

HERALD INVESTMENT FUND plc
– The Herald Worldwide Fund

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2010

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

ANNUAL REPORT for year ended 31 December 2010

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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:
40 Mespil Road
Dublin 4
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
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 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 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, 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 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 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 2010.

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.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2010

The defined remit for the Fund is to invest globally in the information technology, communications and multimedia sectors. The Investment Manager believes that 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 net asset value per Class A share of £10.00 and at the end of the year the net asset value per Class A share was £20.28, a new end of year high. On the 9th June 2010, a Class B share was launched with an initial net asset value per share of £10.00 and at the end of the year the net asset value per Class B share was £12.40. The total net asset value of the fund at the end of the year was £16.3m.

Capital performance* for the twelve months to 31 December 2010

Herald Worldwide Fund NAV (Class A)	36.2%
Global	
MSCI World Information Technology	13.3%
United States	
Russell 1000 (Large Cap) Technology	14.7%
Russell 2000 (Small Cap) Technology	41.5%
S&P 500	16.6%
Russell 2000 Small Cap	29.6%
United Kingdom	
FTSE Information Technology	32.9%
FTSE TechMARK 100	19.7%
FTSE 100	9.0%
FTSE Small Cap	10.9%
Europe	
Neuer Market	4.0%
DAX	12.0%
CAC 40	-6.6%
FTSE EUROFIRST 300	7.2%
Asia Pacific	
KOSDAQ	6.1%
Nikkei 225	15.2%
Hang Seng	8.7%

*All returns are GBP.

The percentages above are included for comparative purposes.

Source: Herald Investment Management Limited, Bloomberg.

Market Summary

The strength of the global economy was the main focus for equity markets in 2010 as investors endeavoured to gauge the stimulatory impact of loose monetary policy and fiscal budget deficits against high levels of sovereign indebtedness and weak bank balance sheets. However as confidence in the outlook improved through the year, so equity markets moved higher. Against this backdrop, shares in technology companies were particularly strong as revenues benefited from the cyclical recovery, reinforced by multi-year secular growth trends. In addition, earnings growth in the sector has benefited from its intrinsic high operating leverage, extended further by companies which had been aggressive in cutting costs through the downturn holding back on adding back expenses as sales recovered due to the unclear economic outlook.

The broad rebound in global economic activity that we have seen, has to a large extent been driven by the sustained growth in emerging markets of which a very large part is coming from China whose economy continues to expand at a double digit rate. As personal incomes in countries such as China have risen, demand for imports has also risen, providing momentum for other economies. The technology sector has been a major beneficiary of this trend as rising incomes, combined with rapidly falling unit prices of many technology goods, has radically improved affordability and hence demand. For example in the mid nineties, it took an average Chinese worker 175 weeks of income to afford a notebook computer. Today it is only 7 weeks.

However the recovery has been fragile and investors' constant fear throughout the entire year was that a default by one of the Euro zone's many over-indebted nations could spark another Lehman's style banking crisis from which it might not be possible for the financial sector to recover. Without being able to devalue their currencies as a result of commitment to membership of the Euro, both Greece and Ireland had to face up to the unfeasibility of paying back their creditors by increasing the tax burden on its citizens to impossibly high levels and consequently crippling their economies for many years. Eventually the IMF was forced to step in and, with the backing of larger European nations, bail out both countries. This has eased the pressure on the Euro for now and, to some degree, restored confidence in the outlook for the wider European economy with the larger countries providing a solid engine of growth.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2010 *continued*

Market Summary *continued*

In contrast, the US and UK monetary authorities have adopted a policy of quantitative easing whereby central banks have expanded their balance sheets dramatically through purchases of government debt, driving interest rates down to record lows. This has had the benefit of reducing the costs of indebtedness, so supporting the important residential housing market, as well as stimulating investment and devaluing currencies so boosting exports. Concurrently the governments have maintained fiscal spending despite falling tax revenues in a Keynesian attempt to support the economies. So far these policies appear to be working with the most recent data showing the US and UK economies both expanding at a 2.8% rate in the third quarter albeit that unemployment remains stubbornly high as businesses still hesitate about hiring.

Regardless of the gyrations of the world's economies, several core secular trends in the technology sector have been continued sources of growth through 2010. Smartphones really came of age with the release of Apple's first iPhone, launched back in 2007 but adoption by consumers and businesses has continued at a frenetic pace ever since with smartphones now accounting for almost one fifth of all handset units sold (and a much high proportion of total phone sales by value). Although Apple's iPhone continues to be the market leader, its dominance has been challenged for the first time as sales of phones based on Google's Android operating system now outsell Apple in the US. This competition is driving rapid innovation in the industry and companies are working hard to bring out devices with new innovative features at lower cost and this continues to drive market growth.

The big new product story of 2010 was the launch of Apple's iPad tablet in April, selling 3 million units in its first 80 days. Although tablet PC's have been around since 2003, they had remained a niche product with little consumer interest due to their high prices and limited differentiation from notebooks. Now that Apple has successfully reinvented the category, we are seeing scores of similar devices being launched in order to fill a market that could, by some estimates reach 60 million units in 2011. With each of these devices containing component parts from a swathe of suppliers, the investment opportunity is much larger than the makers of the final device. In addition, usage of these devices also stimulates large parts of the rest of the technology ecosystem as internet traffic continues to grow apace, requiring constant investment in the infrastructure to support and manage the growth.

The second major driver within the technology sector has been the success of utility (or "cloud") computing whereby software runs on servers in data centres and is accessed over the internet. Whilst this is a longer-term trend that has also been around for several years, it is now a meaningful source of growth for the technology sector and it is driving spending across the wider ecosystem. As this new computing architecture gains momentum amongst users, like many new technologies, it enables further new businesses to be created that would not be possible under older methods which is an exciting source of future growth for the sector.

Against this backdrop the Fund rose by 36.2% (in Sterling terms) which compared favourably to a rise of 13.3% in the MSCI World Information Technology Index. During the year, there was a broad divergence in the performance of stocks within the sector which the Fund was able to take advantage of. There were many companies that saw their share prices recover as they returned to a more normalized, post recession growth path whilst there were also many others that failed to rebound at all as they were perceived by investors to offer limited long-term earnings growth potential beyond the economic recovery due to mounting challenges in their historic core markets. Consequently the multiple of earnings that investors were willing to pay for such stocks contracted sharply over the year.

United States

Within the US portion of the portfolio, which rose an estimated 34% (in US dollars), the largest positive contributors to performance were F5 Networks (shares up 146% in US dollars) and Apple (up 53%) as the trends outlined in this fund's last interim report continued for the remainder of the year. Other significant positive contributors to performance in 2010 included new holdings in Google and Qualcomm. Shares in Google fell sharply in the middle of the year as investors became overly pessimistic on the outlook for internet advertising based on the weakness in the global economy. We felt that given the structural shift in advertising budgets to the internet, the valuation offered compelling value under almost all economic scenarios and we were rewarded as confidence in the economic outlook improved. We also purchased shares in Qualcomm in the middle of the year when we felt that investors were overlooking the growing impact of smartphones on the company's sales. The share price subsequently benefited as results indicated sales growth re-accelerating boosted by higher prices phones.

The Fund also benefitted from the acquisition of our holding in ecommerce website software vendor Art Technology Group by Oracle in November for almost a 50% premium to its market price. Technology company consolidation was a key theme of 2010 with a significant number of deals being announced. Larger technology companies, often with over capitalized balance sheets earning paltry levels of interest and generating record levels of free cash flow, resorted to acquiring other businesses in an effort to bolster growth as their traditional businesses faced up to competitive and other challenges. This theme will likely continue in 2011 and could receive a boost if, as expected, the Obama Administration allows corporate cash balances held offshore to be repatriated back to the US at advantageous tax rates.

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2010 *continued*

Europe

The UK portion of the portfolio rose by an estimated 49% over the year with the Europe (ex UK) portion rising by an estimated 33% (in local currency). ARM Holdings was the largest positive contributor to performance to the Fund over the full year, with its shares rising by 138% (in Sterling). Gains in the first half of the year were largely based on the growth of the smartphone market which are intense users of the company's embedded processors. However shares continued to rise at the end of the year as investors speculated that the company's low power processors could ultimately be a rival to Intel in the large data centre computer market where power consumption, ARM's core competitive advantage, is becoming increasingly important.

In the second half of the year, we initiated a new position in Infineon. This company was originally the in-house semiconductor business of German conglomerate Siemens but had struggled to impress investors since being spun out in 2000. However the company has finally severed links with its former loss making memory division and then in the summer it sold its unpredictable wireless products division to Intel. This has left a very stable and profitable business with market leading positions in automotive and power management that we believe is widely unappreciated by investors.

Asia

Asia, by far the smallest portion of the portfolio, was also the weakest performer, rising by only 2% in local currency. Within the Asian segment of the portfolio, we initiated a new holding in Korean technology conglomerate Samsung Electronics. The stock had been a laggard for some time as investors worried about the outlook for its market leading memory semiconductor business and a lack of new products in its mobile handsets division. However we expect that demand for its memory semiconductors will remain strong, driven in part by the success of the emerging tablet market whilst the company is expected to launch new handsets and tablets to build on the success of its top selling Galaxy smartphone.

Outlook

The outlook for equity markets is likely to continue to remain highly correlated to the outlook for the global economy. Whilst confidence in the recovery is building, and this has been reflected in rising bond yields as fixed income investors anticipate the tightening of monetary policy in the second half of 2011, there remain significant challenges to growth in 2011 that could rile investors. Whilst Greece and Ireland have both received bailouts, significant imbalances remain in other Euro zone countries, most notably Spain, and these require tough decisions that cannot be postponed forever.

In addition investors will begin to focus on the unwinding of quantitative easing policies in the US and UK in which government debt held by the respective central banks is either repaid in full or rolled over. The latter could represent a permanent monetizing of the debt which may push interest rates appreciably higher if bond investors perceive that the value of their holdings will be eroded by inflation created by an out of control money supply. Even without this, inflationary pressures, especially in emerging markets, could prove a challenge as rising commodity prices and increasing production costs in the Far East lift price levels higher.

Despite our macroeconomic concerns, which impact the entire equity market and appear to be reflected in valuations, we continue to see many reasons to be optimistic about the outlook for the Fund and the technology sector as a whole in 2011. The secular trends such as smartphones and utility computing that supported growth in 2010 will continue to provide investment opportunities into the future as we remain early in the cycle of their adoption and development. Over the next five years, we expect an additional one billion people will join the online community, with another 15 billion devices including tablets, smart TV's and other embedded devices being connected to the internet. Additionally the last two years have seen substantial under investment in capacity in many parts of the sector and this will likely create a positive backdrop for pricing and margins for many businesses. Whilst valuations have risen and are no longer as compelling as at the distressed levels reached at recent times of economic crisis, they are still attractive by any historical metric.

Consequently we anticipate that the equity market will continue to reward companies, such as those in the technology sectors, that can demonstrate above average earnings growth and which are characterized by above average pricing power, high barriers to entry and prodigious free cash flow generation.

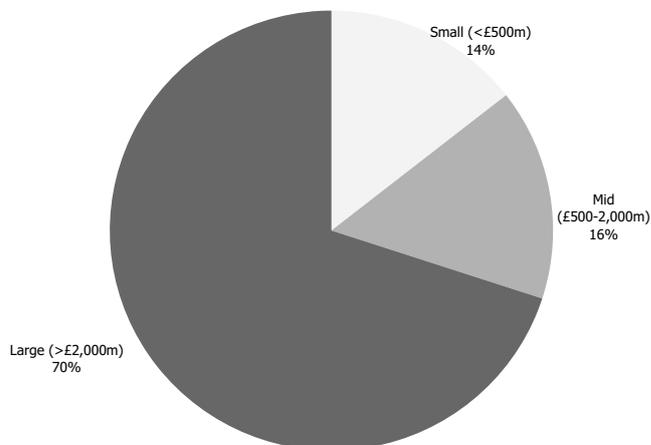
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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2010 *continued*

Portfolio Weightings

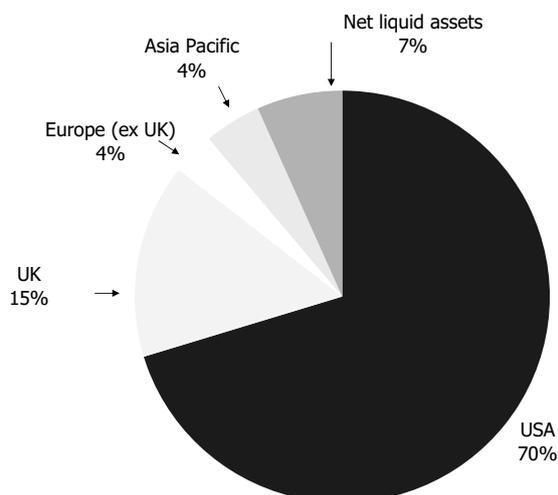
BREAKDOWN BY MARKET CAP

	31/12/10	31/12/09
Small Cap (<£0.5bn)	14.4%	16.7%
Mid Cap (£0.5bn-2.0bn)	15.6%	10.7%
Large Cap (>£2.0bn)	70.0%	72.6%
	100.0%	100.00%



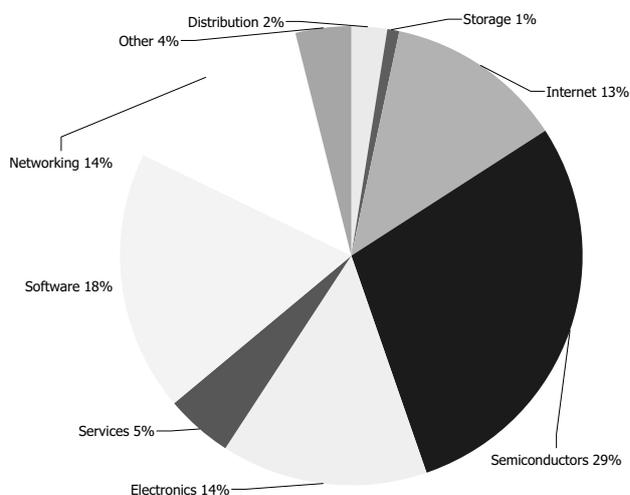
GEOGRAPHIC BREAKDOWN

	31/12/10	31/12/09
USA	70%	61%
UK	15%	28%
Europe (ex UK)	4%	3%
Asia Pacific	4%	1%
Net Liquid Assets	7%	7%
	100.0%	100.0%



SECTOR BREAKDOWN

	31/12/10	31/12/09
Distribution	2%	4%
Storage	1%	0%
Media	0%	3%
Internet	13%	12%
Semiconductors	29%	33%
Electronics	14%	15%
Services	5%	2%
Software	18%	10%
Networking	14%	15%
Other	4%	6%
	100.0%	100.0%



Source: Herald Investment Management Limited.
Date: January 2011

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DIRECTORS' REPORT for the year ended 31 December 2010

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2010.

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

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 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 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.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.

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.

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

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DIRECTORS' REPORT for the year ended 31 December 2010 *continued*

Internal Control and Risk Management Systems *continued*

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 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.

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DIRECTORS' REPORT for the year ended 31 December 2010 *continued*

Principal Activities and Future Developments *continued*

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.

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 page 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

18 February 2011

HERALD INVESTMENT FUND PLC
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CUSTODIAN'S REPORT 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 2010, 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, 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
40 Mespil Road,
Dublin 4,
Ireland

18 February 2011

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 2010 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.

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.

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 of the Company's affairs at 31 December 2010 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).

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

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

Opinion *continued*

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.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

18 February 2011

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2010

	Note	Year ended 31 December 2010 GBP	Year ended 31 December 2009 GBP
Income			
Operating income	3	154,910	158,025
Net gains on financial assets and liabilities at fair value through profit or loss	4	4,195,015	3,726,051
Total investment income		<u>4,349,925</u>	<u>3,884,076</u>
Operating expenses	5	(228,642)	(203,132)
Net income		4,121,283	3,680,944
Finance costs			
Interest expense		-	(30,893)
Profit for the year before tax		<u>4,121,283</u>	<u>3,650,051</u>
Non-reclaimable withholding tax		(25,276)	(18,936)
Profit for the year after tax		<u>4,096,007</u>	<u>3,631,115</u>
Increase in net assets attributable to holders of redeemable participating shares at bid prices		4,096,007	3,631,115
Adjustment from bid to last traded prices		3,745	(19,953)
Increase in net assets attributable to holders of redeemable participating shares from operations at last traded prices		<u><u>4,099,752</u></u>	<u><u>3,611,162</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

Alan Jeffers

Adrian Waters

18 February 2011

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 31 December 2010

	Note	As at 31 December 2010 GBP	As at 31 December 2009 GBP
ASSETS			
Cash and bank balances	6	161,806	773,835
Debtors		95,335	16,652
Financial assets at fair value through profit or loss		16,142,852	9,685,425
TOTAL ASSETS		<u>16,399,993</u>	<u>10,475,912</u>
LIABILITIES			
Creditors - amounts falling due within one year		(92,719)	(49,088)
Net assets attributable to holders of redeemable participating shares at bid prices		<u>16,307,274</u>	<u>10,426,824</u>
Adjustment from bid to last traded prices		18,528	14,783
Net assets attributable to holders of redeemable participating shares at last traded prices		<u><u>16,325,802</u></u>	<u><u>10,441,607</u></u>

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

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

18 February 2011

**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 2010**

	Year ended 31 December 2010 GBP	Year ended 31 December 2009 GBP
Net assets attributable to holders of redeemable participating shares at beginning of year	10,441,607	6,986,454
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	4,099,752	3,611,162
Amounts received on issue of redeemable participating shares	2,187,146	55,150
Amounts paid on redemption of redeemable participating shares	(402,703)	(211,159)
Increase/(decrease) in net assets resulting from share transactions	1,784,443	(156,009)
Net increase in shareholders' funds	5,884,195	3,455,153
Net assets attributable to holders of redeemable participating shares at end of year	16,325,802	10,441,607

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 2010

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.

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.

(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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *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. 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.

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 bid market price, or last traded market price if bid prices are unavailable, 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.

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 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.

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

1. Significant Accounting Policies *continued*

g) Foreign Exchange *continued*

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 2010	As at 31 December 2009
Euro	1.1671	1.1255
Korean Won	1,776.8565	1,880.4529
US Dollars	1.5657	1.6149
Israeli Shekel	5.5448	6.1170

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 2010, 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.

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 fair value or 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

2. Financial Risk Management *continued*

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) 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 29 to 31. 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. 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 Central Bank of Ireland. 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 2010 the fund returned +36.2% (2009: +52.1%) while the USD denominated MSCI World IT Index, a global technology index, returned +13.3% in sterling terms (2009: +36.2%). Based on the NAV of the Fund as at 31 December 2010, and this historic one-year sensitivity analysis, if the MSCI World IT Index increased by 10% in sterling terms, the Fund would increase by 27.2% (2009: increase by 14.39%), resulting in a gain of GBP4,443,564 (gain of GBP1,502,784 based on 31 December 2009 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 2010 or 31 December 2009. 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

2. Financial Risk Management *continued*

(iii) Foreign Currency Risk *continued*

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 2010

Financial Assets	EUR	KRW	USD
Non-monetary assets			
Financial assets held at fair value through profit or loss	579,602	705,684	11,451,365

31 December 2009

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

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 2010, 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 2010 or 31 December 2009.

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.

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 and equities 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.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

2. Financial Risk Management *continued*

B. Credit Risk *continued*

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 BBB+ 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 2010 or 31 December 2009.

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 2010 and 31 December 2009 are repayable within one month.

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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

2. Financial Risk Management *continued*

C. Liquidity Risk *continued*

Fair Value Disclosure *continued*

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 2010 in valuing the Fund's assets and liabilities:

31 December 2010

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	14,349,288	-	-	14,349,288
Debt securities	-	1,189,814	-	1,189,814
Exchange traded investment funds	603,750	-	-	603,750
TOTAL ASSETS	14,953,038	1,189,814	-	16,142,852

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 with Level 1, include active listed equities and exchange traded 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 2010 GBP	Year ended 31 December 2009 GBP
Interest income	49,230	68,845
Dividend income	105,680	89,180
	<u>154,910</u>	<u>158,025</u>

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

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

	Year ended 31 December 2010 GBP	Year ended 31 December 2009 GBP
Realised gains on sale of investments	3,141,424	467,176
Net currency (losses)/gains	(40,691)	834
Net change in unrealised appreciation on investments	1,094,282	3,258,041
	4,195,015	3,726,051
	4,195,015	3,726,051

5. Operating Expenses

	Year ended 31 December 2010 GBP	Year ended 31 December 2009 GBP
Administration fees	68,153	62,738
Auditors' fees	16,750	17,306
Custody fees	3,803	1,584
Directors' fees	26,999	27,228
Investment management fees	101,290	62,424
Other expenses	11,647	31,852
	228,642	203,132
	228,642	203,132

6. Cash and Bank Balances

	As at 31 December 2010 GBP	As at 31 December 2009 GBP
Governor and Company of the Bank of Ireland	161,806	773,835
	161,806	773,835

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 2010, 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 2010	Year ended 31 December 2009	Year ended 31 December 2008
Number of Class A shares issued and fully paid			
Balance at beginning of year	698,864	711,579	785,989
Issued during year	22,378	5,000	10,800
Redeemed during year	(19,474)	(17,715)	(85,210)
	701,768	698,864	711,579
	701,768	698,864	711,579

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

7. Share Capital *continued*

Shares in Issue	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Number of Class B shares issued and fully paid			
Balance at beginning of year	-	-	-
Issued during year	174,577	-	-
Redeemed during year	(5,993)	-	-
Total number of Class B shares in issue at end of year	168,584	-	-

As at 31 December 2010, one shareholder held 33.1% of the issued capital of the Company (31 December 2009: 41.2%).

8. Net Asset Value

	As at 31 December 2010 GBP	As at 31 December 2009 GBP	As at 31 December 2008 GBP
Net asset value Class A share	14,235,210	10,441,607	6,986,454
Net asset value Class B share	2,090,592	-	-
Net asset value per Class A share	20.28	14.94	9.82
Net asset value per Class B share	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 GBP12,532 were payable at 31 December 2010 (31 December 2009: GBP7,156).

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 class A share this financial year was GBP14.94 and the closing GBP20.28 and the opening NAV per class B share this financial year was GBPnil and the closing GBP12.40. 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 on Class A shares this year. The Class B shares were issued during the year at a price of £10 per share. As no performance fee was payable on the Class A shares, the Investment Manager has waived any performance fee payable on the Class B shares for this year end.

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 GBP10,256 were payable at 31 December 2010 (31 December 2009: GBP5,096).

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 GBP1,417 were payable at 31 December 2010 (31 December 2009: GBP887).

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

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 2010, the number of shares held was 89,321.75 (31 December 2009: 89,321.75).

Directors' Interests in Shares and Contracts

	31 December 2010 Shares	31 December 2009 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 2010 the fair value of this investment was GBP 603,750 (2009: 421.875)

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.

HERALD INVESTMENT FUND PLC
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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010 *continued*

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 2010	Year ending 31 December 2009
Statutory audit of Company accounts	15,950	15,950
Other Assurance Services	-	-
Tax Advisory Services	11,700	-
Other non-audit services	-	-
	<hr/>	<hr/>
	27,650	15,950
	<hr/> <hr/>	<hr/> <hr/>

The remuneration above is quoted in EUR and is exclusive of VAT.

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 2010 or 31 December 2009.

15. 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 2010.

16. Approval of Financial Statements

The Financial Statements were approved by the board on 18 February 2011.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

SCHEDULE OF INVESTMENTS as at 31 December 2010

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
BONDS			
UNITED KINGDOM - 7.29% (5.28%)			
<i>CORPORATE BONDS - 1.64% (2.42%)</i>			
250,000	WPP Plc 6% 04/04/2017	267,921	1.64
<i>GOVERNMENT BONDS - 5.65% (2.86%)</i>			
900,000	United Kingdom Gilt 3.25% 07/12/2011	921,893	5.65
UNITED KINGDOM - TOTAL		1,189,814	7.29
TOTAL BONDS		1,189,814	7.29
EQUITIES			
BERMUDA - 2.26% (0.00%)			
<i>SEMICONDUCTORS - 2.26% (0.00%)</i>			
31,200	Marvell Technology Group Ltd Com USD0.002	369,462	2.26
BERMUDA - TOTAL		369,462	2.26
GERMANY - 3.55% (1.56%)			
<i>INTERNET - 1.27% (1.56%)</i>			
20,000	United Internet AG Com NPV	207,617	1.27
<i>SEMICONDUCTORS - 2.28% (0.00%)</i>			
62,000	Infineon Technologies AG Com NPV	371,984	2.28
GERMANY - TOTAL		579,601	3.55
IRELAND - 2.30% (0.00%)			
<i>COMPUTERS - 2.30% (0.00%)</i>			
12,100	Accenture Plc Class 'A' Com USD0.0000225	374,596	2.30
IRELAND - TOTAL		374,596	2.30
ISRAEL - 4.59% (0.00%)			
<i>SOFTWARE - 2.13% (0.00%)</i>			
11,800	Check Point Software Technologies Ltd Com ILS0.01	348,502	2.13
<i>TELECOMMUNICATIONS- 2.46% (0.00%)</i>			
18,000	Nice Systems Ltd ADR NPV	401,239	2.46
ISRAEL - TOTAL		749,741	4.59
NETHERLANDS - 0.00% (1.51%)			
REPUBLIC OF SOUTH KOREA- 4.32% (1.36%)			
<i>ELECTRICAL COMPONENTS & EQUIPMENT - 0.89% (1.36%)</i>			
2,200	LG Electronics Inc Com KRW5000.00	145,482	0.89
<i>SEMICONDUCTORS - 3.43% (0.00%)</i>			
1,050	Samsung Electronics Co Ltd Com KRW5000.00	560,203	3.43
REPUBLIC OF SOUTH KOREA - TOTAL		705,685	4.32
UNITED KINGDOM - 13.57% (22.26%)			
<i>INVESTMENT FUNDS - 3.70% (4.04%)</i>			
125,000	Herald Investment Trust Ord GBP0.25	603,750	3.70
<i>COMPUTERS - 2.01% (3.17%)</i>			
125,000	Phoenix IT Group Ltd Com GBP0.01	329,063	2.01

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

SCHEDULE OF INVESTMENTS as at 31 December 2010 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
UNITED KINGDOM <i>continued</i>			
<i>ELECTRONICS - 0.00% (0.95%)</i>			
		-	-
<i>INTERNET - 2.28% (1.21%)</i>			
437,500	Ebiquity Plc Com GBP0.25	371,875	2.28
<i>MEDIA - 0.50% (0.00%)</i>			
340,000	Timeweave Plc Com GBP0.03	81,600	0.50
<i>SEMICONDUCTORS - 3.82% (12.01%)</i>			
84,000	ARM Holdings Plc Com GBP0.0005	355,572	2.18
74,655	Imagination Technologies Group Plc Com GBP0.10	267,787	1.64
<i>SOFTWARE - 0.00% (0.88%)</i>			
		-	-
<i>TELECOMMUNICATIONS - 1.27% (0.00%)</i>			
44,000	Telecity Group Plc Com GBP0.002	206,976	1.27
UNITED KINGDOM - TOTAL		2,216,623	13.57
UNITED STATES - 60.99% (60.79%)			
<i>COMMERCIAL SERVICES - 1.02% (1.85%)</i>			
16,450	SAIC Inc Com USD0.0001	166,638	1.02
<i>COMPUTERS - 8.17% (7.70%)</i>			
2,600	Apple Inc Com NPV	535,444	3.28
45,000	Brocade Communications Systems Inc Com USD0.001	152,045	0.93
50,000	Cadence Design Systems Inc Com USD0.01	263,788	1.62
14,200	Hewlett-Packard Co Com USD0.01	381,835	2.34
<i>ELECTRONICS - 6.41% (9.31%)</i>			
17,000	Arrow Electronics Inc Com USD1.00	371,890	2.28
22,000	Flir Systems Inc Com USD0.01	418,037	2.56
20,000	Jabil Circuit Inc Com USD0.001	256,635	1.57
<i>INTERNET - 9.35% (12.76%)</i>			
6,000	F5 Networks Inc Com NPV	498,809	3.06
1,350	Google Inc Class 'A' Com USD0.001	512,080	3.14
47,100	Support.com Inc Com USD0.0001	194,940	1.19
30,000	Symantec Corp Com USD0.01	320,761	1.96
<i>SEMICONDUCTORS - 12.77% (15.67%)</i>			
13,300	Analog Devices Inc Com USD0.17	320,002	1.96
38,000	Intel Corp Com USD0.001	510,421	3.13
32,000	Microchip Technology Inc Com USD0.001	699,824	4.29
60,600	PMC - Sierra Inc Com USD0.001	332,097	2.03
12,000	Xilinx Inc Com USD0.01	222,195	1.36
<i>SOFTWARE - 10.52% (8.73%)</i>			
21,000	Microsoft Corp Com USD0.00000625	374,222	2.29
10,200	Monotype Imaging Holdings Inc Com USD0.001	72,315	0.44
25,700	Oracle Corp Com USD0.01	513,294	3.14
24,000	Parametric Technology Corp Com USD0.01	345,518	2.12
17,600	Pegasystems Inc Com USD0.01	411,658	2.52
<i>TELECOMMUNICATIONS - 12.76% (4.77%)</i>			
18,000	Cisco Systems Inc Com USD0.001	232,351	1.42
37,600	Corning Inc Com USD0.50	463,981	2.84
190,000	MRV Communications Inc Com USD0.0017	214,799	1.32

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2010 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
UNITED STATES <i>continued</i>			
UNITED STATES - TOTAL		9,957,330	60.99
TOTAL EQUITIES		14,953,038	91.59
TOTAL VALUE OF INVESTMENTS		16,142,852	98.88
CASH*		161,806	0.99
OTHER NET LIABILITIES		2,616	0.02
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT BID PRICES		16,307,274	99.89
Adjustment from bid market prices to last traded prices		18,528	0.11
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT LAST TRADED PRICES		16,352,802	100.00
 Analysis of Total Net Assets			
			% of Fund
Transferable securities admitted to an official stock exchange listing or traded on a regulated market.			98.88
Other Net Assets.			1.12
			100.00

Percentages in brackets represent the prior year comparative amounts.

*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
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SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the year ended 31 December 2010

MAJOR PURCHASES		VALUE GBP
1,650,000	United Kingdom Gilt 3.25% 07/12/2011	1,709,228
600,000	United Kingdom Gilt 6.25% 25/11/2010	612,912
1,050	Samsung Electronics Co Ltd Com KRW5000.00	466,809
13,800	Research in Motion Ltd NPV	423,981
14,200	Hewlett-Packard Co Com USD0.01	410,354
37,600	Corning Inc Com USD0.50	402,419
25,700	Oracle Corp Com USD0.01	402,355
1,350	Google Inc Class 'A' Com USD0.001	399,184
18,000	Nice Systems Ltd ADR NPV	367,637
17,600	Pegasystems Inc Com USD0.01	366,058
12,100	Accenture Plc Class 'A' Com USD0.0000225	360,164
31,200	Marvell Technology Group Ltd Com USD0.002	323,301
30,000	Symantec Corp Com USD0.01	317,880
123,500	Art Technology Group Inc Com USD0.01	305,350
24,000	Parametric Technology Corp Com USD0.01	299,274
11,800	Check Point Software Technologies Ltd Com ILS0.01	297,899
62,000	Infineon Technologies AG Com NPV	287,815
60,600	PMC - Sierra Inc Com USD0.001	284,574
16,800	Atheros Communications Inc Com USD0.0005	275,454
11,300	Qualcomm Inc Com USD0.0001	264,908

MAJOR SALES		VALUE GBP
291,127	Imagination Technologies Group Plc Com GBP0.10	917,909
750,000	United Kingdom Gilt 3.25% 07/12/2011	774,997
15,500	F5 Networks Inc Com NPV	773,492
20,000	Citrix Systems Inc Com USD0.001	717,704
600,000	United Kingdom Gilt 6.25% 25/11/2010	609,410
123,500	Art Technology Group Inc Com USD0.01	466,772
2,600	Apple Inc Com NPV	443,542
126,000	ARM Holdings Plc Com GBP0.0005	385,818
30,000	Websense Inc Com USD0.005	375,460
16,800	Atheros Communications Inc Com USD0.0005	357,657
250,000	Vodafone Group Plc 8.125% 26/11/2010	316,808
50,000	MIPS Technologies Inc Com USD0.001	286,629
13,000	Netease.com ADR USD0.0001	281,908
7,000	SanDisk Corp Com USD0.001	172,632
18,000	Cypress Semiconductor Corp Com USD0.01	166,085
31,700	ON Semiconductor Corp Com USD0.01	157,673
10,000	ASM International NV Com EUR0.04	153,705
300,000	Avesco Group Ltd Com GBP0.10	148,499
10,000	Cisco Systems Inc Com USD0.001	136,162
75,000	Acal Plc Com GBP0.05	123,378