



**Herald**  
LEADING-EDGE INVESTING

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# Herald Investment Fund plc The Herald Worldwide Technology Fund

# 2022

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Condensed interim report & financial statements  
for the six months ended 30 June 2022

# HERALD INVESTMENT FUND PLC

The Herald Worldwide Technology Fund

## CONDENSED INTERIM REPORT & FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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# HERALD INVESTMENT FUND PLC

## The Herald Worldwide Technology Fund

### ORGANISATION

#### REGISTERED OFFICE OF THE COMPANY

Ten Earlsfort Terrace  
Dublin 2  
D02 T380  
Ireland

#### MANAGEMENT COMPANY

Bridge Fund Management Limited  
Percy Exchange  
8/34 Percy Place  
Dublin 4  
D04 P5K3  
Ireland

#### INVESTMENT MANAGER

Herald Investment Management Limited  
10-11 Charterhouse Square  
London EC1M 6EE  
England  
[www.heralduk.com](http://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

Dominic Del Mar (British)\*  
Charles Ekins (British)\*  
Paul Halley (Irish)\*  
Fergus Sheridan, Chairman (Irish)\*

\* Independent Directors

#### SECRETARY

Bradwell Limited  
Ten Earlsfort Terrace  
Dublin 2  
D02 T380  
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

## The Herald Worldwide Technology Fund

### BACKGROUND TO THE COMPANY

#### DESCRIPTION

Herald Investment Fund plc (the "Company"), is an open-ended investment company with variable capital organised under the laws of Ireland as a public limited company pursuant to the Companies Act 2014 (including amendments by the Companies (Accounting) Act 2017), the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (the "UCITS Regulations") and the Central Bank of Ireland (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 (the "Constitution") provide that the Company may offer separate classes of shares, each representing interests in a fund comprising a distinct portfolio of investments. As at the date of this Condensed Interim Report and 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 telecommunications, multimedia and technology 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 include:

- 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 (the "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 may be 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.

#### ACCOUNT OPENING AND DEALING

New investors must open an account before they can subscribe for redeemable participating shares. Account opening forms and dealing forms are available from Herald Investment Management Limited at [www.heralduk.com](http://www.heralduk.com)

Subscriptions and repurchases of redeemable participating shares can be made by account holders 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.

Dealing forms must be received by the Administrator by 5.00pm (Irish time) on the business day preceding any Dealing Day. Dealing forms received after 5.00pm (Irish time) will be dealt with on the next succeeding Dealing Day.

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

Account Opening applications and dealing requests should be made to the Administrator:

Northern Trust International Fund Administration  
Services (Ireland) Limited  
2nd Floor, Block A  
City East Plaza  
Limerick V94 X2N9  
Ireland

Tel +353 (0)1 434 5119  
Fax +353 (0)1 434 5251  
Email queries; [Herald\\_TA@ntrs.com](mailto:Herald_TA@ntrs.com)  
Email PDF forms; [HeraldTAInstructions@ntrs.com](mailto:HeraldTAInstructions@ntrs.com)

Alternatively, online dealing is available at:

Aegon Institutional: [www.cofunds.aegon.co.uk](http://www.cofunds.aegon.co.uk)  
A.J.Bell: Retail: [www.youinvest.co.uk](http://www.youinvest.co.uk)  
A.J.Bell: Professional: [www.investcentre.co.uk](http://www.investcentre.co.uk)  
Hargreaves Lansdown: [www.hl.co.uk](http://www.hl.co.uk)  
Interactive Investor: [www.ii.co.uk](http://www.ii.co.uk)  
Transact: [www.transact-online.co.uk](http://www.transact-online.co.uk)

#### **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 2022 (April 2021: Nil).

#### **MINIMUM SUBSCRIPTION**

For Class A shares, the minimum initial investment requirement of the Fund is GBP 10,000 and each subsequent investment must be a minimum of GBP 5,000. For Class B shares, the minimum initial investment is GBP 1,000 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](http://www.heralduk.com) on the business day immediately succeeding the relevant Dealing Day. Such information shall relate to the NAV per share for the previous Dealing Day and is available for information only. It is not an invitation to subscribe for, repurchase or convert shares at that NAV.

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

# HERALD INVESTMENT FUND PLC

## The Herald Worldwide Technology Fund

### INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2022

The objective of the Herald Worldwide Technology Fund (the "Fund") is to achieve capital growth while investing globally in information technology, communications and multimedia companies. The Investment Manager believes this area of the economy continues to offer growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management, with a 25 year history and an experienced team. The Fund was launched in April 1998 with an initial asset value per Class A share of GBP 10.00. At the end of the period the net asset value per Class A share was GBP 90.72. On 10th June 2010, a Class B share was launched with an initial net asset value per share of GBP 10.00. At the end of the period the net asset value of Class B shares was GBP 60.28.

#### Total return for six months to 30 June 2022

Herald Worldwide Technology Fund NAV (Class A)	-17.4%
Herald Worldwide Technology Fund NAV (Class B)	-17.5%

#### Global

Dow Jones World Technology	-22.8%
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#### United States

Russell 1000® (Large Cap Technology)	-21.8%
Russell 2000® (Small Cap Technology)	-26.1%
S&P 500	-11.0%
Russell 2000® (Small Cap)	-14.9%

#### United Kingdom

iShares Core FTSE 100 UCITS ETF	-0.8%
Numis Smaller Companies plus AIM (ex Investment companies)	-22.7%

#### Europe

DAX	-17.4%
Deutsche Bourse TECDEX	-24.5%
CAC 40	-13.0%

#### Asia Pacific

NIKKEI 225	-7.7%
KOSDAQ IT Composite Index	-35.1%
Taiwan Electronics Index	-19.7%

All percentage returns are in GBP

Source: Herald Investment Management Limited (HIML) and Bloomberg. ©Russell Investment Group.

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

**Past performance is not a reliable indicator of future returns.**

#### Summary

Financial markets have been tumultuous in the first half of 2022. Highly elevated inflation levels, rising interest rates, renewed Covid lockdowns in China and Russia's invasion of Ukraine have combined to create unprecedented macro-economic and geopolitical challenges.

The market sell-off in the first half of 2022 has been harsh. Both the S&P 500 and the Dow Jones World Technology Indices have had their worst six-month performance since the financial crisis in 2008. The S&P 500 also has had its worst first half performance since 1970.

Though the Fund has also suffered from the fall in equity markets, our cautious stance during the last 24 months provided some protection. During H1-2022, the Fund outperformed the Dow Jones World Technology Index meaningfully. Although in hindsight we were a little early in becoming cautious, and thus underperformed the global technology indices in the tail end of the bull market, the recent relative performance has more than compensated for this.

#### Summary continued

Much of the tech sell-off was initially attributed to the rapid rise in the discount rate and the mathematical impact on valuations. In recent weeks, the steady trickle of negative datapoints from economies and individual companies has been fuelling concerns that a recession may be unavoidable. Within the sector, we have begun to see signs of slowing demand, most notably in handsets and PCs and the associated supply chains such as semiconductors. Other than a few individual companies, there has not yet been meaningful downward revisions to expectations. The market, however, has started pricing in some expectations of slowdowns, and p/e ratios for the technology sector have now fallen sharply. Due to supply chain disruptions and the large backlogs that many companies have, it may take another 1-2 quarters for managements to reduce forward expectations and for markets to stabilise. In such environments we have seen repeatedly, the “baby tends to be thrown out with the bath water” and some great companies tend to get oversold.

We find valuations far more compelling than we have done in much of the last two years. For example, on Bloomberg estimates the average P/E of the portfolio at the end of 2020 was 28.8x and had fallen to 16.6x at the end of the period, which is only a modest premium to the wider indices. We expect the next 6-12 months to remain a period of uncertainty for the broader global economy and markets as central bankers and policy makers adjust fiscal and monetary policy to address the diverse economic and geopolitical challenges. However, we believe the technology sector targeted by this fund has defensive characteristics which means that earnings should continue to grow, albeit at a slower pace than recent years, but faster than the wider market.

We are confident in the holdings of the Fund. Since the beginning of the year, we have sold some positions and added to others. In total, the Fund has had seven companies in the portfolio subject to takeover bids during the period. We have reinvested part of the proceeds which were received from the completion of some of these take-overs. We are excited about the prospect of adding new positions to the Fund, and are tiptoeing gingerly as we are cognizant of the diverse factors driving the markets.

Between 2019 and end of 2021, there were over 1200 IPOs in the technology sector in addition to dozens of Special Purpose Acquisition Corporations (SPACs) and other listings. In H1-2022, even though capital markets activity was muted compared to 2021, there were nevertheless 120 IPOs in the technology sector. We have spent much of the last six months digging deeper and getting to know some of these younger companies. Most are trading far below their initial valuations. Although, we believe the vast majority will not satisfy our fundamental criteria for investing, we are optimistic that there will be some highly attractive opportunities amid the 1300+ new companies in the quoted sector.

Our strategy remains consistent with the past. The sector is sufficiently diverse and dynamic that throughout our 25+ years of investment in the sector we have always found attractively positioned, reasonably valued, well managed companies to invest in. We are encouraged that the market is becoming aware that “growth at any cost” business models are not sustainable.

In summary, despite our caution, we remain enthusiastic about opportunities to invest in the sector which possesses both growth and defensive characteristics. We do not think the toolset applied by the leading growth investors of the last decade for investing in technology companies will be as successful in the next 1-2 years; but we do believe our deep domain knowledge and fundamental, bottom-up valuation-sensitive approach to growth investing will continue to deliver results even in a difficult macro-economic environment.

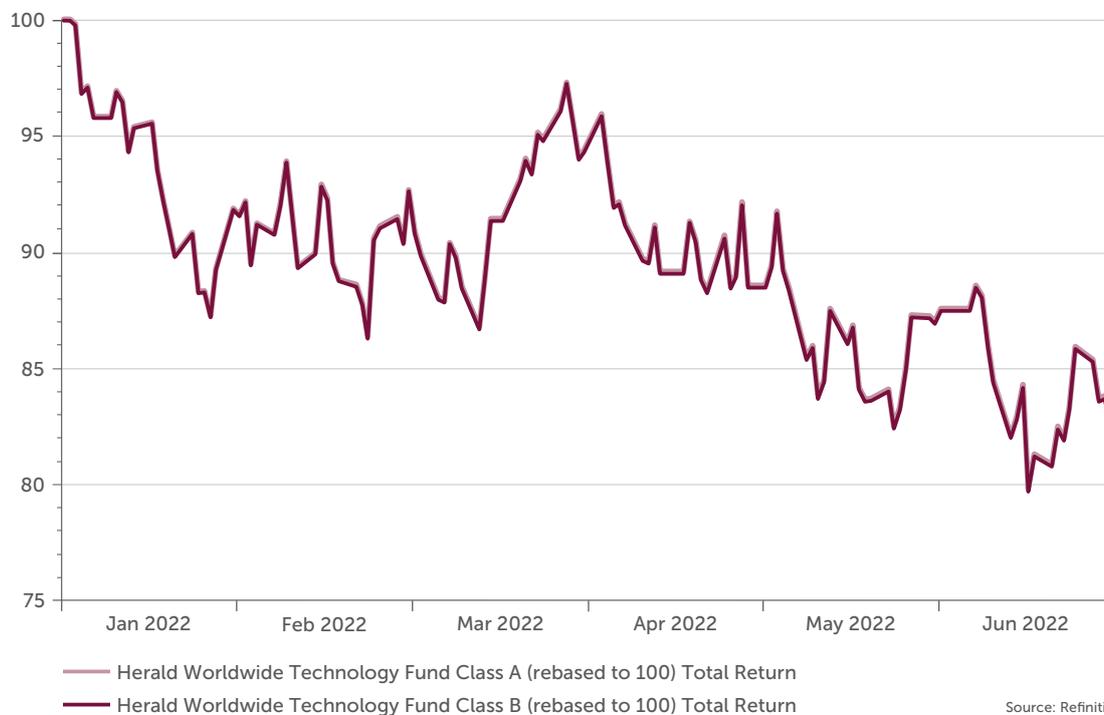
# HERALD INVESTMENT FUND PLC

## The Herald Worldwide Technology Fund

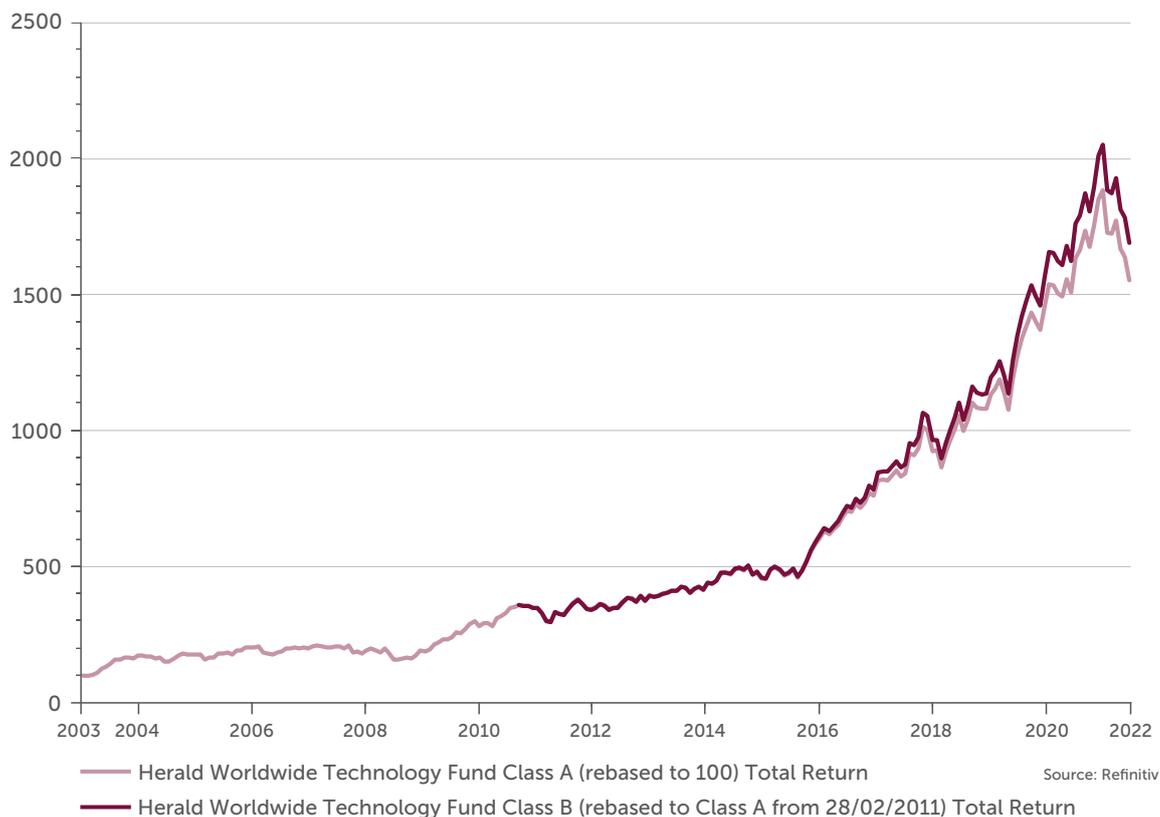
### INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2022 continued

#### Summary continued

#### Total Return: 31/12/2021 – 30/06/2022



#### Total Return 31/12/2002\* – 30/06/2022



\*The date the existing fund manager took over the management of the portfolio.

### The Herald Worldwide Technology Fund

#### Summary continued

#### North America

The total return for the US portfolio was -16.9%. We are disappointed with the negative return. We are nevertheless pleased that the performance is meaningfully ahead of the Russell 1000 (Large Cap) Technology Index total return of -21.8%. The US portfolio comprises the majority of the Fund (82.9%).

The strong performers in sterling terms were Mandiant, Tower Semiconductor, and SolarEdge Technologies, which appreciated 38.7%, 30.5%, and 28.4% respectively. All three were also the largest contributors to positive returns. The key negative contributors to returns were Advanced Micro Devices (AMD) (-40.7%), Amazon (-29.0%), and Pegasystems (-52.2%).

The North American part of the portfolio has been benefiting from a substantial number of takeover bids in the last 18 months. In H1-2022, there have been bids for Mandiant and Silicon Motion Technologies. Another investment in the US portfolio which is also subject to a takeover bid is Tower Semiconductor. These three companies are trading at discounts to the takeover prices; therefore, we are retaining the positions in the Fund.

Pegasystems, the main disappointment in the portfolio, is a leader in low-code software platforms, focused on workflow automation in large companies, with an impressive customer list. Pegasystems has been engaged in a protracted lawsuit and in May, the courts issued an unfavourable ruling, potentially subjecting the company to an unprecedented fine of \$2bn. This is obviously very disappointing, and the magnitude of the potential fine was surprising. Pegasystems' management intends to appeal the case. We will continue to monitor the situation and adjust the holding accordingly.

AMD remains one of the top five holdings in the Fund and the fourth largest contributor to returns in the last 3 years. We reduced the holding in H2-2021 as we were concerned about the valuation getting stretched. The company has been delivering consistently strong results. For example, EPS expectations for 2022 are 120% higher than had been expected at the end of 2020, while the shares have fallen 12% (USD) in the same period. Although we recognise there is risk of downward revision to the forward expectations, we believe the company's valuation is very compelling and it remains in a strong position to continue to deliver sustainable revenue growth with solid margins.

During H1, we sold the Fund's positions in Leidos, Bottomline Technologies, and Mimecast. Leidos had performed strongly following the sharp rise in the share prices of defence related companies and the valuation was getting difficult to justify. Bottomline Technologies, Mimecast, and Xilinx had been subject to takeover offers, with all three deals closing in H1-2022. We reinvested the proceeds from these sales into some existing holdings and added a few new positions. The Fund's largest new positions are Zoom and SolarEdge Technologies, a leader in micro-invertors for solar installations. They are companies which we have been following for several years. The market sell-off allowed us to invest at an attractive valuation.

The P/E of the North American portfolio on Bloomberg forecasts was 19x on 30th June 2022 compared with 27x on 30th June 2021, 31x and 25x at the end of 2020 and 2019, respectively. The contraction in P/E has been mostly due to the deratings of the Fund's holdings as opposed to any substantial changes in profits. We expect some downgrades to earnings in the next 2-3 quarters, especially if the Russia/Ukraine war is not resolved and energy availability in Europe remains constrained. Although the Fund's direct exposure to consumer demand is limited, high overall inflation levels will also cause downgrades to real earnings, if not nominal levels. Despite these concerns, we find that the current valuations of many high-quality companies far more attractive than they have been in the last two years.

#### Europe

The European portfolio comprises 2.1% of the Fund. The total return for the European portfolio was a disappointing, -33.4%. There are only two European holdings in the Fund namely, SAP, (weighting of 1.4%) which declined 26.7% and Nordic Semiconductor, (weighting of 0.7%) which declined 34.2% in the current period.

SAP's sustainable competitive position and fundamental valuation is underappreciated by the market at current levels. A part of the sell-off is due to concerns about the outlook for the European economy. SAP derives over 45% of its revenues from the EMEA region, and 15.6% from Germany. We like the outlook for SAP as it retains a strong competitive position in its core enterprise software markets, with scope for sustainable long-term growth, and a supportive valuation. Its high exposure to EMEA and Germany are weighing on the shares.

Nordic Semiconductor ASA is a company which we have been following for many years and have held in the Herald Investment Trust. Nordic is well placed to continue its robust growth in the semiconductor market. We initiated a small position in the shares in H1-2022 and will look to increase the position opportunistically.

### INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2022 *continued*

#### Summary *continued*

##### UK

The UK portfolio comprises 4.2% of the Fund and disappointingly declined 26.1% in the period. Both of the Fund's UK holdings, Herald Investment Trust and Avast have a weighting of 2.1%.

Avast shares declined 13.7% in the period. Avast is subject to a takeover offer by NortonLifelock which is anticipated to close at the end of 2022. The shares are trading at a discount of 24% to the offer price as the takeover is being investigated by the UK Competition and Markets Authority (CMA). We find it reassuring that the CMA is adopting a broad definition of the security market, thereby increasing the likelihood of the deal closing. The closure of the deal would lead to a substantial appreciation of the share price, especially as a large part of the offer is in cash.

The underperformance of Herald Investment Trust was largely driven by the sharp selloff in the small cap sector which is deemed to be more sensitive to macroeconomic slowdowns. Its net asset value per share declined by 25%, but the discount also widened. We find the valuation of the Trust to be now more attractive than any time in the last 18 months.

##### Asia

The Asian portfolio comprises 4.2% of the Fund and the total return was -18.6%. The Asian holdings comprise of four companies, Alibaba, Samsung Electronics, Taiwan Semiconductor Manufacturing Company (TSMC), and Kulicke & Soffa Industries.

Alibaba was a contributor to positive returns as the shares appreciated 6.7% in the period. Despite some recent favourable changes in Chinese regulation regarding variable interest entities (VIEs) and US listings, we remain concerned about investing in domestic Chinese companies due to corporate governance issues and the lack of protection for shareholders. Our only Chinese holding is Alibaba, a leader in ecommerce and cloud computing in China as well as many foreign markets.

Samsung Electronics (-24.8%), TSMC (-23.5%), and Kulicke & Soffa Industries (-20.6%) were negative contributors to returns in the period. Although all three have been suffering due to a combination of cyclical and recessionary concerns, they have strong competitive positions in their respective markets, strong balance sheets, and attractive valuations.

#### Market Background

In contrast to the first half of 2021, which was buoyed by the optimism of the covid vaccines and consistent indicators of sharp economic recovery in the US and Europe, the first of half of 2022 has been dominated by concerns of rampant inflation and rising interest rates, worries about the manifold impacts of the Russian invasion of Ukraine, and already strained supply-chains, stressed even further by new rounds of Covid restrictions in China.

Although the market has been adjusting to rising rates by increasing bond yields and compressing equity valuations, we are not convinced that the combination of lower earnings and inflationary pressures are fully priced in. At the same time, it is important to recognise that we are experiencing a truly extreme combination of events and the market, at times, does discount future events efficiently.

Both profitable and unprofitable growth companies have de-rated in recent months. Going forward, we expect cash flows, margin profiles, and sustainability factors to increasingly drive differentiation among the performance of companies. We have always tried to discern the real costs of running businesses, for example, considering the full cost of employee stock awards and of acquisition-driven growth. We expect greater scrutiny of these costs by the market and greater awareness of the unsustainability of companies which have relied on dismissing these costs as irrelevant.

We consider sustainability in the broad sense of the word, encompassing the culture and management of a company, its competitive position, its financial position, the economics of its business and the resilience of its broad ecosystem of suppliers, partners, and customers.

Figure 1 shows the five key challenges which companies and governments face both short-term and longer term and solutions for addressing them. The key challenges are inflation, demographics, environment, geopolitics, and costs. The factors are of course interrelated. Innovation, automation, optimisation, and the application of technology to make it all work will be necessary tools to address these issues. We are, therefore, confident that a sustainable, innovation-driven, valuation-sensitive growth portfolio will generate attractive returns going forward.

In search of safe havens in difficult times

*Defensive, Sustainable, Innovation-driven Growth*

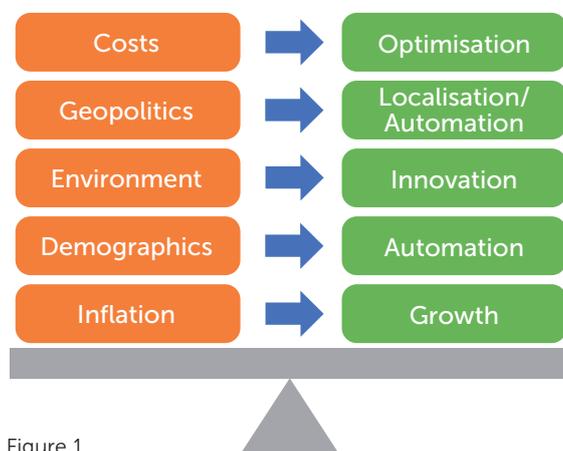


Figure 1

**Sector Outlook**

On 1 July 2022, Gartner published their revised outlook for overall IT spend for the year. The outlook is hardly changed compared to their projections in December 2021. Gartner expects overall IT spend to grow 5.9% in 2022, compared to their initial forecast of 6%, six months ago. Gartner forecast overall IT spending to grow at a CAGR of 7% (in constant currencies) between 2021-2026. Despite this seeming resilience in IT spending outlook, we believe fundamentals across many sectors have softened and real growth expectations will be moderating.

The team at HIML spent much of H1-2022 having in-person meetings with management teams of companies in our portfolios as well as many newly floated public companies and other companies which we consider potentially interesting investment opportunities.

For example, earlier this year, in March, during our site visits to companies on the west coast of the US we met with over one hundred companies. Most management teams were still overly optimistic about the outlook for demand, the war in Ukraine was almost dismissed as a non-issue, and the main challenge was hiring and retaining employees. By June, when we again met with 100+ companies in the US, the mood had clearly changed. Management teams were more sensitive to risks posed to the economy and their businesses by rising interest rates, inflation, and high energy prices.

We believe we are going through a period with some similarities to the post dotcom era in the early 2000's. Management teams need to adjust to the change in the economic and geopolitical outlook, but at the same time, they need to retain key staff.

We are already seeing announcements of hiring freezes and lay-offs. Preserving cash when capital is no longer free, is a necessity, especially for the substantial number of unprofitable companies in the sector, particularly the venture capital backed private companies. Changing the actual culture of an organisation from a predominant focus on revenue growth, to one which requires a disciplined approach to investments and expense management, is not easy. Many of the managers in the industry do not have enough relevant experience.

It has been a worry that the labour market has been tight for a number of years, and compensation packages and share based payments in particular, have grown alarmingly. We are reassured that already there are signs that the evident overheating is abating. Going forward, we hope there will be a greater focus on profitability and returns to shareholders and not just returns to employees.

In the UK we are sensitive to the weakness of sterling and the euro relative to the dollar, and the yen has been weak too. For US quoted companies, the strong dollar has been a greater headwind to revenues and earnings than had been expected at the beginning of the year. The European economies will be more impacted by the Ukrainian war and its side effects, such as the alarming rise in the price of gas, and the challenges for the European Central Bank to cope with inflation are even greater than for the Federal Reserve and the Bank of England.

#### **INVESTMENT MANAGER'S REPORT** for the six months ended 30 June 2022 *continued*

We believe founder-led companies and companies with deep management benches and strong customer partnerships will be better positioned to do well in a changing macroeconomic environment.

##### **Semiconductors**

Gartner's latest semiconductor forecasts expect semiconductor revenues to grow 7.4% in 2022 to reach \$676bn, compared to their April 2022 projection of 13.6% growth for 2022. This follows 26.3% growth in 2021. Revenues in 2023 are now expected to decline 2.5% whereas at the end of April, they were still expecting 3.6% growth in 2023. Gartner predicts the overall semiconductor market will grow at a 5.6% compound annual growth rate (CAGR) between 2021- 2026. A 5-6% CAGR is in-line with historical levels.

There are many highly attractive companies in the semiconductor sector, well positioned for sustainable long-term growth with pricing power. At the same time, since the end of last year, we had been sensitive to parts of the exuberance in the semiconductor subsector and concerned that double-ordering and the inevitable reduction in growth post Covid constraints will drive down valuations. We took profits in some of the holdings in the Fund and reduced the Fund's overall exposure to the sector since the end of 2021.

Inventory levels at companies which provide Electronic Manufacturing Services (EMS) have been rising sharply. EMS companies manufacture electronics products, ranging from PC to smartphones, printers, TVs, telecom equipment, and medical equipment for leading global brands and therefore provide a perspective across disparate products. According to Jefferies, at the end of Q1-22, days of inventories (DOI) at EMS companies were at 20-year highs, exceeding dotcom levels. We see the current sell-off and reset in expectations as healthy. We are looking to add to the Fund's semiconductor holdings opportunistically.

##### **Software and Cloud**

The largest sell-offs in the markets have been among the cloud software companies. Bessemer estimate that in November 2021, at its peak, the market capitalisation of publicly listed cloud companies had reached \$2.7trn. The Bessemer Cloud Index is a good proxy for the cloud software companies. The Index peaked last November and started falling thereafter. In H1-2022, it fell 44% in USD and since its peak, it has fallen close to 55%.

We have been and continue to be large fans of the cloud business models and opportunities created by the new architecting of IT infrastructures globally. However cloud software is also one segment of the market where the "growth at any cost" business models were most prevalent.

At the end of 2020, the median of the stocks in Bessemer Cloud Index was trading at a valuation of 15.6 x forward revenues, while those in the top quartile were trading on valuations of 22.5 x forward revenues. Currently, these multiples have shrunk significantly, such that the top quartile are trading on 8.0x forward revenues while the median is trading on 5.1x forward revenues. We are not fans of revenue multiples as a measure of valuation, but the metric is valuable for giving a sense of some extremes.

Most of the companies in this index meet many of our investment criteria, i.e., positioned for sustainable, long-term growth, with pricing power and strong management teams. However, out of the seventy-five companies in this high growth cloud Index, the Fund only held Qualys in 2021. We considered the valuations of many of the others too high. Since the beginning of the year, we have added Zoom and Freshworks to the Fund.

The cloud subsector is not entirely immune to economic slowdowns. At the very least, sales cycles for many companies will elongate and so achieving growth targets will be more difficult. We are looking forward to continuing to increase the Fund's exposure to high quality growth companies in this subsector, as expectations become more conservative, and valuations embed less aggressive growth outlooks.

### The Herald Worldwide Technology Fund

#### Regulation and the Megacaps

Regulation continues to be an important factor in the sector.

On 5 July 2022, the European Parliament passed the Digital Markets Act (DMA) and the Digital Services Act (DSA). These laws are the result of over two years of investigations and negotiations by EU members. The next stages are for the European Council to pass the laws and for the individual countries to adopt them. It is expected that these stages will progress in a timely manner over the next year. The laws which will become enforceable from 1 January 2024, will place restrictions on the behaviour of large tech companies. The DMA defines Google, Amazon, Apple, Facebook, and Microsoft as Gatekeepers. The Gatekeepers are deemed to be the companies which control access to platforms that are used by third-party businesses. The DMA will regulate these businesses by preventing them from curtailing access to their platforms or prioritising their own products and services over those of competitors and aims to ensure a fairer business environment for consumers.

The DSA sets clear obligations for digital service providers, such as social media or marketplaces, to tackle the spread of illegal content, online disinformation, and other societal risks. The act aims to give EU citizens better control over how their data is being used by online platforms and large technology companies. The act aims to ensure that what is illegal offline is also illegal online. The act also places more obligations on algorithmic transparency.

There are many other on-going legislative measures in other jurisdictions, including but not limited to the US, UK, and South Korea.

The second and third order effects of many of these initiatives are often unknown. Two recent examples are:

- (1) GDPR which was aimed at reigning in the large companies resulted in over-burdening smaller companies and
- (2) Apple's increased focus on privacy caused an estimated \$10bn revenue shortfall for Facebook/Meta but indirectly benefitted TikTok, whose operations and agenda are substantially more opaque.

Apart from legislation involving the large cloud companies, a myriad of government initiatives continues to improve the resilience of the semiconductor supply chain by expanding manufacturing in Europe and the US and controlling know-how and Intellectual Property (IP) going to China.

#### Concluding Remarks

In summary, we are cognizant that the range of potential outcomes for the economy and equity markets over the next 12 – 18 months remains wide.

We believe that our disciplined investment philosophy of the last 25+ years remains sound for navigating through the uncertainties in the markets. We continue to focus on companies that will benefit from secular growth. A combination of fundamental analysis and a valuation-sensitive, growth framework remains a compelling way to assess the attractiveness and sustainability of companies. It helps us to identify some of the younger companies that are about to disrupt an industry or create a new market, but also some of the established companies which are leveraging their know-how and customer/supplier relationships to develop new products and augment their existing portfolios.

Following the sharp decline in valuations of many growth companies, we are more enthusiastic about investing in the sector than we have been in the last eighteen months. Many of the companies in the sector are key enablers of productivity across diverse end-markets and thus well-positioned for long-term sustainable growth even in inflationary environments. The sector is sufficiently diverse and dynamic that throughout our 25+ years of investment in it, we have always found attractively positioned, reasonably valued, well managed companies to invest in.

We are particularly enthusiastic about spending more time researching and meeting with the management teams of the 1300+ technology companies which have gone public in the last two and a half years, whose valuations have contracted, and whose businesses are still not well understood by the markets. We are confident that among them, we will find companies that will be attractive long-term investments.

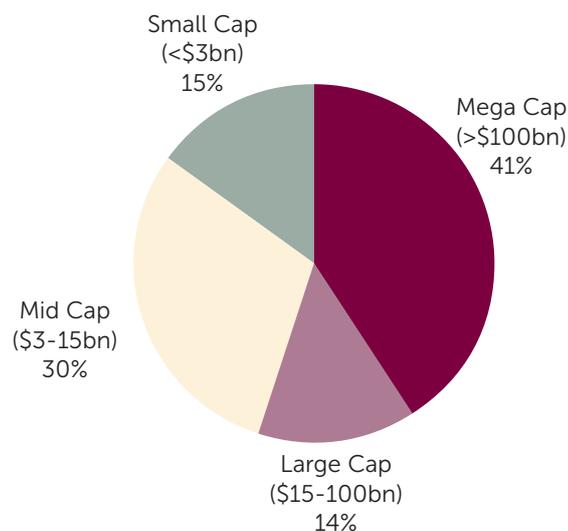
## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2022 *continued*

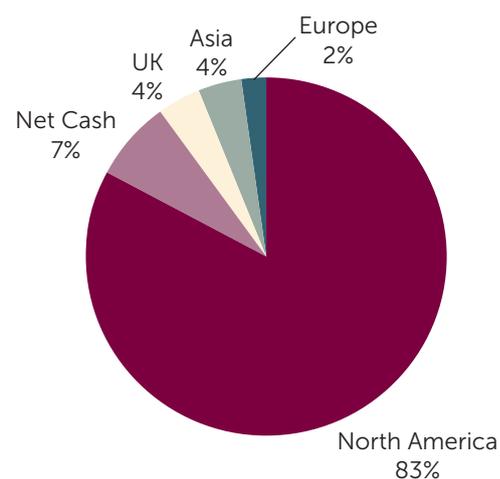
##### BREAKDOWN OF EQUITY INVESTMENTS BY MARKET CAP

	30/06/2022	31/12/2021
Mega Cap (>\$100bn)	41%	46%
Large Cap (\$15-100bn)	14%	21%
Mid Cap (\$3-15bn)	30%	25%
Small Cap (<\$3bn)	15%	8%
	<u>100%</u>	<u>100%</u>



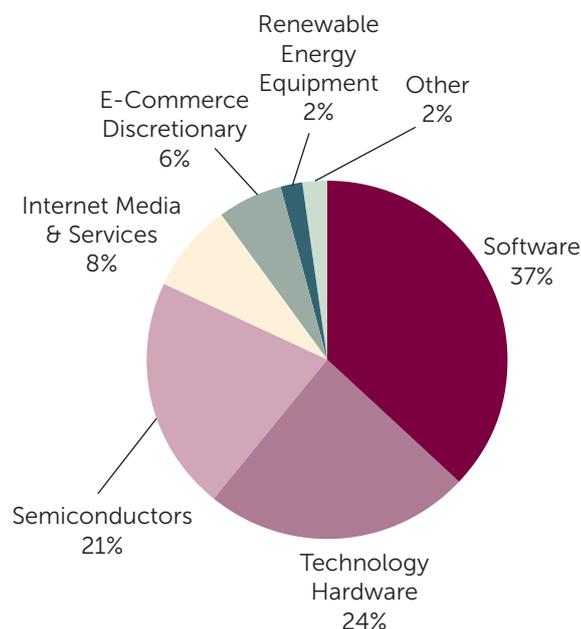
##### GEOGRAPHICAL BREAKDOWN

	30/06/2022	31/12/2021
North America	83%	82%
Net Cash	7%	7%
UK	4%	4%
Asia	4%	5%
Europe	2%	2%
	<u>100%</u>	<u>100%</u>



##### SECTOR BREAKDOWN

	30/06/2022	31/12/2021
Software	37%	36%
Technology Hardware	24%	25%
Semiconductors	21%	20%
Internet Media & Services	8%	9%
E-Commerce Discretionary	6%	7%
Renewable Energy Equipment	2%	0%
Other	2%	3%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### PROFIT AND LOSS ACCOUNT for the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 GBP	Six months ended 30 June 2021 GBP
<b>Income</b>			
Operating income	5	173,800	147,421
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	6	(12,532,833)	3,755,474
<b>Total investment (loss)/income</b>		<b>(12,359,033)</b>	<b>3,902,895</b>
Operating expenses	7	(484,273)	(459,672)
Expense reimbursement from investment manager	9	113,778	140,294
<b>(Loss)/profit for the period before tax</b>		<b>(12,729,528)</b>	<b>3,583,517</b>
Non-reclaimable withholding tax		(38,622)	(34,036)
<b>(Decrease)/increase in net assets from operations attributable to holders of redeemable participating shares</b>		<b>(12,768,150)</b>	<b>3,549,481</b>

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

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

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### BALANCE SHEET as at 30 June 2022

	Note	As at 30 June 2022 GBP	As at 31 December 2021 GBP
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	12	57,137,969	65,697,893
Cash and bank balances	8	3,977,796	5,451,886
Debtors		210,391	332,661
<b>TOTAL ASSETS</b>		<b>61,326,156</b>	<b>71,482,440</b>
<b>LIABILITIES</b>			
Creditors - amounts falling due within one year		(148,153)	(718,824)
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>61,178,003</b>	<b>70,763,616</b>

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

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES for the six months ended 30 June 2022

	Six months ended 30 June 2022 GBP	Six months ended 30 June 2021 GBP
<b>Net assets attributable to holders of redeemable participating shares at beginning of period</b>	<b>70,763,616</b>	<b>56,536,572</b>
(Decrease)/increase in net assets attributable to holders of redeemable participating shares resulting from operations	(12,768,150)	3,549,481
Amounts received on issue of redeemable participating shares	5,706,204	2,445,992
Amounts paid on redemption of redeemable participating shares	(2,523,667)	(2,744,481)
Increase/(decrease) in net assets resulting from share transactions	3,182,537	(298,489)
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(9,585,613)</b>	<b>3,250,992</b>
<b>Net assets attributable to holders of redeemable participating shares at end of period</b>	<b>61,178,003</b>	<b>59,787,564</b>

The opening net assets attributable to holders of redeemable participating shares for 2022 differs to the closing position in 2021 by the change in net assets attributable to holders of redeemable participating shares for the second half of the comparative financial period.

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

# HERALD INVESTMENT FUND PLC

## The Herald Worldwide Technology Fund

### NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2022

#### 1. Significant Accounting Policies

##### Basis of Preparation

In preparing the Condensed Interim Report and Unaudited Financial Statements for the six months ended 30 June 2022, the Directors have applied Financial Reporting Standard 102 (FRS 102) and Interim Financial Reporting Standard 104 (FRS 104), applicable in the UK and Republic of Ireland and Irish statute comprising of Companies Act 2014, the Companies (Accounting) Act 2017 and UCITS Regulation and the Central Bank UCITS regulation and these financial statements comply with that standard.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Irish law and accounting standards issued by the Financial Reporting Council "The Financial Reporting standards applicable in the UK and Republic of Ireland" (Generally Accepted Accounting Principles in Ireland).

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

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

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

#### 2. Net Asset Value

	As at 30 June 2022 GBP	As at 31 December 2021 GBP	As at 31 December 2020 GBP
Net Asset Value Class A share	42,454,101	51,535,771	42,404,317
Net Asset Value Class B share	18,723,902	19,227,845	14,132,255
Net Asset Value per Class A share	90.72	109.88	89.72
Net Asset Value per Class B share	60.28	73.06	59.06

#### 3. 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 at Ten Earlsfort Terrace, Dublin 2, D02 T380, 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 30 June 2022 the Company has in issue, 1 subscriber share (31 December 2021: 30,000). Holders of subscriber shares are not entitled to a dividend or any surplus of assets over liabilities upon the winding-up of the Company.

During the period 5 subscriber shares were repurchased at £1.00 per share and cancelled. Additionally the remaining 29,994 subscriber shares were repurchased at £0.00 per share and cancelled.

The 1 subscriber share in issue is described in the financial statements by way of this note only.

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### 3. Share Capital *continued*

##### Shares in Issue

	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>Number of Class A Shares issued and fully paid</b>		
Balance at beginning of period*	469,013	472,610
Issued during period	–	45
Redeemed during period	(1,032)	(2,538)
<b>Total number of Class A Shares in issue at end of year</b>	<b>467,981</b>	<b>470,117</b>
	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>Number of Class B Shares issued and fully paid</b>		
Balance at beginning of period*	263,172	239,278
Issued during period	84,432	40,840
Redeemed during period	(36,963)	(42,136)
<b>Total number of Class B Shares in issue at end of year</b>	<b>310,641</b>	<b>237,982</b>

\* The opening shares for 2022 differs to the closing position in 2021 by the number of issued and redeemed shares in the second half of the comparative financial year.

As at 30 June 2022, 1 shareholder held 36.96% of the issued share capital of the Company (31 December 2021: 39.31%).

#### 4. 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 7.

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 30 June 2022, the number of shares held by Herald Investment Management Limited was 69,980 (31 December 2021: 69,980) and the number of shares held by HIML Holdings Limited was 104,370 (31 December 2021: 74,839).

##### Directors' Interests in Shares and Contracts

Charles Ekins held 1,166 Class B Shares as at 30 June 2022 (31 December 2021: 1,166).

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

##### Related Investments

The Fund invests in Herald Investment Trust plc which has the same Investment Manager. At 30 June 2022, the number of shares held was 80,000 and the fair value of this investment was GBP 1,291,200 (31 December 2021 the number of shares held was 80,000 and the fair value of this investment was GBP 2,004,000).

##### Directors' Fees

The total Directors' fees are disclosed in Note 7.

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2022 *continued*

#### 4. Related Party Transactions *continued*

##### Management Company Fees

Bridge Fund Management Limited (Bridge) is now responsible for the management of the company's affairs on a day to day basis (from 11 August 2021), under the supervision of the Directors. Bridge are also employed as a consultant to the Company, providing MLRO and tax services. Bridge received GBP 24,327 for management fees during the period with GBP 5,714 outstanding at period end (30 June 2021: GBP 3,172). Management Company fees are disclosed in note 7.

#### 5. Operating Income

	Six months ended 30 June 2022 GBP	Six months ended 30 June 2021 GBP
Interest income	607	–
Dividend income	173,193	147,421
	<b>173,800</b>	<b>147,421</b>

#### 6. Net Gains on Financial Assets and Liabilities at Fair Value Through Profit or Loss

	Six months ended 30 June 2022 GBP	Six months ended 30 June 2021 GBP
Realised gains on sale of investments	3,021,751	454,909
Net currency (losses)/gains	(4,998)	1,946
Net change in unrealised (depreciation)/appreciation on investments	(15,549,586)	3,298,619
	<b>(12,532,833)</b>	<b>3,755,474</b>

#### 7. Operating Expenses

	Six months ended 30 June 2022 GBP	Six months ended 30 June 2021 GBP
Administration fees	68,302	68,256
Auditors' fees	9,483	9,781
Banking fees	8,485	9,512
Company secretary fees	6,525	7,661
Custody fees	3,778	2,873
Depositary fees	19,836	19,836
Directors' fees	26,846	28,070
Investment management fees	266,699	228,143
Legal fees	18,952	35,520
Management company fees	24,327	21,876
Transfer agency fees	17,194	15,751
Other expenses	13,846	12,393
	<b>484,273</b>	<b>459,672</b>

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### 8. Cash and Bank Balances

	As at 30 June 2022 GBP	As at 31 December 2021 GBP
The Northern Trust Company	3,977,796	5,451,886

#### 9. 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 42,178 were payable at 30 June 2022 (30 June 2021: GBP 38,096).

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 75,979 (30 June 2021: GBP 96,251) and on Class B Shares is GBP 37,799 (30 June 2021: GBP 44,043).

##### Performance Fee

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV of the Class A shares, excluding performance fees at the end of the accounting period, exceeds the target NAV (110% of the previous highest NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Fund over the relevant period. The opening NAV per Class A share this financial period was GBP 109.88 and the closing GBP 90.72. To date the previous highest NAV per Class A share at a financial period end was reached on 31 December 2021 when the NAV was GBP 109.88 per share. Therefore, there is no performance fee accrual on the Class A for the period end 30 June 2022 (30 June 2021: GBP Nil). 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 accrues 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 transfer agency, the Fund shall pay the Administrator an annual fee of GBP 10,000, GBP 20 per shareholder account annually and a shareholder transaction fee of GBP 10 per transaction.

The Northern Trust International Banking Corporation will also receive a monthly fee of GBP 100 and GBP 10 for each shareholder payment or receipt and GBP 5 for each fund movement on the Fund's subscription and redemption accounts.

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 30,502 were payable at 30 June 2022 (30 June 2021: GBP 17,550).

# HERALD INVESTMENT FUND PLC

## The Herald Worldwide Technology Fund

### NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2022 continued

#### 9. Fees continued

##### Depository Fee

The Depository will be entitled to receive a depository 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 Depository will be paid out of the assets of each sub-fund custody 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 7,277 were payable at 30 June 2022 (30 June 2021: GBP 4,099).

##### Transaction Costs

Transaction costs of the Fund were GBP 10,141 for period ended 30 June 2022 (30 June 2021: GBP 2,138) and are included in net gains on financial assets and liabilities at fair value through profit or loss.

#### 10. Exchange Rates

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

	As at 30 June 2022	As at 31 December 2021
Euro	1.1617	1.1910
Korean Won	1,576.8419	1,610.1026
Taiwan Dollar	36.1098	37.4736
US Dollar	1.2145	1.3545

#### 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 or any encashment, redemption, cancellation, transfer or deemed disposal of shares for Irish tax purposes, arising as a result of holding shares in the Company for a period of eight years or more, or the appropriation or cancellation of shares by the Company for the purposes of meeting the amount of tax payable on a gain arising on a transfer.

No Irish tax will arise on the Company in respect of chargeable events for a shareholder who is:

- (a) an exempt Irish shareholder (as defined in Section 739D) who has provided the Company with the necessary signed statutory declarations, or
- (b) 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 and the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct or the Company has been authorised by the Irish Revenue Commissioners to make gross payments in the absence of appropriate declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding 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.

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### 12. Fair Value Measurement

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

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

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

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

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

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

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

#### 30 June 2022

Assets	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial assets designated at fair value through profit or loss</b>				
Equity securities	55,846,769	–	–	55,846,769
Exchange traded investment funds	1,291,200	–	–	1,291,200
<b>Total Assets</b>	<b>57,137,969</b>	<b>–</b>	<b>–</b>	<b>57,137,969</b>

#### 31 December 2021

Assets	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial assets designated at fair value through profit or loss</b>				
Equity securities	63,693,893	–	–	63,693,893
Exchange traded investment funds	2,004,000	–	–	2,004,000
<b>Total Assets</b>	<b>65,697,893</b>	<b>–</b>	<b>–</b>	<b>65,697,893</b>

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2022 *continued*

##### **13. Transactions With Connected Persons**

Any transactions carried out with the Company by a management company or depositary to the Company, the delegates or sub-delegates of 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 period complied with the obligations set out in Regulation 43(1) of the Central Bank UCITS Regulations.

##### **14. Distributions**

There were no distributions declared during the period ended 30 June 2022 (30 June 2021: Nil).

##### **15. Significant Events During the Period**

The Board continue to monitor the market and the operational risks associated with the Covid pandemic. They are satisfied that the Investment Manager and other key service providers have robust plans and infrastructure to minimize the impact on the Company's operations financial accounting and reporting. The Directors do not consider that the pandemic has resulted in any material negative impact on the Fund during the period.

The Board are also monitoring the escalation of the war in Ukraine.

Both of these uncertainties have created supply chain disruption and exacerbated inflationary pressures worldwide. The Fund's principal risks are market-related and the current extreme market conditions have demonstrated the resilience of the Fund and its investment objective and policy.

There were no other significant events during the period, which in the opinion of the Directors, may have had an impact on the financial statements for the period ended 30 June 2022.

##### **16. Events After the Balance Sheet Date**

There were no events after the Balance Sheet date, which, in the opinion of the Directors, may have had an impact on the financial statements for the period ended 30 June 2022.

##### **17. Approval of Financial Statements**

The financial statements were approved by the Board on 15 August 2022.

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### SCHEDULE OF INVESTMENTS as at 30 June 2022

Holdings	Security name	Industry Sector <sup>†</sup>	Value GBP	% of Fund Net Assets
<b>EXCHANGE TRADED INVESTMENT FUNDS</b>				
<b>United Kingdom:</b>				
80,000	Herald Investment Trust	Investment Funds	1,291,200	2.11
<b>Total United Kingdom</b>			<b>1,291,200</b>	<b>2.11</b>
<b>Total Exchange Traded Investment Funds</b>			<b>1,291,200</b>	<b>2.11</b>
<b>EQUITIES</b>				
<b>China:</b>				
5,800	Alibaba ADR	E-Commerce Discretionary	542,916	0.89
<b>Total China</b>			<b>542,916</b>	<b>0.89</b>
<b>Germany:</b>				
11,500	SAP	Software	860,580	1.41
<b>Total Germany</b>			<b>860,580</b>	<b>1.41</b>
<b>Norway:</b>				
32,000	Nordic Semiconductor	Semiconductors	407,519	0.67
<b>Total Norway</b>			<b>407,519</b>	<b>0.67</b>
<b>Republic of South Korea:</b>				
25,600	Samsung Electronics	Technology Hardware	925,394	1.51
<b>Total Republic of South Korea</b>			<b>925,394</b>	<b>1.51</b>
<b>Singapore:</b>				
13,500	Kulicke & Soffa Industries	Semiconductors	475,882	0.78
<b>Total Singapore</b>			<b>475,882</b>	<b>0.78</b>
<b>Taiwan:</b>				
9,500	Taiwan Semiconductor Manufacturing ADR	Semiconductors	639,487	1.04
<b>Total Taiwan</b>			<b>639,487</b>	<b>1.04</b>
<b>United Kingdom:</b>				
250,000	Avast	Software	1,292,500	2.11
<b>Total United Kingdom</b>			<b>1,292,500</b>	<b>2.11</b>
<b>United States:</b>				
39,863	Advanced Micro Devices	Semiconductors	2,510,045	4.10
15,200	Akamai Technologies	Software	1,143,082	1.87
2,345	Alphabet	Internet Media & Services	4,207,966	6.88
32,000	Amazon	E-Commerce Discretionary	2,798,567	4.57
40,000	Apple	Technology Hardware	4,503,108	7.36
18,400	Arista Networks	Technology Hardware	1,420,245	2.32
127,000	Arlo Technologies	Technology Hardware	655,680	1.07
15,200	Arrow Electronics	Technology Hardware	1,402,913	2.29
18,900	Cadence Design Systems	Software	2,334,857	3.82

## HERALD INVESTMENT FUND PLC

### The Herald Worldwide Technology Fund

#### SCHEDULE OF INVESTMENTS as at 30 June 2022 continued

Holdings	Security name	Industry Sector <sup>+</sup>	Value GBP	% of Fund Net Assets
<b>EQUITIES</b> (continued)				
<b>United States:</b> (continued)				
9,200	Check Point Software Technologies	Software	922,538	1.51
25,600	Dynatrace	Software	831,375	1.36
27,000	Fabrinet	Technology Hardware	1,803,038	2.95
18,000	FormFactor	Semiconductors	574,038	0.94
61,000	Freshworks	Software	660,505	1.08
19,000	Intel	Semiconductors	585,277	0.95
102,200	Mandiant	Software	1,836,225	3.00
8,849	Match Group	Internet Media & Services	507,791	0.83
25,000	Micron Technology	Semiconductors	1,137,964	1.86
25,632	Microsoft	Software	5,420,615	8.86
63,000	N-able	Software	466,878	0.76
35,500	NetApp	Technology Hardware	1,907,053	3.12
25,500	Pegasystems	Software	1,004,504	1.64
11,000	Qualys	Software	1,142,525	1.87
25,000	Radware	Technology Hardware	446,087	0.73
20,300	Silicon Motion Technology ADR	Semiconductors	1,399,078	2.29
4,400	SolarEdge Technologies	Renewable Energy	991,553	1.62
25,100	Super Micro Computer	Semiconductors	833,945	1.36
17,900	Teradyne	Semiconductors	1,319,894	2.16
4,100	Texas Instruments	Semiconductors	518,725	0.85
63,800	Tower Semiconductor	Semiconductors	2,426,023	3.97
58,500	Varonis Systems	Software	1,412,343	2.31
17,750	Zoom Video Communications	Software	1,578,054	2.58
<b>Total United States</b>			<b>50,702,491</b>	<b>82.88</b>
<b>Total Equities</b>			<b>55,846,769</b>	<b>91.29</b>
Total Value of Investments			57,137,969	93.40
Cash at bank			3,977,796	6.50
Other net assets			62,238	0.10
<b>Net assets Attributable to holders of Redeemable Participating Shares at Last Traded Prices</b>			<b>61,178,003</b>	<b>100.00</b>
<b>Analysis of Portfolio (Unaudited)</b>			<b>30 June 2022</b>	<b>31 December 2021</b>
			<b>% of Total Assets*</b>	<b>% of Total Assets*</b>
Transferable securities admitted to an official stock exchange listing or traded on a regular market			93.17	91.91
Other net assets			6.83	8.09
			<b>100.00</b>	<b>100.00</b>

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

+Bloomberg Industry Classification System

**APPENDIX 1 Other Disclosures** for the six months ended 30 June 2022

**Soft Commission Arrangements**

There were no soft commission arrangements affecting the Company during the period (30 June 2021: 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 financial statements published after 13 January 2017. During the financial period ended 30 June 2022, the Fund did not enter into any SFTs.