

HERALD INVESTMENT FUND plc
– The Herald Worldwide Fund

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2012

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

ANNUAL REPORT for year ended 31 December 2012

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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

Northern Trust Securities Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
Ireland

Registered Office

Georges Court
54-62 Townsend Street
Dublin 2
Ireland

CUSTODIAN

Northern Trust Fiduciary Services (Ireland) Limited
Georges Court
54-62 Townsend Street
Dublin 2
Ireland

INDEPENDENT AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
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

SPONSORING BROKER

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

LEGAL ADVISOR

In Ireland
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISOR

In England
MacFarlanes
20 Cursitor Street
London EC4A 1LT
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 2012, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (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 Central Bank of Ireland for the establishment of the Herald Worldwide Fund (the “Fund”) and this Fund was launched on 3 April 1998.

INVESTMENT OBJECTIVE AND POLICY

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

MEETING INVESTMENT OBJECTIVE

In pursuing its investment objective, the Fund may hold a number of financial instruments which comprise:

- Equity shares, convertible shares, debt securities, 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.

PRICES

The price for buying and selling redeemable participating shares in the Fund is represented by the net asset value per redeemable participating share. An initial charge of up to 3.5% of the net asset value per share may be payable directly to the Investment Manager.

A repurchase charge of 3% of the repurchase monies will be payable in respect of repurchases made within one year of subscription for redeemable participating shares and 1% in respect of repurchases made within two years of subscription.

DEALING

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

The Administrator shall determine the net asset value per redeemable participating share of the Fund on each dealing day in accordance with the 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 purchase 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:

Northern Trust Securities Services (Ireland) Limited
Georges Court,
54-62 Townsend Street,
Dublin 2,
Ireland.
Tel +353 (0)1 542 2000
Fax +353 (0)1 542 2920
www.northerntrust.com

HERALD INVESTMENT FUND PLC
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BACKGROUND TO THE COMPANY *continued*

DIVIDENDS

The Fund may declare a distribution in April of each year in an amount not less than 85 per cent of the Fund's net income, where sufficient net income is available for distribution. No distribution was declared in April 2012.

MINIMUM SUBSCRIPTION

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

INVESTMENT MANAGEMENT

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

NET ASSET VALUE

The net asset value per share of a class shall be calculated by dividing the net asset value of the relevant fund attributable to the class by the number of shares in issue in that class at the close of business on the dealing day immediately preceding the dealing day on which the net asset value per share is being calculated.

PUBLISHED INFORMATION

Except where the determination of the net asset value has been suspended, the net asset value per share shall be made available at the registered office of the Administrator on each dealing day and shall be available on the business day immediately succeeding each dealing day and shall be notified immediately to the Irish Stock Exchange.

In addition, the net asset value shall also be available in respect of each dealing day on the Investment Manager's website, www.heralduk.com on the business day immediately succeeding the relevant dealing day. Such information shall relate to the net asset value per share for the previous dealing day and is available for information only. It is not an invitation to subscribe for, repurchase or convert shares at that net asset value.

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

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2012

The defined remit for the Fund is to invest globally in information technology, communications and multimedia. The Investment Manager believes this area of the economy offers growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial asset value per Class A share of £10.00. At the end of the year the net asset value per Class A share was £20.50. On the 9th June 2010, a Class B share was launched with an initial net asset value per share of £10.00. At the end of the year the net asset value per Class B share was £12.47.

Capital performance* for the twelve months to 31 December 2012

Herald Worldwide Fund NAV (Class A)	8.4%
Herald Worldwide Fund NAV (Class B)	8.5%

Global

MSCI World Information Technology	6.9%
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United States

Russell 1000 (Large Cap) Technology	6.0%
Russell 2000 (Small Cap) Technology	4.0%
S&P 500	8.3%
Russell 2000 Small Cap	9.5%

United Kingdom

FTSE Information Technology	29.9%
FTSE Techmark Focus 100	20.1%
FTSE 100	5.8%
FTSE Small Cap	24.4%

Europe

FTSE Eurotop 300	14.6%
Deutsche Bourse Technology All Share	16.0%
DAX	26.4%
CAC 40	12.0%

Asia Pacific

KOSDAQ	2.5%
Nikkei 225	5.5%
Hang Seng	17.6%

*All returns are GBP adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Market Summary

2012 has been a challenging year for the global economy and the TMT (telecommunications, media and technology) sector in which we invest. Nevertheless equity valuations have been attractive, particularly relative to cash and bonds, and so overall values have risen. The class A shares rose 8.4% (Class B 8.5%) which is ahead of the most relevant indices.

United States

The \$ return for the US portfolio was 12.4%, which compares favourably with the Russell 1000 Technology Index, which rose 11.0%, and the Russell 2000 Technology Index, which rose 9%. However the \$ fell versus sterling by 4.5% reducing the £ return accordingly. The year has been in two parts. For the first three quarters Apple was unstoppable and rose 65%, and the Russell 1000 rose 20%, but in the fourth quarter Apple fell 19.9% and the Russell 1000 fell 6.3%. The momentum in iPhone sales continued in the early part of the year, and the iPad dominated the tablet market, which grew strongly. By quarter four the market was more aware of the competition catching up, particularly Samsung. Apple accounted for nearly a third of the return of the portfolio overall. In 2010-2011 Apple took the smartphone market by storm and Nokia and RIM were severely damaged with market share losses. In 2012 the success of the iPad adversely affected the notebook market, and Dell and HP have felt the pressure, and a multitude of "ultrabooks" failed to attract the consumer. The supply chain, much of which resides in the Far East was adversely affected by loss of volume from the multitude of losers, but also punished by the dominance and demanding buying power of Apple and Samsung.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2012 *continued*

Market Summary *continued*

United States *continued*

This combined with economic factors adversely affecting consumer spending in developed markets, fiscal deficits adversely affecting defence spending, and general uncertainty inhibiting corporate capital spending decisions has led to a challenging environment. It is a testament to the strength of the sector that positive returns have been achieved in terms of profits and share prices. More recently the losers have bounced a little and Apple has been under pressure. It remains our opinion that Apple has a firm position in the premium priced market, and continues to innovate to differentiate its products. There is scope for Apple to penetrate the corporate market with PCs. Elsewhere competition is on price, and mobile phones and PCs are likely to deliver similar returns to the automotive industry i.e. trading opportunities from time to time.

United Kingdom

The UK portfolio has had a poor year. Over the long term the UK has strongly outperformed, and indeed a number of stocks in the UK performed well in 2012, but Imagination in particular had a poor year declining 24.6%, which dragged the return. The holding was still worth £437k at the year end for a net cost of minus £1m, reflecting the strong profits already realised. There are legitimate concerns that competition from Arm's Mali product will reduce Imagination's market share, and perhaps more importantly potentially its pricing power. Imagination remains an innovative company. Arm continued to contribute positively. They have gained significant interest in the proposition that ARM cores can be used in processors in servers, replacing Intel. For repetitive applications in servers such as search, this must be the case, and Arm will have both cost and power consumption advantages. Intel has suffered in sentiment, as well as from the weakness of the PC market, but commands respect as one of the few companies capable of manufacturing at leading edge geometries.

Europe

The return in Euros is 38%, but this is flattered by a bounce in the Infineon share price in the early part of the year from a low level, and the sale in April. United Internet made more steady progress and was the only holding at the year end.

Far East

The Far East has had a strong year rising by 38.4% in local currency. The compound return is flattered by the addition to Taiwan Semi (TSMC) at a low point in June, but both TSMC and Samsung have had good years. It is reported that TSMC has benefited from the decision by Apple to migrate manufacturing of its processors from Samsung, its arch rival in the phone market.

Sector Background

The mass hardware markets are PCs, mobile phones and TVs. As described above the PC has deteriorated through the year and the final outcome is a down year in volume terms. According to IDC the decline was 3.2% for the year but 6.4% year on year in quarter 4. Furthermore the only supplier with a differentiated product, and therefore reasonable margins is Apple. Gartner's preliminary report suggests that the mobile phone market has been flat overall, but that there has been growth in excess of 20% in smartphones. Competition is intense. The premium tablet market has grown from a standing start when the iPad was launched in April 2010 to over 70m units in 2012. From an investment point of view the cheap availability of these devices drives internet users, and demand for all the products and services that it entails. That is why the sector remains interesting. Even in a challenging economy there are and will continue to be winners and losers.

The sector is evolving. The number of companies in the target market is in the table below.

Number of quoted companies with market capitalisation >£1bn

Sector	UK	W Europe	US	Asia	World
Technology	7	18	140	87	261
Media	11	24	38	27	112
Total	18	42	178	114	373

HERALD INVESTMENT FUND PLC

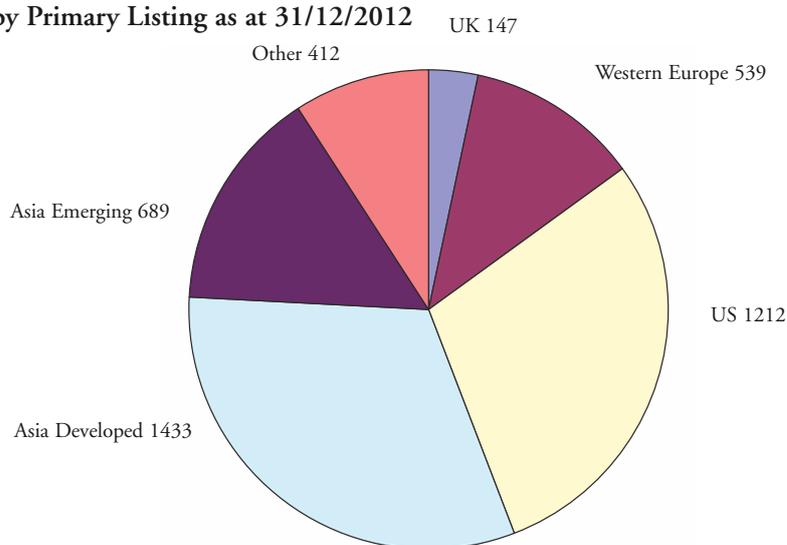
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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2012 *continued*

Sector Background *continued*

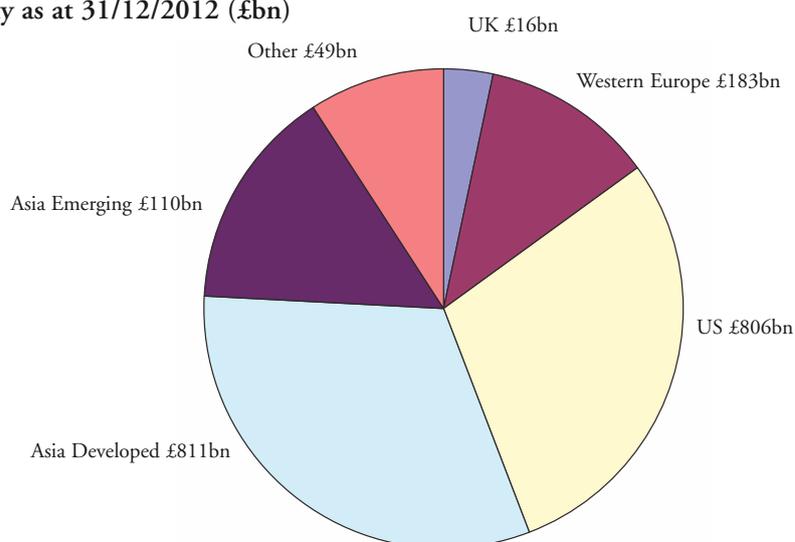
Number of Quoted Technology Companies by Primary Listing as at 31/12/2012

Region	Number
UK	147
Western Europe	539
US	1212
Asia Developed	1433
Asia Emerging	689
Other	412



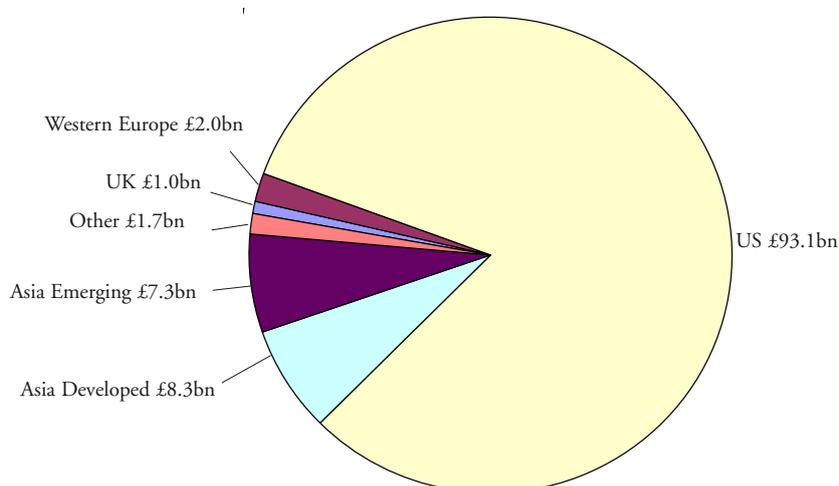
Revenue of Technology Sector by Geography as at 31/12/2012 (£bn)

Region	Revenue
UK	£16bn
Western Europe	£183bn
US	£806bn
Asia Developed	£811bn
Asia Emerging	£110bn
Other	£49bn



Net Income of Technology Sector by Geography as at 31/12/12 (£bn)

Region	Net Income
UK	£1.0bn
Western Europe	£2.0bn
US	£93.1bn
Asia Developed	£8.3bn
Asia Emerging	£7.3bn
Other	£1.7bn



Source: Bloomberg, ICB Sectors

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2012 *continued*

Sector Background *continued*

The above tables use sectors defined by Bloomberg and include some companies in other sectors and below £1bn in market value are also considered to be in the remit, but it is shown here to illustrate the dominance of the US, the lack of relevance of the UK and Europe and growth in Asia. By value the US technology sector is valued at £1.7Tr, Europe including the UK is £186bn and Asia is £663bn. However, these tables warrant further explanation. The UK has some companies with momentum such as Arm, Imagination and Aveva, Germany has SAP and Holland has ASM and ASML. Europe also has challenged companies such as Nokia, Infineon, STMicro and Alcatel. Europe did have a strong position in the mobile market with the GSM standard being widely adopted, but Qualcomm, Apple and Samsung have undermined them. Japan led the world in consumer electronics but household names such as Sony and Sharp are losing money, and Elpida has gone under. The games console market is another one damaged by the rise of the smart phone. Korea now has the initiative in consumer electronics. China has a number of companies, but mainly in manufacturing without pricing power, which have little investment appeal. India has a very successful IT Services sector. In contrast, the US continues to innovate and build new companies with pricing power and profits. Technology companies are built on ideas which need equity capital to develop. The US has been the most efficient market to provide this.

There has been much talk about the 'cloud'. It is a term I dislike because it is somewhat meaningless. Consumers, businesses and Governments alike do not buy 'clouds' but they buy products, services and applications. In terms of products the 'cloud' has the potential to reduce costs. In terms of applications it can make them easier, but they have to be applications customers want. One area of conspicuous growth along with the internet is data and the ability to store it cheaply. There are a range of emerging companies that can interestingly analyse this data. Initially computers improved the productivity of book keeping, now it can analyse trends and behaviour in ways impossible hitherto. The data that can be collected from internet browsing and shopping enables the analysis of spending behaviour. All this drives equipment demand as well.

Fiscal deficits everywhere have caused scrutiny of companies with subnormal tax charges. The technology sector above all, with its global customer base and global supply chain, has the ability to move profits to tax advantageous geographies. US companies in particular have significant cash positions held outside the US which can only be repatriated if Federal and State taxes are paid. This effectively overstates the value of cash in many companies' balance sheets. Worse, some companies have cash offshore and domestic borrowings which have been used to fund buybacks and dividends. It seems anomalous that there is a tax incentive for Apple to fund Far East suppliers to buy capital equipment rather than be incentivised to invest in the US. It seems inevitable that taxation will change, and it will be important to read the effects of this.

Longer term performance (£)

	1year	5years	10years
HWF A shares CAGR	8.4%	11.4%	13.3%
Percentage return	8.4%	71.3%	249.8%
MSCI world IT Total return	8.6%	29.3%	112.1%
Russell 1000 technology Total return	7.4%	38.5%	120.2%

Summary

2012 was alright in performance terms, but the returns have been better over five and ten years. The boundaries are still being pushed in the sector. Even in a zero growth world there are bound to be winners and losers. I do not anticipate material profits growth in the world in 2013, but there will still be some winners in the technology sector which makes it a rewarding asset class in which to explore and to invest. The underweight position in Apple was a handicap. In spite of our enthusiasm for the stock we could not hold more than 10%, when it accounted for double that in various sector indices, but it did mean the relative performance improved in the weak fourth quarter.

HERALD INVESTMENT FUND PLC

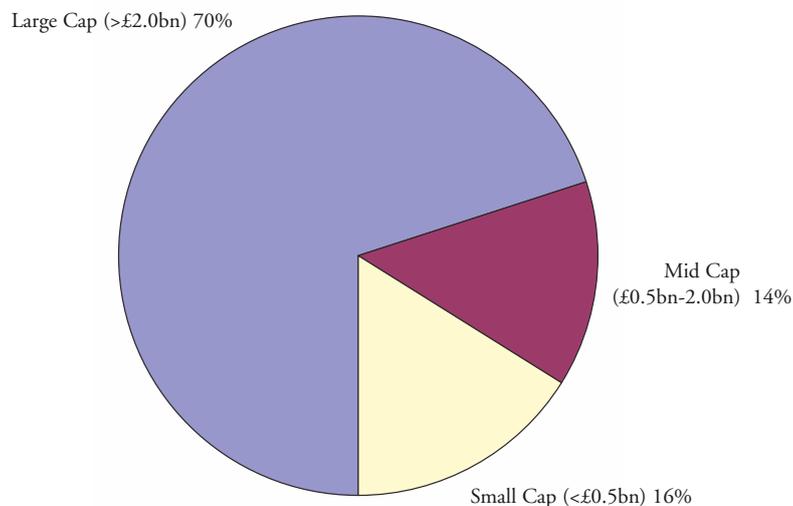
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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2012 *continued*

Portfolio Weightings

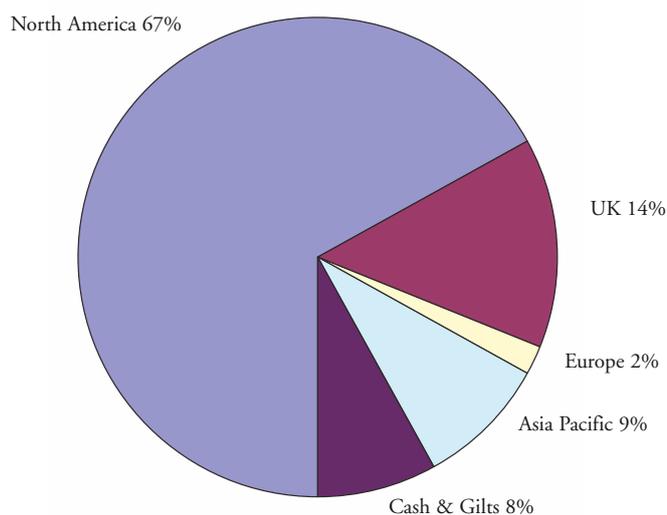
BREAKDOWN BY MARKET CAP

	31/12/12	31/12/11
Large Cap (>£2.0bn)	70%	71%
Mid Cap (£0.5bn-2.0bn)	14%	19%
Small Cap (<£0.5bn)	16%	10%
	<u>100%</u>	<u>100%</u>



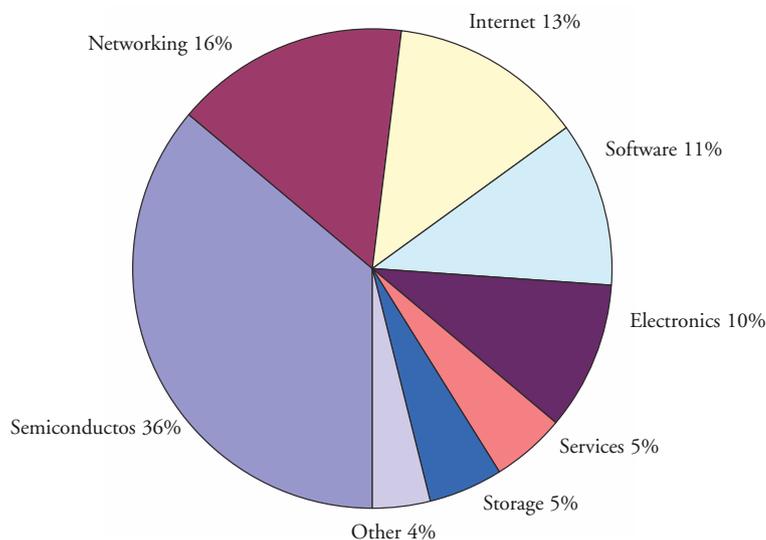
GEOGRAPHIC BREAKDOWN

	31/12/12	31/12/11
North America	67%	75%
UK	14%	13%
Europe	2%	4%
Asia Pacific	9%	5%
Cash & Gilts	8%	3%
	<u>100%</u>	<u>100%</u>



SECTOR BREAKDOWN

	31/12/12	31/12/11
Semiconductors	36%	34%
Networking	16%	10%
Internet	13%	13%
Software	11%	16%
Electronics	10%	15%
Services	5%	8%
Storage	5%	0%
Other	4%	4%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited, December 2012.

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DIRECTORS' REPORT for the year ended 31 December 2012

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2012.

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 2012, and the European Communities (Undertakings for Collective Investments in Transferable Securities) Regulations, 2011 (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 2012.

Corporate Governance Statement

Statutory Instrument ("SI") 450 of 2009 (SI 450) was published on 18 November 2009 and this transposed the European Communities ("EU") Directive 2006/46. This Directive applies to EU domiciled companies and requires certain disclosures to be included in the financial statements/Directors' Report of listed companies, including a reference to the corporate governance code to which these companies are subject to or voluntarily adopt. These requirements, through the transposing regulations (SI 450 of 2009) and amended transposing regulations (SI 83 of 2010), apply to Irish listed companies for accounting years beginning on or after 18 November 2009.

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 2012, which are available for inspection at the registered office of the Company and may also be obtained at www.irishstatutebook.ie.
- (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 Central Bank of Ireland in their UCITS Notices and Guidance Notes which can be obtained from the Central Bank of Ireland's website at www.centralbank.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.

Internal Control and Risk Management Systems

The Company is responsible for establishing and maintaining adequate internal control and risk management systems 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.

HERALD INVESTMENT FUND PLC
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DIRECTORS' REPORT for the year ended 31 December 2012 *continued*

Internal Control and Risk Management Systems *continued*

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 Central Bank of Ireland 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.

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 Irish Companies Acts 1963 to 2012. 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 them. 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 of 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 the business at a meeting of the Directors is two.

There are no sub-committees of the Board.

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DIRECTORS' REPORT for the year ended 31 December 2012 *continued*

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 risk (comprising of market price, interest rate and foreign currency risk), credit risk and liquidity risk which are disclosed further in note 2 'Financial Risk Management' in the financial statements.

Significant Events during the year

The Board of Directors note the issuance by the IFIA of the Corporate Governance Code for Collective Investment Schemes and management companies in December 2011 (the "new code"). The new code became effective from 1 January 2012 with a twelve month transitional period. The Directors adopted the new code effective from 31 December 2012.

Effective 31 October 2012 the Offering Documents of the Company were updated for the following changes:

- The Fund will no longer invest in contracts for differences.
- A performance fee will no longer be charged on the Class B Shares of the Fund.
- The Company and the Fund updated their investment restrictions, including the list of regulated markets into which they can invest, and their taxation details in line with UCITS Regulations.

Additionally, and also with effect from 31 October 2012, initial subscriptions into the Class A Shares of the Fund were temporarily closed and the Investment Manager agreed to make arrangements to ensure the ongoing charges of each class of the Fund would be no more than 1.70% for the financial years 2012 and 2013 respectively.

Events Since the Year End

At midnight on 31 December 2012, the Company's administration agreement was novated from Northern Trust Securities Services (Ireland) Limited to Northern Trust International Fund Administration Services (Ireland) Limited (the "Administrator").

Results and Dividends

The results and dividends for the year are set out in the Profit and Loss Account on page 17.

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)

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DIRECTORS' REPORT for the year ended 31 December 2012 *continued*

Directors' Interest in Shares and Contracts

The Directors' interests in shares and contracts are detailed in Note 10 on page 29.

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:

Northern Trust Securities Services (Ireland) Limited
Georges Court,
54-62 Townsend Street,
Dublin 2,
Ireland.

Independent Auditors

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

On behalf of the Board of Directors

Director

Director

26 February 2013

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

REPORT of the CUSTODIAN to the Shareholders of Herald Investment Fund plc (the “Company”)

We have enquired into the conduct of Herald Investment Fund plc (the “Company”) for the year ended 31 December 2012, 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 Central Bank of Ireland’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 Central Bank of Ireland’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 year, 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, 2011 (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:

Northern Trust Fiduciary Services (Ireland) Limited

26 February 2013

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INDEPENDENT AUDITORS' REPORT to the Members of Herald Investment Fund plc

We have audited the financial statements of Herald Investment Fund plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Net Assets Attributable to Participating Shareholders and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, 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 for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2012 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Tony Weldon
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

	Note	Year ended 31 December 2012 GBP	Year ended 31 December 2011 GBP
Income			
Operating income	3	176,068	129,528
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	4	1,372,879	(1,064,330)
Total investment income/(loss)		<u>1,548,947</u>	<u>(934,802)</u>
Operating expenses	5	(327,772)	(262,773)
Expense reimbursement from investment manager	9	42,659	-
Profit/(loss) for the year after tax		<u>1,263,834</u>	<u>(1,197,575)</u>
Non-reclaimable withholding tax		(48,332)	(15,980)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares at bid prices		<u>1,215,502</u>	<u>(1,213,555)</u>
Adjustment from bid to last traded prices		(8,545)	2,009
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations at last traded prices		<u><u>1,206,957</u></u>	<u><u>(1,211,546)</u></u>

There are no recognised gains or losses arising in the year other than the increase in net assets attributable to holders of redeemable participating shares of the Company. In arriving at the results of the financial 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

Director

Director

26 February 2013

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 31 December 2012

	Note	As at 31 December 2012 GBP	As at 31 December 2011 GBP
ASSETS			
Cash and bank balances	6	1,500,889	456,514
Debtors		56,936	13,381
Financial assets at fair value through profit or loss		15,337,487	13,921,241
TOTAL ASSETS		<u>16,895,312</u>	<u>14,391,136</u>
LIABILITIES			
Creditors - amounts falling due within one year		(80,330)	(53,833)
Net assets attributable to holders of redeemable participating shares at bid prices		16,814,982	14,337,303
Adjustment from bid to last traded prices		11,992	20,537
Net assets attributable to holders of redeemable participating shares at last traded prices		<u>16,826,974</u>	<u>14,357,840</u>

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

On behalf of the Board of Directors

Director

Director

26 February 2013

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares
for the year ended 31 December 2012**

	Year ended 31 December 2012 GBP	Year ended 31 December 2011 GBP
Net assets attributable to holders of redeemable participating shares at beginning of year	14,357,840	16,325,802
Increase/(decrease) in net assets attributable to holders of redeemable participating shares resulting from operations	1,206,957	(1,211,546)
Amounts received on issue of redeemable participating shares	2,277,673	1,251,396
Amounts paid on redemption of redeemable participating shares	(1,015,496)	(2,007,812)
Increase/(decrease) in net assets resulting from share transactions	1,262,177	(756,416)
Net increase/(decrease) in shareholders' funds	2,469,134	(1,967,962)
Net assets attributable to holders of redeemable participating shares at end of year	16,826,974	14,357,840

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 2012

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, 2011. 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.

b) Investments

(i) Classification and Recognition

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

Financial assets 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 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 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, are recorded.

(ii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

1. Significant Accounting Policies *continued*

b) Investments *continued*

(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. Investments acquired or traded at a premium or discount outside or off the relevant exchange, or on an over the counter market, 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.

c) 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.

d) 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.

e) 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.

f) 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 on the redemption date.

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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

1. Significant Accounting Policies *continued*

g) 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 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 or loss are recognised in the Profit and Loss account within the net gains/(losses) on financial assets and liabilities at fair value through profit 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 2012	As at 31 December 2011
Euro	1.2329	1.1972
Korean Won	1,740,2197	1,790.3235
US Dollars	1.6255	1.5541

h) Net Assets Attributable To Holders of Redeemable Participating Shares

In accordance with the provisions of the offering memorandum, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last quoted trade price as at the close of business on the valuation day for the purpose of determining net asset value per share for subscriptions and redemptions and for various fee calculations. However, as stated in Note 1 the accounting policy of the Company for the purpose of compliance with FRS 26 and for reporting purposes is to value its investments at the relevant bid/ask market prices on the balance sheet date. As at 31 December 2012, the difference between the valuation of investments stated in the Financial Statements and the valuation methodology indicated in the offering memorandum, results in an adjustment in the value of investments as noted in the Balance Sheet.

Net assets attributable to shareholders represent a liability in the Balance Sheet, carried at the redemption amount that would be payable at the balance sheet date if the shareholder exercised the right to redeem shares in the Fund. Consequently, the difference described above adjusts the carrying amount of the net assets attributable to redeemable shareholders. The cumulative differences are included as "Adjustment from bid to last traded prices" in the Balance Sheet. The movement in the adjustment year on year is included in the Profit and Loss Account.

i) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are included as part of the cost of such purchases. Any transaction costs are included in Net gains/(losses) on financial assets and liabilities at fair value through profit or loss. See note 9 to the financial statements for further information.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

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'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 fair value of 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 of 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.

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

A. Market Risk

(i) Market 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 32 to 34. 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.

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.

Market 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 2012 the fund returned +8.4% (2011: -6.8%) while the USD denominated MSCI World IT Index, a global technology index, returned +6.9% in sterling terms (2011: -2.7%). Based on the NAV of the Fund as at 31 December 2012, and this historic one-year sensitivity analysis, if the MSCI World IT Index increased by 10% in sterling terms, the Fund would increase by 11.9%

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

2. Financial Risk Management *continued*

Market Price Risk – Sensitivity Analysis *continued*

(2011: increase by 25.0%), resulting in a gain of GBP2,002,410 (gain of GBP3,585,367 based on 31 December 2011 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 used 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 2012 or 31 December 2011. 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 significantly exposed to interest rate risk from unfavourable fluctuations in interest rates.

(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 2012

Financial Assets	EUR	KRW	USD
Non-monetary assets			
Financial assets held at fair value through profit or loss	264,572	1,011,378	11,682,299
	<u>264,572</u>	<u>1,011,378</u>	<u>11,682,299</u>

31 December 2011

Financial Assets	EUR	KRW	USD
Non-monetary assets			
Financial assets held at fair value through profit or loss	620,317	711,804	10,224,942
	<u>620,317</u>	<u>711,804</u>	<u>10,224,942</u>

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.

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

2. Financial Risk Management *continued*

Foreign Currency Risk – Sensitivity Analysis *continued*

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 2012, the Company did not use financial instruments to protect against currency movements.

Sensitivity to Foreign Currency Risk on non-monetary assets is included in Market Price Risk. Exposure to Foreign Currency Risk on monetary assets is not considered significant at 31 December 2012 or 31 December 2011.

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 Investment 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.

Substantially all of the cash assets are held with the Northern Trust Company, London Branch (NTC). Cash deposited with NTC is deposited as banker and is held on its Balance Sheet. Accordingly, in accordance with usual banking practice, NTC liability to the Fund in respect of such cash deposits shall be that of debtor and the Fund will rank as a general creditor of NTC. The financial assets are held with the Custodian, Northern Trust Fiduciary Services (Ireland) Limited. These assets are held distinct and separately from the proprietary assets of the Custodian. Securities are clearly recorded to ensure they are held on behalf of the Fund. Bankruptcy or insolvency of the Custodian and or one of its agents or affiliates may cause the Fund's rights with respect to the securities held by the Custodian to be delayed.

Both Northern Trust Fiduciary Services (Ireland) Limited and the Northern Trust Company, London Branch are wholly owned subsidiaries of Northern Trust Corporation. As at 31 December 2012 Northern Trust Corporation had a long term rating from Standard & Poor's of A+.

Risk is managed by monitoring the credit quality and financial positions of the Custodian the Fund uses.

Northern Trust acts as its own sub-custodian in the U.S., the U.K., Ireland and Canada. In all other markets Northern Trust appoints a local sub - custodian. Northern Trust continually reviews its sub-custodian network to ensure clients have access to the most efficient, creditworthy and cost-effective provider in each market.

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 2012 or 31 December 2011.

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 31 December 2012 and 31 December 2011 are repayable within one month.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

2. Financial Risk Management *continued*

Fair Value Disclosure

FRS 29 'Financial Instruments: Disclosures' 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 year 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.

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 year 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 2012 and 31 December 2011 in valuing the Fund's assets and liabilities.

31 December 2012

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	14,696,237	-	-	14,696,237
Debt securities	-	-	-	-
Exchange traded investment funds	641,250	-	-	641,250
TOTAL ASSETS	15,337,487	-	-	15,337,487

31 December 2011

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	13,352,491	-	-	13,352,491
Debt securities	-	-	-	-
Exchange traded investment funds	568,750	-	-	568,750
TOTAL ASSETS	13,921,241	-	-	13,921,241

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

There were no Level 3 securities held at year end 31 December 2012 (31 December 2011: Nil)

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

3. Operating Income

	Year ended 31 December 2012	Year ended 31 December 2011
	GBP	GBP
Interest income	3	17,697
Dividend income	176,065	111,831
	176,068	129,528
	176,068	129,528

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

	Year ended 31 December 2012	Year ended 31 December 2011
	GBP	GBP
Realised (losses)/gains on sale of investments	(127,852)	1,118,276
Net currency losses	(11,648)	(8,394)
Net change in unrealised appreciation/(depreciation) on investments	1,512,379	(2,174,212)
	1,372,879	(1,064,330)
	1,372,879	(1,064,330)

5. Operating Expenses

	Year ended 31 December 2012	Year ended 31 December 2011
	GBP	GBP
Administration fees	66,181	66,000
Auditors' fees	15,106	16,387
Custody fees	3,020	1,730
Directors' fees	27,319	26,688
Investment management fees	139,494	126,708
Other expenses	76,652	25,260
	327,772	262,773
	327,772	262,773

6. Cash and Bank Balances

	As at 31 December 2012	As at 31 December 2011
	GBP	GBP
Northern Trust Fiduciary Services (Ireland) Limited	1,500,889	456,514
	1,500,889	456,514

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 2012, 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

7. Share Capital *continued*

Shares in Issue 31 December 2012	Year ended 31 December 2012	Year ended 31 December 2011
Number of Class A shares issued and fully paid		
Balance at beginning of year	673,897	701,768
Issued during year	98,075	34,814
Redeemed during year	(38,277)	(62,685)
	<hr/>	<hr/>
Total number of Class A shares in issue at end of year	733,695	673,897
	<hr/> <hr/>	<hr/> <hr/>

Shares in Issue 31 December 2012	Year ended 31 December 2012	Year ended 31 December 2011
Number of Class B shares issued and fully paid		
Balance at beginning of year	140,401	168,584
Issued during year	18,072	42,911
Redeemed during year	(15,498)	(71,094)
	<hr/>	<hr/>
Total number of Class B shares in issue at end of year	142,975	140,401
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2012, one shareholder held 32.83% of the issued share capital of the Company (31 December 2011: 35.34%).

8. Net Asset Value

	As at 31 December 2012 GBP	As at 31 December 2011 GBP	As at 31 December 2010 GBP
Net asset value Class A share	15,044,302	12,744,122	14,235,210
Net asset value Class B share	1,782,672	1,613,718	2,090,592
Net asset value per Class A share	20.50	18.91	20.28
Net asset value per Class B share	12.47	11.49	12.40

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 and 1.25 per cent for Class B Shares. The investment management fee will be paid monthly in arrears and shall accrue on each dealing day. Other classes may be established within a Fund which may be subject to different fee structures. Fees of GBP 21,841 were payable at 31 December 2012 (31 December 2011: GBP9,813).

As discussed in note 15 the Investment Manager has voluntarily undertaken to limit the aggregate annual ongoing expenses of each class of the Fund to be no more than 1.70% for the financial year end 31 December 2012 and 2013 respectively. The expense reimbursement at 31 December 2012 is £42,659.

Performance Fee

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV of the Class A Shares, excluding performance fees at the end of the accounting period exceeds the target net asset value (110% of the previous highest Class A NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Class A Shares over the relevant period. The opening NAV per class A share this financial year was GBP18.91 and the closing GBP20.50. To date the previous highest NAV per class A 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. There is no performance fee payable on the Class B Shares.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

9. Fees *continued*

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 GBP 9,807 were payable at 31 December 2012 (31 December 2011: GBP5,605).

Transaction costs

Transaction costs of the Fund were GBP 51,998 for year ended 31 December 2012 which are included in Net gains/(losses) on financial assets and liabilities at fair value through profit or loss (31 December 2011: GBP41,477).

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 GBP 328 were payable at 31 December 2012 (31 December 2011: GBP183).

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 and its holding company, HIML Holdings Limited. Amounts earned by the Investment Manager are disclosed in Note 5 and Note 9.

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 31 December 2012, the number of shares held was 91,530 (31 December 2011: 111,530).

Directors' Interests in Shares and Contracts

	31 December 2012 Class A Shares	31 December 2011 Class A Shares
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.

The Company invests in another fund which has the same Investment Manager, the Herald Investment Trust Plc. At 31 December 2012 the fair value of this investment was GBP 641,250 (2011: GBP568,750).

Directors' Fees

The total Directors' fees are disclosed in Note 5. David Boyle has agreed to waive his fees.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

11. Taxation

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

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

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

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

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

12. Auditor's Remuneration

The remuneration for all work carried out by the statutory audit firm in respect of the financial year is as follows:

	Year ending 31 December 2012	Year ending 31 December 2011
Statutory audit of Company accounts	16,000	15,950
Other Assurance Services	-	-
Tax Advisory Services	-	-
Other non-audit services	-	-
	<u>16,000</u>	<u>15,950</u>

The remuneration above is quoted in EUR and is exclusive of VAT. At year end closing date and including VAT the statutory audit of company accounts amount is €19,680 (2011: €19,300).

13. Soft Commission Arrangements

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

14. Distributions

There were no distributions declared during the years ended 31 December 2012 or 31 December 2011.

15. Significant events during the year

The Board of Directors note the issuance by the IFIA of the Corporate Governance Code for Collective Investment Schemes and management companies in December 2011 (the "new code"). The new code became effective from 1 January 2012 with a twelve month transitional period. The Directors adopted the new code effective from 31 December 2012.

Effective 31 October 2012 the Offering Documents of the Company were updated for the following changes:

- The Fund will no longer invest in contracts for differences.
- A performance fee will no longer be charged on the Class B Shares of the Fund.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 *continued*

15. Significant events during the year *continued*

- The Company and the Fund updated their investment restrictions, including the list of regulated markets into which they can invest, and their taxation details in line with UCITS Regulations.

Additionally, and also with effect from 31 October 2012, Initial subscriptions into the Class A Shares of the Fund were temporarily closed and the Investment Manager agreed to make arrangements to ensure the ongoing charges of each class of the Fund would be no more than 1.70% for the financial years 2012 and 2013 respectively.

16. Events after the Balance Sheet Date

At midnight on 31 December 2012, the Company's administration agreement was novated from Northern Trust Securities Services (Ireland) Limited to Northern Trust International Fund Administration Services (Ireland) Limited (the "Administrator").

17. Approval of Financial Statements

The Financial Statements were approved by the board on 26 February 2013.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2012

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES			
FRANCE - 0.00% (2011 : 0.61%)			
GERMANY - 1.57% (2011: 3.71%)			
<i>INTERNET - 1.57% (2011 : 1.61%)</i>			
20,000	United Internet AG Com NPV	263,842	1.57
<i>SEMICONDUCTORS - 0.00% (2011: 2.10%)</i>			
TOTAL GERMANY		263,842	1.57
GUERNSEY: 0.00% (2011: 3.39%)			
<i>TELECOMMUNICATIONS: 0.00% (2011: 3.39%)</i>			
ISRAEL: 8.43% (2011: 4.14%)			
<i>SOFTWARE: 8.43% (2011: 1.36%)</i>			
29,000	Check Point Software Technologies Ltd Com USD0.01	849,929	5.05
28,000	Radware Ltd Com ILS0.10	568,441	3.38
<i>TELECOMMUNICATIONS: 0.00% (2011: 2.78%)</i>			
TOTAL ISRAEL		1,418,370	8.43
REPUBLIC OF SOUTH KOREA: 6.01% (2011: 4.96%)			
<i>ELECTRICAL COMPONENTS & EQUIPMENT: 0.55% (2011: 0.64%)</i>			
2,200	LG Electronics Inc Com KRW5000.00	93,046	0.55
<i>SEMICONDUCTORS: 5.46% (2011: 4.32%)</i>			
1,050	Samsung Electronics Co Ltd Com KRW5000.00	918,332	5.46
TOTAL REPUBLIC OF SOUTH KOREA		1,011,378	6.01
TAIWAN: 3.01% (2011: 0.00%)			
<i>SEMICONDUCTORS: 3.01% (2011: 0.00%)</i>			
48,000	Taiwan Semiconductor Manufacturing Co Ltd ADR NPV	506,724	3.01
TOTAL TAIWAN		506,724	3.01
UNITED KINGDOM: 14.15% (2011: 13.07%)			
<i>INTERNET: 0.00% (2011: 2.07%)</i>			
<i>MEDIA: 0.00% (2011: 0.56%)</i>			
<i>INVESTMENT FUNDS: 3.81% (2011: 3.96%)</i>			
125,000	Herald Investment Trust Ord GBP0.25	641,250	3.81
<i>COMPUTERS: 1.33% (2011: 1.37%)</i>			
125,000	Phoenix IT Group Ltd Com GBP0.01	224,062	1.33
<i>SEMICONDUCTORS: 7.90% (2011: 5.11%)</i>			
55,000	ARM Holdings PLC Com GBP0.0005	421,575	2.51
110,655	Imagination Technologies Group PLC Com GBP0.10	437,530	2.60
900,000	IQE PLC Com GBP0.01	272,250	1.62
100,000	Wolfson Microelectronics PLC Com GBP0.001	197,250	1.17

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2012 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES <i>continued</i>			
UNITED KINGDOM: 14.15% (2011: 13.07%) <i>continued</i>			
<i>TELECOMMUNICATIONS: 1.11% (2011: 0.00%)</i>			
100,000	Bango PLC Com GBP0.20	186,050	1.11
TOTAL UNITED KINGDOM		2,379,967	14.15
UNITED STATES: 57.98% (2011: 67.07%)			
<i>COMMERCIAL SERVICES: 0.68% (2011: 0.91%)</i>			
16,450	SAIC Inc Com USD0.0001	114,558	0.68
<i>COMPUTERS: 12.42% (2011: 12.14%)</i>			
3,645	Apple Inc Com NPV	1,195,260	7.10
50,000	Cadence Design Systems Inc Com USD0.01	415,564	2.47
15,700	EMC Corp/MA Com USD0.01	244,362	1.45
9,000	Western Digital Corp Com USD0.01	235,257	1.40
<i>ELECTRONICS: 1.41% (2011: 1.76%)</i>			
20,000	Jabil Circuit Inc Com USD0.001	237,342	1.41
<i>INTERNET: 11.59% (2011: 10.83%)</i>			
2,000	Amazon.com Inc Com USD0.01	309,000	1.84
7,500	F5 Networks Inc Com NPV	448,247	2.66
1,620	Google Inc Class A Com USD0.001	706,970	4.20
1,000	Splunk Inc	17,853	0.11
47,100	support.com Inc Com USD0.0001	121,118	0.72
30,000	Symantec Corp Com USD0.01	347,155	2.06
<i>SEMICONDUCTORS: 18.52% (2011: 21.22%)</i>			
12,600	Altera Corp Com USD0.001	266,960	1.59
84,000	Atmel Corp Com USD0.001	338,481	2.01
7,500	Cavium Inc Com USD0.001	144,002	0.86
38,000	Intel Corp Com USD0.001	482,276	2.87
60,000	LSI Corp Com USD0.01	261,335	1.55
36,100	Mindspeed Technologies Inc Com USD0.01	103,936	0.62
80,000	PMC - Sierra Inc Com USD0.001	256,413	1.52
20,200	QUALCOMM Inc Com USD0.0001	770,719	4.58
11,000	Skyworks Solutions Inc Com USD0.25	137,373	0.82
8,613	Tessera Technologies Inc Com USD0.001	87,004	0.52
12,000	Xilinx Inc Com USD0.01	265,026	1.58
<i>SOFTWARE: 10.57% (2011: 13.64%)</i>			
48,000	Acxiom Corp Com USD0.10	515,583	3.06
20,200	Akamai Technologies Inc Com USD0.01	508,386	3.02
21,000	Microsoft Corp Com USD0.00000625	345,328	2.05
24,000	Parametric Technology Corp Com USD0.01	332,353	1.98
5,600	Pegasystems Inc Com USD0.01	78,135	0.46
<i>TELECOMMUNICATIONS: 2.79% (2011: 5.67%)</i>			
34,000	Cisco Systems Inc Com USD0.001	411,013	2.43
9,500	MRV Communications Inc Com USD0.0017	60,197	0.36
TOTAL UNITED STATES		9,757,206	57.98
TOTAL EQUITIES		15,337,487	91.15

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2012 *continued*

	Fair Value GBP	% of Net Assets
Financial assets at fair value through profit or loss		
Total Value of Investments	15,337,487	91.15
Cash	1,500,889	8.92
Other Net Liabilities	(23,394)	(0.14)
	16,814,982	99.93
Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices		
Adjustment from bid to last traded prices	11,992	0.07
	16,826,974	100.00
Analysis of Total Net Assets		% of Fund
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market.		90.78
Other Net Assets.		9.22
		100.0

Percentages in brackets represent the prior year comparative amounts.

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 2012

MAJOR PURCHASES		VALUE GBP
29,000	Check Point Software Technologies Ltd Com USD0.01	806,492
28,000	Radware Ltd Com ILS0.10	603,058
100,000	PMC - Sierra Inc Com USD0.001	434,113
48,000	Taiwan Semiconductor Manufacturing Co Ltd ADR NPV	433,050
84,000	Atmel Corp Com USD0.001	314,935
2,000	Amazon.com Inc Com USD0.01	313,848
900,000	IQE PLC Com GBP0.01	267,273
60,000	LSI Corp Com USD0.01	257,968
15,700	EMC Corp/MA Com USD0.01	231,866
15,000	Riverbed Technology Inc Com USD0.0001	190,718
100,000	Wolfson Microelectronics PLC Com GBP0.001	189,763
9,000	Western Digital Corp Com USD0.01	183,293
100,000	Bango PLC Com GBP0.20	176,643
36,000	Imagination Technologies Group PLC Com GBP0.10	170,611
7,500	Cavium Inc Com USD0.001	154,864
8,613	Tessera Technologies Inc Com USD0.001	92,779
1,000	Splunk Inc	10,605
MAJOR SALES		VALUE GBP
26,500	Amdocs Ltd Ord GBP0.01	539,838
25,700	Oracle Corp Com USD0.01	451,302
27,000	Microsemi Com USD0.20	366,417
437,500	Ebiquity GBP0.25	365,662
62,000	Infineon Technologies AG NPV	363,982
18,000	Nice Systems ADR	353,712
14,800	Microchip Technology Inc Com USD0.001	331,583
855	Apple Inc Com NPV	332,809
37,600	Corning Inc Com USD0.50	305,182
80,600	PMC - Sierra Inc Com USD0.001	255,939
14,200	Hewlett-packard Com USD0.01	225,531
11,000	Skyworks Solutions Inc Com USD0.25	203,716
5,800	Check Point Software Technologies Ltd Com USD0.01	199,232
15,000	Riverbed Technology Inc Com USD0.0001	170,524
13,800	Research In Motion Com	129,696
87,600	Alcatel-Lucent Ser'A'	111,449
340,000	Timeweave	60,893
1,900	Mindspeed Technologies Inc Com USD0.01	7,579