

HERALD INVESTMENT FUND plc
– The Herald Worldwide Fund

INTERIM REPORT &
UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2014

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

INTERIM REPORT for the six months ended 30 June 2014

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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

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

* Independent Directors

SECRETARY

Chartered Corporate Services
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

SPONSORING BROKER

Investec Capital & Investments Ireland
The Harcourt Building
Harcourt Street
Dublin 2
Ireland

LEGAL ADVISERS

In Ireland

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

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 2013, 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, 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 2014.

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 2014

The defined remit for the Fund is to invest globally in information technology, communications and multimedia. The Investment Manager believes this area of the economy offers growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial asset value per Class A share of £10.00. At the end of the period the net asset value per Class A share was £24.74. 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 £15.11.

Capital performance* for the six months to 30 June 2014

Herald Worldwide Fund NAV (Class A)	3.2%
Herald Worldwide Fund NAV (Class B)	3.0%

Global*

MSCI World Information Technology	3.2%
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United States*

Russell 1000 (Large Cap) Technology	6.0%
Russell 2000 (Small Cap) Technology	-1.8%
S&P 500	2.6%
Russell 2000 Small Cap	-0.8%

United Kingdom*

FTSE Information Technology	-9.4%
FTSE Techmark Focus 100	2.7%
FTSE 100	-0.1%
FTSE Small Cap	0.3%

Europe*

FTSE Eurotop 300	2.9%
Deutsche Bourse Technology All Share	6.9%
DAX	-0.8%
CAC 40	-0.8%

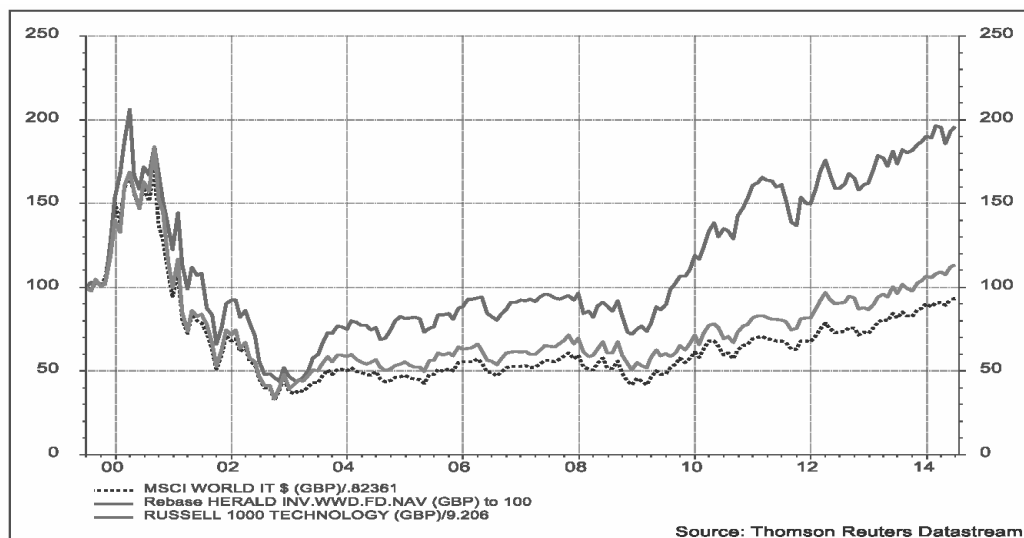
Asia Pacific*

KOSDAQ	8.1%
Nikkei 225	-6.4%
Hang Seng	-3.6%

*All returns are in GBP.

Source: Herald Investment Management Limited, Bloomberg.

Fund Performance 2000-2014



HERALD INVESTMENT FUND PLC

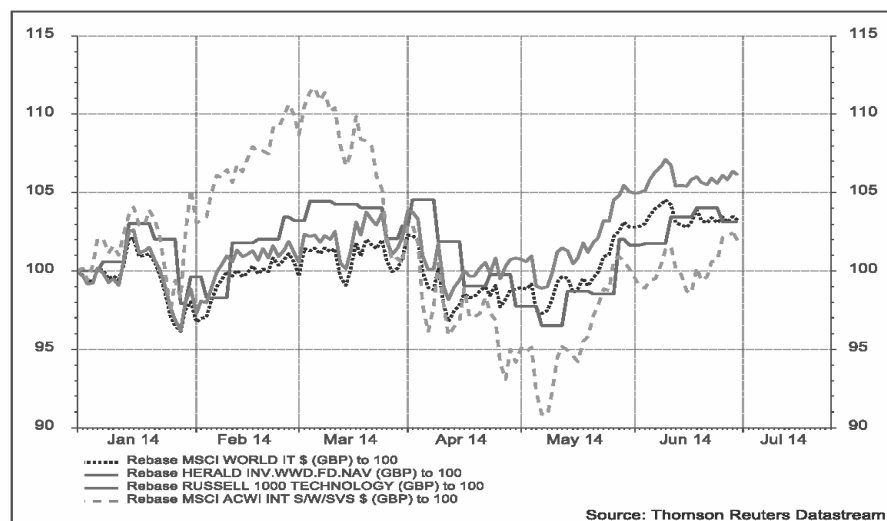
- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2014 *continued*

Market Summary

The relatively flat indices masks a high degree of volatility within the target remit. In particular there was a boom in internet stocks in the fourth quarter last year, which continued into the first quarter this year. The fund lagged during this rise and outperformed in the correction, reflecting the cautious view of valuations in this space. A visit to California in March was reminiscent of the bubble times of 2000 with standing room only for the Hadoop database session at a conference in San Francisco and valuations on multiples of revenues which discount many years growth. In contrast a smaller companies' conference in Southern California the following week was altogether more down to earth, and sensible companies were on sensible valuations. In fact the semiconductor subsector has made progress with good returns and P/E's that seem sound versus bonds. The TMT space was all too fashionable and expensive in 2000. The market is now bigger, and only a narrow niche of subsectors are attracting the momentum players. These momentum areas include internet, social media and companies with recurring revenues in the hosted software area. There is such a large choice in the sector that there is the opportunity to find growth without paying exotic valuations. It can lead to short-term underperformance, but also much lower risk. The hardware sector, dominated by the mass markets of computers, tablets and phones has largely become a commodity, but there are still suppliers with pricing power. In particular there are semiconductor manufacturers with leading edge geometries and design companies with intellectual property, and this subsector of the defined remit has performed. Five of the top ten performers in the fund were semiconductor companies namely Micron, Intel, TSMC, Cadence and Wolfson.

Fund Performance 2014 including MSCI Internet Index



United States

The US portfolio grew by a solid 5.7% (in sterling terms). Apple contributed positively as did the US semiconductor companies. Although the US portfolio is diverse and the market has been volatile the performance was surprisingly broadly based, without stellar winners or losers. The fashionable internet companies do reflect massive growth in the Web 2.0 companies. The top 10 of these increased their capital expenditure by 50% in 2013, and this trend seems likely to continue. Microsoft's image is tarnished by the poor Windows 8 launch, and its failure to succeed thus far in the mobile phone market. Apple and Android are dominating in smartphones. However, Microsoft's cloud offering Azure is succeeding largely due to the growth in hosted e-mail, the subscription model for Office and storage and the hosting of Active Directory seems a big leap forward. I have always disliked the expression "the cloud" because it is not an application, which is what the enterprise and consumer alike buy. However "the cloud" is an enabler for lower cost, more user friendly applications. The Web 2.0 companies, particularly Google, Facebook and Apple have driven the commoditisation of hardware and now seem intent on disrupting storage, servers and databases. There are about 60 start up storage companies in California. On the one hand cheap processing power and the internet are generating a colossal amount of data, and hence growth in storage demand, but equally disruption is afoot. There will be losers as well as winners.

Europe

The Europe (ex UK) portfolio fell by 6.9% (in sterling terms). The European portfolio is small. Europe had a strong year last year on the back of a re-rating, but the range of entrepreneurial leading edge companies is persistently small. Although the European economy is lack lustre the technology sector is global so the local economy is less relevant. Technology companies need equity investment, which has not been forthcoming in Europe over many years.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2014 *continued*

Market Summary *continued*

United Kingdom

The UK portfolio fell by 3.7%. The UK performed poorly in 2013, and this has continued in the first half. A stronger pound is unhelpful to exporters. The FTSE-IT index fell 9.4%. Wolfson has agreed to a takeover by its main competitor, and recovery in the rest of the UK portfolio seems probable.

Asia

The Asian portion of the Fund grew by 11.45% (in sterling terms). Taiwan has generated the returns in Asia led by the semiconductor companies.

Outlook

There seems to be an awful lot to worry about. Currently the Ukraine, Israel and Iraq cause concern as do geopolitical tensions between China and its neighbours. The European economy has structural flaws, and there is political uncertainty in the UK. Nevertheless the US has c140 companies with a valuation in excess of \$1bn which have floated since 2003. In aggregate these stocks are valued at c\$1tn. This is a testament to the dynamism of the US economy, and to the dynamism of the sector. Only in the US are there huge companies paying minimal tax bills, particularly in the technology sector, because their global supply chain and global market enables them to generate profits in low tax geographies. However, large slugs of cash are unavailable to shareholders through buy backs or dividends because Federal and State tax would be required on repatriation to the US. Indeed the US corporation tax rate is now anomalously high (35% Federal plus varying rates of State tax). The Republicans control the House of Representatives, and seem likely to take control of the Senate in the forthcoming November elections. Corporation tax reform must be high on the agenda, and the technology sector could be well placed to benefit. It is anomalous that the US gives US companies a tax incentive to invest offshore. Ireland and the Netherlands may lose most from US reform because they are used as tax shelters, but the UK has benefited from US inward investment, albeit exploiting the UK's creative skills rather than low tax. In addition the US economy has reduced its fiscal deficit much more noticeably than the UK. In the quarter to June 2014 the US fiscal deficit was \$366bn versus \$510bn a year ago, and ahead of budget. In contrast the numbers have slightly deteriorated this year in the UK, and the Office for Budget Responsibility foresees the requirement to raise taxes and/or cut public expenditure in order to get public finances under control. The US also has the prospect of eliminating its trade deficit with the shale boom improving its balance on energy. In contrast the wage rises and introduction of labour laws means that China is no longer the low cost manufacturing location of choice, and it will no longer export deflation to the West in manufactured goods. The US has the following advantages- political and economic stability, high quality regulation, technological leadership and continuing innovation, and one major disadvantage, and that is higher valuations than elsewhere in the world.

So far 2014 has been a boom year for capital expenditure in the telecommunications sector at over \$300bn, over 50% higher than the last peak in 2000. This reflects the roll out across many parts of the globe of 4G mobile phone networks. The negative is that it will probably represent a peak level from which growth will be difficult. The positive is that it reflects the continuing rollout of high speed data networks. This combined with cheap devices (PCs/tablets and phones) stimulates the sector in the same way that low energy prices stimulate the world economy.

Defence spending has contracted with the decline of the Cold War and, more recently, fiscal pressures in most countries. This may well reverse in light of current tensions, and government spend on cyber security will be forced to grow.

Alternative energy was a bubble sector three or four years ago. In spite of US shale reserves the desire to be independent of Russian gas or Middle East oil will continue to drive the sector. Datacentres consume >2% of US power, while LED lighting offers compelling efficiencies. The automotive and commercial aviation industries are heavily motivated to reduce petroleum consumption. A number of companies seeded in the bubble are becoming proper companies and have the potential to scale.

Summary

While we were spoilt by valuations in 2008-9, and stocks are not as cheap as they were, the S&P IT average P/E of c19x is similar to the wider market, and not high by historic standards. In a competitive world there are technology companies which have exceptional pricing power and therefore margins. They continue to be attractive versus bonds and certain other asset classes.

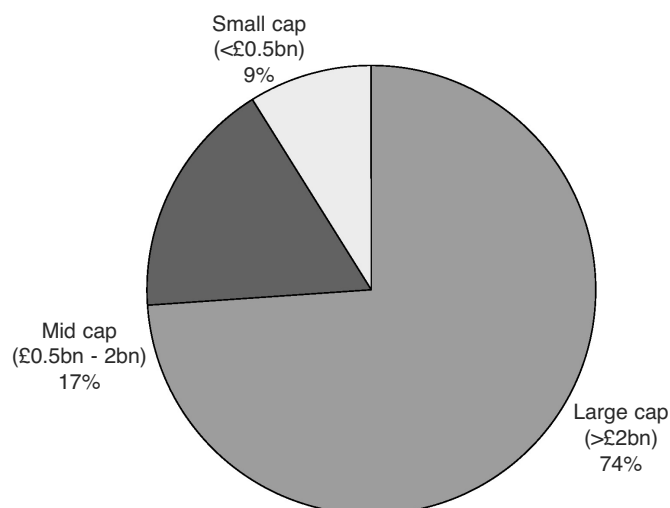
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INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2014 *continued*

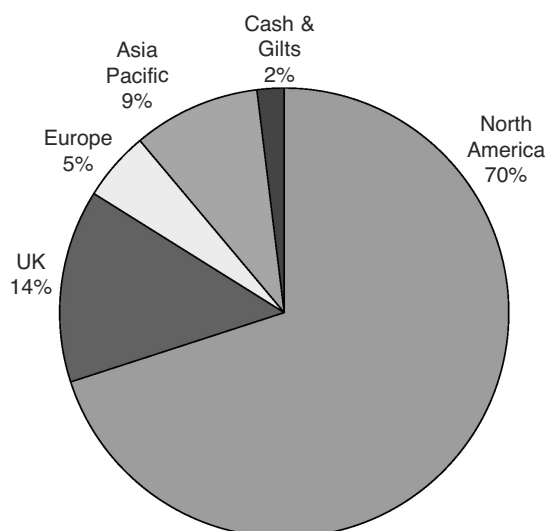
BREAKDOWN BY MARKET CAP

	30/06/2014	31/12/2013
Large cap (>£2bn)	74%	78%
Mid cap (£0.5bn - 2bn)	17%	13%
Small cap (<£0.5bn)	9%	9%
	<u>100%</u>	<u>100%</u>



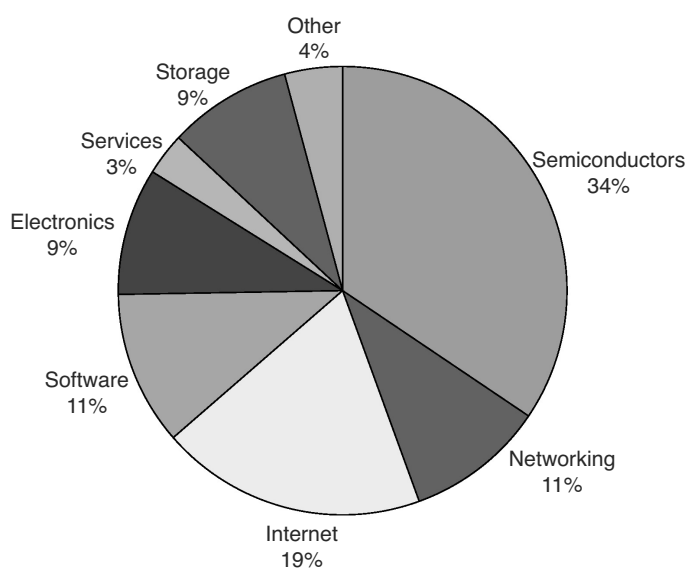
GEOGRAPHIC BREAKDOWN

	30/06/2014	31/12/2013
North America	70%	72%
UK	14%	13%
Asia Pacific	9%	8%
Europe	5%	5%
Cash & Gilts	2%	2%
	<u>100%</u>	<u>100%</u>



SECTOR BREAKDOWN

	30/06/2014	31/12/2013
Semiconductors	34%	34%
Internet	19%	19%
Software	11%	9%
Networking	11%	11%
Electronics	9%	9%
Storage	9%	9%
Other	4%	5%
Services	3%	4%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited
Date: June 2014

HERALD INVESTMENT FUND PLC
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PROFIT AND LOSS ACCOUNT for the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 GBP	Six months ended 30 June 2013 GBP	Year ended 31 December 2013 GBP
Income				
Operating income		78,478	96,388	177,338
Net gains on financial assets and liabilities at fair value through profit or loss		670,815	1,257,738	3,118,628
Total investment income		<u>749,293</u>	<u>1,354,126</u>	<u>3,295,966</u>
Operating expenses		(139,352)	(158,792)	(430,350)
Expense reimbursement from investment manager	6	3,176	5,679	10,213
Profit for the year before tax		<u>613,117</u>	<u>1,201,013</u>	<u>2,875,829</u>
Non-reclaimable withholding tax		(22,559)	(19,042)	(41,884)
Increase in net assets attributable to holders of redeemable participating shares at bid prices		<u>590,558</u>	<u>1,181,971</u>	<u>2,833,945</u>
Adjustment from bid to last traded prices		6,797	(11,460)	(2,806)
Increase in net assets attributable to holders of redeemable participating shares from operations at last traded prices		<u><u>597,355</u></u>	<u><u>1,170,511</u></u>	<u><u>2,831,139</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
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BALANCE SHEET as at 30 June 2014

	Note	As at 30 June 2014 GBP	As at 31 December 2013 GBP
ASSETS			
Cash and bank balances	5	707,122	550,714
Debtors		57,028	13,254
Financial assets at fair value through profit or loss		19,191,288	18,679,535
TOTAL ASSETS		<u>19,955,438</u>	<u>19,243,503</u>
LIABILITIES			
Creditors - amounts falling due within one year		(335,468)	(230,706)
Net assets attributable to holders of redeemable participating shares at bid prices		19,619,970	19,012,797
Adjustment from bid to last traded prices		15,983	9,186
Net assets attributable to holders of redeemable participating shares at last traded prices	2	<u>19,635,953</u>	<u>19,021,983</u>

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

HERALD INVESTMENT FUND PLC

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**Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares
for the six months ended 30 June 2014**

	Six months ended 30 June 2014 GBP	Six months ended 30 June 2013 GBP	Year ended 31 December 2013 GBP
Net assets attributable to holders of redeemable participating shares at beginning of period/year	19,021,983	16,826,974	16,826,974
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	597,355	1,170,511	2,831,139
Amounts received on issue of redeemable participating shares	208,628	121,450	324,280
Amounts paid on redemption of redeemable participating shares	(192,013)	(227,393)	(960,410)
Increase/(decrease) in net assets resulting from share transactions	16,615	(105,943)	(636,130)
Net increase in shareholders' funds	613,970	1,064,568	2,195,009
Net assets attributable to holders of redeemable participating shares at end of period/year	19,635,953	17,891,542	19,021,983

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

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2014

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 the Companies Acts 1963 to 2013 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 2013, 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 2014 GBP	As at 30 June 2013 GBP	As at 31 December 2013 GBP
Net asset value Class A share	17,644,317	16,120,885	17,079,423
Net asset value Class B share	1,991,636	1,770,657	1,942,560
	<u>19,635,953</u>	<u>17,891,542</u>	<u>19,021,983</u>
Net asset value per Class A share	24.74	21.93	23.98
Net asset value per Class B share	15.11	13.34	14.67

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 2014, the Company has issued 7 subscriber shares (31 December 2013: 7). The holders of these shares are not entitled to dividends or any surplus of assets over liabilities upon the winding-up of the Company. They are thus described in the condensed interim financial statements by way of this note only.

Shares in Issue	Six months ended 30 June 2014	Year ended 31 December 2013
Number of Class A shares issued and fully paid		
Balance at beginning of period	712,185	733,695
Issued during period	5,322	9,873
Redeemed during period	(4,252)	(31,383)
Total number of Class A shares in issue at end of period	<u>713,255</u>	<u>712,185</u>

HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2014 *continued*

3. Share Capital *continued*

Shares in Issue <i>continued</i>	Six months ended 30 June 2014	Year ended 31 December 2013
Number of Class B shares issued and fully paid		
Balance at beginning of period	132,384	142,975
Issued during period	5,395	7,025
Redeemed during period	(6,001)	(17,616)
	<hr/>	<hr/>
Total number of Class B shares in issue at end of period	131,778	132,384
	<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 2014, the number of shares held was 91,530 (31 December 2013: 91,530).

Directors' Interests in Shares and Contracts

	30 June 2014 Class A Shares	31 December 2013 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 2014 the fair value of this investment was GBP 812,500 (31 December 2013: GBP 856,250).

Directors' Fees

Directors' fees for the period ended 30 June 2014 were GBP13,885 (30 June 2013: GBP13,218).

5. Cash and Bank Balances

	As at 30 June 2014 GBP	As at 31 December 2013 GBP
Northern Trust Fiduciary Services (Ireland) Limited	707,122	550,714
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HERALD INVESTMENT FUND PLC

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NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2014 *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 2014 were GBP76,197 (30 June 2013: GBP70,903). Fees of GBP38,318 were payable at 30 June 2014 (31 December 2013: GBP13,155).

The Investment Manager has voluntarily undertaken to limit the aggregate annual ordinary expenses of each class of the Fund to be no more than 1.70% of the net asset value attributable to the relevant class for the financial period end 30 June 2014. The expense reimbursement at 30 June 2014 is GBP3,176 (31 December 2013: GBP10,213).

Performance Fee

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV of the Class A Shares, excluding performance fees at the end of the accounting period exceeds the target net asset value (110% of the previous highest NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Class A Shares over the relevant period. The opening NAV per class A share this financial period was GBP23.98 and the closing GBP24.74. To date the previous highest NAV per class A share at a financial year end was reached on 31 December 2013 when the NAV was GBP23.98 per Share. Therefore, no performance fee on the Class A Shares (31 December 2013: GBP115,207) was earned for the period end 30 June 2014. There is no performance fee charged on the Class B Shares.

Administration Fee

The Administrator will receive a fee of up to 0.15 per cent per annum on the first GBP20 million of the net asset value of the Fund, 0.125 per cent per annum on the next GBP30 million and 0.01 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 GBP6,000 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 GBP16,455 were payable at 30 June 2014 (31 December 2013: GBP11,030). Fees paid to 30 June 2014 were GBP32,729 (30 June 2013: GBP33,560).

Transaction Costs

Transaction costs of the Fund were GBP10,060 for the period ended 30 June 2014 (31 December 2013: GBP26,838) and are included in Net gains/(losses) on financial assets and liabilities at fair value through profit or loss.

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 GBP753 were payable at 30 June 2014 (31 December 2013: GBP534). Fees paid to 30 June 2014 were GBP1,321 (30 June 2013: GBP1,509).

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 2014	As at 30 June 2013	As at 31 December 2013
Euro	1.2488	1.1668	1.2020
Korean Won	1,730.0263	1,732.1471	1,747.9234
US Dollars	1.7098	1.5167	1.6562
Taiwan Dollars	46.4840	-	49.3620

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the six months ended 30 June 2014 *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. Transactions with connected parties

The Undertakings for Collective Investments in Transferable Securities ("UCITS") Regulations require that any transaction carried out with the Trust by a promoter, manager, trustee, investment adviser and/or associate of these ("connected parties") are carried out as if negotiated at arm's length and are in the best interests of the shareholders.

The Board of Directors are satisfied that there are arrangements in place to ensure that this requirement is applied to all transactions with connected parties, and that all transactions with connected parties during the period complied with the requirement.

10. Soft Commission Arrangements

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

11. Distributions

There were no distributions declared during the period ended 30 June 2014 (31 December 2013: Nil)

12. Significant events during the period

There were no significant events during the period, which, in the opinion of the Directors, may have had an impact on the Financial Statements for the period ended 30 June 2014.

13. Events after the Balance Sheet Date

There were no events after the Balance Sheet date, which, in the opinion of the Directors, may have had an impact on the Financial Statements for the period ended 30 June 2014.

14. Approval of Financial Statements

These Financial Statements were authorised by the Board of Directors on 19 August 2014.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2014

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES: 97.74% (31 December 2013: 98.20%)			
GERMANY: 4.93% (31 December 2013: 5.44%)			
<i>INTERNET: 2.62% (31 December 2013: 2.71%)</i>			
20,000	United Internet AG Com NPV	515,438	2.62
<i>SOFTWARE: 2.31% (31 December 2013: 2.73%)</i>			
10,000	SAP AG Class A Com NPV	452,660	2.31
TOTAL GERMANY		968,098	4.93
REPUBLIC OF SOUTH KOREA: 2.62% (31 DECEMBER 2013: 2.72%)			
<i>ELECTRICAL COMPONENTS & EQUIPMENT: 0.48% (31 December 2013: 0.45%)</i>			
2,200	LG Electronics Inc Com KRW5000.00	94,357	0.48
<i>SEMICONDUCTORS: 2.14% (31 December 2013: 2.27%)</i>			
550	Samsung Electronics Co Ltd Com KRW5000.00	419,965	2.14
TOTAL REPUBLIC OF SOUTH KOREA		514,322	2.62
TAIWAN: 6.51% (31 DECEMBER 2013: 5.74%)			
<i>SEMICONDUCTORS: 6.51% (31 December 2013: 5.74%)</i>			
195,000	Epistar Corp Com TWD10.00	282,267	1.44
40,000	MediaTek Inc Com TWD10.00	394,886	2.01
48,000	Taiwan Semiconductor Manufacturing Co Ltd ADR NPV	600,193	3.06
TOTAL TAIWAN		1,277,346	6.51
UNITED KINGDOM: 14.04% (31 DECEMBER 2013: 13.00%)			
<i>INVESTMENT FUNDS: 4.14% (31 December 2013: 4.50%)</i>			
125,000	Herald Investment Trust PLC NPV	812,500	4.14
<i>COMPUTERS: 0.86% (31 December 2013: 0.88%)</i>			
194,216	Phoenix IT Group Ltd Com GBP0.01	169,454	0.86
<i>SEMICONDUCTORS: 7.92% (31 December 2013: 6.91%)</i>			
55,000	ARM Holdings PLC Com GBP0.0005	484,550	2.47
217,322	Imagination Technologies Group PLC Com GBP0.10	458,332	2.33
1,230,000	IQE PLC Com GBP0.01	270,600	1.38
2,000,000	Toumaz Ltd Com GBP0.0025	110,000	0.56
100,000	Wolfson Microelectronics PLC Com GBP0.001	231,250	1.18
<i>TELECOMMUNICATIONS: 1.12% (31 December 2013: 0.71%)</i>			
200,000	Bango PLC Com GBP0.20	220,000	1.12
TOTAL UNITED KINGDOM		2,756,686	14.04
UNITED STATES: 69.64% (31 DECEMBER 2013: 71.30%)			
<i>COMMERCIAL SERVICES: 0.78% (31 December 2013: 0.86%)</i>			
4,112	Leidos Holdings Inc Com USD0.0001	92,155	0.47
2,350	Science Applications International Corp Com USD0.0001	60,679	0.31
<i>COMPUTERS: 14.67% (31 DECEMBER 2013: 12.71%)</i>			
26,915	Apple Inc Com USD0.00001	1,462,825	7.46
50,000	Cadence Design Systems Inc Com USD0.01	511,448	2.60
15,700	EMC Corp/MA Com USD0.01	241,765	1.23
10,000	Nimble Storage Inc Com USD0.001	179,606	0.91
9,000	Western Digital Corp Com USD0.01	485,832	2.47
<i>ELECTRONICS: 1.25% (31 December 2013: 1.11%)</i>			
20,000	Jabil Circuit Inc Com USD0.001	244,583	1.25

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 30 June 2014 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
EQUITIES <i>continued</i>			
UNITED STATES: 69.64% (31 DECEMBER 2013: 71.30%) <i>continued</i>			
<i>INTERNET: 12.84% (31 December 2013: 13.43%)</i>			
2,000	Amazon.com Inc Com USD0.01	379,893	1.93
7,500	F5 Networks Inc Com NPV	488,683	2.49
1,620	Google Inc Class A Com USD0.001	553,937	2.82
1,620	Google Inc Class C Com USD0.001	545,040	2.78
1,000	Splunk Inc Com USD0.001	32,360	0.16
47,100	Support.com Inc Com USD0.0001	74,375	0.38
10,000	Yelp Inc Com USD0.000001	448,226	2.28
<i>SEMICONDUCTORS: 20.44% (31 December 2013: 24.09%)</i>			
7,000	Altera Corp Com USD0.001	142,305	0.72
7,500	Cavium Inc Com USD0.001	217,826	1.11
38,000	Intel Corp Com USD0.001	686,727	3.50
43,000	Micron Technology Inc Com USD0.10	828,388	4.22
80,000	PMC-Sierra Inc Com USD0.001	356,055	1.81
20,200	QUALCOMM Inc Com USD0.0001	935,543	4.77
28,000	Teradyne Inc Com USD0.13	320,964	1.63
19,000	Xilinx Inc Com USD0.01	525,713	2.68
<i>SOFTWARE: 19.66% (31 December 2013: 19.10%)</i>			
24,000	Acxiom Corp Com USD0.10	304,307	1.55
20,200	Akamai Technologies Inc Com USD0.01	721,121	3.67
30,000	AVG Technologies NV Com EUR0.01	353,189	1.80
24,750	Check Point Software Technologies Ltd Com USD0.01	970,256	4.95
21,000	Microsoft Corp Com USD0.00000625	512,150	2.61
11,200	Pegasystems Inc Com USD0.01	138,342	0.70
14,000	Proofpoint Inc Com USD0.0001	306,717	1.56
56,000	RADWARE Ltd Com ILS0.05	553,826	2.82
TOTAL UNITED STATES		13,674,836	69.64
TOTAL EQUITIES		19,191,288	97.74
Cash		707,122	3.60
Other Net Liabilities		(278,440)	(1.42)
Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices		19,619,970	99.92
Adjustment from bid to last traded prices		15,983	0.08
Net Assets Attributable to Holders of Redeemable Participating Shares at last traded prices		<u>19,635,953</u>	<u>100.00</u>
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.			96.17
Other Net Assets			3.83
			<u>100.00</u>

Percentages in brackets represent the prior year comparative amounts.

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

HERALD INVESTMENT FUND PLC**- The Herald Worldwide Fund****SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the six months ended 30 June 2014**

PURCHASES		VALUE GBP
14,000	Proofpoint Inc Com USD0.0001	366,858
106,667	Imagination Technologies Group PLC Com GBP0.10	219,970
10,000	Nimble Storage Inc Com USD0.001	218,527
100,000	Bango PLC Com GBP0.20	112,561
69,216	Phoenix IT Group Ltd Com GBP0.01	62,904
		<u>980,820</u>

SALES		VALUE GBP
84,000	Atmel Corp Com USD0.001	394,557
60,000	LSI Corp Com USD0.01	394,330
11,000	Skyworks Solutions Inc Com USD0.25	242,932
8,613	Tessera Technologies Inc Com USD0.001	111,238
		<u>1,143,057</u>