

HERALD INVESTMENT FUND PLC
– The Herald Worldwide Fund

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

for year ended 31 December 2009

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

ANNUAL REPORT for year ended 31 December 2009

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HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

ORGANISATION

REGISTERED OFFICE OF THE COMPANY

Chartered Corporate Services
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

INVESTMENT MANAGER

Herald Investment Management Limited
10-11 Charterhouse Square
London EC1M 6EE
England
www.heralduk.com

ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

CUSTODIAN

The Governor and Company of the Bank of Ireland
Head Office:
Lower Baggot Street
Dublin 2
Ireland

Place of Business:

New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

LEGAL ADVISOR IN IRELAND

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

DIRECTORS OF THE COMPANY

Alan Jeffers, Chairman (Irish) *
William Backhouse LVO (British) *
David Boyle DL (British)
Adrian Waters (Irish) *
* Independent Directors

SECRETARY

Chartered Corporate Services
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

INDEPENDENT AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

SPONSORING BROKER

NCB Stockbrokers Limited
3 George's Dock
International Financial Services Centre
Dublin 1
Ireland

PRIME BROKER

Merrill Lynch
Global Markets Financing & Services
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
England

LEGAL ADVISOR IN ENGLAND

MacFarlanes
10 Norwich Street
London EC4A 1BD
England

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, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended) (the "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. The Articles of Association provide that the Company may offer separate classes of Shares, each representing interests in a fund comprising a distinct portfolio of investments. The Company has obtained the approval of the Financial Regulator 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, ARIN's, depository receipts and 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; and,
- Contracts for differences. These are held in accordance with the Fund's investment objectives and policies.

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 forgoing 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 Articles 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 repurchase orders must be received by the Administrator by 5:00pm (Irish time) on the business day preceding any dealing day. Applications received after 5:00pm (Irish time) will be dealt with on the next succeeding dealing day.

Applications should be made to the Administrator:

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland.
Tel +353 (0)1 670 0300
Fax +353 (0)1 829 0144
www.boiss.com

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 2009.

HERALD INVESTMENT FUND PLC
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BACKGROUND TO THE COMPANY *continued*

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 as 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

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2009

The defined remit for the Fund is to invest globally in information technology, communications and multi-media. The Manager believes that this area of the economy offers growth greater than the world economy as a whole and, therefore, presents attractive investment opportunities. In addition, the Manager offers focused specialist management. The Fund was launched in April 1998 with an initial net asset value of GBP13.0m. At the end of the period, the net asset value was GBP10.4m.

Capital performance* for the twelve months to 31 December 2009

| | |
|---|--------------|
| Herald Worldwide Fund NAV | 52.1% |
| Global | |
| MSCI World Information Technology | 36.2% |
| United States | |
| Russell 1000 Large Cap Technology | 46.9% |
| Russell 2000 Small Cap Technology | 45.1% |
| NASDAQ Composite | 29.9% |
| S&P 500 | 11.4% |
| Russell 2000 Small Cap | 13.0% |
| United Kingdom | |
| FTSE TechMARK 100 | 40.1% |
| FTSE Information Technology | 75.9% |
| FTSE 100 | 22.1% |
| FTSE Small Cap | 49.8% |
| Hoare Govett Small Companies (inc. AIM) | 57.3% |
| Europe | |
| NEMAX | 39.6% |
| FTSE EUROFIRST 300 | 16.5% |
| DAX | 12.9% |
| AEX | 26.4% |
| CAC 40 | 13.4% |
| Asia Pacific | |
| KOSDAQ | 54.4% |
| Kuala Lumpur Composite | 31.8% |
| Nikkei 225 | 4.4% |
| Hang Seng | 37.2% |

*All returns are £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Market Summary

The strategy we have adopted over the last two and a half years, since the onset of the credit crunch, is to stick with bold positions in companies in which we believe, balanced by some cash and bonds for defensiveness. We have not attempted to be aggressive about attempting to read the wild gyrations in sentiment, and in cash flows. Overall, this strategy has served us well. In hindsight, the market was clearly overwhelmed by hedge fund redemptions and deleveraging, particularly in Q4 2008 and Q1 2009, and the market has recovered usefully since that selling abated. That liquidity breakdown was clearly most evident in smaller companies in the UK, which is why that element of the portfolio has been strongest on the rebound, while emerging markets have demonstrated similar characteristics.

Overwhelmingly, the state of the financial markets has had a bigger effect on market indices than on underlying trading in portfolio companies. The panic in the markets in the fourth quarter of 2008, led to corporates setting moderate budgets, while analysts encouraged caution. This has enabled widespread marginal forecast upgrades, albeit from pessimistic expectations, and few downgrades as the world has normalised. Meanwhile, the p/e of the Russell 1000 Technology Index has expanded from c.12.5x at the start of 2009 to end the year at double that, albeit the forecast p/e has expanded from c.12.5x to c.19x at the year end, which is a slightly lower % increase than the 63% dollar return of the index.

The US continues to account for >60% of the portfolio. With an estimated 66% return in the year in \$ (c.51% in £), the US performed much better than the Russell 1000 Technology Index as well as all other relevant and general US indices. The portfolio was more or less strong across the board with only one stock, MRV Communications, finishing the year in the red. The UK portfolio, boosted partly by the superb performance of the Fund's largest holding, Imagination Technologies, finished the year 100% up which, of course, compares very favourably with the local indices. It must be noted, however, that all stocks in the UK portfolio performed better than the FTSE TechMARK suggesting that returns have been uniformly strong and that the portfolio's small cap bias has paid off. The UK has risen from 19% to 28% of the portfolio.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2009 *continued*

Market Summary *continued*

The Asian holding appreciated at a similar rate to the portfolio (62%), while the European portfolio grew 37% in Euro.

The resilience of the consumer has undoubtedly been the upside of 2009 with mobile phone and PC unit sales trumping early market estimates, forcing analysts to repeatedly edge up their numbers. For example, Gartner recently upped their 2009 consumer PC growth projections from -5.6% (as estimated nine months ago) to 17.9% mostly on strong netbook sales while their March estimate of a 4% decline in worldwide mobile phone units in 2009 has now been upgraded to just -0.7%. Interestingly, most of the upside in their mobile phone estimates came from basic/enhanced phones sold in the Asia Pacific region and not so much from the smartphone segment where estimates have declined over that period by 2.6% (in fairness, mostly due to bullish early forecasts for the Middle East & Africa region) and now stand at 23.7% over 2008.

On top of the general growth trend in smartphones, portfolio company Apple, also benefited from strong market share gains over incumbents such as Nokia and RIM while Imagination, which supplies graphics IP to, among others, the iPhone as well as Intel's Atom netbook processor, has seen its royalty unit rate hit 54m in the six months to October 2009. The other semiconductor IP companies of the portfolio, ARM and MIPS, have also profited from the strength of the consumer space, albeit in all cases a reversal of the de-rating seen in 2008 has had a bigger impact on the share prices than changes in profit expectations, which has also been the case for the wider indices. The product cycles are powerful enough to catch the constrained spending of consumers in countries where they are no longer buying houses or cars, and of those that have remortgaged at low rates.

LCD TVs have also fared remarkably well (with the Chinese consumer getting some help from the government) and Gartner estimates units to have grown by 25.5% in 2009. LED backlit LCD TVs seem to be the buzzword right now as their superior viewing, power and thickness characteristics have made them a hit with consumers. UBS estimates that LED TVs will account for 16-23% of all TVs sold in 2010, up from 2.5% in 2009. LG Electronics's line-up in the space and their penetration into China (compounded by a weak Won) has enabled the company to gain share.

Semiconductor companies in general performed better than other sectors. This reflects the volume sensitive nature of a high fixed cost base, and the associated pessimism that prevailed in 2008, particularly post Lehman's, leaving many valuations irrationally unloved. In addition, probably the most favourable ever supply & demand imbalance caused by aggressive cost reductions and removal of capacity at the height of pessimism (a total of 43 semiconductor fabs have been shut down since the onset of the recession) in conjunction with better than expected unit sales had helped to firm up pricing and prop-up margins leading to a series of earnings upgrades and 'beat-and-raise' quarters (albeit from a very low expectation base).

The fact that distributors and OEMs are now less willing or able to tie up working capital in stock ensures that channel inventories remain lean too. The memory industry epitomises these dynamics with the added benefit of strong consumer electronics demand for Flash combined with substantial industry consolidation, leading to firm pricing and strong rebounds for companies such as SanDisk. The party will probably continue for these memory manufacturers as long as supply and demand remain in equilibrium - a state, however, that the specific industry is not renowned for pursuing.

Automotive and industrial have been the relative laggards compared to other semiconductor end markets as they tend to move slower and track the greater economy closer. The lack of credit has also hit the automotive market particularly hard. This segment was the last to bottom in the first half of 2009 and has not yet seen the recovery experienced by other markets. The recovery seen so far was mostly limited to the US and China and could arguably be attributed to the various government programs. In the USA, 'cash for clunkers' boosted the automotive space while it has been reported that stimulus measures have been responsible for 90% of the GDP rise in the US economy in Q3. Furthermore, China and "cash for clunkers" tends to be low end cars which are not nearly so electronics intensive as the premium models, which continue to track at 50% of the levels pre downturn. Europe, Latin America and the rest of Asia should be 2010 drivers.

Enterprise IT capital spending overall has been lacklustre as CIOs remained cautious on their businesses and the economy. Gartner's latest forecast for 2009 made in October was for a decline of 6.8%. Windows 7 has not had enough time to induce a PC refresh cycle yet, spending on servers hit a 15-year low in 2009 (exacerbated by virtualisation/consolidation) while critical investment to expand enterprise network capacity to enable cloud services had been postponed for most of the year. In the fourth quarter, orders appeared to be picking up as projects were taken out of deep freeze, especially in large enterprises, boosting network equipment vendors such as Cisco and F5 Networks as well as companies indirectly exposed to these industries, for example Jabil whose largest customer is Cisco. Intel was able to offset weak demand for servers with the release of the well-received Nahalem processor as well as strong mobile PC sales. In general, it is only through aggressive cost cutting that profits have proved as resilient as they have, particularly in the US.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2009 *continued*

Outlook for 2010

The technology sector has performed poorly this decade reflecting the bubble valuations as we came into the century. Since then profits have grown but the sector has been steadily derated. In the years of the credit boom, interest rate sensitive sectors including housebuilders, property, as well as resources, performed more strongly. As these sectors have been hit hard by the credit crunch there has been some rotation back into the technology sector, which generally has strong balance sheets, even though growth rates have been lower than we had anticipated in 2006, the year preceding the credit crunch.

The outlook for 2010 has challenges. The companies that have maintained earnings by slashing travelling, training and advertising budgets will find it difficult to continue to contain costs. Overall growth in enterprise IT spend is expected to recover to growth of only 2.3% according to Gartner i.e. still below 2008 levels. Having spent 17% less on IT equipment (ex-PC) in 2009 vs. 2008 with the brunt of the cut being borne by servers and networking (according to IDC), CIOs are now forced to start upgrading their aging servers and to beef up their networks to position themselves for the onset of cloud computing. Similarly, the average age of corporate PCs has surpassed the 5 year mark (vs. a more typical 3-4 year average age) and a refresh cycle is now overdue.

Arguably refresh cycles tend to require a catalyst but this time over it actually appears that there is one. Following the disastrous uptake of Windows Vista by corporates, Windows 7 has been getting a much warmer reception and its adoption could drive the cycle. Compared to its predecessor, Windows 7 can also run on netbooks, comes with an XP mode, is faster and makes much more efficient use of multicore CPUs, thus becoming an enticing offer for all PC categories.

Meanwhile, consumer expenditure in the Anglo-Saxon world is constrained by rising unemployment and deleveraging, and many East and West European economies appear challenged too. We continue to believe that some of the product cycles are compelling enough to attract expenditure, while the mortgaged masses enjoy low interest rates, and adoption is spreading to emerging economies. Stock selection is key.

Even in a low growth world, IT expenditure has become non-discretionary, and market leaders that can command wide margins, which is a feature of the US technology sector, if not the Far East one, can generate huge cash flows, on balance sheets that are already strong. High gross and net margins are key criteria for inclusion in this portfolio. While interest rates remain low, it is easy for larger companies to make earnings enhancing acquisitions, whilst simultaneously offering reasonable exit value to smaller companies.

The large companies can benefit from the global sales infrastructure to gain share following these acquisitions, as well as enjoying cost benefits. The strong balance sheets and long tail of smaller companies places the technology sector relatively attractively in a deleveraging world. Furthermore, the surprisingly strong rally this year has reflected the low return investors receive on cash and bonds, and valuations remain acceptable while interest rates remain this low. The biggest risk is that the bond markets are challenged by the huge government funding requirements driving real interest rates higher. Even if this is the case, it makes interest rate sensitive sectors more vulnerable than technology.

The World Wide Web has only just become global in its penetration, and it is inevitable that more applications will continue to emerge, and capacity to expand. The current hot sector is the mobile internet, whether on netbooks, smartbooks (Kindle and the much heralded i-Tablet from Apple) or smartphones. Smartphones and netbook PCs remain a buzzword in the industry as Gartner estimates that these two areas will grow in units by 22.4% and 48% respectively in 2010. ARM and Intel's battle (mostly of words) over netbooks and smartphones still rages on as the former attempts to break into netbooks and vice versa. This device expansion requires upgrades in capacity to the mobile networks in terms of speed and bandwidth, and sufficiently power efficient devices. It must be remembered that the growth in the internet in 2009 exceeds the total usage of the internet worldwide as recently as 2006. This is forcing further investment in the fixed line network as well, and the telco capital expenditure seems to have troughed.

Conclusion

We are pleased to be able to report not only a rise in NAV/share of 52.1%, but also a level which exceeds the peak of October 2007 by 20%. In contrast, the FTSE 100 has declined 20% from its peak, and Nasdaq is down 21% in \$ (+2% in £). We view 2010 with cautious optimism that further growth can be achieved reflecting the relatively attractive position of the sector in a challenging world.

HERALD INVESTMENT FUND PLC

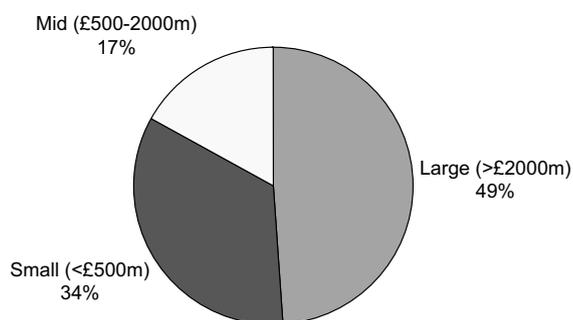
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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2009 *continued*

Portfolio Weightings

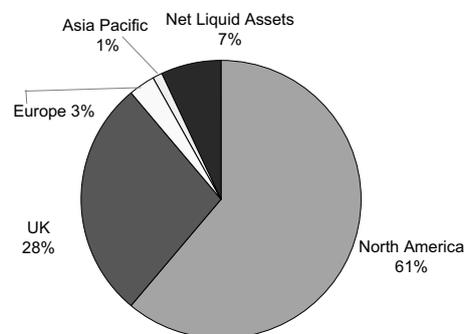
BREAKDOWN BY MARKET CAP

| | 31/12/09 | 31/12/08 |
|-----------|----------|----------|
| Large Cap | 49% | 53% |
| Mid Cap | 17% | 23% |
| Small Cap | 34% | 24% |



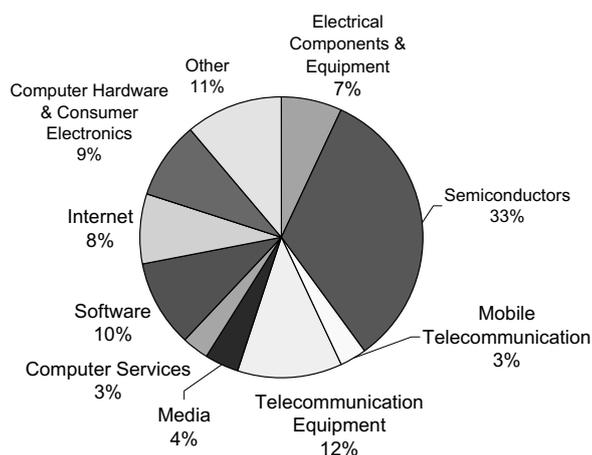
GEOGRAPHIC BREAKDOWN

| | 31/12/09 | 31/12/08 |
|-------------------|----------|----------|
| North America | 61% | 58% |
| UK | 28% | 19% |
| Europe | 3% | 2% |
| Asia Pacific | 1% | 8% |
| Net Liquid Assets | 7% | 13% |



SECTOR BREAKDOWN

| | 31/12/09 | 31/12/08 |
|--|----------|----------|
| Electrical Components & Equipment | 7% | 6% |
| Semiconductors | 33% | 28% |
| Mobile Telecommunication | 3% | 5% |
| Telecommunication Equipment | 12% | 12% |
| Media | 4% | 9% |
| Computer Services | 3% | 3% |
| Software | 10% | 14% |
| Internet | 8% | 5% |
| Computer Hardware & Consumer Electronics | 9% | 7% |
| Other | 11% | 11% |



Source: Herald Investment Management Limited.

Date: January 2010

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DIRECTORS' REPORT for the year ended 31 December 2009

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2009.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with Irish Law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investments in Transferable Securities) Regulations, 2003 (as amended). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In carrying out this duty, the Directors have delegated custody of the Company's assets to the Custodian.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009.

Corporate Governance Statement

Although there is no specific statutory corporate governance code applicable to Irish collective investment schemes whose shares are admitted to trading on the Irish Stock Exchange, the Company is subject to corporate governance practices imposed by:

- (i) The Irish Companies Acts, 1963 to 2009, which are available for inspection at the registered office of the Company, and may also be obtained at <http://www.irishstatutebook.ie/home.html>.
- (ii) The Articles of Association of the Company which are available for inspection at the registered office of the Company at Taney Hall, Eglinton Terrace, Dundrum, Dublin 14, Ireland and at the Companies Registration Office in Ireland;
- (iii) The Irish Financial Services Regulatory Authority ("Financial Regulator") in their UCITS Notices and Guidance Notes which can be obtained from the Financial Regulator's website at www.financialregulator.ie and are available for inspection at the registered office of the Company; and,
- (iv) The Irish Stock Exchange ("ISE") through the ISE Code of Listing Requirements and Procedures which can be obtained from the ISE's website at www.ise.ie.

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

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual and half-yearly financial statements. The annual and half-yearly financial statements of the Company are required to be approved by the board of directors of the Company and filed with the Irish Financial Services Regulatory Authority and the Irish Stock Exchange. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings.

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

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DIRECTORS' REPORT for the year ended 31 December 2009 *continued*

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

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

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

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

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

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

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

The business of the Company is managed by the directors, who exercise all such powers of the Company as are not by the Companies Acts or by the Articles of Association of the Company required to be exercised by the Company in general meeting.

A Director may, and the company secretary of the Company on the requisition of a Director will, at any time summon a meeting of the Directors. Questions arising at any meeting of the Directors are determined by a majority of votes. In the case of an equality of votes, the chairman has a second or casting vote. The quorum necessary for the transaction of business at a meeting of the Directors is two.

There are no sub-committees of the Board.

Principal Activities and Future Developments

The objective of the Fund is to seek to achieve capital growth by investing principally in securities of issuers in the technology, communications and multi-media sectors which in the view of the Investment Manager offer potential growth in excess of the average.

The Investment Manager's Report contains a review of the factors which contributed to the performance for the year. The Directors do not anticipate any changes in the structure or investment objective of the Company.

Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are market price, currency, interest rate, liquidity and credit risks as given in the notes to these accounts.

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DIRECTORS' REPORT for the year ended 31 December 2009 *continued*

Change in Name of Secretary

As of 12 October 2009, the Secretary changed its name from DHKN Corporate Services Limited to Chartered Corporate Services.

Events Since the Year End

There have been no significant events affecting the Company since the year end.

Results and Dividends

The results and dividends for the year are set out in the profit and loss account on page 15.

Directors and Secretary

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

Alan Jeffers, Chairman (Irish)

William Backhouse LVO (British)

David Boyle DL (British)

Adrian Waters (Irish)

Directors' Interests in Shares and Contracts

The Directors' interests in shares and contracts are detailed in Note 10 on pages 26 and 27.

Transactions Involving Directors

There are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act, 1990, at any time during the financial year.

Books of Account

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990, with regard to the books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at:

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland.

Independent Auditors

In accordance with Section 160(2) of the Companies Act, 1963, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, will continue in office.

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

23 February 2010

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CUSTODIAN'S REPORT to the Shareholders of Herald Investment Fund plc (the "Company")

We have enquired into the conduct of the Company for the year ended 31 December 2009, in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Financial Regulator's UCITS Notice 4, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Financial Regulator's UCITS Notice 4. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company's Memorandum and Articles of Association and the UCITS Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Company has been managed, (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations, and, (ii) otherwise in accordance with the Company's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Herald Investment Fund plc has been managed during the period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum & Articles of Association and by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended, ('the Regulations'); and,
- (ii) otherwise in accordance with the provisions of the Memorandum & Articles of Association and the Regulations.

For and on behalf of
The Governor and Company of the Bank of Ireland
Lower Baggot Street, Dublin 2, Ireland

23 February 2010

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc (the "Company")

We have audited the Company's Financial Statements for the year ended 31 December 2009 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares, the Schedule of Investments and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990, and Regulation 13 of the European Communities (Directive 2006/46/EC) Regulations, 2009, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Financial Statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account; and,
- whether the Directors' report is consistent with the Financial Statements.

In relation to the Company's corporate governance statement (the "statement") we are required to:

- establish whether the statement contains the information required by law; and,
- report whether, in our opinion, the information given in the statement with respect to internal control and risk management systems in relation to financial reporting processes is consistent with our evaluation and testing of the relevant systems which we considered necessary for the purposes of our audit report under Section 193 of the Companies Act, 1990.

We are not required to consider whether the information given in the corporate governance statement on internal control and risk management systems cover all risks and controls, or to evaluate and test the main features of the internal control and risk management systems as described in the corporate governance statement, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Investment Manager's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc (the "Company") *continued*

Basis of audit opinion *continued*

The audit procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to form an opinion on whether the financial statements give a true and fair view and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control and risk management systems.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion, the Financial Statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, of the state the Company's affairs at 31 December 2009 and of its results for the year then ended; and,
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended).

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report is consistent with the Financial Statements.

In our opinion, the information given in the corporate governance statement with respect to internal control and risk management systems in relation to financial reporting processes is consistent with our evaluation and testing of the relevant systems which we considered necessary for the purposes of our audit report under Section 193 of the Companies Act, 1990, on the financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

Date: 23 February 2010

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

| | Note | Year ended 31 December 2009 GBP | Year ended 31 December 2008 GBP |
|---|------|---------------------------------------|---------------------------------------|
| Income | | | |
| Operating income | 3 | 158,025 | 225,273 |
| Net gains/(losses) on financial assets and liabilities at fair value through profit or loss | 4 | 3,726,051 | (1,492,093) |
| Total investment income/(loss) | | <u>3,884,076</u> | <u>(1,266,820)</u> |
| Operating expenses | 5 | (203,132) | (219,356) |
| Net income/(expense) | | 3,680,944 | (1,486,176) |
| Finance costs | | | |
| Interest expense | | (30,893) | (135,781) |
| Profit/(loss) for the year before tax | | <u>3,650,051</u> | <u>(1,621,957)</u> |
| Non-reclaimable withholding tax | | (18,936) | (21,735) |
| Profit/(loss) for the year after tax | | <u>3,631,115</u> | <u>(1,643,692)</u> |
| Increase/(decrease) in net assets attributable to holders of redeemable participating shares at bid prices | | 3,631,115 | (1,643,692) |
| Adjustment from bid to last traded prices | | (19,953) | 7,018 |
| Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations at last traded prices | | <u><u>3,611,162</u></u> | <u><u>(1,636,674)</u></u> |

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

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

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

23 February 2010

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 31 December 2009

| | Note | 31 December 2009 GBP | 31 December 2008 GBP |
|--|------|--------------------------|-------------------------|
| ASSETS | | | |
| Cash and bank balances | 6 | 773,835 | 947,161 |
| Debtors | | 16,652 | 6,644 |
| Financial assets at fair value through profit or loss | | 9,685,425 | 6,054,612 |
| TOTAL ASSETS | | <u>10,475,912</u> | <u>7,008,417</u> |
| LIABILITIES | | | |
| Creditors - amounts falling due within one year | | (49,088) | (56,699) |
| Net assets attributable to holders of redeemable participating shares at bid prices | | <u>10,426,824</u> | <u>6,951,718</u> |
| Adjustment from bid to last traded prices | | 14,783 | 34,736 |
| Net assets attributable to holders of redeemable participating shares at last traded prices | | <u><u>10,441,607</u></u> | <u><u>6,986,454</u></u> |

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

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

23 February 2010

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

| | Year ended 31 December 2009 GBP | Year ended 31 December 2008 GBP |
|--|--|--|
| Net assets attributable to holders of redeemable participating shares at beginning of year | 6,986,454 | 9,407,355 |
| Increase/(decrease) in net assets attributable to holders of redeemable participating shares resulting from operations | 3,611,162 | (1,636,674) |
| Amounts received on issue of redeemable participating shares | 55,150 | 125,280 |
| Amounts paid on redemption of redeemable participating shares | (211,159) | (909,507) |
| Decrease in net assets resulting from share transactions | (156,009) | (784,227) |
| Net increase/(decrease) in shareholders' funds | 3,455,153 | (2,420,901) |
| Net assets attributable to holders of redeemable participating shares at end of year | 10,441,607 | 6,986,454 |

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

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

1. Significant Accounting Policies

a) Basis of preparation

These Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). Accounting standards generally accepted in Ireland in preparing Financial Statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board ("ASB").

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through the profit or loss.

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies have been applied consistently by the Company and are consistent with those in the previous year.

The information required by Financial Reporting Standard (FRS) No. 3 "Reporting Financial Performance", to be included in a statement of total recognised Gains and Losses, and a Reconciliation of Movements in Shareholders Funds is, in the opinion of the Directors, contained in the Profit and Loss Account and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

The Company has availed of the exemption available to open-ended investment companies under FRS 1 not to prepare a Cash Flow Statement.

Amendments adopted by the Company

The Company adopted the amendments to FRS29 "Financial Instruments: Disclosure - Improvement to Financial Instrument Disclosures" during the year. It is effective for accounting periods commencing on or after 1 January 2009.

The amendments to this standard are to enhance the disclosures regarding fair value measurements and the liquidity risk of financial instruments. Reporting entities are now required to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The adoption of the amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance.

These disclosures are made in Note 2 of the Company's financial statements.

b) Investments

(i) Classification and Recognition

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

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

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

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses, arising from changes in fair value of the financial assets or financial liabilities, are recorded.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

1. Significant Accounting Policies *continued*

b) Investments *continued*

(ii) Measurement

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

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

Financial liabilities, arising from the Redeemable Shares issued by the Company, are carried at the redemption amount representing the Investors' right to a residual interest in the Company's Assets.

(iii) Fair value measurement principles

Investments listed on a recognised exchange or traded on any other organised active market are valued at fair value. The close of business price on the principal exchange or market for such instruments, being a quoted bid price, is taken as the best evidence of fair value. For investments acquired or traded at a premium or discount outside or off the relevant exchange, or on an over the counter market, these may be valued taking into account such a premium or discount as at the date of valuation of the investment.

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

(iv) Cash & cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

c) Income

Dividends are recognised as income on the dates the securities are first quoted "ex dividend" to the extent that information thereon is reasonably available to the Company. Income which suffers a deduction of tax at source is shown gross of such withholding tax. Franked investment income (which comprises the most part of UK sourced dividend income) is shown net of the notional tax credit.

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

d) Fees and charges

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

e) Redeemable Participating Shares

The Company issues redeemable shares, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable shares can be put back to the Company at any time for cash equal to a proportionate share of the Company's net asset value. The redeemable share is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the share back to the Company.

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

All issued redeemable shares are fully paid and have been admitted to the official listing of the Irish Stock Exchange. The Company's capital is represented by these redeemable shares with no par value and with each carrying one vote. They are entitled to dividends and to payment of a proportionate share based on the Company's net asset value per share on the redemption date.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

1. Significant Accounting Policies *continued*

f) Foreign Exchange

(i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss account. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit and loss are recognised in the Profit and Loss account within the fair value net gain or loss.

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

| | As at 31 December 2009 | As at 31 December 2008 |
|-------------------|---------------------------|---------------------------|
| Euro | 1.1255 | 1.0344 |
| Korean Won | 1,880.4529 | 1,810.9182 |
| Malaysian Ringgit | - | 4.9746 |
| Norwegian Krone | - | 10.0673 |
| Taiwan Dollars | - | 47.1841 |
| US Dollars | 1.6149 | 1.4378 |

2. Financial Risk Management

In accordance with the corporate objective of maximising capital appreciation, the Company invests in securities on a worldwide basis. The Company has a facility to use contracts for differences - there were, however, no open positions at year end or during the year. The Company's other financial instruments consist of cash, short term debtors and creditors.

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

A. Market Risk - comprising:

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

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

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

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

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

2. Financial Risk Management *continued*

Compliance by the Company with the investment restrictions imposed by the European Communities (Undertakings for Collective investment in Transferable Securities) Regulations, 2003 (as amended), is monitored weekly and reported to the Directors monthly by the Custodian. The Investment Manager also reports monthly to the Directors on whether the Company has been operated in accordance with the investment guidelines as defined in the prospectus as well as any self-imposed limitations.

These policies for managing risk have been applied throughout the year.

A. Market Risk

(i) Other Price Risk

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

A full list of the Company's investments is given in the Schedule of Investments, on pages 28 to 29. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Investment Manager's report, on pages 5 to 8 (unaudited). The Company has a number of investment restrictions which aim to limit risk by ensuring a degree of diversification. For instance, the Company will hold a maximum of 10% of the net asset value (NAV) in securities or money market instruments issued by the same body, and the total of securities or money market instruments which are greater than 5% of the NAV are not to exceed 40% of the NAV in aggregate.

The Company may have an exposure in Contracts For Difference (CFD's) of up to 30% of the NAV of the Company in nominal value terms. CFD's are synthetic instruments which mirror the profit (or loss) effect of holding (or selling) equities directly without buying the actual securities themselves. The Company has a CFD Risk Management Process approved by the Irish Financial Regulator. On individual positions, the Company can only invest 10% of NAV per issuer. There were no CFD's held at year end or during the year.

Some of the recognised exchanges on which the Company may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements. The trading and settlement practices on some of the recognised exchanges on which the Company may invest, may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Company. Where the Company acquires or values securities on the over-the-counter market there is no guarantee that the Company will be able to realise such securities at that valuation price due to the nature of the over-the-counter market. There were no securities held on the over-the-counter market at the year end.

Other Price Risk – Sensitivity Analysis

The portfolio does not target any exchange as a benchmark, and the performance of the portfolio does not track any generally used market index due to insufficient relevance. However, for illustrative purposes, in 2009 the Fund returned +52.1% (2008: -17.96%) while the USD denominated MSCI World IT Index, a global technology index, returned +36.2% in sterling terms (2008: -24.4%). Based on the NAV of the Fund as at 31 December 2009, and this historic one-year sensitivity analysis, if the MSCI World IT Index increased by 10% in sterling terms, the Fund would increase by 14.39% (2008: decrease by 7.36%), resulting in a gain of GBP1,502,784 (loss of GBP514,203 based on 31 December 2008 NAV and sensitivity of the Fund). If the MSCI World IT index decreased by 10% in sterling terms then the reverse would apply.

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

(ii) Interest Rate Risk

The Company did not employ leverage and did not borrow for liquidity purposes in the year ended 31 December 2009 or 31 December 2008. The majority of the Company's financial assets and liabilities are non-interest bearing. Excess cash is invested in instantly accessible accounts at prevailing interest rates. The Company was, therefore, not exposed to interest rate risk from unfavourable fluctuations in interest rates.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

2. Financial Risk Management *continued*

(iii) Foreign Currency Risk

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

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

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

31 December 2009

| Financial Assets | EUR | KRW | MYR | USD |
|--|---------|---------|-----|-----------|
| Non-monetary assets | | | | |
| Financial assets held at fair value through profit or loss | 320,836 | 141,562 | - | 6,347,874 |

31 December 2008

| Financial Assets | EUR | KRW | MYR | USD |
|--|----------------|---------------|----------------|------------------|
| Non-monetary assets | | | | |
| Financial assets held at fair value through profit or loss | 120,655 | 90,507 | 478,993 | 4,066,352 |
| Monetary assets | | | | |
| Cash and bank balances | - | - | - | 1,295 |
| TOTAL | 120,655 | 90,507 | 478,993 | 4,067,647 |

Foreign Currency Risk – Sensitivity Analysis

Companies whose cost base diverges in currency terms from its sales will in the longer term have a significantly greater effect on valuation than simple translation. In the short term, investee companies generally cover their currency exposure to varying degrees. There is insufficient publicly disclosed information to quantify this, but in the long term this effect is expected to dwarf simple translation of foreign listings in terms of both risk and reward, because many investee companies trade globally. Furthermore, the country of listing is not necessarily an indication of the geography of some or even any operational activities for investee companies. At 31 December 2009, the Company did not use financial instruments to protect against currency movements.

Sensitivity to foreign currency risk on non-monetary assets is included in Other Price Risk. Exposure to foreign currency risk on monetary assets is not considered significant at 31 December 2009 or 31 December 2008.

B. Credit Risk

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

Financial assets which potentially expose the Company to credit risk consist principally of equities, bonds, cash balances and deposits with and receivables from the Custodian.

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

2. Financial Risk Management *continued*

B. Credit Risk *continued*

The Company's Custodian is The Governor and Company of the Bank of Ireland (the "Custodian") with whom all the Company's cash and investments in debt securities are held at year end. The Company is exposed to credit risk through the use of a custodian and bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to its assets held by the Custodian to be delayed or, in the case of the cash balances, limited. The cash amounts and the investments in debt securities, exposed to this risk, are disclosed in the Fund's Schedule of Investments.

At the reporting date, all assets other than cash were held at the Custodian in an account that does not include any assets of the Custodian other than assets held as a fiduciary, custodian or otherwise for customers and cannot be used to discharge directly or indirectly liabilities or claims against any other undertaking or entity and will not be made available for any such purpose.

The Fund's cash balances are held by the Custodian in its account together with its own cash balances and with those cash balances held on behalf of other clients. The Fund's cash balances are segregated at a book level within the records of the Custodian although, as noted, are not held in a segregated account. As at the reporting date the Custodian is rated A- for long term debt by Standard and Poor's.

There is a specific credit risk for CFDs in that initial margin has to be paid to cover potential losses (on set up) and variation margin on adverse price movements (during the term of the CFD). In addition, it should be noted the Company could suffer losses in the event of the CFD issuer's default or insolvency. Exposure to any one OTC counterparty will be limited to 5% of NAV (or 10% in the case of UCITS qualifying institutions) in respect of CFDs. No such contracts had been entered into at the reporting date, however, going forward it is the intention of the Investment Manager to enter into CFD agreements.

C. Liquidity Risk

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and that most of the assets can be realised without an excessive discount to the market price. The Company had no holding in unquoted securities as at 31 December 2009 or 31 December 2008.

The Company is an open-ended Company and shareholders may redeem their investment without notice on any weekly dealing day. Redemption fees are unlikely to discourage redemption as they are low and apply only in the first two years, and the directors have only limited powers to defer redemption requests. The Company, therefore, has a material exposure to the liquidity risk which could result from being forced to realise assets to meet large unexpected redemption requests. For this reason it invests either in cash or actively traded securities that can be readily disposed of. The Company has the ability if required to borrow in the short term to ensure settlement of redemptions.

In practice, liquidity in investee companies is imperfect, particularly those with a market value of less than £100 million. To reduce this liquidity risk, it is the policy of the Company to diversify the holdings and generally to restrict the holding in any one Company to less than 10% of the share capital of that Company. Furthermore, the guideline is for no single investment to account for more than 5% of the assets of the Company.

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

All of the Company's liabilities at the 31 December 2009 and 31 December 2008 are repayable within one month.

Fair Value Disclosure

FRS 29 'Financial Instruments: Disclosure' requires disclosure relating to the fair value hierarchy in which fair value measurements are categorised for assets and liabilities in the Balance Sheet.

The disclosures are based on a three-level fair value hierarchy for the inputs used in the valuation techniques to measure fair value.

The fair value of financial assets and liabilities traded in an active market (such as trading securities) are based on quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

2. Financial Risk Management *continued*

C. Liquidity Risk *continued*

Fair Value Disclosure *continued*

A financial instrument is regarded as quoted in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the period end date.

The Fund has adopted the amendments to FRS 29, effective 1 January 2009. This requires the Fund 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following is a summary of the fair valuations according to the inputs as at 31 December 2009 in valuing the Fund's assets and liabilities:

31 December 2009

| Assets | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|---|------------------|----------------|----------------|------------------|
| Financial Assets designated at fair value through profit and loss at inception | | | | |
| Equity securities | 8,586,607 | 125,875 | - | 8,712,482 |
| Debt securities | - | 551,068 | - | 551,068 |
| Exchange traded investment funds | 421,875 | - | - | 421,875 |
| TOTAL ASSETS | 9,008,482 | 676,943 | - | 9,685,425 |

Investments whose values are based on quoted market prices in active markets and, therefore, classified within Level 1, include active listed equities and Investment Funds. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. The Level 2 amounts above represent bonds and stale priced equities.

There were no significant transfers between Level 1 and Level 2 during the year.

There were no Level 3 securities held during the year.

3. Operating Income

| | Year ended 31 December 2009 GBP | Year ended 31 December 2008 GBP |
|-----------------|---------------------------------------|---------------------------------------|
| Interest income | 68,845 | 130,481 |
| Dividend income | 89,180 | 94,792 |
| | 158,025 | 225,273 |

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

4. Net Gains/(Losses) on Financial Assets and Liabilities at Fair Value Through Profit or Loss

| | Year ended 31 December 2009 GBP | Year ended 31 December 2008 GBP |
|---|---------------------------------------|---------------------------------------|
| Realised gains on sale of investments | 467,176 | 218,080 |
| Net currency gains | 834 | 6,388 |
| Net change in unrealised appreciation/(depreciation) on investments | 3,258,041 | (1,716,561) |
| | <u>3,726,051</u> | <u>(1,492,093)</u> |

5. Operating Expenses

| | Year ended 31 December 2009 GBP | Year ended 31 December 2008 GBP |
|----------------------------|---------------------------------------|---------------------------------------|
| Administration fees | 62,738 | 57,103 |
| Auditors' fees | 17,306 | 18,479 |
| Custody fees | 1,584 | 1,561 |
| Directors' fees | 27,228 | 24,394 |
| Investment management fees | 62,424 | 60,590 |
| Other expenses | 31,852 | 57,229 |
| | <u>203,132</u> | <u>219,356</u> |

6. Cash and Bank Balances

| | As at 31 December 2009 GBP | As at 31 December 2008 GBP |
|---|----------------------------------|----------------------------------|
| Governor and Company of the Bank of Ireland | 773,835 | 947,161 |
| | <u>773,835</u> | <u>947,161</u> |

7. 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 books of the Company to the fund and shall be used in the acquisition on behalf of the fund of assets in which the fund may invest. The records and accounts of each fund shall be maintained separately. Each of the shares entitles the holder to attend and vote at meetings of the Company and of the fund represented by those shares.

Subscriber Shares

As at 31 December 2009, the Company has issued 7 subscriber shares. 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.

Shares in Issue

| | Year ended 31 December 2009 | Year ended 31 December 2008 |
|--|--------------------------------|--------------------------------|
| Number of Class A shares issued and fully paid | | |
| Balance at beginning of year | 711,579 | 785,989 |
| Issued during year | 5,000 | 10,800 |
| Redeemed during year | (17,715) | (85,210) |
| | <u>698,864</u> | <u>711,579</u> |
| Total number of Class A shares in issue at end of year | <u>698,864</u> | <u>711,579</u> |

As at 31 December 2009, one shareholder held 41.2% of the issued share capital of the Company (31 December 2008: 40.4%).

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

8. Net Asset Value

| | As at 31 December 2009 GBP | As at 31 December 2008 GBP | As at 31 December 2007 GBP |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net asset value | 10,441,607 | 6,986,454 | 9,407,355 |
| Net asset value per Class A share | 14.94 | 9.82 | 11.97 |

9. 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. 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 GBP7,156 were payable at 31 December 2009 (31 December 2008: GBP4,790).

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 excluding performance fee 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 share this financial year was GBP9.82 and the closing GBP14.94. To date the previous highest NAV per share at a financial year end was reached on 31 December 1999 when the NAV was GBP19.83 per Share. Hence, no performance fee was earned during the year.

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 GBP5,000 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 GBP5,096 were payable at 31 December 2009 (31 December 2008: GBP2,316).

Custodian Fee

The Custodian will be entitled to receive out of the assets of each Fund an annual fee, accrued daily and payable monthly in arrears, based on the number of transactions and the net asset value of the Fund, of up to 0.015 per cent per annum of the net asset value of the Fund. In addition, the Custodian will be reimbursed any reasonable out of pocket expenses and shall be reimbursed all sub-custodial and transactional fees and expenses which will be charged at normal commercial rates. Fees of GBP887 were payable at 31 December 2009 (31 December 2008: GBP400).

10. Related Party Transactions

Financial Reporting Standard 8 "Related Party Transactions" (FRS 8) 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. Amounts earned by the Investment Manager are disclosed in Note 5 and Note 9.

Herald Investment Management Limited holds investments in Herald Investment Fund plc. At 31 December 2009, the number of shares held was 89,321.75 (31 December 2008: 89,321.75).

Herald Investment Trust plc

Herald Investment Fund plc invests into the Herald Investment Trust plc. The value of this holding as at 31 December 2009 is GBP421,875 (2008 : GBP227,500).

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 *continued*

10. Related Party Transactions *continued*

Directors' Interests in Shares and Contracts

| | As at 31 December 2009 | As at 31 December 2008 |
|---|---------------------------|---------------------------|
| William Backhouse and connected persons | 12,597.47 | 12,597.47 |
| David Boyle and connected persons | 12,182.21 | 12,182.21 |

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

Directors' fee

The total Directors' fee is disclosed in Note 5.

11. Taxation

The Company will not be liable for tax in respect of its income and gains, other than on the occurrence of a chargeable event. A chargeable event includes any distribution or any redemption or transfer of shares.

A chargeable event does not include:

- i) Any transactions in relation to redeemable participating shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- ii) An exchange of redeemable participating shares representing one sub-fund for another sub-fund of the Company; or
- iii) An exchange of redeemable participating shares arising on a qualifying amalgamation or reconstruction of the Company with another fund.

A chargeable event will not occur in respect of redeemable participating shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Company with a relevant declaration to that effect. There were no chargeable events during the year.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders. A chargeable event includes any distribution payment to shareholders or any encashment, redemption or transfer of shares or an ending of a relevant period.

12. Soft Commission Arrangements

There are no soft commission arrangements affecting the Company during the year.

13. Distributions

There were no distributions declared during the years ended 31 December 2009 or 31 December 2008.

14. Events after the Balance Sheet date

There have been no events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the year ended 31 December 2009.

15. Approval of Financial Statements

The Financial Statements were approved by the board on 23 February 2010.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2009

| NOMINAL | SECURITY NAME | VALUE GBP | FUND% |
|--|--|------------------|--------------|
| BONDS | | | |
| UNITED KINGDOM | | | |
| <i>CORPORATE BONDS</i> | | | |
| 250,000 | Vodafone Group Plc 8.125% 26/11/2018 | 298,229 | 2.86 |
| 250,000 | WPP Plc 6% 04/04/2017 | 252,839 | 2.42 |
| UNITED KINGDOM - TOTAL | | 551,068 | 5.28 |
| TOTAL BONDS | | 551,068 | 5.28 |
| EQUITIES | | | |
| GERMANY | | | |
| <i>INTERNET</i> | | | |
| 20,000 | United Internet AG Com NPV | 163,128 | 1.56 |
| GERMANY - TOTAL | | 163,128 | 1.56 |
| NETHERLANDS | | | |
| <i>SEMICONDUCTORS</i> | | | |
| 10,000 | ASM International NV Com EUR0.04 | 157,708 | 1.51 |
| NETHERLANDS - TOTAL | | 157,708 | 1.51 |
| SOUTH KOREA | | | |
| <i>ELECTRICAL COMPONENTS & EQUIPMENT</i> | | | |
| 2,200 | LG Electronics Inc Com NPV KRW5,000.00 | 141,562 | 1.36 |
| SOUTH KOREA - TOTAL | | 141,562 | 1.36 |
| UNITED KINGDOM | | | |
| <i>COMPUTERS</i> | | | |
| 125,000 | Phoenix IT Group Ltd Com GBP0.01 | 331,250 | 3.17 |
| <i>ELECTRONICS</i> | | | |
| 75,000 | Acal Plc Com GBP0.05 | 99,000 | 0.95 |
| <i>INTERNET</i> | | | |
| 237,500 | Ebiquity Plc Com GBP0.25 | 125,875 | 1.21 |
| <i>INVESTMENT FUNDS</i> | | | |
| 125,000 | Herald Investment Trust Ord GBP0.25 | 421,875 | 4.04 |
| <i>SEMICONDUCTORS</i> | | | |
| 210,000 | ARM Holdings Plc Com GBP0.0005 | 372,750 | 3.57 |
| 365,782 | Imagination Technologies Group Plc Com GBP0.10 | 881,535 | 8.44 |
| <i>SOFTWARE</i> | | | |
| 340,000 | Alphameric Plc Com GBP0.025 | 91,800 | 0.88 |
| UNITED KINGDOM - TOTAL | | 2,324,085 | 22.26 |
| UNITED STATES | | | |
| <i>COMMERCIAL SERVICES</i> | | | |
| 16,450 | SAIC Inc Com USD0.0001 | 192,732 | 1.85 |
| <i>COMPUTERS</i> | | | |
| 5,200 | Apple Inc Com NPV | 678,478 | 6.50 |
| 7,000 | SanDisk Corp Com USD0.001 | 125,622 | 1.20 |

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2009 *continued*

| NOMINAL | SECURITY NAME | VALUE GBP | FUND% |
|--|---------------------------------------|-------------------|---------------|
| UNITED STATES <i>continued</i> | | | |
| <i>ELECTRONICS</i> | | | |
| 17,000 | Arrow Electronics Inc Com USD1.00 | 311,713 | 2.98 |
| 22,000 | Flir Systems Inc Com USD0.01 | 445,763 | 4.27 |
| 20,000 | Jabil Circuit Inc Com USD0.001 | 215,128 | 2.06 |
| <i>INTERNET</i> | | | |
| 21,500 | F5 Networks Inc Com NPV | 704,573 | 6.75 |
| 13,000 | Netease.com ADR USD0.0001 | 302,771 | 2.90 |
| 30,000 | Websense Inc Com USD0.005 | 324,364 | 3.11 |
| <i>SEMICONDUCTORS</i> | | | |
| 13,300 | Analog Devices Inc Com USD0.16 | 259,848 | 2.49 |
| 38,000 | Intel Corp Com USD0.001 | 480,045 | 4.60 |
| 32,000 | Microchip Technology Inc Com USD0.001 | 575,657 | 5.51 |
| 50,000 | MIPS Technologies Inc Com USD0.001 | 134,687 | 1.29 |
| 12,000 | Xilinx Inc Com USD0.01 | 186,147 | 1.78 |
| <i>SOFTWARE</i> | | | |
| 20,000 | Citrix Systems Inc Com USD0.001 | 515,341 | 4.93 |
| 21,000 | Microsoft Corp Com USD0.00000625 | 396,371 | 3.80 |
| <i>TELECOMMUNICATIONS</i> | | | |
| 28,000 | Cisco Systems Inc Com USD0.001 | 415,097 | 3.97 |
| 190,000 | MRV Communications Inc Com USD0.0017 | 83,537 | 0.80 |
| UNITED STATES - TOTAL | | 6,347,874 | 60.79 |
| TOTAL EQUITIES | | 9,134,357 | 87.48 |
| TOTAL VALUE OF INVESTMENTS | | 9,685,425 | 92.76 |
| CASH* | | 773,835 | 7.41 |
| OTHER NET LIABILITIES | | (32,436) | (0.31) |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT BID PRICES | | 10,426,824 | 99.86 |
| Adjustment from bid market prices to last traded prices | | 14,783 | 0.14 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT LAST TRADED PRICES | | 10,441,607 | 100.00 |
| Analysis of Total Net Assets | | | % |
| Transferable securities admitted to an official stock exchange listing or traded on a regulated market. | | | 92.76 |
| Other Net Assets. | | | 7.24 |
| | | | 100.00 |

*All cash holdings are held with The Governor and Company of the Bank of Ireland.

The industry groups are based on the Bloomberg Level II classification.

HERALD INVESTMENT FUND PLC**- The Herald Worldwide Fund****SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the year ended 31 December 2009**

| MAJOR PURCHASES* | | VALUE GBP |
|-------------------------|----------------------------------|------------------|
| 30,000 | Websense Inc Com USD0.005 | 234,907 |
| 250,000 | WPP Plc 6% 04/04/2017 | 200,938 |
| 16,450 | SAIC Inc Com USD0.0001 | 185,272 |
| 10,000 | ASM International NV Com EUR0.04 | 152,899 |
| 25,000 | Phoenix IT Group Ltd Com GBP0.01 | 39,202 |
| 37,500 | Ebiquity Plc Com GBP0.25 | 17,956 |

| MAJOR SALES* | | VALUE GBP |
|---------------------|--|------------------|
| 740,000 | Star Publications Malaysia BHD Com MYR1.00 | 454,597 |
| 20,000 | Rovi Corp Com USD0.001 | 319,132 |
| 104,718 | Imagination Technologies Group Plc Com GBP0.10 | 152,984 |

*These are all the purchases and sales in the period.