

HERALD INVESTMENT FUND PLC
an umbrella fund with segregated liability between sub-funds
(the “Company”)

Second Supplemental Prospectus dated 2 March 2021

This second supplemental prospectus (“Supplemental Prospectus”) forms part of the prospectus of the Company dated 29 June 2020, as amended by the first supplemental prospectus dated 29 January 2021 (together, the “Prospectus”). Unless otherwise provided for in this Supplemental Prospectus, all capitalised terms shall have the same meaning herein as in the Prospectus. This Supplemental Prospectus should be read in the context of, and together with, the Prospectus.

The directors of the Company (the “Directors”) accept responsibility for the information contained in the Prospectus and this Supplemental Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1. Introduction

The purpose of this Supplemental Prospectus is to amend the Prospectus to reflect the inclusion of disclosures relating to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”).

2. SFDR Disclosures

2.1 The section entitled “Definitions” in the Prospectus is amended by the insertion of the following in alphabetical order:

“ESG” means environmental, social and governance;

2.2 The following be included as a new section in the prospectus on page 10 after the section entitled “Adherence to Investment Objective and Policies”.

SUSTAINABLE FINANCE DISCLOSURES REGULATION

The Company has adopted the Investment Manager’s policy on the integration of sustainability risks in investment decisions in respect of the Fund. A sustainability risk is an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

The ongoing responsible investment selection objectives of the Investment Manager are to assess material ESG risks as part of the investment selection process, and to act as a responsible shareholder by engaging with portfolio companies where a material ESG issue exists, and exercising proxy voting rights where appropriate. Due to the size, the nature and scale of the investments of the Company, and in the absence of the final regulatory technical standards, this does not include a consideration of adverse impacts of investment decisions on all of the sustainability factors (environmental, social and/or governance matters) detailed in the Sustainable Finance Disclosures Regulation.

The Investment Manager believes that a company’s ESG practices are integral to the investment process. The Investment Manager is subject to the UK

Stewardship Code (the “Code”) and has agreed to abide by the UN-supported Principles for Responsible Investment (“PRI”), the globally recognised accord for responsible investment. Both the Code and the PRI recognise that institutional investors have a duty to act in the best long-term interests of their beneficiaries. The Investment Manager shares the belief underlying the Code and the PRI, namely that ESG issues affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

Accordingly, an assessment of ESG risks and opportunities is an inherent part of the Investment Manager’s due diligence exercise and investment selection process, as gaining a robust understanding of these issues is a key part of assessing the outlook for future cash flow generation and risks of an investment. Importantly, the Investment Manager is focused on materiality, whereby the Investment Manager will make a determination about the ESG risks that are material for each company as part of the investment selection process.

In addition, the Fund is focussed on the newer sectors of the economy and means that, in aggregate, the aims of companies invested in by the Fund are to assist in improving the world environmentally. A significant component of the portfolio is software, which provides efficiencies for enterprises, governments and consumers. Other sectors of the portfolio often provide and improve the enabling supply chain. Technology also provides energy efficient communications, entertainment and more; and the Investment Manager firmly believes that capitalism and technological innovation combined are the central requirements to address the environmental challenges we face. This is in contrast to the environmental impact of the older parts of the economy such as transport, extractive industries or heavy industrial sectors where we do not invest. The majority of the Fund’s investments in the technology and media sectors have a low carbon footprint and the carbon emissions of the portfolio is estimated to be a fraction of those relative to the large companies indices in the UK and US. Furthermore, much of the world’s most advanced technology and intellectual property tends to reside in the wealthiest and most advanced economies, which themselves have strict environmental standards.

Given these factors, over the years the Investment Manager has therefore found little requirement to engage actively in resetting the environmental standards of companies within the portfolio as they typically operate well ahead of, and in some cases lead, the environmental standards of the countries in which they operate. The Investment Manager therefore primarily focuses its monitoring and stewardship activities in the areas of social and governance issues. The Investment Manager believes it is important to converse with management and review publicly available information. A number of the larger companies in the sector have been leaders on ESG issues globally.

The likely impacts of sustainability risks on the returns of the Fund will depend on the Fund’s exposure to such investments and the materiality of the sustainability risks. The likelihood of sustainability risks arising in respect of the Fund should be mitigated by the Investment Manager’s approach to integrating sustainability risks in its investment decision-making and the Fund’s investment policy. However, there is no guarantee that these measures will mitigate or prevent sustainability risks materialising in respect of the Fund. The likely impact on the return of the Fund from a potential or actual material decline in the value of investment due to the occurrence of an ESG event or

condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors. Accordingly, the Investment Manager may seek to exclude holdings deemed inconsistent with the Fund's ESG policy. As a result, the universe of investments available to the Fund may be more limited than other funds that do not assess material ESG risks as part of the investment selection process. . The application of the Fund's ESG policy could result in performance that is better or worse that would otherwise be the case, depending on the performance of the excluded investments and the investments included in place of such excluded investments.

More detail on the approach of the Company and the Investment Manager to sustainability can be found in the Shareholder Engagement and Sustainable Finance Policy, available publicly on the Company's website (www.heralduk.com).