

HERALD INVESTMENT FUND plc
– The Herald Worldwide Fund

**CONDENSED INTERIM REPORT &
UNAUDITED FINANCIAL STATEMENTS**

for the six months ended 30 June 2016

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

INTERIM REPORT for the six months ended 30 June 2016

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HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

ORGANISATION

REGISTERED OFFICE OF THE COMPANY

Chartered Corporate Services
Taney Hall
3 Eglinton Terrace
Dundrum
Dublin 14
D14 C7F7
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

Registered Office

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

** With effect from 18 March 2016, Northern Trust
Fiduciary Services (Ireland) Limited (the "Custodian")
has assumed the responsibilities of a Depositary in
accordance with the UCITS V Regulations.

DIRECTORS OF THE COMPANY

William Backhouse LVO (British) *
Michael Boyce (Irish) *
David Boyle DL (British)
Adrian Waters, Chairman (Irish) *

* Independent Directors

SECRETARY

SANNE
Taney Hall
3 Eglinton Terrace
Dundrum
Dublin 14
D14 C7F7
Ireland

SPONSORING BROKER

Matheson
70 Sir John Rogerson's Quay
Dublin 2
D02 R296
Ireland

LEGAL ADVISERS

In Ireland

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
D02 CK83
Ireland

In England

MacFarlanes
20 Cursitor Street
London EC4A 1LT
England

INDEPENDENT AUDITORS

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

Registered No: 280256

HERALD INVESTMENT FUND PLC
- The Herald Worldwide 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, and 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 2015 (the “Central Bank UCITS Regulations”). It was incorporated on 12 February 1998 and is listed on the Irish Stock Exchange.

The Company is organised in the form of an umbrella fund with segregated liability. Its Memorandum and Articles of Association and prospectus (“Constitution”) provides 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 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 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 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 (“ARIN’s”), depository receipts and shares of investment companies held in accordance with the Fund’s investment objective and policies;
- 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 per redeemable participating share. An initial charge of up to 3.5% of the net asset value per share may be payable directly to the Investment Manager.

A repurchase charge of 3% of the repurchase monies will 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.

DEALING

Subscriptions and repurchases of redeemable participating shares may be made on a dealing day. Unless otherwise determined by the Directors, every Thursday which is a business day, or the next succeeding business day if the foregoing is not a business day, shall be a dealing day.

The Administrator shall determine the net asset value per redeemable participating share of the Fund on each dealing day in accordance with the Constitution and by reference to the last quoted trade prices as of close of business on the relevant market on the business day preceding the dealing day.

Applications for redeemable participating shares and purchase orders must be received by the Administrator by 5.00p.m. (Irish time) on the business day preceding any dealing day. Applications received after 5.00p.m. (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,
Georges Court,
54-62 Townsend Street,
Dublin 2,
D02 R156
Ireland.
Tel +353 (0)1 542 2000
Fax +353 (0)1 542 2920
www.northerntrust.com

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

DIVIDENDS

The Fund may declare a distribution in April of each year in an amount not less than 85 per cent of the Fund's net income, where sufficient net income is available for distribution. No distribution was declared in April 2016 (April 2015: £Nil).

MINIMUM SUBSCRIPTION

The minimum initial investment requirement of the Fund is GBP10,000 and each subsequent investment must be a minimum of GBP5,000.

INVESTMENT MANAGEMENT

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

NET ASSET VALUE

The net asset value per share of a class shall be calculated by dividing the net asset value 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 net asset value per share is being calculated.

PUBLISHED INFORMATION

Except where the determination of the net asset value has been suspended, the net asset value 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 and shall be notified immediately to the Irish Stock Exchange.

In addition, the net asset value 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 net asset value 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 net asset value.

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 Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2016

The defined remit for the Fund is to invest globally in information technology, communications and multi-media. 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 £30.16. 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 £18.48.

Capital performance* for the six months to 30 June 2016

| | |
|-------------------------------------|-------|
| Herald Worldwide Fund NAV (Class A) | 6.50% |
| Herald Worldwide Fund NAV (Class B) | 6.51% |

Global*

| | |
|-----------------------------------|-------|
| MSCI World Information Technology | 8.26% |
|-----------------------------------|-------|

United States*

| | |
|-------------------------------------|--------|
| Russell 1000 (Large Cap) Technology | 8.79% |
| Russell 2000 (Small Cap) Technology | 11.25% |
| S&P 500 | 13.22% |
| Russell 2000 Small Cap | 11.81% |

United Kingdom*

| | |
|-----------------------------|--------|
| FTSE Information Technology | 4.75% |
| FTSE Techmark Focus 100 | -2.85% |
| FTSE 100 | 4.20% |
| FTSE Small Cap | -3.52% |

Europe*

| | |
|--------------------------------------|--------|
| FTSE Eurotop 300 | 2.23% |
| Deutsche Bourse Technology All Share | -1.84% |
| DAX | 1.60% |
| CAC 40 | 3.04% |

Asia Pacific*

| | |
|------------|--------|
| KOSDAQ | 11.04% |
| Nikkei 225 | 5.80% |
| Hang Seng | 4.52% |

*All returns are GBP adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Market Summary

2016 began with a wobbly start. By the middle of February the Fund and the relevant indices had declined c10%. The slowdown in China was the catalyst for uncertainty, and strength of the US\$ provided a headwind for \$ profits for the global players. Thereafter there was a gentle recovery. The weakness of sterling gave the assets a spike at the end of the period following the referendum. The latter has reflected the political crisis in the United Kingdom. The currency weakness is an immediate benefit to this portfolio valued in £. There is no reason that Brexit should have an adverse effect on the global economy unless there are knock on effects in Europe. There is no indication of this thus far. The TMT (technology, media and telecommunications) sector is driven by innovation, growth in the use of the internet, commercial cost benefits and product cycles. These factors are all unrelated to macroeconomic variables such as interest rates and GDP growth. The sector is inclined to perform relatively less well when cyclical sectors such as mining are performing well, and relatively well in a more challenging economic environment. In this respect TMT has defensive characteristics.

The main US technology indices have been slightly down in US\$. The NASDAQ declining 2.6% and the Russell 1000 Technology Index down 0.5% on a total return basis. The Morgan Stanley World IT Index was similarly down. This reflects the currency headwinds of the strong \$. The sector lagged the S&P Index where the best performing stocks have been in the energy sector. The IPO market closed in the first quarter on the back of market turbulence, and emerging market economic weakness. In addition, venture capitalists were aspiring to excessive exit valuations.

HERALD INVESTMENT FUND PLC

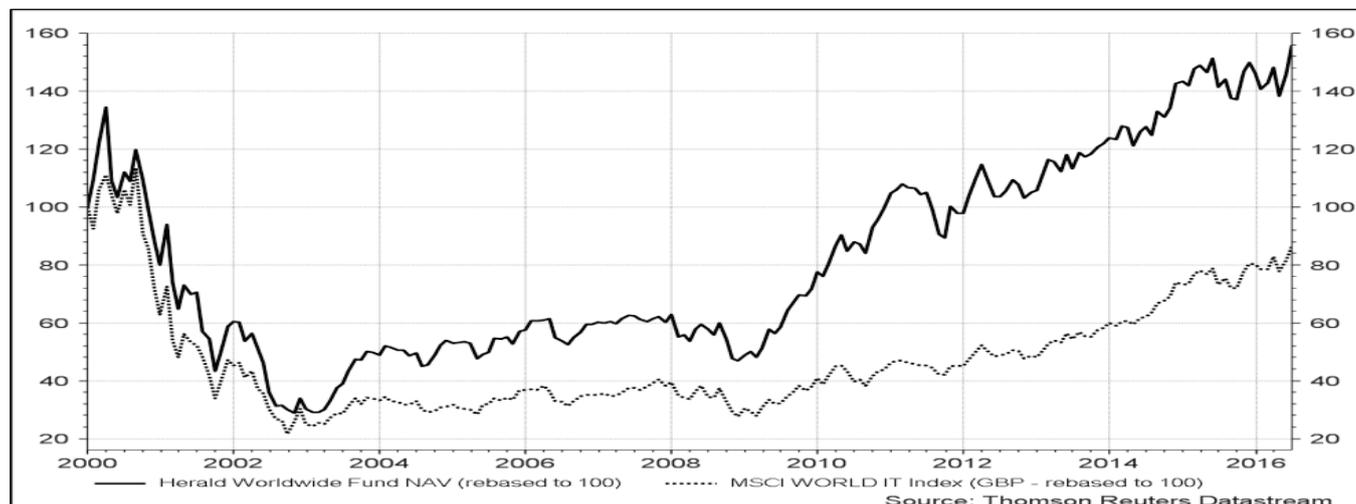
- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2016 *continued*

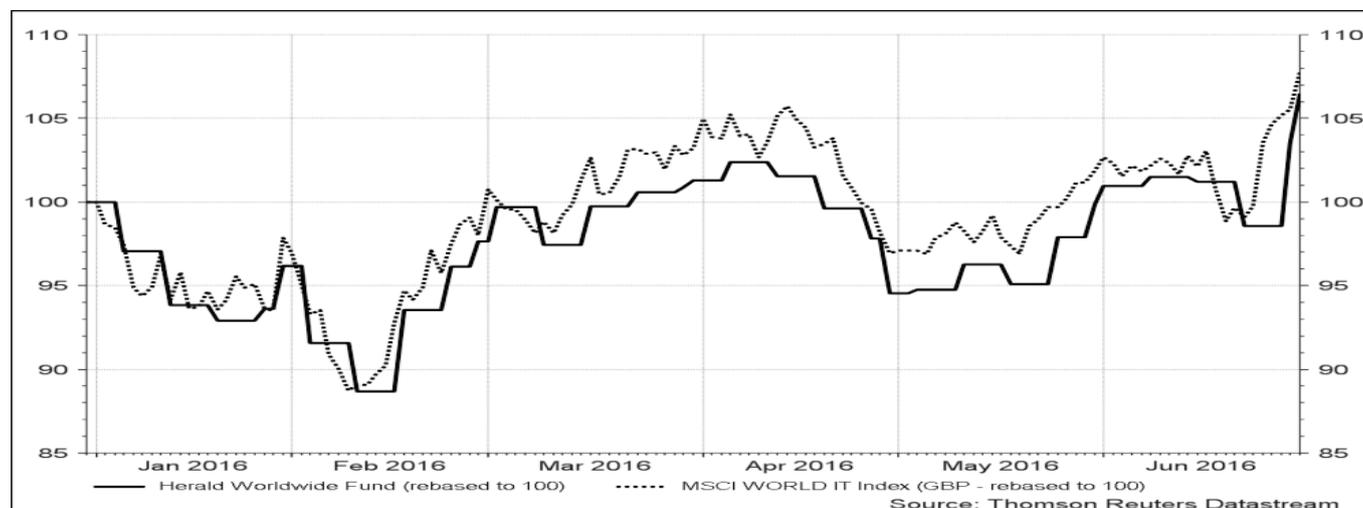
Market Summary *continued*

The door crept open in Q2 and the IPO of Twilio went well at the end of the period. This provides a better feel to the market. Other main markets were all down in local currency but generally up a little in £.

Fund v MSCI World IT 2000-2016



Fund v MSCI World IT 2016



United States

The US portfolio returned +8.7% versus a rise of 10.5 % in the Russell 1000 Technology Index on a total return basis. The star performer was Silicon Motion which appreciated 70% in £. They began providing controllers for USB flash memory sticks, but have evolved and the growth in this period has come from supplying SSD (solid state drive) controllers. Science Applications International Corp also appreciated 42% but the position is small. It benefits from an increase in US Government security spending. The worst performing stock was Radware which supplies application delivery controllers and DDOS (denial of service) appliances, they are undertaking a migration from appliances to a subscription based cloud software solution. This combined with emerging markets weakness led to a decline in sales of 15%, but on a more positive note deferred revenues grew 15%. At the period end cash accounted for c60% of the market value, so the shares seem too cheap. In July AVG agreed a takeover at \$25 which provides a useful uplift.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2016 *continued*

Market Summary *continued*

Europe

The small European portfolio has lagged in the first half, down 7.8% having performed so well in 2015 (+26.2%). United Internet, also a strong past performer, was the drag. They announced an impairment of €157m on their stake in Rocket Internet, which is a one-off.

UK

Over the long term the UK has contributed an annualised Time Weighted Return (TWR) of 11.2% ahead of other regions. Unfortunately the first half has seen a continuation of the underperformance seen in 2015 with a return of +0.5%. However since the period end fortunes have changed with the acquisition of Arm by the Japanese company Softbank at a significant premium, and an interesting announcement about growth accelerating at Bango following the Pokemon Go launch. They provide mobile phone carrier billing for purchases from certain "App stores" and Googleplay in particular. IQE has also announced a positive trading statement. By 20th July the year to date return from the UK portfolio was 19.8%.

Asia

Asia was the weakest region in 2015 with a TWR of -12.4%, and has become the strongest performing region in the first half- up 24.4% in £. Both Samsung and TSMC performed well appreciating 28.5% and 31.0% respectively in £. Currency translation contributed c10% of the return.

Sector Background

The TMT sector is continuing to go through a particularly disruptive phase, which means opportunity and risk, and excites us as specialists.

The sector is unusual in that many companies have pricing power and hence some companies have high profit margins which are hard to find in other sectors. This is because intellectual property, market leadership and brand can all provide pricing power and barriers to entry for competition in different ways. The smartphone by way of example has immense functionality and processing power. The cost to develop one unit would be enormous, but the software development costs amortised over billions of units becomes modest. Apple's operating system is combined with many commodity components, but enables premium pricing and margins. Google has such a large market share in search it commands premium key word advertising. In a world of almost free capital, returns on capital alone are hard to achieve. People with rare skills, and particularly recognised rare skills, command ever higher salaries, while unskilled labour is pressured as labour becomes global. So it is with companies. Efficient communications and the internet in particular, are providing consumers and businesses alike with the ability to source undifferentiated products and services at lower costs, pressurising margins in many businesses. Those companies that attract us, and have value in a low growth world, are ones with differentiated pricing power and the ability to generate cash.

It is extraordinary how large some internet companies have become from relatively small initial capital, giving extraordinary returns. This has led to a frenzy of venture investment in such companies, and the rise of the so called "Unicorns" - generally internet based private companies with a value in excess of \$1bn. However, the number of scalable markets to address is limited, and for every success there are many failures. As the share of internet advertising taken by Google and Facebook has grown to 76% (Mary Meeker Kleiner Perkins) 2016 has marked the year of the hangover for late stage development capital investors, because the public markets have spurned the valuations expected, and often revenue growth has not met expectations. Globally the number of internet users is now growing at only c9% year on year (Mary Meeker), and India seems to be the last big market of growth at c40% in 2015. The tales are of valuation cuts in these "Unicorns" and private companies are changing gear and worrying about cash flow rather than land grab. This we view as an inevitable and wholesome development. Meanwhile private capital is providing follow on funding.

An unwelcome by-product of the venture capital/private equity boom is that talented individuals have been lured by share awards in private companies as a hoped for route to enrichment. The companies that have successfully developed in this way then get on to a treadmill of equity issuance in order to satisfy the appetite of key employees. This in turn has pressured established public companies, and there has been a seismic shift away from share options issued at market to RSUs (restricted stock units) or nil cost options. This has occurred in Silicon Valley/San Francisco in particular. The accounting cost for this seems often to understate the true cost, and in non-GAAP numbers is excluded altogether. We believe that this often leads to unappetising valuations, and provides new challenges for investors in making valuation comparisons.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2016 *continued*

Sector Background *continued*

Our portfolio has been weighted away from such companies at times to our short term cost. We endeavour to find growth at value, so that we are less exposed to valuation corrections in times of market weakness. Nevertheless, in a knowledge based world attracting and retaining key staff is a necessity. The best investments are where highly paid talented staff can be leveraged with incremental customers at marginal incremental cost.

There continue to be disruptive developments in core technologies such as database architecture- Hadoop, NOSQL, and a variety of companies are offering unstructured data, and open source which is reducing the market size for traditional structured databases. Storage is being disrupted by the lowering cost of flash memory as reflected in the performance of Silicon Motion, and the emergence of openstack and new storage formats. Software defined networks offer further disruption.

Meanwhile the hardware arena remains challenged. IDC forecast a further 7.3% decline in PC shipments in 2016 after a double figure decline in 2015. In the mobile phone market Apple has dominated the smartphone market but Q1 iPhone volumes were down 16% YOY and only India is a big potential new market; much will depend on the iPhone 7 launch in the Autumn. The supply chain is certainly in gear. There will be growth in Android based smartphones displacing feature phones, but at lower ASPs (Average Selling Prices). The internet of things will see better growth, and killer applications include wearables (fitness); smart meters and health applications seem bound to grow.

The automotive industry is embracing electronics with vigour. Tesla has grown from nowhere to potential sales this year of \$8.4bn. Driverless cars are likely to appear over the next decade with interesting consequences for Amazon and a plethora of other markets.

The US continues to dominate in terms of innovation. The UK is creative and entrepreneurial, but does not have the capital markets to support scaling companies. At Herald we have tried to support the sector, but the demise of Arm as a public company puts another nail in the coffin of the UK listed technology sector. Europe, with the exception of Scandinavia, seems to lack innovation and entrepreneurialism, and does not have the supportive capital markets that exist in the United States. TSMC and Samsung remain the Asian stars, but many companies do not have the profit margins or returns on capital to attract. Nintendo is credited with Pokemon, but it actually only has a minority stake in the publisher.

Outlook

Stock selection will remain key. The companies that adapt to the cloud based world can win, and the legacy suppliers lose. It is evident that technology developments continue to drive usage for the consumer, the enterprise and governments alike. The sectors that attract are security, marketing software and business analytics, risk and compliance. Defence spending has not been an area of growth from the ending of the Cold War, but we fear will become an area of growth as terrorist risks rise, and there is muscle-flexing in Russia and China. If the US withdraws from its role of world policeman then other countries will be pressured into higher spending. Automotive is also increasingly important.

Summary

We still cannot see a sector we would rather invest in over the medium to long term.

HERALD INVESTMENT FUND PLC

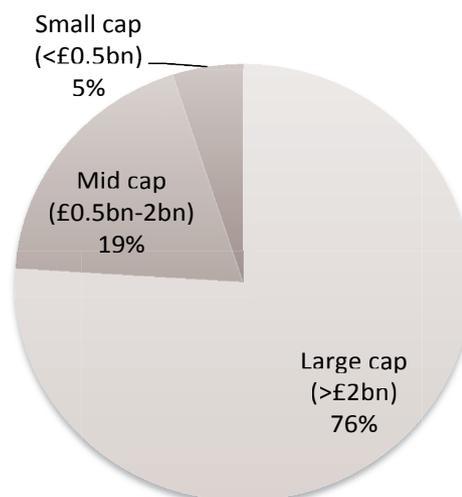
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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2016 *continued*

Sector Breakdown

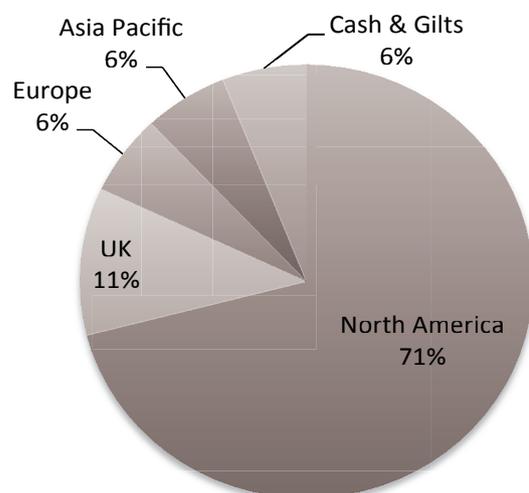
BREAKDOWN BY MARKET CAP

| | 30/06/2016 | 31/12/2015 |
|------------------------|-------------|-------------|
| Large cap (>£2bn) | 76% | 76% |
| Mid cap (£0.5bn - 2bn) | 19% | 16% |
| Small cap (<£0.5bn) | 5% | 8% |
| | <u>100%</u> | <u>100%</u> |



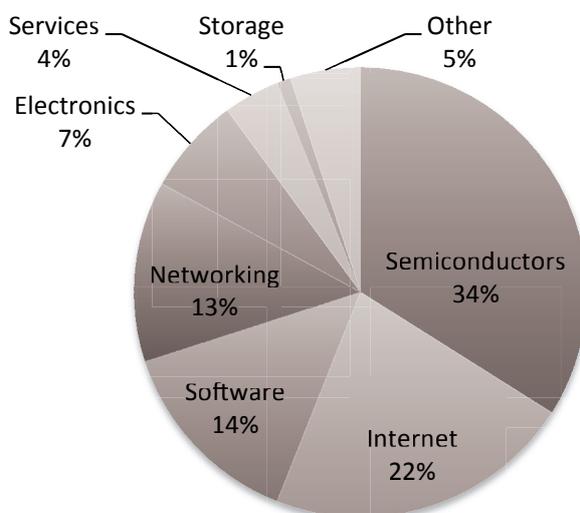
GEOGRAPHIC BREAKDOWN

| | 30/06/2016 | 31/12/2015 |
|---------------|-------------|-------------|
| North America | 71% | 70% |
| UK | 11% | 10% |
| Europe | 6% | 7% |
| Asia Pacific | 6% | 5% |
| Cash & Gilts | 6% | 8% |
| | <u>100%</u> | <u>100%</u> |



SECTOR BREAKDOWN

| | 30/06/2016 | 31/12/2015 |
|----------------|-------------|-------------|
| Semiconductors | 34% | 31% |
| Internet | 22% | 26% |
| Software | 14% | 14% |
| Networking | 13% | 11% |
| Electronics | 7% | 9% |
| Services | 4% | 3% |
| Storage | 1% | 1% |
| Other | 5% | 5% |
| | <u>100%</u> | <u>100%</u> |



HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the six months ended 30 June 2016

| | Note | Six months ended 30 June 2016 GBP | Six months ended 30 June 2015 GBP |
|---|------|---|---|
| Income | | | |
| Operating income | 6 | 107,814 | 93,462 |
| Net gains/(loss) on financial assets and liabilities at fair value through profit or loss | 7 | 1,172,972 | (148,739) |
| Total investment income/(loss) | | <u>1,280,786</u> | <u>(55,277)</u> |
| Operating expenses | 8 | (167,974) | (159,927) |
| Expense reimbursement from investment manager | | 14,974 | 3,477 |
| Profit/(Loss) for the year before tax | | <u>1,127,786</u> | <u>(211,727)</u> |
| Non-reclaimable withholding tax | | (27,824) | (25,818) |
| Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations | | <u><u>1,099,962</u></u> | <u><u>(237,545)</u></u> |

There are no recognised gains or losses arising in the 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 Interim Report and unaudited Financial Statements.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 30 June 2016

| | Note | As at 30 June 2016 GBP | As at 31 December 2015 GBP |
|--|------|------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and bank balances | 9 | 1,160,375 | 1,555,453 |
| Debtors | | 40,997 | 9,107 |
| Financial assets at fair value through profit or loss | | 18,039,917 | 17,986,328 |
| TOTAL ASSETS | | <u>19,241,289</u> | <u>19,550,888</u> |
| LIABILITIES | | | |
| Creditors - amounts falling due within one year | | <u>(61,580)</u> | <u>(56,792)</u> |
| Net assets attributable to holders of redeemable participating shares at last traded prices | 3 | <u><u>19,179,709</u></u> | <u><u>19,494,096</u></u> |

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares
for the six months ended 30 June 2016

| | Six months ended 30 June 2016 GBP | Six months ended 30 June 2015 GBP |
|--|---|---|
| Net assets attributable to holders of redeemable participating shares at beginning of period | 19,494,096 | 20,641,143 |
| Increase/(decrease) in net assets attributable to holders of redeemable participating shares resulting from operations | 1,099,962 | (237,545) |
| Amounts received on issue of redeemable participating shares | 673,413 | 180,342 |
| Amounts paid on redemption of redeemable participating shares | (2,087,762) | (1,538,507) |
| Decrease in net assets resulting from share transactions | (1,414,349) | (1,358,165) |
| Net decrease in shareholders' funds | (314,387) | (1,595,710) |
| Net assets attributable to holders of redeemable participating shares at end of period | <u>19,179,709</u> | <u>19,045,433</u> |

The opening net assets attributable to holders of redeemable participating shares for 2016 differs to the closing position in 2015 by the change in net assets attributable to holders of redeemable shares for the second half of the comparative financial year.

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2016

1. Significant Accounting Policies

(a) Basis of preparation

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

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with accounting standards generally accepted in Ireland (accounting standards generally accepted in Ireland are issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

The format and certain wording of the financial statements have been adapted from that contained in the Companies Act 2014 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 Fund ("the Fund") meets all the conditions set out in FRS 102, Section 7, and consequently has availed of the exemption available to certain funds not to prepare a statement of cash flows.

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015, with the below exceptions.

(b) Changes to Accounting Policies

FRS 102 Section 11.27 on "Fair Value: Disclosure" requires disclosure relating to the fair value hierarchy in which fair value measurements are categorised for assets and liabilities. The disclosures are based on a three-level fair value hierarchy for the inputs used in valuation techniques to measure fair value. The hierarchy of levels as defined under FRS 102 are different to the hierarchy definitions as set out in the prior annual Financial Statements. In March 2016, amendments were made to paragraphs 34.22 and 34.42 of this FRS, revising the disclosure requirements for financial institutions and retirement benefit plans. An entity shall apply these amendments for accounting periods beginning on or after 1 January 2017. Early application is permitted. This amendment has been early adopted in the preparation of these financial statements. Please refer to Note 2 for further details.

2. Fair Value Information

In November 2015, the Financial Reporting Council issued an exposure draft proposing limited amendments to FRS 102, specifically in relation to the fair value hierarchy. These protocols are intended to simplify the preparation of disclosures about financial instruments for the entities affected, whilst increasing the consistency with disclosures required by EU-adopted IFRS that users of financial statements are often familiar with. The amendment was approved in March 2016. The Company has decided to early adopt this amendment and the following information is consistent with the requirements of the amended FRS 102.

FRS102 requires the Company to classify financial instruments measured at fair value into the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 six months ended 30 June 2016 *continued*

2. Fair Value Information *continued*

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

| 30 June 2016 | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|--|-------------------|----------------|----------------|-------------------|
| Assets | | | | |
| Financial assets designated at fair value through profit or loss at inception | | | | |
| Equity securities | 17,189,917 | - | - | 17,189,917 |
| Exchange traded investment funds | 850,000 | - | - | 850,000 |
| Total Assets | <u>18,039,917</u> | <u>-</u> | <u>-</u> | <u>18,039,917</u> |

| 31 December 2015 | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|--|-------------------|----------------|----------------|-------------------|
| Assets | | | | |
| Financial assets designated at fair value through profit or loss at inception | | | | |
| Equity securities | 17,054,765 | - | - | 17,054,765 |
| Exchange traded investment funds | 931,563 | - | - | 931,563 |
| Total Assets | <u>17,986,328</u> | <u>-</u> | <u>-</u> | <u>17,986,328</u> |

3. Net Asset Value

| | As at 30 June 2016 GBP | As at 30 June 2015 GBP | As at 31 December 2015 GBP |
|-----------------------------------|------------------------------|------------------------------|----------------------------------|
| Net Asset Value Class A share | 16,725,904 | 17,083,244 | 17,541,444 |
| Net Asset Value Class B share | 2,453,805 | 1,962,189 | 1,952,652 |
| Net Asset Value per Class A share | 30.16 | 27.38 | 28.32 |
| Net Asset Value per Class B share | 18.48 | 16.78 | 17.35 |

4. Share capital

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

Subscriber Shares

As at 30 June 2016, the Company has issued 7 subscriber shares (31 December 2015: 7). The holders of these shares are not entitled to dividends or any surplus of assets over liabilities upon the winding-up of the Company. They are thus described in the Financial Statements by way of this note only.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2016 *continued*

4. Share capital *continued*

Shares in Issue

| | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|--|--|
| Number of Class A Shares issued and fully paid | | |
| Balance at beginning of period* | 619,445 | 664,020 |
| Issued during period | 7,106 | 2,800 |
| Redeemed during period | (71,900) | (42,787) |
| | <u>554,651</u> | <u>624,033</u> |
| Total number of Class A Shares in issue at end of period | | |
| | <u>554,651</u> | <u>624,033</u> |
| | | |
| | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
| Number of Class B Shares issued and fully paid | | |
| Balance at beginning of period* | 112,522 | 129,260 |
| Issued during period | 29,785 | 5,714 |
| Redeemed during period | (9,526) | (18,029) |
| | <u>132,781</u> | <u>116,945</u> |
| Total number of Class B Shares in issue at end of period | | |
| | <u>132,781</u> | <u>116,945</u> |

* The opening shares for 2016 differs to the closing position in 2015 by the shares for the second half of the comparative financial year. As at 30 June 2016, one shareholder held 41.87% of the issued share capital of the Company (31 December 2015: 39.32%).

5. Related Party Transactions

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

Investment Manager

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

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 30 June 2016, the number of shares held was 91,530 (31 December 2015: 91,530).

Directors' Interests in Shares and Contracts

| | 30 June 2016 Class A Shares | 31 December 2015 Class A Shares |
|---|--|--|
| William Backhouse and connected persons | 12,597 | 12,597 |
| David Boyle and connected persons | 12,182 | 12,182 |

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

The Company invests in another fund which has the same Investment Manager, the Herald Investment Trust plc. At 30 June 2016 the fair value of this investment was GBP850,000 (31 December 2015: GBP931,563).

Directors' Fees

The total Directors' fees are disclosed in Note 8. David Boyle has agreed to waive his fees.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2016 *continued*

6. Operating income

| | Six months ended 30 June 2016 GBP | Six months ended 30 June 2015 GBP |
|-----------------|--|--|
| Dividend income | 107,814 | 93,462 |
| | <u>107,814</u> | <u>93,462</u> |

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

| | Six months ended 30 June 2016 GBP | Six months ended 30 June 2015 GBP |
|--|--|--|
| Realised gains on sale of investments | 665,056 | 563,187 |
| Net currency gains/(losses) | 1,962 | (366) |
| Net change in unrealised appreciation/(depreciation) on investments* | 505,954 | (711,560) |
| | <u>1,172,972</u> | <u>(148,739)</u> |

* The mid bid adjustment for 2015 has now been included in the net change in unrealised appreciation/(depreciation) on investments for 2015.

8. Operating Expenses

| | Six months ended 30 June 2016 GBP | Six months ended 30 June 2015 GBP |
|----------------------------|--|--|
| Administration fees | 50,721 | 43,573 |
| Auditors' fees | 8,328 | 6,828 |
| Custody fees | 1,118 | 1,497 |
| Directors' fees | 13,558 | 12,950 |
| Investment Management fees | 72,872 | 80,200 |
| Other expenses | 21,377 | 14,879 |
| | <u>167,974</u> | <u>159,927</u> |

9. Cash and Bank Balances

| | Six months ended 30 June 2016 GBP | Year ended 31 December 2015 GBP |
|---------------------------------------|--|--|
| Northern Trust Company, London Branch | 1,160,375 | 1,555,453 |
| | <u>1,160,375</u> | <u>1,555,453</u> |

10. Fees

Investment Management

The Investment Manager will receive an investment management fee (expressed as a percentage of the Fund's net asset value attributable to the relevant Class) of 0.75 per cent for Class A Shares and 1.25 per cent 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 GBP12,119 were payable at 30 June 2016 (31 December 2015: GBP13,344).

The Investment Manager has voluntarily undertaken to limit the aggregate annual ordinary expenses of each class of the Fund to be no more than 1.70% for the financial year end 31 December 2016. The expense reimbursement at 30 June 2016 is GBP14,974 (30 June 2015: GBP3,477).

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2016 *continued*

10. Fees *continued*

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 net asset value (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 GBP28.32 and the closing GBP30.16. To date the previous highest NAV per Class A share at a financial year end was reached on 31 December 2015 when the NAV was GBP28.32 per Share. Therefore, a performance fee on the Class A Shares of GBPNil (30 June 2015: GBPNil) was earned for the period ended 30 June 2016. There is no performance fee charged on the Class B Shares.

Administration Fee

The Administrator will receive a fee of up to 0.12 per cent per annum on the first GBP25 million of the Net Asset Value of the Fund, 0.10 per cent per annum on the next GBP25 million and 0.08 per cent per annum on that portion of the net asset value of the Fund which exceeds GBP50 million, subject to a minimum fee of GBP8,000 per month per fund (plus value added tax, if any, thereon).

The Administrator's fee shall be paid monthly in arrears and shall accrue on each dealing day based on the net asset value of the Fund on each dealing day. The Administrator shall be reimbursed any reasonable out-of-pocket expenses incurred. Fees of GBP8,361 were payable at 30 June 2016 (31 December 2015: GBP8,663).

Custodian Fee 1 January 2016 to 17 March 2016

The Custodian will be entitled to receive a trustee fee out of the assets of each Fund, accrued daily and payable monthly in arrears of 0.015 per cent per annum of the Net Asset Value of the Fund. In addition, the Custodian will be paid out of the assets of each Fund safekeeping fees of up to 0.05 per cent per annum of the Net Asset Value 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.

Depository Fee 18 March 2016 to 30 June 2016

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 cent per annum of the Net Asset Value of the Fund. In addition, the Depository will be paid out of the assets of each Fund safekeeping fees 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.

Depository fees of GBP176 were payable at 30 June 2016 (31 December 2015 Custodian fees: GBP2,675).

Transaction costs

Transaction costs of the Fund were GBP10,126 for period ended 30 June 2016 (30 June 2015: GBP11,467) and are included in net gains/(losses) on financial assets and liabilities at fair value through profit or loss.

11. Exchange Rates

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

| | As at 30 June 2016 | As at 31 December 2015 | As at 31 December 2014 |
|----------------|-----------------------|---------------------------|---------------------------|
| Euro | 1.2033 | 1.3568 | 1.2886 |
| Korean Won | 1,539.79302 | 1,728.2214 | 1,713.8496 |
| US Dollars | 1.3368 | 1.4739 | 1.5541 |
| Taiwan Dollars | 43.1238 | 48.4132 | 49.2754 |

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2016 *continued*

12. Taxation

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

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

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

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

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

13. Transactions with connected persons

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

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

14. Soft Commission Arrangements

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

15. Distributions

There were no distributions declared during the period ended 30 June 2016 (30 June 2015: Nil).

16. Significant events during the period

With effect from 18 March 2016, Northern Trust Fiduciary Services (Ireland) Limited ("the Custodian") has assumed the responsibilities of a Depositary in accordance with the UCITS V Regulations.

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 2016.

17. Events after the Balance Sheet Date

There were no events after the Balance Sheet date, which, in the opinion of the Directors, may have had an impact on the Financial Statements for the period ended 30 June 2016.

18. Approval of Financial Statements

The Financial Statements were approved by the board on 24 August 2016.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2016

| NOMINAL SECURITY NAME | VALUE GBP | FUND% |
|--|------------------|-------------|
| COLLECTIVE INVESTMENT SCHEME: 4.43% (31 Dec 2015: 4.78) | | |
| UNITED KINGDOM: 4.43% (31 Dec 2015: 4.78%) | | |
| <i>INVESTMENT FUNDS: 4.43% (31 Dec 2015: 4.78%)</i> | | |
| 125,000 Herald Investment Trust PLC NPV | 850,000 | 4.43 |
| UNITED KINGDOM - TOTAL | 850,000 | 4.43 |
| COLLECTIVE INVESTMENT SCHEME - TOTAL | | |
| | 850,000 | 4.43 |
| EQUITIES: 89.63% (31 Dec 2015: 87.48%) | | |
| GERMANY: 6.13% (31 Dec 2015: 6.62%) | | |
| <i>INTERNET: 3.22% (31 Dec 2015: 3.85%)</i> | | |
| 20,000 United Internet AG Com NPV | 618,303 | 3.22 |
| <i>SOFTWARE: 2.91% (31 Dec 2015: 2.77%)</i> | | |
| 10,000 SAP AG Class A Com NPV | 558,134 | 2.91 |
| GERMANY - TOTAL | 1,176,437 | 6.13 |
| REPUBLIC OF SOUTH KOREA: 2.65% (31 Dec 2015: 2.06%) | | |
| <i>SEMICONDUCTORS: 2.65% (31 Dec 2015: 2.06%)</i> | | |
| 550 Samsung Electronics Co Com KRW5000.00 | 508,997 | 2.65 |
| REPUBLIC OF SOUTH KOREA - TOTAL | 508,997 | 2.65 |
| TAIWAN: 2.87% (31 Dec 2015: 3.28%) | | |
| <i>SEMICONDUCTORS: 2.87% (31 Dec 2015: 3.28%)</i> | | |
| 28,000 Taiwan Semiconductor Manufacturing Co ADR NPV | 549,402 | 2.87 |
| TAIWAN - TOTAL | 549,402 | 2.87 |
| UNITED KINGDOM: 6.55% (31 Dec 2015: 5.62%) | | |
| <i>SEMICONDUCTORS: 5.96% (31 Dec 2015: 4.59%)</i> | | |
| 34,000 ARM Holdings PLC Com GBP0.0005 | 384,540 | 2.01 |
| 217,322 Imagination Technologies Group PLC Com GBP0.10 | 422,148 | 2.20 |
| 1,230,000 IQE PLC Com GBP0.01 | 215,250 | 1.12 |
| 6,000,000 Toumaz Com GBP0.0025 | 120,000 | 0.63 |
| <i>TELECOMMUNICATIONS: 0.59% (31 Dec 2015: 1.03%)</i> | | |
| 200,000 Bango PLC Com GBP0.20 | 112,960 | 0.59 |
| UNITED KINGDOM - TOTAL | 1,254,898 | 6.55 |
| UNITED STATES: 71.43% (31 Dec 2015: 69.91%) | | |
| <i>COMMERCIAL SERVICES: 0.00% (31 Dec 2015: 1.19%)</i> | | |
| <i>COMPUTERS: 11.39% (31 Dec 2015: 11.36%)</i> | | |
| 17,635 Apple Inc Com USD0.00001 | 1,261,151 | 6.58 |
| 25,000 Cadence Design Systems Inc Com USD0.01 | 454,443 | 2.37 |
| 4,112 Leidos Holdings Inc Com USD0.0001 | 147,248 | 0.77 |
| 10,000 Nimble Storage Inc Com USD0.001 | 59,545 | 0.31 |
| 2,350 Science Applications International Corp Com USD0.0001 | 102,575 | 0.53 |
| 4,500 Western Digital Corp Com USD0.01 | 159,089 | 0.83 |
| <i>INTERNET: 14.54% (31 Dec 2015: 17.28%)</i> | | |
| 1,620 Alphabet Inc Class A Com USD0.001 | 852,572 | 4.45 |
| 2,000 Amazon.com Inc Com USD0.01 | 1,070,646 | 5.58 |
| 7,500 F5 Networks Inc Com NPV | 638,689 | 3.33 |
| 10,000 Yelp Inc Com USD0.000001 | 227,110 | 1.18 |

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2016 *continued*

| NOMINAL SECURITY NAME | VALUE GBP | FUND% |
|---|--------------------------|---------------------------|
| EQUITIES: 89.63% (31 Dec 2015: 87.48%) <i>continued</i> | | |
| UNITED STATES: 71.43% (31 Dec 2015: 69.91%) <i>continued</i> | | |
| <i>SEMICONDUCTORS: 20.00% (31 Dec 2015: 17.87%)</i> | | |
| 38,000 Intel Corp Com USD0.001 | 932,376 | 4.86 |
| 11,500 Mellanox Technologies Com ILS0.02 | 412,582 | 2.15 |
| 43,000 Micron Technology Inc Com USD0.10 | 442,609 | 2.31 |
| 10,200 Qualcomm Inc Com USD0.0001 | 408,748 | 2.13 |
| 16,000 Silicon Motion Technology Corp ADR USD0.01 | 572,113 | 2.98 |
| 28,000 Teradyne Inc Com USD0.13 | 412,418 | 2.15 |
| 19,000 Xilinx Inc Com USD0.01 | 655,648 | 3.42 |
| <i>SOFTWARE: 23.68% (31 Dec 2015: 21.41%)</i> | | |
| 34,000 Acxiom Corp Com USD0.10 | 559,291 | 2.92 |
| 20,200 Akamai Technologies Inc Com USD0.01 | 845,142 | 4.41 |
| 30,000 AVG Technologies NV Com EUR0.01 | 426,167 | 2.22 |
| 14,750 Check Point Software Technologies Com USD0.01 | 879,174 | 4.58 |
| 56,000 Radware Com ILS0.05 | 471,694 | 2.46 |
| 21,000 Microsoft Corp Com USD0.00000625 | 803,838 | 4.19 |
| 11,200 Pegasystems Inc Com USD0.01 | 225,793 | 1.18 |
| 7,000 Proofpoint Inc Com USD0.0001 | 330,364 | 1.72 |
| <i>TELECOMMUNICATIONS: 1.82% (31 Dec 2015: 0.80%)</i> | | |
| 7,250 Arista Networks Inc Com USD0.0001 | 349,158 | 1.82 |
| UNITED STATES - TOTAL | 13,700,183 | 71.43 |
| EQUITIES - TOTAL | 17,189,917 | 89.63 |
| TOTAL VALUE OF INVESTMENTS | 18,039,917 | 94.06 |
| CASH | 1,160,375 | 6.05 |
| OTHER NET LIABILITIES | (20,583) | (0.11) |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT LAST TRADED PRICES | <u>19,179,709</u> | <u>100.00</u> |
| Analysis of Portfolio | | % of Total Assets* |
| Transferable securities admitted to an official stock exchange listing or traded on a regulated market. | | 93.76 |
| Other net assets | | 6.24 |
| | | <u>100.00</u> |

*Calculation based on the total assets of the Fund (excluding liabilities). This summary is a UCITS requirement.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF PORTFOLIO CHANGES (Unaudited) as at 30 June 2016

| PURCHASES* | | VALUE GBP |
|-------------------|-----------------------------------|------------------|
| 4,300 | Arista Networks Inc Com USD0.0001 | 175,810 |
| 10,000 | Acxiom Corp Com USD0.10 | 144,628 |
| 4,000,000 | Toumaz Com GBP0.0025 | 72,360 |
| SALES* | | VALUE GBP |
| 1,624 | Alphabet Inc Class C Com USD0.001 | 803,565 |
| 5,000 | Apple Inc Com USD0.00001 | 352,072 |
| 40,000 | MediaTek Inc Com TWD10.00 | 184,247 |
| 3,750 | Cavium Inc Com USD0.001 | 101,913 |
| 1,000 | Splunk Inc Com USD0.001 | 40,971 |
| 47,100 | Support.com Inc Com USD0.0001 | 26,249 |

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