

HERALD INVESTMENT FUND plc
– The Herald Worldwide Fund

INTERIM REPORT &
UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2013

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

INTERIM REPORT for the six months ended 30 June 2013

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HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

ORGANISATION

REGISTERED OFFICE OF THE COMPANY

Chartered Corporate Services
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

INVESTMENT MANAGER

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

ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT

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

Registered Office

Georges Court
54-62 Townsend Street
Dublin 2
Ireland

CUSTODIAN

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

DIRECTORS OF THE COMPANY

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

* Independent Directors

SECRETARY

Chartered Corporate Services
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

SPONSORING BROKER

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

LEGAL ADVISOR

In Ireland
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISOR

In England
MacFarlanes
20 Cursitor Street
London EC4A 1LT
England

Registered No: 280256

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

DESCRIPTION

Herald Investment Fund plc (the “Company”), is an open-ended investment company with variable capital organised under the laws of Ireland as a public limited company pursuant to the Companies Act, 1963 to 2012, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) (the “Regulations”). It was incorporated on 12 February 1998 and is listed on the Irish Stock Exchange.

The Company is organised in the form of an umbrella fund with segregated liability. The Articles of Association provide that the Company may offer separate classes of shares, each representing interests in a fund comprising a distinct portfolio of investments. The Company has obtained the approval of the Central Bank of Ireland for the establishment of the Herald Worldwide Fund (the “Fund”) and this Fund was launched on 3 April 1998.

INVESTMENT OBJECTIVE AND POLICY

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

MEETING INVESTMENT OBJECTIVE

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

- Equity shares, convertible shares, debt securities, ARIN’s, depository receipts and investment companies held in accordance with the Fund’s investment objective and policies;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations.

PRICES

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

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

DEALING

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

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

Applications for redeemable participating shares and purchase orders must be received by the Administrator by 5.00pm (Irish time) on the business day preceding any dealing day. Applications received after 5.00pm (Irish time) will be dealt with on the next succeeding dealing day.

Applications should be made to the Administrator:

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

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

DIVIDENDS

The Fund may declare a distribution in April of each year in an amount not less than 85 per cent of the Fund's net income, where sufficient net income is available for distribution. No distribution was declared in April 2013.

MINIMUM SUBSCRIPTION

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

INVESTMENT MANAGEMENT

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

NET ASSET VALUE

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

PUBLISHED INFORMATION

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

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

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2013

The defined remit for the Fund is to invest globally in information technology, communications and multi-media. The Investment Manager believes this area of the economy offers growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial asset value per Class A share of £10.00. At the end of the period the net asset value per Class A share was £21.93. On the 9th June 2010, a Class B share was launched with an initial net asset value per share of £10.00. At the end of the period the net asset value per Class B share was £13.34.

Capital performance* for the six months to 30 June 2013

Herald Worldwide Fund NAV (Class A)	7.0%
Herald Worldwide Fund NAV (Class B)	7.0%

Global*

MSCI World Information Technology	12.5%
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United States

Russell 1000 (Large Cap) Technology	10.9%
Russell 2000 (Small Cap) Technology	23.3%
S&P 500	20.2%
Russell 2000 Small Cap	22.9%

United Kingdom*

FTSE Information Technology	8.6%
FTSE Techmark Focus 100	9.1%
FTSE 100	5.4%
FTSE Small Cap	11.6%

Europe*

FTSE Eurotop 300	9.8%
Deutsche Bourse Technology All Share	16.9%
DAX	10.1%
CAC 40	8.1%

Asia Pacific*

KOSDAQ	4.2%
Nikkei 225	22.7%
Hang Seng	-2.0%

*All returns are in GBP.

Source: Herald Investment Management Limited, Bloomberg.

Market Summary

Through the financial crisis we were constantly reassured from interaction with streams of management teams that trading was sound, and profits generally growing for all but a short period after Lehman's. It was easy to remain fully invested and ride out the storm. Stock markets are now in better heart, and there is much talk about economic growth in the US and even green shoots in the UK. We fear the environment for profits is, however, more uncertain, and the early part of the results season has confirmed our fears that profit expectations are generally too high. There are three apparent factors constraining profits.

Firstly, in the depths of the financial crisis expectations were rebased lower, and cost control was the order of the day. Negligible pay rises and even cuts were accepted by work forces grateful for employment. Now the talk is of skill shortages. Pay rises are still relatively modest in the developed world, but there is upward pressure. In the less developed world, the important markets of India and China are seeing high wage growth. Other costs have been contained and earnings have grown faster than sales. In a low-growth, knowledge world it takes investment to grow the top line. In technology this means new products. New products are not born of investment as described in economic terms i.e. the capital investment associated with building factories and buying plant, but by development spend, and through training staff. This is an unavoidable cost for many companies, and the skill shortages that we hear so much about reflect underinvestment in the last few years. This seems bound to dampen profits growth.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2013 *continued*

Market Summary *continued*

Secondly, there are economic headwinds as governments try to reduce fiscal deficits. This is directly adversely impacting government demand in industries such as defence, but it is constraining investment on a broader front. Companies dependent on demand from capital expenditure decisions for growth are finding it a challenge to meet numbers. There remains demand for cost-saving measures. The low cost of capital is helpful in this respect. Asia in particular is being cited as an area of weakness. The problems in Europe have been more prolonged and recognised, but Asia's challenges are becoming more apparent. In particular the aggregate balance sheet of China's banks, and the additional borrowing from consumer bonds, which is China's version of shadow banking, will take time to unwind. It is only in the US that shale gas, and the enviable scale of deleveraging of both the banking sector and consumers, provide reasonable foundations for recovery.

Thirdly, the financial crisis coincided with the emergence of major new markets, the mobile internet and social media, which fuelled a boom across the sector. This smart phone market continues to grow in volume terms, but the premium priced market (>\$400/phone) is pressured for two reasons. The rich market has been penetrated, and the availability of Android has enabled clones at much lower prices with much of the functionality. Furthermore the market share disruptions have damaged, probably irreparably, players such as RIM and Nokia, and pressured the supply chain. In the last twelve months the PC market has been reeling from the market share gains of tablets. Simultaneously there was a "green" boom as developed and emerging economies alike raced to reduce power consumption, and develop renewable sources of energy. The government subsidies have retreated, shale has reduced gas prices in the US to change the equations there, and the economic slowdown has reduced commodity prices and therefore the pressure for alternatives.

An additional negative is that generalists have been attracted to the low multiples of some of the large technology players, but earnings are overstated to the extent that profits of many of the large US corporates have been made overseas, and profits are not available to shareholders for dividends or buy backs without 35% federal tax and state tax. This is understating p/e multiples, and is increasingly recognised by the media discussion about tax avoidance, with TMT companies centre stage.

With these factors weighing heavily on profits, the rise in share prices reflects a p/e expansion from 11.4x 2014 earnings at 31/12/2012 to 13.1x 2014 earnings at 30/6/2013. Is this justified and can it go further? What will be the next megatrends, if any?

Firstly markets are good at looking across the valley, secondly, as we have long argued, multiples and cash generation in the sector makes valuations appear low relative to bonds. Clearly there has been some rotation back into equities, and the divergence seems bound to narrow. I will address future market growth having discussed the first half returns.

United States

The US portfolio accounts for the majority of the fund (68% at 30/6/2013) and grew by 13.3% (in sterling terms) versus 10.9% growth in the Russell 1000 technology index. In \$ Apple fell 25%. The fund acquired (split-adjusted) 40,000 Apple shares in November 2003. Although this has been reduced by over 90% it remains a significant holding, albeit less than the Apple weighting in technology indices. If Apple were only about phones we would have reduced the holding more. We continue to believe that it has developed a compelling ecosystem, and are a little disappointed that there has not been a major new product launch. Samsung's Galaxy has been the main contender in the smartphone market, and appears more vulnerable to loss of margin and market share because of its use of the readily available Android system. Arguably Google's gift to the world has moved the mass market to China, but should see Apple better placed to defend the top end.

A broad range of holdings have contributed positive returns. Western Digital (+46% in \$) and Micron (+52% in \$) are worth mentioning because they are relatively recent additions to the portfolio and share a history of poor profitability in fiercely competitive markets. The markets which they supply (hard drives and DRAM/NAND memory semiconductors) may have rationalised to a point where there is at last pricing power. Yelp has appreciated by 56%.

United Kingdom

The UK portfolio fell by 10.3%, which is a derisory return. The UK weighting is also high for a global fund so this has adversely affected the fund's overall return. IQE (-36%), Imagination (-27%) and Wolfson (-20%) have been the culprits. IQE has been negatively impacted in sentiment terms because there are fears that the important mobile phone power amplifier will migrate from compound III-V semiconductors, for which they supply GaAs wafers, to silicon. They have become world leaders following two US acquisitions. The shares have rallied usefully in July with the realisation that the market is still there now.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2013 *continued*

Market Summary *continued*

United Kingdom *continued*

Imagination has drifted with its association with Apple, and legitimate concerns that Arm's Mali product is becoming an effective competitor. Imagination increased R&D spend by 40.8% to 55% of revenues. This exceeded the growth in gross profit 22.6% and led to a decline in profits. This could be seen as panic spend because its core market is becoming challenged, but on balance the company's immense ambitions should be lauded. The MIPS acquisition makes huge sense, and was made on reasonable terms. It is interesting to observe that Apple and Google have an intertwined history, and have become arch competitors. Similarly Arm and Imagination have an intertwined history, and are becoming arch competitors. The evident roadmap is that each will supply an integrated graphics and application processor. Four directors of Imagination have recently acquired shares.

Europe

The Europe (ex UK) portion of the portfolio grew by 17.0% (in sterling terms). United Internet, a long held German position, was usefully rerated leading to the strong European performance, but the European weighting is modest.

Asia

The Asian portion of the Fund fell by 3.8% (in sterling). Samsung led the decline reflecting the pressures in the smart phone market.

The Positives

The sector has many very cash generative companies because market position delivers pricing power, particularly in the US. Even with little growth investment can be justified on cash flow projections. The sector has value trap because losing share can see low p/e multiples become corporate casualties. The challenge is to identify the sustainable mature companies, and there are many.

New markets often proliferate suppliers, and it takes time for leaders to emerge. There are often rich pickings when the leader pulls away from the pack. The semiconductor industry has been slow to rationalise because successive governments have subsidised investment. The cost is now so high that new players are not visible on the horizon. The leaders should now have a field day.

This year it is hard to identify a megatrend which will raise many boats in the way that the PC and the mobile phone did in the 1980s, networking did in the 1990s, the internet did in 2000, and the mobile internet has in the last three years. Nevertheless the pervasiveness of the internet continues, and the next wave will not be the internet of computers, phones or tablets but of devices. We shall all have data packages with mobile operators with multiple SIMs. Parking lots and airline seats will have IP addresses. Cars will become electric but it is two or three years away. Wind power will become important particularly in the UK when a scalable method of storing energy is established.

The sector targeted by this fund continues to have the appeal that it serves every market, government, the consumer and the enterprise for both revenue expense and capital investment, and every geography. The supply chain is global and benefits from the low manufacturing costs in emerging markets, and from the innovation and corporate governance of the developed world.

Outlook

Whilst profit growth is falling short of expectations this year, valuations are not overly demanding. We continue to enjoy the sector and remain advocates for its long term relative performance versus other asset classes.

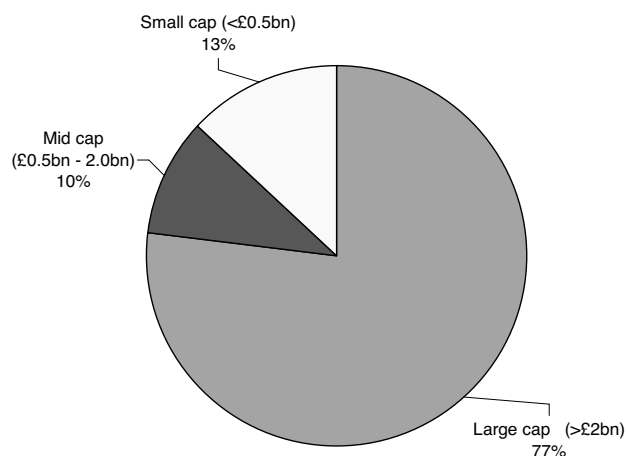
HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2013 *continued*

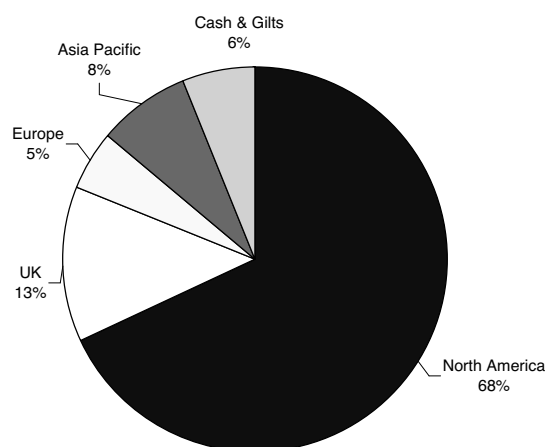
BREAKDOWN BY MARKET CAP

	30/06/2013	31/12/2012
Large cap (>£2bn)	77%	70%
Mid cap (£0.5bn - 2bn)	10%	14%
Small cap (<£0.5bn)	13%	16%
	<u>100%</u>	<u>100%</u>



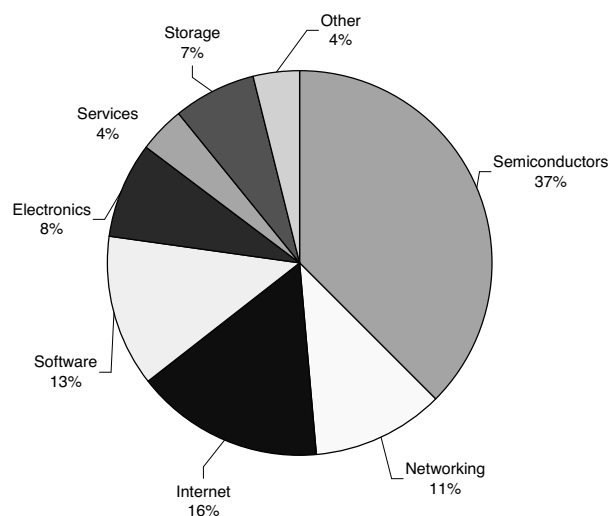
GEOGRAPHIC BREAKDOWN

	30/06/2013	31/12/2012
North America	68%	67%
UK	13%	14%
Europe	5%	2%
Asia Pacific	8%	9%
Cash & Gilts	6%	8%
	<u>100%</u>	<u>100%</u>



SECTOR BREAKDOWN

	30/06/2013	31/12/2012
Semiconductors	37%	36%
Internet	16%	13%
Software	13%	11%
Networking	11%	16%
Electronics	8%	10%
Storage	7%	5%
Services	4%	5%
Other	4%	4%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited
Date: June 2013

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 GBP	Six months ended 30 June 2012 GBP	Year ended 31 December 2012 GBP
Income				
Operating income		96,388	92,022	176,068
Net gains on financial assets and liabilities at fair value through profit or loss		1,257,738	958,143	1,372,879
Total investment income		<u>1,354,126</u>	<u>1,050,165</u>	<u>1,548,947</u>
Operating expenses	6	(158,792)	(141,751)	(327,772)
Expense reimbursement from investment manager	6	5,679	-	42,659
Profit for the year before tax		<u>1,201,013</u>	<u>908,414</u>	<u>1,263,834</u>
Non-reclaimable withholding tax		(19,042)	(25,872)	(48,332)
Increase in net assets attributable to holders of redeemable participating shares at bid prices		<u>1,181,971</u>	<u>882,542</u>	<u>1,215,502</u>
Adjustment from bid to last traded prices		(11,460)	(15,044)	(8,545)
Increase in net assets attributable to holders of redeemable participating shares from operations at last traded prices		<u><u>1,170,511</u></u>	<u><u>867,498</u></u>	<u><u>1,206,957</u></u>

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

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

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 30 June 2013

	Note	As at 30 June 2013 GBP	As at 31 December 2012 GBP
ASSETS			
Cash and bank balances	5	1,159,759	1,500,889
Debtors		17,205	56,936
Financial assets at fair value through profit or loss		16,973,195	15,337,487
TOTAL ASSETS		<u>18,150,159</u>	<u>16,895,312</u>
LIABILITIES			
Creditors - amounts falling due within one year		(259,149)	(80,330)
Net assets attributable to holders of redeemable participating shares at bid prices		17,891,010	16,814,982
Adjustment from bid to last traded prices		532	11,992
Net assets attributable to holders of redeemable participating shares at last traded prices	2	<u>17,891,542</u>	<u>16,826,974</u>

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares
for the six months ended 30 June 2013**

	Six months ended 30 June 2013 GBP	Six months ended 30 June 2012 GBP	Year ended 31 December 2012 GBP
Net assets attributable to holders of redeemable participating shares at beginning of period/year	16,826,974	14,357,840	14,357,840
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	1,170,511	867,498	1,206,957
Amounts received on issue of redeemable participating shares	121,450	620,905	2,277,673
Amounts paid on redemption of redeemable participating shares	(227,393)	(616,947)	(1,015,496)
(Decrease)/increase in net assets resulting from share transactions	(105,943)	3,958	1,262,177
Net increase in shareholders' funds	1,064,568	871,456	2,469,134
Net assets attributable to holders of redeemable participating shares at end of period/year	17,891,542	15,229,296	16,826,974

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

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2013

1. Significant Accounting Policies

Basis of preparation

These condensed interim financial statements have been prepared in accordance with the Accounting Standards Board (“ASB”) Statement: Half Yearly Financial Reports and with Companies Acts 1963 to 2012 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended). These financial statements fully comply with the statement. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with accounting standards generally accepted in Ireland. Accounting standards generally accepted in Ireland are those published by the Institute of Chartered Accountants in Ireland and issued by the Financial Reporting Council.

The format and certain wording of the financial statements has been adapted from that contained in the Companies (Amendment) Act 1986 and FRS 3 “Reporting Financial Performance” so that in the opinion of the Directors, it more appropriately reflects the nature of the Company’s business as an investment company.

The Company has availed of the exemption available to open-ended investment funds under FRS 1 not to prepare a cash flow statement.

2. Net Asset Value

	As at 30 June 2013 GBP	As at 30 June 2012 GBP	As at 31 December 2012 GBP
Net asset value Class A share	16,120,885	13,459,907	15,044,302
Net asset value Class B share	1,770,657	1,769,389	1,782,672
Net asset value per Class A share	21.93	20.05	20.50
Net asset value per Class B share	13.34	12.16	12.47

3. 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 30 June 2013, 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 unaudited Financial Statements by way of this note only.

Shares in Issue	Six months ended 30 June 2013	Year ended 31 December 2012
Number of Class A shares issued and fully paid		
Balance at beginning of period	733,695	673,897
Issued during period	3,701	98,075
Redeemed during period	(2,349)	(38,277)
Total number of Class A shares in issue at end of period	<u>735,047</u>	<u>733,695</u>

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2013 *continued*

3. Share Capital *continued*

Shares in Issue	Six months ended 30 June 2013	Year ended 31 December 2012
Number of Class B shares issued and fully paid		
Balance at beginning of period	142,975	140,401
Issued during period	2,824	18,072
Redeemed during period	(13,024)	(15,498)
	<hr/>	<hr/>
Total number of Class B shares in issue at end of period	132,775	142,975
	<hr/> <hr/>	<hr/> <hr/>

4. 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 6.

Herald Investment Management Limited and HIML Holdings Limited both hold investments in Herald Investment Fund plc. At 30 June 2013, the number of shares held was 91,530 (31 December 2012: 91,530).

Directors' Interests in Shares and Contracts

	30 June 2013 Class A Shares	31 December 2012 Class A Shares
William Backhouse and connected persons	12,597.47	12,597.47
David Boyle and connected persons	12,182.21	12,182.21

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

The Company invests in another fund which has the same Investment Manager, the Herald Investment Trust Plc. At 30 June 2013 the fair value of this investment was GBP 682,500 (31 December 2012: 641,250).

Directors' Fees

Directors' fees for the period ended 30 June 2013 were GBP13,218 (30 June 2012: GBP13,376).

5. Cash and Bank Balances

	As at 30 June 2013 GBP	As at 31 December 2012 GBP
Northern Trust Fiduciary Services (Ireland) Limited	1,159,759	1,500,889
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HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2013 *continued*

6. 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 paid to 30 June 2013 were GBP70,903 (30 June 2012: GBP63,628). Fees of GBP21,443 were payable at 30 June 2013 (31 December 2012: GBP21,841). The Investment Manager has voluntarily undertaken to limit the aggregate annual ongoing expenses of each class of the Fund to be no more than 1.70% for the financial year ends 31 December 2012 and 31 December 2013. The expense reimbursement at 30 June 2013 is GBP5,679 (31 December 2012: GBP42,659).

Performance Fee

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV of the Class A Shares, excluding performance fees at the end of the accounting period, exceeds the target net asset value (110% of the previous highest Class A NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Class A Shares over the relevant period. The opening NAV per Class A share this financial year was GBP20.50 and the closing GBP21.93. To date the previous highest NAV per Class A share at a financial year end was reached on 31 December 2012 when the NAV was GBP20.50 per Share. Hence, no performance fee was earned during the period. There is no performance fee payable on the Class B Shares.

Administration Fee

The Administrator will receive a fee of up to 0.12 per cent per annum on the first GBP25 million of the net asset value of the Fund, 0.10 per cent per annum on the next GBP25 million and 0.08 per cent per annum on that portion of the net asset value of the Fund which exceeds GBP50 million, subject to a minimum fee of 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 paid to 30 June 2013 were GBP33,560 (30 June 2012: GBP33,725). Fees of GBP5,063 were payable at 30 June 2013 (31 December 2012: GBP9,807).

Transaction costs

Transaction costs of the Fund were GBP20,684 for period ended 30 June 2013 which are included in Net gains/(losses) on financial assets and liabilities at fair value through profit or loss (31 December 2012: GBP51,998).

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 paid to 30 June 2013 were GBP1,509 (30 June 2012: GBP1,338). Fees of GBP245 were payable at 30 June 2013 (31 December 2012: GBP328).

7. Exchange Rates

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company which is GBP.

	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012
Euro	1.1668	1.2359	1.2329
Korean Won	1,732.1471	1,796.4243	1,740.2197
US Dollars	1.5167	1.5685	1.6255

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2013 *continued*

8. Taxation

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

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

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

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

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

9. Soft Commission Arrangements

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

10. Distributions

There were no distributions declared during the period ended 30 June 2013 (31 December 2012: Nil)

11. Significant events during the period

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

12. Events after the Balance Sheet Date

There have been no events subsequent to the period end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the period ended 30 June 2013.

13. Approval of Financial Statements

The Financial Statements were authorised by the board on 23 August 2013.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2013

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES			
GERMANY: 4.77% (2012: 1.57%)			
<i>INTERNET: 2.08% (2012: 1.57%)</i>			
20,000	United Internet AG Com NPV	372,120	2.08
<i>SOFTWARE: 2.69% (2012: 0.00%)</i>			
10,000	SAP AG Class A Com NPV	481,477	2.69
TOTAL GERMANY		853,597	4.77
ISRAEL: 8.16% (2012: 8.43%)			
<i>SOFTWARE: 8.16% (2012: 8.43%)</i>			
29,000	Check Point Software Technologies Ltd Com USD0.01	949,904	5.31
56,000	Radware Ltd Com ILS0.05	509,158	2.85
TOTAL ISRAEL		1,459,062	8.16
REPUBLIC OF SOUTH KOREA: 2.90% (2012: 6.01%)			
<i>ELECTRICAL COMPONENTS & EQUIPMENT: 0.52% (2012: 0.55%)</i>			
2,200	LG Electronics Inc Com KRW5000.00	92,717	0.52
<i>SEMICONDUCTORS: 2.38% (2012: 5.46%)</i>			
550	Samsung Electronics Co Ltd Com KRW5000.00	426,119	2.38
TOTAL REPUBLIC OF SOUTH KOREA		518,836	2.90
TAIWAN: 6.22% (2012: 3.01%)			
<i>SEMICONDUCTORS: 6.22% (2012: 3.01%)</i>			
195,000	Epistar Corp Com TWD10.00	226,500	1.27
40,000	MediaTek Inc Com TWD10.00	306,663	1.71
48,000	Taiwan Semiconductor Manufacturing Co Ltd ADR NPV	579,785	3.24
TOTAL TAIWAN		1,112,948	6.22
UNITED KINGDOM: 12.88% (2012: 14.15%)			
<i>INVESTMENT FUNDS: 3.81% (2012: 3.81%)</i>			
125,000	Herald Investment Trust Ord GBP0.25	682,500	3.81
<i>COMPUTERS: 1.11% (2012: 1.33%)</i>			
125,000	Phoenix IT Group Ltd Com GBP0.01	199,375	1.11
<i>SEMICONDUCTORS: 6.94% (2012: 7.90%)</i>			
55,000	ARM Holdings PLC Com GBP0.0005	436,975	2.44
110,655	Imagination Technologies Group PLC Com GBP0.10	318,023	1.78
1,230,000	IQÉ PLC Com GBP0.01	221,400	1.24
2,000,000	Toumaz Ltd Com GBP0.0025	104,750	0.59
100,000	Wolfson Microelectronics PLC Com GBP0.001	158,500	0.89
<i>TELECOMMUNICATIONS: 1.02% (2012: 1.11%)</i>			
100,000	Bango PLC Com GBP0.20	182,000	1.02
TOTAL UNITED KINGDOM		2,303,523	12.88
UNITED STATES: 59.94% (2012: 57.98%)			
<i>COMMERCIAL SERVICES: 0.84% (2012: 0.68%)</i>			
16,450	SAIC Inc Com USD0.0001	151,084	0.84

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2013 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES <i>continued</i>			
UNITED STATES: 59.94% (2012: 57.98%) <i>continued</i>			
<i>COMPUTERS: 11.71% (2012: 12.42%)</i>			
3,845	Apple Inc Com NPV	1,004,106	5.61
50,000	Cadence Design Systems Inc Com USD0.01	477,352	2.67
15,700	EMC Corp/MA Com USD0.01	244,501	1.37
9,000	Western Digital Corp Com USD0.01	368,438	2.06
<i>ELECTRONICS: 1.50% (2012: 1.41%)</i>			
20,000	Jabil Circuit Inc Com USD0.001	268,741	1.50
<i>INTERNET: 13.93% (2012: 11.59%)</i>			
2,000	Amazon.com Inc Com USD0.01	366,177	2.05
7,500	F5 Networks Inc Com NPV	340,212	1.90
1,620	Google Inc Class A Com USD0.001	940,331	5.26
1,000	Splunk Inc Com USD0.001	30,566	0.17
47,100	Support.com Inc Com USD0.0001	141,918	0.79
30,000	Symantec Corp Com USD0.01	444,452	2.48
10,000	Yelp Inc Com USD0.000001	229,248	1.28
<i>SEMICONDUCTORS: 23.43% (2012: 18.52%)</i>			
7,000	Altera Corp Com USD0.001	152,258	0.85
84,000	Atmel Corp Com USD0.001	407,068	2.28
7,500	Cavium Inc Com USD0.001	174,903	0.98
38,000	Intel Corp Com USD0.001	606,817	3.39
60,000	LSI Corp Com USD0.01	282,455	1.58
26,000	Micron Technology Inc Com USD0.10	245,652	1.37
36,100	Mindspeed Technologies Inc Com USD0.01	77,117	0.43
80,000	PMC - Sierra Inc Com USD0.001	334,938	1.87
20,200	QUALCOMM Inc Com USD0.0001	813,487	4.55
11,000	Skyworks Solutions Inc Com USD0.25	158,759	0.89
28,000	Teradyne Inc Com USD0.13	324,362	1.81
8,613	Tessera Technologies Inc Com USD0.001	118,119	0.66
19,000	Xilinx Inc Com USD0.01	496,202	2.77
<i>SOFTWARE: 8.53% (2012: 10.57%)</i>			
24,000	Acxiom Corp Com USD0.10	358,884	2.01
20,200	Akamai Technologies Inc Com USD0.01	566,698	3.17
21,000	Microsoft Corp Com USD0.00000625	478,097	2.67
5,600	Pegasystems Inc Com USD0.01	122,287	0.68
<i>TELECOMMUNICATIONS: 0.00% (2012: 2.79%)</i>			
TOTAL UNITED STATES		10,725,229	59.94
TOTAL EQUITIES		16,973,195	94.87

Percentages in brackets represent the prior year comparative amounts.

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

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2013 *continued*

	Value GBP	Fund %
Financial assets at fair value through profit or loss		
Total Value of Investments	16,973,195	94.87
Cash	1,159,759	6.48
Other Net Liabilities	(241,944)	(1.35)
	<hr/>	<hr/>
Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices	17,891,010	100.00
Adjustment from bid to last traded prices	532	-
	<hr/>	<hr/>
Net Assets Attributable to Holders of Redeemable Participating Shares at last traded prices	17,891,542	100.00
	<hr/> <hr/>	<hr/> <hr/>
Analysis of Total Net Assets		% of Total Assets
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market.		93.52
Other Net Assets		6.48
		<hr/>
		100.00
		<hr/> <hr/>

HERALD INVESTMENT FUND PLC**- The Herald Worldwide Fund****SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the six months ended 30 June 2013**

MAJOR PURCHASES*		VALUE GBP
10,000	SAP AG Class A Com NPV	501,741
28,000	Teradyne Inc Com USD0.13	333,351
40,000	MediaTek Inc Com TWD10.00	286,389
195,000	Epistar Corp Com TWD10.00	253,383
7,000	Xilinx Inc Com USD0.01	163,023
26,000	Micron Technology Inc Com USD0.10	161,579
10,000	Yelp Inc Com USD0.000001	144,098
2,000,000	Toumaz Ltd Com GBP0.0025	95,950
330,000	IQE PLC Com GBP0.01	69,870
200	Apple Inc Com NPV	60,424

MAJOR SALES*		VALUE GBP
34,000	Cisco Systems Inc Com USD0.001	453,136
500	Samsung Electronics Co Ltd Com KRW5000.00	369,026
24,000	Parametric Technology Corp Com USD0.01	353,577
24,000	Acxiom Corp Com USD0.10	323,183
5,600	Altera Corp Com USD0.001	124,831
9,500	MRV Communications Inc Com USD0.0017	54,607

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