking into account the Company’s size, internal organisation and the nature, scope and complexity of its activities.
- (b) Directors’ fees charged for the year amounted to £65,304.
- (c) The Remuneration Policy is subject to an annual review in accordance with the requirements of the UCITS Regulations.
- (d) The Remuneration Policy was updated to reflect the publication of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD.

Soft Commission Arrangements

There were no soft commission arrangements affecting the Company during the financial year (31 December 2018: Nil).

Securities Financing Transactions Regulation (SFTR)

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 year ended 31 December 2019, the Fund did not enter into any SFTs.

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APPENDIX 2 SCHEDULE OF PORTFOLIO MOVEMENTS (Unaudited)
for the financial year ended 31 December 2019

PURCHASES		VALUE GBP
2,000	Alibaba ADR	289,591
390	Alphabet	402,302
165	Amazon	199,570
7,800	Arrow Electronics	504,559
16,600	Trip.com ADR	390,531
11,400	CyberArk Software	966,872
8,500	Investnet	403,382
11,500	Fabrinet	484,790
25,000	Medallia	532,777
15,250	NetApp	699,337
9,923	NXP Semiconductors	830,483
7,100	Samsung Electronics	262,570
12,500	Varonis Systems	627,187
50,000	Wandisco	223,097
18,000	Zscaler	627,197
TOTAL		7,444,245

SALES		VALUE GBP
28,300	Advanced Micro Devices	790,673
12,000	Atlassian	1,321,575
3,900	Cadence Design Systems	192,320
20,000	CEVA	359,997
2,200	Check Point Software Technologies	189,967
25,000	Herald Investment Trust	377,821
7,080	Mellanox Technologies	476,371
10,200	Qualcomm	603,674
9,500	Taiwan Semiconductor Manufacturing ADR	387,711
10,100	Teradyne	476,580
20,000	United Internet	509,321
8,440	Western Digital	288,758
TOTAL		5,974,768

The above purchases and sales represent the total trading for the year.

