

# HERALD INVESTMENT TRUST PLC

## Chairman's AGM Trading Update

Following the net asset value per share appreciation of 37.0% in 2020, I am pleased to report a strong start to 2021. At 16/04/2021 the NAV/share has appreciated a further 11.4% year to date reflecting buoyant markets and a good results season for our portfolio.

As it has anticipated the end of the pandemic the market has seen some rotation with profit taking from some of last year's strong performers which saw increased demand during lockdown and some of last year's lagging performers catching up.

By region the performance (IRR) in sterling has been as follows:

	% of net assets at 16/04/2021	IRR YTD	IRR 2020
Asia	10.3%	+9.9%	+63.4%
EMEA	10.2%	+23.5%	+59.7%
North America	23.3%	+6.3%	+55.6%
UK	49.6%	+14.5%	+32.0%
Cash and cash equivalents	6.6%		
NAV/share		+11.4%	+37.0%

In Asia, Taiwan accounts for c24% of the region's portfolio and this has led the performance with an IRR of 20.4%. The semiconductor sector is enjoying a period of capacity constraints, and a boom in capital expenditure, and the Taiwanese market has benefitted accordingly. A takeover approach for Mainstream in Australia has made that company the best contributor to performance followed by Kulicke & Soffa, a Singapore-based semiconductor equipment manufacturer has also performed particularly well. The weakest performer was Kingdee International Software which has been an outstanding long-term performer and did particularly well in 2020.

The exceptional European return is also based on the strength of semiconductors with continued strong performance from our three largest positions: BE Semiconductor, Esker and Nordic Semiconductor. The remaining EMEA portfolio also delivered a strong overall return of 18.2% as multiple expansion extended to the lower market capitalisations and some of the smaller companies in the portfolio benefited from this trend.

North America started the year strongly and then corrected from mid-February when sentiment was rotating from the technology to the economic recovery sectors, as the success of vaccination became evident. More recently there has been a market rally as bond yields have stopped appreciating. Silicon Motion, which had a dull year in 2020, has been the strongest contributor followed by Digital Turbine which had an outstanding year in 2020. A number of the strong performers in 2020 such as Pegasystems, LivePerson and Bandwidth have seen modest declines on profit taking.

The UK performance has been less volatile. Next Fifteen Communications has made the strongest contribution to performance followed by Future plc, Seeing Machines and Diploma. SDI , IDOX and Aptitude Software are all on the leader board too. The UK did not experience the momentum that was seen in North America last year but has progressed steadily with satisfactory results for most companies.

The software sector is our largest sector with 27.9%% of the Company's net assets and has lagged the overall return year to date (+8.9%) but this is only to be expected given that last year's strong performance had led to stretched valuations. The performance of the Computer Services sector has been dragged down by our largest holding, GB Group. Although this remains the Company's most profitable holding since inception its rise has lagged in 2020 and so far in 2021. The Semiconductor sector has continued to perform well and is up 22.0%. The various Media sectors were challenged in the first half of 2020, but most stocks have been recovering well ever since.

	Weight at 16/04/2021	Return YTD	Return 2020
Software	27.9%	+8.9 %	+55.9 %
Computer Services	9.2%	+1.1 %	+28.9 %
Semiconductors	8.1%	+22.0 %	+54.7 %
Media Agencies	6.7%	+27.6 %	+28.1 %
Consumer Digital Services	6.6%	+16.0 %	+37.2 %
Telecommunications Equipment	5.0%	+9.0 %	+41.4 %
Electrical Components	3.1%	+10.2 %	+151.5 %
Electronic Components	2.7%	+24.6 %	+26.8 %
Publishing	2.3%	+19.4 %	-12.8 %
Computer Hardware	2.2%	+11.7 %	+19.9 %
Other	19.6%		
Cash and cash equivalents	6.6%		
Total	100%		
NAV/share		+11.4%	+37.0%

ICB sectors. 2020 revised to reflect ICB amended classifications.

Overall, we wish valuations were lower, but remain convinced that entrepreneurial smaller companies in the TMT sectors provide exciting prospects for future growth. We also continue to believe that Herald offers access to stocks which are difficult for individuals and generalist portfolio managers alike to reach.

Tom Black

Chairman

20/04/2021