

**HERALD INVESTMENT FUND plc**  
**– The Herald Worldwide Fund**

**ANNUAL REPORT &**  
**AUDITED FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS for the year ended 31 December 2015**

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# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### ORGANISATION

#### REGISTERED OFFICE OF THE COMPANY

Chartered Corporate Services  
Taney Hall  
3 Eglinton Terrace  
Dundrum  
Dublin 14  
D14 C7F7  
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  
D02 R156  
Ireland

#### *Registered Office*

Georges Court  
54-62 Townsend Street  
Dublin 2  
D02 R156  
Ireland

#### CUSTODIAN

Northern Trust Fiduciary Services (Ireland) Limited  
Georges Court  
54-62 Townsend Street  
Dublin 2  
D02 R156  
Ireland

#### INDEPENDENT AUDITORS

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1  
D01 X9R7  
Ireland

#### DIRECTORS OF THE COMPANY

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

\* Independent Directors

#### SECRETARY

Chartered Corporate Services  
Taney Hall  
3 Eglinton Terrace  
Dundrum  
Dublin 14  
D14 C7F7  
Ireland

#### SPONSORING BROKER

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
D02 R296  
Ireland

#### LEGAL ADVISORS

##### *In Ireland*

Arthur Cox  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
D02 CK83  
Ireland

##### *In England*

MacFarlanes  
20 Cursitor Street  
London EC4A 1LT  
England

**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 2014, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 ( “the UCITS Regulations”) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the “Central Bank UCITS 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. Its Memorandum and Articles of Association and prospectus (“Constitution”) provides that the Company may offer separate classes of shares, each representing interests in a fund comprising a distinct portfolio of investments. As at the date of this annual report the Company has one sub-fund in operation. The Company 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, adjustable rate index notes (“ARINs”), depositary receipts and shares of 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 Constitution 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,  
D02 R156  
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 2015 (April 2014: £Nil).

**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](http://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 year ended 31 December 2015 (Unaudited)

The defined remit for the Fund is to invest globally in information technology, communications and multimedia. The Investment Manager believes this area of the economy offers growth greater than the world economy as a whole and presents attractive investment opportunities. In addition, the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial asset value per Class A share of £10.00. At the end of the year the net asset value per Class A share was £28.32. On the 9th June 2010, a Class B share was launched with an initial net asset value per share of £10.00. At the end of the year the net asset value per Class B share was £17.35.

#### Capital performance\* for the twelve months to 31 December 2015

Herald Worldwide Fund NAV (Class A)	1.98%
Herald Worldwide Fund NAV (Class B)	1.88%

#### Global

MSCI World Information Technology	9.60%
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#### United States

Russell 1000 (Large Cap) Technology	8.60%
Russell 2000 (Small Cap) Technology	6.20%
S&P 500	5.00%
Russell 2000 Small Cap	-0.30%

#### United Kingdom

FTSE Information Technology	16.80%
FTSE Techmark Focus 100	14.40%
FTSE 100	-4.90%
FTSE Small Cap	6.20%

#### Europe

FTSE Eurotop 300	-0.10%
Deutsche Bourse Technology All Share	21.50%
DAX	3.20%
CAC 40	3.10%

#### Asia Pacific

KOSDAQ	22.70%
Nikkei 225	13.40%
Hang Seng	-1.80%

\*All returns are GBP adjusted.

Source: Herald Investment Management Limited, Bloomberg.

#### Market Summary

At the start of the year it seemed there were macro-economic uncertainties. The surprise for the year has been quite how weak the oil price has been, and the knock-on effects of weak commodity prices on emerging markets. In contrast the technology sector has as expected been relatively stable, and the 'A' shares have appreciated 2.0%. The performance is disappointing in relative terms because some momentum stocks were under-owned in 2015. However, the more defensive nature of the portfolio has led to relative outperformance in the more difficult markets seen in the early part of 2016.

However within the sector there have been sharply disparate performances between the companies emerging, and those sensitive to volumes in commodity sectors such as PCs and mobile phones. Furthermore the IPO market has been weak. In the US the amount of money raised through IPOs in the information technology sector declined 74.6% to \$7.25bn in 2015. In contrast this was dwarfed by venture capital investment in the Technology, Media and Telecommunications ("TMT") sectors targeted by this fund of \$37.1bn (\$35.4bn in 2014) according to statistics published by PWC Moneytree. However Quarter 4 2015 was discernibly slower and the software sector alone, which has attracted the most venture investment, saw investments of \$4.5bn, down from \$6.0bn in Quarter 3 2015 and \$6.7bn in Quarter 4 2014. A number of emerging internet companies with over \$1bn valuations have been described as "Unicorns", and these have seen the largest slugs of private venture funds. It seems that three particular drivers are behind this. Firstly, the remarkable success of companies such as Alphabet and Facebook, which have built huge profitable businesses quickly and with minimal outside capital, has led to a widespread hunt for the next company with similar financial characteristics. Secondly, it seems that quoted investors have become frustrated by the huge returns that have been made by venture investors, and that IPOs have only occurred at relatively full valuations, so there has been a move by a number of investors, who hitherto invested only in quoted companies, to invest pre IPO.

# HERALD INVESTMENT FUND PLC

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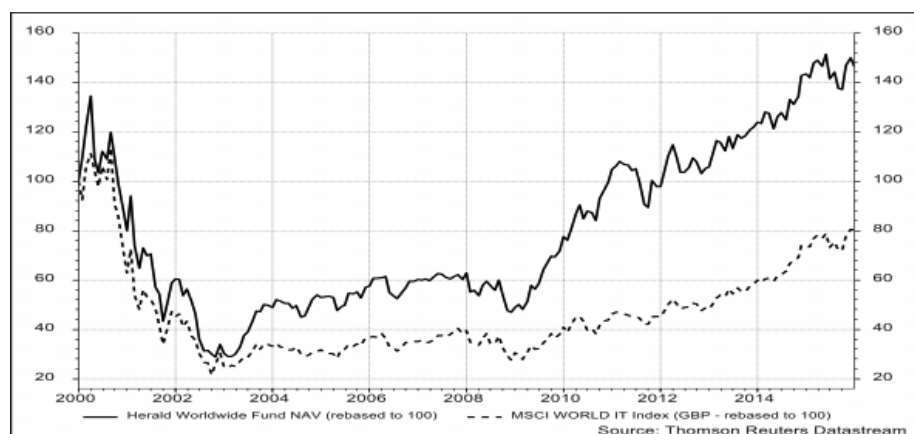
### INVESTMENT MANAGER'S REPORT for the year ended 31 December 2015 (Unaudited) *continued*

#### Market Summary *continued*

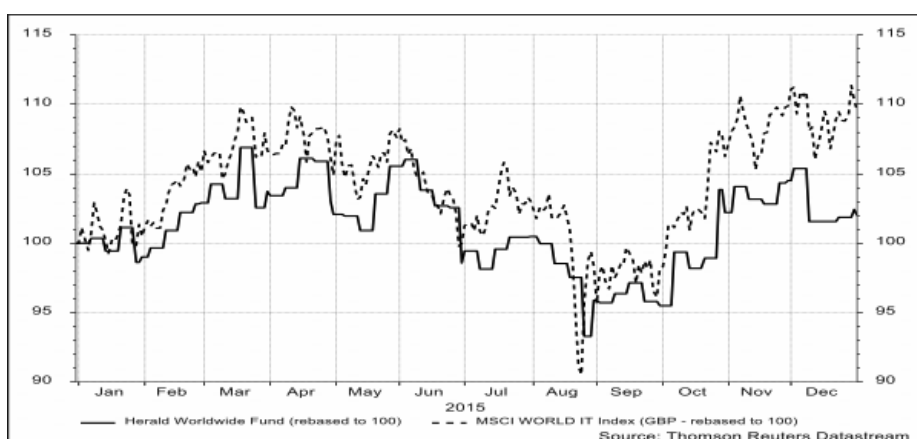
Thirdly, the public markets have faced increasing regulation, and investors pressurise companies to have reliable quarterly numbers, which incentivises management to fund privately if they can, while investors have increased allocations to alternative investments less exposed to market volatility. This has led to a certain amount of navel gazing at Herald. Should we also be investing privately too? On balance we conclude that there is a structural flaw to the venture/private equity boom, because most funds have a finite life and need an exit. Furthermore this boom seems to have hit a brick wall as private equity investors realise that valuations are lower in the public markets, and some have written down the value of some investments. We prefer to play the long game and salivate at the potential flow of IPOs to come, and the market squall at the start of 2016 may lead to more reasonable valuations.

For some time we have found Asian share prices hard to justify in terms of valuations, earnings quality and governance, so the correction in the Chinese market is no surprise. Neither is the bursting of the venture bubble nor the contraction of stretched momentum multiples. This gives us more confidence to perceive the recent market squall as a wholesome correction. Global growth will slow, US companies face a headwind from the relatively strong US dollar but the dynamic state of the technology market provides opportunity to outperform.

#### Fund v MSCI World IT 2000 - 2015



#### Fund v MSCI World IT 2015



#### United States

The IRR of the US portfolio was 4.8% in £ in 2015, a little behind the US indices above. The star performers were Amazon (IRR 130.4% in £), Alphabet (IRR 55.1% 'A' share, 52.9% 'C' share) and Silicon Motion (+144.4%). Proofpoint (+52.5%), Pegaystems (+40.5%) and Altera (55.6%) also contributed usefully. However these were offset by a particularly disappointing performance by Micron (-57.2%) and on a smaller scale Nimble Storage (-64.6%), Western Digital (-39.5%) and Yelp (-44.4%).



# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### INVESTMENT MANAGER'S REPORT for the year ended 31 December 2015 (Unaudited) *continued*

#### **Market Summary** *continued*

#### **United States** *continued*

Amazon inspires confidence because it has become such a dominant player in electronic commerce, it invests through the profit and loss account with great ambitions, and it keeps dilution from stock based compensation under tight control. The market reacted positively to its move to profits. Alphabet continues to dominate its market, and the multiple expansion is justified by the growth rate and the cash generation. Silicon Motion was unduly hit by the Far East correction in the summer, and the shares were acquired opportunistically. Although flash memory prices have been under pressure the move to flash memory based solid state disk drives is expanding the market for Silicon Motion. Micron had performed extremely well but was caught in a market slowdown with a technology lag versus the Koreans in DRAM and 3D memory. With the forecast period end of 4x 2015 estimated earnings, the market now expects sharply lower earnings in 2016. If Micron really has been left behind, the valuation is justified, but they do have a leading edge joint venture with Intel, XPoint (Crosspoint), which should lead to a recovery if the positive comments made by industry sources are justified. Western Digital has suffered from the poor PC volumes, and the migration to SSD drives. We halved the holding close to the top, and should have sold all. Nevertheless the hard disk market is virtually a duopoly, and HDDs will continue to grow in the datacentre as data volumes explode and for back up.

Altera and PMC Sierra were taken over during the year. Acquisitions have been a big feature during the year.

#### **Europe**

The small European portfolio has performed well with an IRR of 26.2% in 2015. This was led by United Internet (+30.3% in £). The Fund first invested in this company in 1999, and have immense respect for the management who have built sustainable growth. I am equally aware that some “top down” asset allocators have increased allocations to Europe, and over the last five years the United Internet share price has quadrupled (in Euros), while the p/e has risen from 10x to 25x. There are few companies in Europe as well managed, so I am inclined to swallow the higher valuation.

#### **United Kingdom**

Over the long term the UK has contributed an annualised time weighted return of 11.1% ahead of other regions, but this year has not been good for the UK with an IRR of -6.9%. Although Phoenix IT appreciated 40.8% when it was taken over, this was more than offset by the poor performance of Imagination. Unusually the market value sank to less than the value of the R&D expensed over the last three years at the end of 2015. It seems an unstable state, but more value should emerge. The UK indices were skewed by a number of takeovers, which far exceeds the pace of new issues. The UK is becoming increasingly irrelevant on a global scale, albeit through inefficiency, there are stocks with value.

#### **Asia**

Asia was the weakest region with an IRR of -12.3%. Technology companies underperformed the wider indices in for example Korea (KOSDAQ +22.7% in £, KOSDAQ IT +7.5%). TSMC appreciated by 14.2%, but Media Tek was hit hard by competition in China and market weakness and was down 41.9%. TSMC and Samsung remain powerful companies, but the volume markets of PCs and mobile phones have become very competitive and mature, so the supply chain is heavily squeezed.

#### **Sector Background**

The TMT sector is going through a particularly disruptive phase, which means opportunity and risk, and excites us as specialists.

In traditional media, print advertising has been under pressure for some time, but this year on-line display changed gear as social media ate into the market, and mobile grew versus the desktop. With the strength of over the top internet TV, such as Netflix and Amazon, it looks as though TV advertising will be challenged next. In the meantime, there is an extraordinary race for content. There have been a plethora of companies that have come to market as middlemen in the digital advertising space, ad exchanges, and search engine optimisation. Some appear to have been arbitraging a turn, and profits have been transient.

## HERALD INVESTMENT FUND PLC

### - The Herald Worldwide Fund

#### INVESTMENT MANAGER'S REPORT for the year ended 31 December 2015 (Unaudited) *continued*

##### **Market Summary** *continued*

##### **Sector Background** *continued*

The growing number of hosted applications offers an attractive recurring revenue stream, but valuations have discounted huge growth. It does move the processing to the supplier which reduces implementation and maintenance costs, and works well if there is no need for complex integration with data from other applications. There are disruptive developments in core technologies such as database architecture- Hadoop, NOSQL, and a variety of companies are offering unstructured data, and open source which is reducing the market size for traditional structured databases. Storage is being disrupted by the lowering cost of flash memory, and the emergence of openstack and new storage formats. Apple's IOS is increasingly powerful, and can undertake many tasks that required a PC. Software defined networks offer further disruption.

Meanwhile the hardware arena is challenged by fierce commoditisation. IDC's preliminary numbers state that the PC market declined 10.4% in units shipped. Within that the EMEA market declined 18%. Microsoft discontinued support of Windows XP which made comparisons with last year difficult. Nevertheless, it is the worst decline on record surpassing the 9.8% decline in 2013, and the first time the market has been less than 300m since 2008. In the mobile phone market Apple has dominated the smartphone market, and the iPhone 6 launch went amazingly well so that volumes grew 20%, and the market is asking how Apple can surpass 2015. The overall growth in smartphone volumes fell to 10.1%. Meanwhile the commodity end has seen vicious price declines in China, and volume weakness from emerging markets. The weakness in the two main markets has been challenging for the semiconductor industry.

The automotive industry is embracing electronics with vigour. So far it has been evolutionary. The emergence of Tesla, global warming, flawed European emissions tests, hydrogen powered cars and driverless cars suggests the industry is moving to a disruptive phase. Even Apple is alleged to be developing a car for production in 2019. The best manufacturers of horse drawn carriages did not become automobile manufacturers. IBM dominated mainframes, but not PCs. HP, Dell and others are nowhere in smartphones. The European automotive industry looks very vulnerable to me on a ten year view.

The sector has benefited in tax terms from its global supply and demand base. The debate in the British media is frighteningly and embarrassingly ill-informed. With software in particular research and development is generally carried out in one location, and demand can be global at very high marginal gross margin. Clearly transfer pricing should reflect this cost. UK companies in particular cannot expect to cover development costs from the UK market alone, and so particularly need transfer pricing. The simplistic assumption is that profits will be taken where ownership lies. The UK will rue the day that led to so many UK companies selling out to overseas buyers. The irony is that it is the US that suffers the biggest corporate tax avoidance from US headquartered companies selling intellectual property to low tax destinations such as Ireland. It is only the US that really suffers from tax avoidance. The debate and the increasing propensity for reverse takeovers makes US tax reform seem inevitable after the next election. The US technology sector may pay more tax, but I expect cash balances stranded overseas will become available to shareholders for buybacks or dividends. In the meantime, the UK enjoys huge VAT revenues from Apple, Alphabet et al, as well as PAYE.

##### **Outlook**

China's manufacturing base is evidently slowing in growth or even shrinking. Multiple companies have been through the office complaining that China is no longer a low cost manufacturing location. Mexico, Vietnam and the Philippines are all described as relatively desirable in cost terms, so growth is shifting elsewhere. From our micro perspective this makes China's clouds less threatening. The commodity producing economies are clearly challenged, but in demand terms they are not the leading edge customers, and the developed world is benefiting from lower costs. There is sufficient disruption in TMT that many companies in the sector can grow even if the global growth slows. The headwind of the stronger dollar should be largely discounted after the first quarter numbers. Valuations have compressed in January on the higher growth companies, which provides a better base for the rest of 2016.

##### **Summary**

The sector is going through an exciting phase. I still cannot see a sector I would rather invest in over the medium to long term.

# HERALD INVESTMENT FUND PLC

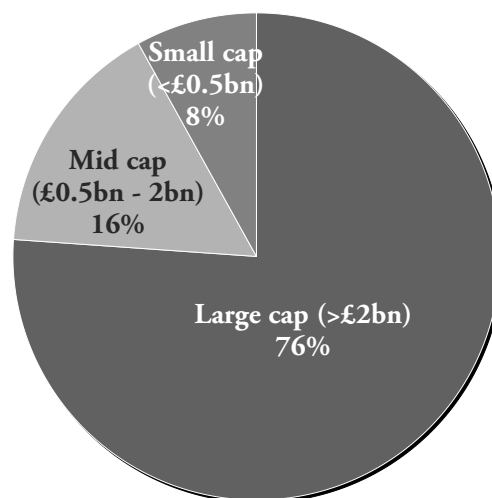
## - The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2015 (Unaudited) *continued*

### Sector Breakdown

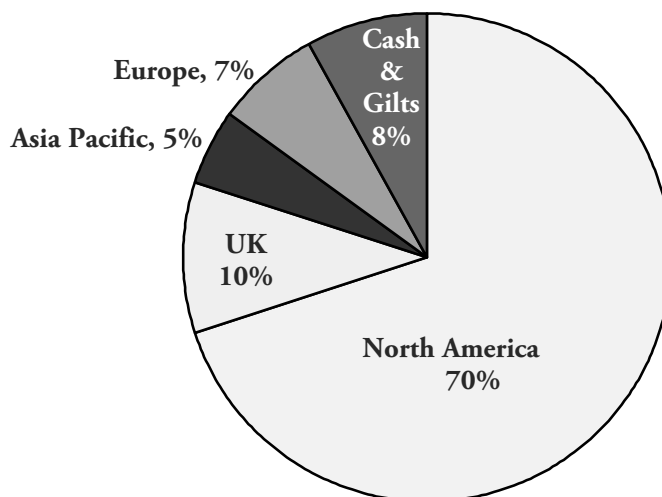
#### BREAKDOWN BY MARKET CAP

	31/12/2015	31/12/2014
Large cap (>£2bn)	76%	72%
Mid cap (£0.5bn - 2bn)	16%	24%
Small cap (<£0.5bn)	8%	4%
	<u>100%</u>	<u>100%</u>



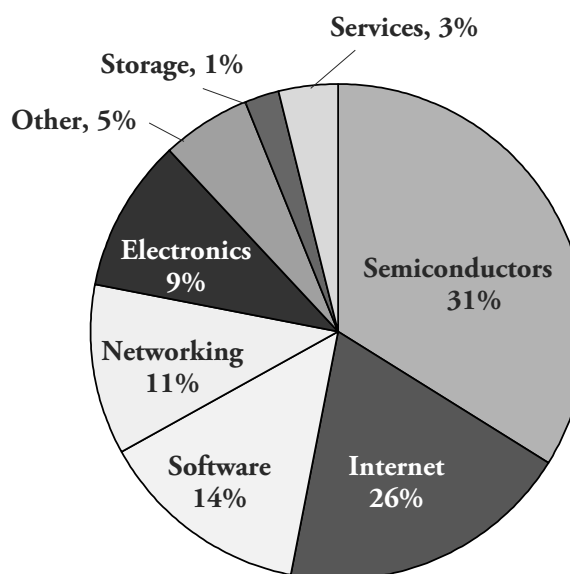
#### GEOGRAPHIC BREAKDOWN

	31/12/2015	31/12/2014
North America	70%	72%
UK	10%	13%
Cash & Gilts	8%	2%
Europe	7%	5%
Asia Pacific	5%	8%
	<u>100%</u>	<u>100%</u>



#### SECTOR BREAKDOWN

	31/12/2015	31/12/2014
Semiconductors	31%	31%
Internet	26%	19%
Software	14%	12%
Networking	11%	11%
Electronics	9%	10%
Other	5%	4%
Services	3%	3%
Storage	1%	10%
	<u>100%</u>	<u>100%</u>



Source: Herald Investment Management Limited  
February 2016

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**DIRECTORS' REPORT for the year ended 31 December 2015**

The Directors present herewith the Annual Report and Audited Financial Statements for the year ended 31 December 2015.

**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 Financial Reporting Council and published by the Institute of Chartered Accountants in Ireland.

Irish Company law requires the Directors to prepare Financial Statements for each financial year that 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 judgments and estimates that are reasonable and prudent; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 adequate accounting records 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 Act 2014, and the European Communities (Undertakings for Collective Investments in Transferable Securities) Regulations, 2011 (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) regulation 2015 (the "Central Bank UCITS Regulations"). As a UCITS requirement, 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, Northern Trust Fiduciary Services (Ireland) Limited.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

**Corporate Governance Statement**

The Board of Directors ("the Board") has voluntarily complied with the Corporate Governance Code for Irish Domiciled Collective Investment Schemes as published by Irish Funds ("IF"), as the Company's corporate governance code ("IF Code").

The Board has assessed the measures included in the IF Code as being consistent with its corporate governance practices and procedures for the financial year.

**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 of the Company are required to be approved by the Board 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 regularly reviews the performance of the Administrator to ensure that the performance is satisfactory and in accordance with the terms and conditions of the Administrator Agreement and Prospectus.

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

**HERALD INVESTMENT FUND PLC**  
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**DIRECTORS' REPORT for the year ended 31 December 2015** *continued*

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

The convening and conduct of shareholders' meetings are governed by the Constitution of the Company and the Irish Companies Act 2014. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company every calendar year within nine months of the Company's financial year end and no more than fifteen months from the date of the previous annual general meeting. Shareholders representing not less than one-tenth of the paid up share capital of the Company may also request the Directors to convene a shareholders' meeting. Not less than twenty one days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to shareholders and fourteen days' notice must be given in the case of any other general meeting unless the auditors of the Company and all the shareholders of the Company entitled to attend and vote agree to shorter notice.

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

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

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

**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 the Company is composed of four Directors, being those listed in the directory of these Financial Statements.

The business of the Company is managed by the Directors, who exercise all such powers of the Company as required by the Companies Act 2014 or by the Constitution of the Company.

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

There are no sub-committees of the Board.

**Principal Activities and Future Developments**

The objective of the Fund is to seek to achieve capital growth by investing principally in securities of issuers in the technology, communications and multi-media sectors which in the view of the Investment Manager offer potential growth in excess of the average. The Investment Manager's Report contains a review of the factors which contributed to the performance for the year. The Directors do not anticipate any changes in the structure or investment objective of the Fund.

**Risk Management Objectives and Policies**

The main risks arising from the Company's financial instruments are market risk (comprising of market price, interest rate and foreign currency risk), credit risk and liquidity risk which are disclosed further in note 2 'Financial Risk Management' in the Financial Statements.

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**DIRECTORS' REPORT for the year ended 31 December 2015** *continued*

**Significant Events during the year**

There were no significant events during the year which, in the opinion of the Directors, may have had an impact on the Financial Statements for the year ended 31 December 2015.

**Events Since the Year End**

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 year ended 31 December 2015.

**Results and Dividends**

The results and dividends for the year are set out in the Profit and Loss Account on page 18.

**Directors and Secretary**

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

William Backhouse LVO (British)

Michael Boyce (Irish)

David Boyle DL (British)

Adrian Waters, Chairman (Irish)

**Directors' Interests in Shares and Contracts**

The Directors' Interests in shares and contracts are detailed in note 10 on page 31.

**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 2014, at any time during the financial year.

**Accounting records**

The Directors believe that they have complied with the requirements of the Companies Act 2014, with regard to the accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at:

Northern Trust International Fund Administration Services (Ireland) Limited  
Georges Court,  
54-62 Townsend Street,  
Dublin 2,  
D02 R156  
Ireland.

**Independent Auditors**

In accordance with Section 383 (2) of the Companies Act 2014, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have signified their willingness to continue in office.

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**DIRECTORS' REPORT for the year ended 31 December 2015** *continued*

**Transactions with connected persons**

Any transactions carried out with a UCITS by a management company or depositary to the UCITS, the delegates or sub-delegates of the management company or depositary, and any associated or company of such a management company, depositary, delegate or sub-delegate (“connected persons”) must be carried out as if negotiated at arm’s length. Transactions must be in the best interests of the shareholders.

The Directors are satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations are applied to all transactions with connected persons, and are satisfied that transactions with connected persons entered into during the year complied with the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations.

**On behalf of the Board of Directors**

**Director**

**Director**

**25 February 2016**

## HERALD INVESTMENT FUND PLC

### - The Herald Worldwide Fund

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

We, Northern Trust Fiduciary Services (Ireland) Limited, appointed Custodian to Herald Investment Fund Plc ("the Company") provide this report solely in favour of the shareholders of the Company for the year to 31 December 2015 ("Annual Accounting Period").

This report is provided in accordance with the UCITS Regulations – European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (SI No 352 of 2011) which implemented Directive 2009/65/EU into Irish Law ("the Regulations"). We do not, in the provision of this report, accept or assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Custodian obligation as provided for under the Regulations, we have enquired into the conduct of the Company for this Annual Accounting Period and we hereby report thereon to the shareholders of the Company as follows;

We are of the opinion that the Company 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 Manager by the constitutional documents and by the UCITS Regulations, European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (SI No 352 of 2011) which implemented Directive 2009/65/EU; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the UCITS Regulations, European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (SI No 352 of 2011) which implemented Directive 2009/65/EU.

For and on behalf of:

**Northern Trust Fiduciary Services (Ireland) Limited**  
**25 February 2016**



**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**

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

**Report on the financial statements**

**Our Opinion**

In our opinion, the financial statements of Herald Investment Fund plc (the "financial statements"):

- give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2015 and of its results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

**What we have audited**

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable participating shares for the year then ended;
- the schedule of investments for the Company as at 31 December 2015; and
- the notes to the financial statements for the Company which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Matters on which we are required to report by the Companies Act 2014**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.
- Based on our knowledge and understanding of the company and its environment, obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373 (2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.

**Matter on which we are required to report by exception**

**Directors' remuneration and transactions**

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**

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

**Responsibilities for the financial statements and the audit  
Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Joanne Kelly  
for and on behalf of  
PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin

**25 February 2016**

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**PROFIT AND LOSS ACCOUNT for the year ended 31 December 2015**

	Note	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
<b>Income</b>			
Operating income	3	182,128	175,743
Net gains on financial assets and liabilities at fair value through profit or loss	4	590,512	3,112,141
<b>Total investment income</b>		<u>772,640</u>	<u>3,287,884</u>
Operating expenses	5	(335,653)	(395,445)
Expense reimbursement from investment manager	9	24,520	18,804
<b>Profit for the year before tax</b>		<u>461,507</u>	<u>2,911,243</u>
Non-reclaimable withholding tax		(49,354)	(47,591)
<b>Increase in net assets attributable to holders of redeemable participating shares from operations</b>		<u><u>412,153</u></u>	<u><u>2,863,652</u></u>

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

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

**On behalf of the Board of Directors**

**Director**

**Director**

**25 February 2016**

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**BALANCE SHEET as at 31 December 2015**

	Note	As at 31 December 2015 GBP	As at 31 December 2014 GBP
<b>ASSETS</b>			
Cash and bank balances	6	1,555,453	454,362
Debtors		9,107	24,967
Financial assets at fair value through profit or loss		17,986,328	20,363,334
<b>TOTAL ASSETS</b>		<u>19,550,888</u>	<u>20,842,663</u>
<b>LIABILITIES</b>			
Creditors - amounts falling due within one year		(56,792)	(201,520)
<b>Net assets attributable to holders of redeemable participating shares</b>		<u>19,494,096</u>	<u>20,641,143</u>

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

**On behalf of the Board of Directors**

**Director**

**Director**

**25 February 2016**

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 2015

	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
<b>Net assets attributable to holders of redeemable participating shares at beginning of year</b>	20,641,143	19,021,983
Increase in net assets attributable to holders of redeemable participating shares resulting from operations	412,153	2,863,652
Amounts received on issue of redeemable participating shares	197,437	262,398
Amounts paid on redemption of redeemable participating shares	(1,756,637)	(1,506,890)
Decrease in net assets resulting from share transactions	(1,559,200)	(1,244,492)
<b>Net (decrease)/increase in shareholders' funds</b>	(1,147,047)	1,619,160
<b>Net assets attributable to holders of redeemable participating shares at end of year</b>	<b>19,494,096</b>	<b>20,641,143</b>

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 2015

#### 1. Significant Accounting Policies

##### a) Basis of preparation

In preparing the financial statements for the financial year end 31 December 2015, the Directors have applied Financial Reporting Standard 102 (“FRS 102”) ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and these financial statements comply with that standard. This standard has been adopted for the first time following transition to FRS102.

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2014 and Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

The format and certain wording of the financial statements have been adapted from that contained in the Companies Act 2014 so that, in the opinion of the Directors, it more appropriately reflects the nature of Herald Investment Fund Plc (“the Company’s”) business as an investment company.

The Herald Worldwide Fund (“the Fund”) meets all the conditions set out in FRS 102, Section 7, and consequently has availed of the exemption available to certain funds not to prepare a statement of cash flows.

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 profit or loss.

##### b) Changes to Accounting Policies

From 1 January 2015 the Company has adopted FRS 102. The transition to FRS 102 has resulted in a change to the fair value measurement policy. Further details are set out in the Fair Value Measurement section below. Other than the below, the transition to FRS 102 has resulted in no changes to the reported financial position or financial performance compared to that presented previously. No adjustments have been made to either the Net Assets presented in the opening position of Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares as at 31 December 2015 or at 31 December 2014.

#### Fair Value Measurement

On initial application of FRS 102, in accounting for its financial instruments a reporting entity is required to apply either a) the full requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, or c) the recognition and measurement provisions of IFRS 9 Financial Instruments and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments. The Company has chosen to implement the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments. The use of IAS 39 recognition and measurement provisions is an accounting policy change with the Company moving from measuring fair value of its financial assets at bid and financial liabilities at ask, to the pricing policy as set out in the prospectus of the Company.

The impact of this policy change on the Balance Sheet is the restatement of the Financial Assets at fair value through profit and loss amount previously reported as of 31 December 2014 and on the Profit and Loss account is the restatement of Net gains/losses on financial assets and liabilities at fair value through profit and loss previously reported for the year ended 31 December 2014. The details of the restatements are outlined in the table below.

	<b>Financial assets at fair value through profit or loss GBP</b>	<b>Adjustment to price investments at last traded price GBP</b>	<b>Financial assets at fair value through profit or loss following adoption of FRS 102 As at 31 December 2014 GBP</b>
Balance Sheet	20,327,596	35,738	20,363,334

	<b>Net gains on financial assets and liabilities at fair value through profit and loss GBP</b>	<b>Adjustment from bid to last traded price GBP</b>	<b>Net gains on financial assets and liabilities at fair value through profit and loss following adoption of FRS 102 For the year ended 31 December 2014 GBP</b>
Profit and Loss Account	3,085,589	26,552	3,112,141

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 1. Significant Accounting Policies *continued*

##### b) Changes to Accounting Policies *continued*

###### Fair value disclosures

The requirement for the Company to measure financial instruments at fair value and the estimation of that fair value have not changed with the adoption of FRS 102. However the levels in the fair value hierarchy into which the fair value measurements are categorised for disclosure purposes have changed from that previously disclosed by the Fund. See note 2 for further details.

##### c) Investments

###### (i) Classification and recognition/derecognition

The financial assets and financial liabilities at fair value through profit or loss comprise equities and exchange traded investment funds.

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 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.

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.

###### (ii) Fair value measurement principles

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

If for specific investments the close of business 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.

##### d) 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.

##### e) 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.

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 1. Significant Accounting Policies *continued*

##### f) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. The difference between the proceeds and the amounts payable is recognised over the year of the payable using the effective interest method.

##### g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost less provision for impairment.

##### h) 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.

##### i) 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 redeemed 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 redeem.

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 by the total number of outstanding redeemable shares. In accordance with the provisions of the Company's Constitution, investment positions are valued based on the last traded market price, for the purpose of determining the net asset value per share for subscriptions and redemptions.

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

Financial liabilities, arising from the redeemable shares issued by the Company, are carried at the redemption amount representing the investors' right to a residual interest in the Company's assets.

##### j) Foreign Exchange

###### (i) Functional and presentation currency

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

###### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss account.

Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Profit and Loss account within the net gains/(losses) on financial assets and liabilities at fair value through profit or loss.



# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 1. Significant Accounting Policies *continued*

##### j) Foreign Exchange *continued*

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

	As at 31 December 2015	As at 31 December 2014
Euro	1.3568	1.2886
Korean Won	1,728.2214	1,713.8496
US Dollars	1.4739	1.5541
Taiwan Dollars	48.4132	49.2754

##### k) 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.

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 shareholders exercised the right to redeem shares in the Fund.

##### l) Transaction costs

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

#### 2. Financial Risk Management

In accordance with the corporate objective of maximising capital appreciation, the Company invests in securities on a worldwide basis. The Company's financial assets consist of cash, equities and exchange traded investment funds and short term debtors and creditors.

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

##### A. Market Risk - comprising:

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

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

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

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

The Company is subject to a number of investment restrictions imposed by external regulators or self-imposed by its Constitution. 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.

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 2. Financial Risk Management *continued*

##### A. Market Risk

###### (i) Market Price Risk

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

A full list of the Company's investments is given in the Schedule of Investments, on pages 33 to 34. The Company has a number of investment restrictions which aim to limit risk by ensuring a degree of diversification. For instance, the Company will hold a maximum of 10% of the net asset value (NAV) in securities or money market instruments issued by the same body, and the total of securities or money market instruments which are greater than 5% of the NAV are not to exceed 40% of the NAV in aggregate.

Some of the recognised exchanges on which the Company may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements. The trading and settlement practices on some of the recognised exchanges on which the Company may invest may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Company.

Where the Company acquires or values securities on the over-the-counter market there is no guarantee that the Company will be able to realise such securities at that valuation price due to the nature of the over-the-counter market. There were no securities held on the over-the-counter market at the year end.

##### Market Price Risk – Sensitivity Analysis

The portfolio does not target any exchange as a benchmark, and the performance of the portfolio does not track any generally used market index due to insufficient relevance. However, for illustrative purposes, in 2015 Share Class A returned 1.98% (31 December 2014: 15.80%) while the USD denominated MSCI World Information Technology Index, a global technology index, returned 9.6% in sterling terms (31 December 2014: 21.80%). Based on the NAV of the Fund as at 31 December 2015, and this historic one-year sensitivity analysis, if the MSCI World IT Index increased by 10% in sterling terms, the Fund would increase by 8.7% (31 December 2014: increase by 8.8%), resulting in a gain of GBP1,695,986 (gain of GBP1,816,421 based on 31 December 2014 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 years ended 31 December 2015 or 31 December 2014. The majority of the Company's financial assets and liabilities are non-interest bearing. Excess cash is invested in instantly accessible accounts at prevailing interest rates. The Company was, therefore, not significantly exposed to interest rate risk from unfavourable fluctuations in interest rates.

###### (iii) Foreign Currency Risk

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

Furthermore, many companies trade internationally, both through foreign subsidiaries and through exports. The greatest foreign currency risk occurs when companies have a divergence in currencies for costs and revenues.

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

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 2. Financial Risk Management *continued*

##### A. Market Risk *continued*

##### (iii) Foreign Currency Risk *continued*

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

##### 31 December 2015

Financial Assets	EUR	KRW	USD	TWD
<b>Non-monetary assets</b>				
Financial assets held at fair value through profit or loss	<u>1,291,266</u>	<u>406,203</u>	<u>14,061,067</u>	<u>206,555</u>

##### 31 December 2014

Financial Assets	EUR	KRW	USD	TWD
<b>Non-monetary assets</b>				
Financial assets held at fair value through profit or loss	<u>1,033,460</u>	<u>425,533</u>	<u>15,583,898</u>	<u>623,151</u>

#### Foreign Currency Risk – Sensitivity Analysis

Companies whose cost base diverges in currency terms from their 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 2015 and 31 December 2014, the Company did not use financial instruments to protect against currency movements.

Sensitivity to Foreign Currency Risk on non-monetary assets is included in Market Price Risk. Exposure to Foreign Currency Risk on monetary assets is not considered significant at 31 December 2015 or 31 December 2014.

#### B. Credit Risk

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

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.

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

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

## HERALD INVESTMENT FUND PLC

### - The Herald Worldwide Fund

#### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

##### **2. Financial Risk Management** *continued*

##### **B. Credit Risk** *continued*

Both Northern Trust Fiduciary Services (Ireland) Limited and the Northern Trust Company, London Branch are wholly owned subsidiaries of Northern Trust Corporation.

As at 31 December 2015 Northern Trust Corporation had a long term rating from Standard & Poor's of A+ (31 December 2014: A+).

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

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

##### **C. Liquidity Risk**

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and so 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 2015 or 31 December 2014.

The company is open-ended 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.

To reduce 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 10% of the net 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 other factors which apply to each investment.

All of the Company's liabilities at 31 December 2015 and 31 December 2014 were repayable within one month.

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 2. Financial Risk Management *continued*

##### D. Fair Value Disclosure

FRS 102 requires the Company to classify financial instruments measured at fair value into the following hierarchy:

Level A - Instruments fair valued using a quoted price for an identical asset or liability in an active market. Quoted in an active market in this context means last traded prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level B - Instruments for which a quoted price is unavailable and which has been fair valued using the price of a recent transaction for an identical asset or liability provided there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Level C - Instruments for which fair value has been estimated using a valuation technique. Valuation techniques classified for those instruments under Level C are intended to provide a reasonable estimate of fair value and reflect how the market could be expected to price the asset or liability, including market expectations and risk return factors. Classification under Level C does not distinguish between valuation techniques based on the observability of inputs to those valuation techniques.

The tables below set out the classification of the Company's financial instruments measured at fair value in accordance with FRS 102:

#### 31 December 2015

Assets	Level A GBP	Level B GBP	Level C GBP	Total GBP
<b>Financial Assets designated at fair value through profit or loss at inception</b>				
Equity securities	17,054,765	-	-	17,054,765
Exchange traded investment funds	931,563	-	-	931,563
<b>Total Assets</b>	<b>17,986,328</b>	<b>-</b>	<b>-</b>	<b>17,986,328</b>

#### 31 December 2014

Assets	Level A GBP	Level B GBP	Level C GBP	Total GBP
<b>Financial Assets designated at fair value through profit or loss at inception</b>				
Equity securities	19,539,584	-	-	19,539,584
Exchange traded investment funds	823,750	-	-	823,750
<b>Total Assets</b>	<b>20,363,334</b>	<b>-</b>	<b>-</b>	<b>20,363,334</b>

#### 3. Operating income

	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
Interest income	-	109
Dividend income	182,128	175,634
	<b>182,128</b>	<b>175,743</b>

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 4. Net gains on Financial Assets and Liabilities at Fair Value Through Profit or Loss

	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
Realised gains on sale of investments	1,226,400	967,391
Net currency (losses)	(2,399)	(3,855)
Net change in unrealised (depreciation)/appreciation on investments	(633,489)	2,148,605
	<u>590,512</u>	<u>3,112,141</u>

#### 5. Operating Expenses

	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
Administration fees	81,949	78,000
Auditors' fees	15,411	15,272
Custody fees	2,675	2,761
Directors' fees	25,770	26,260
Investment Management fees	181,874	155,389
Performance fees	-	99,804
Other expenses	27,974	17,959
	<u>335,653</u>	<u>395,445</u>

#### 6. Cash and Bank Balances

	Year ended 31 December 2015 GBP	Year ended 31 December 2014 GBP
Northern Trust Fiduciary Services (Ireland) Limited	<u>1,555,453</u>	<u>454,362</u>

#### 7. Share Capital

The share capital of the Company shall at all times equal the net asset value. Each of the shares entitles the shareholder to participate equally on a pro rata basis in the dividends and net assets of the Fund in respect of which they are issued, save in the case of dividends declared prior to becoming a shareholder. The proceeds from the issue of shares shall be applied in the accounting records 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 2015, the Company has issued 7 subscriber shares (31 December 2014: 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 Financial Statements by way of this note only.

Shares in Issue	Year ended 31 December 2015	Year ended 31 December 2014
<b>Number of Class A Shares issued and fully paid</b>		
Balance at beginning of year	664,020	712,185
Issued during year	3,040	5,322
Redeemed during year	(47,615)	(53,487)
	<u>619,445</u>	<u>664,020</u>
Total number of Class A Shares in issue at end of year	<u>619,445</u>	<u>664,020</u>

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 7. Share Capital *continued*

##### Shares in Issue *continued*

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Number of Class B Shares issued and fully paid</b>		
Balance at beginning of year	129,260	132,384
Issued during year	6,322	8,804
Redeemed during year	(23,060)	(11,928)
Total number of Class B Shares in issue at end of year	<u>112,522</u>	<u>129,260</u>

As at 31 December 2015, one shareholder held 39.32% of the issued share capital of the Company (31 December 2014: 36.28%).

#### 8. Net Asset Value

	As at 31 December 2015 GBP	As at 31 December 2014 GBP	As at 31 December 2013 GBP
Net Asset Value Class A share	17,541,444	18,439,278	17,079,423
Net Asset Value Class B share	1,952,652	2,201,865	1,942,560
Net Asset Value per Class A share	28.32	27.77	23.98
Net Asset Value per Class B share	17.35	17.03	14.67

#### 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 GBP13,344 were payable at 31 December 2015 (31 December 2014: GBP14,863).

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% for the financial year end 31 December 2015. The expense reimbursement at 31 December 2015 is GBP24,520 (of which GBP16,405 related to administration fees reimbursements) (31 December 2014: GBP18,804 (of which GBP12,000 related to administration fees)).

##### 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 Fund over the relevant period. The opening NAV per Class A share this financial year was GBP27.77 and the closing GBP28.32. To date the previous highest NAV per Class A share at a financial year end was reached on 31 December 2014 when the NAV was GBP27.77 per Share. Therefore, a performance fee on the Class A Shares of GBPNil (31 December 2014: GBP99,804) was earned for the year end 31 December 2015. There is no performance fee charged on the Class B Shares.

# HERALD INVESTMENT FUND PLC

## - The Herald Worldwide Fund

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

#### 9. Fees *continued*

##### Administration Fee

The Administrator will receive a fee of up to 0.12 per cent per annum on the first GBP25 million of the Net Asset Value of the Fund, 0.10 per cent per annum on the next GBP25 million and 0.08 per cent per annum on that portion of the net asset value of the Fund which exceeds GBP50 million, subject to a minimum fee of GBP8,000 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. In addition, fees of GBP16,405 were reimbursed by the Investment Manager to the Fund during the year (31 December 2014: GBP12,000). Fees of GBP8,663 were payable at 31 December 2015 (31 December 2014: GBP31,279).

##### Custodian Fee

The Custodian will be entitled to receive a trustee fee out of the assets of each Fund, accrued daily and payable monthly in arrears of 0.015 per cent per annum of the Net Asset Value of the Fund. In addition, the Custodian will be paid out of the assets of each Fund safekeeping fees of up to 0.05 per cent per annum of the Net Asset Value of the Fund, accrued daily and payable monthly in arrears, and shall be reimbursed all sub-custodial and transactional fees and expenses which will be charged at normal commercial rates, and will be reimbursed any reasonable out of pocket expenses. Fees of GBP2,675 were payable at 31 December 2015 (31 December 2014: GBP1,009).

##### Transaction costs

Transaction costs of the Fund were GBP19,961 for year ended 31 December 2015 (31 December 2014: GBP18,608) and are included in net gains on financial assets and liabilities at fair value through profit or loss.

#### 10. Related Party Transactions

FRS 102 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 2015, the number of shares held was 91,530 (31 December 2014: 91,530).

##### Directors' Interests in Shares and Contracts

	31 December 2015 Class A Shares	31 December 2014 Class A Shares
William Backhouse and connected persons	12,597	12,597
David Boyle and connected persons	12,182	12,182

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 2015 the fair value of this investment was GBP931,563 (31 December 2014: GBP817,500).

##### Directors' Fees

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



## HERALD INVESTMENT FUND PLC

### - The Herald Worldwide Fund

#### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 *continued*

##### 11. Taxation

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

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

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

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

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

##### 12. Auditor's Remuneration

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

	Year ending 31 December 2015 EUR	Year ending 31 December 2014 EUR
Statutory audit of company accounts	17,000	16,000
Other Assurance Services	-	-
Tax Advisory Services	-	-
Other non-audit services	-	-
	<hr/> 17,000 <hr/>	<hr/> 16,000 <hr/>

The remuneration above is quoted in EUR and is exclusive of VAT. At year end closing rate and including VAT the statutory audit of company accounts amount is GBP15,411 (31 December 2014: GBP15,272).

##### 13. Soft Commission Arrangements

There were no soft commission arrangements affecting the Company during the year or prior year.

##### 14. Distributions

There were no distributions declared during the years ended 31 December 2015 or 31 December 2014.

##### 15. Significant events during the year

There were no significant events during the year, which, in the opinion of the Directors, may have had an impact on the Financial Statements for the year ended 31 December 2015.

##### 16. 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 year ended 31 December 2015.

##### 17. Approval of Financial Statements

The Financial Statements were approved by the board on 25 February 2016.

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**SCHEDULE OF INVESTMENTS as at 31 December 2015**

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
<b>EQUITIES: 92.26% (2014: 98.49%)</b>			
<b>GERMANY - 6.62% (2014 : 5.01%)</b>			
<i>INTERNET - 3.85% (2014 : 2.82%)</i>			
20,000	United Internet AG Com NPV	750,438	3.85
<i>SOFTWARE - 2.77% (2014 : 2.19%)</i>			
10,000	SAP AG Class A Com NPV	540,828	2.77
<b>GERMANY - TOTAL</b>		<b>1,291,266</b>	<b>6.62</b>
<b>REPUBLIC OF SOUTH KOREA - 2.06% (2014 : 2.06%)</b>			
<i>SEMICONDUCTORS - 2.06% (2014 : 2.06%)</i>			
550	Samsung Electronics Co Com KRW5000.00	400,990	2.06
<b>REPUBLIC OF SOUTH KOREA - TOTAL</b>		<b>400,990</b>	<b>2.06</b>
<b>TAIWAN - 3.28% (2014 : 6.36%)</b>			
<i>SEMICONDUCTORS - 3.28% (2014 : 6.36%)</i>			
40,000	Media Tek Inc Com TWD10.00	206,555	1.06
28,000	Taiwan Semiconductor Manufacturing Co ADR NPV	432,187	2.22
<b>TAIWAN - TOTAL</b>		<b>638,742</b>	<b>3.28</b>
<b>UNITED KINGDOM - 10.40% (2014 : 12.89%)</b>			
<i>INVESTMENT FUNDS - 4.78% (2014: 3.96%)</i>			
125,000	Herald Investment Trust PLC NPV	931,563	4.78
<i>COMPUTERS - 0.00% (2014 : 1.23%)</i>			
<i>SEMICONDUCTORS - 4.59% (2014: 6.60%)</i>			
34,000	ARM Holdings PLC Com GBP0.0005	353,260	1.81
217,322	Imagination Technologies Group PLC Com GBP0.10	290,125	1.49
1,230,000	IQE PLC Com GBP0.01	215,250	1.10
2,000,000	Toumaz Com GBP0.0025	37,480	0.19
<i>TELECOMMUNICATIONS - 1.03% (2014: 1.10%)</i>			
200,000	Bango PLC Com GBP0.20	200,000	1.03
<b>UNITED KINGDOM - TOTAL</b>		<b>2,027,678</b>	<b>10.40</b>
<b>UNITED STATES - 69.91% (2014 : 72.17%)</b>			
<i>COMMERCIAL SERVICES - 1.19% (2014 : 0.92%)</i>			
4,112	Leidos Holdings Inc Com USD0.0001	156,959	0.81
2,350	Science Applications International Corp Com USD0.0001	72,992	0.38
<i>COMPUTERS - 11.36% (2014 : 16.72%)</i>			
22,635	Apple Inc Com USD0.00001	1,616,501	8.29
25,000	Cadence Design Systems Inc Com USD0.01	352,975	1.81
10,000	Nimble Storage Inc Com USD0.001	62,419	0.32
4,500	Western Digital Corp Com USD0.01	183,340	0.94
<i>ELECTRONICS - 0.00% (2014 : 1.36%)</i>			
<i>INTERNET - 17.28% (2014: 12.48%)</i>			
1,624	Alphabet Inc Class C Com USD0.001	836,163	4.29
1,620	Alphabet Inc Class A Com USD0.001	855,130	4.39
2,000	Amazon.com Inc Com USD0.10	917,145	4.70
7,500	F5 Networks Inc Com NPV	493,385	2.53
1,000	Splunk Inc Com USD0.001	39,901	0.20

**HERALD INVESTMENT FUND PLC**  
**- The Herald Worldwide Fund**  
**SCHEDULE OF INVESTMENTS as at 31 December 2015** *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
<b>EQUITIES: 92.26% (2014: 98.49%)</b> <i>continued</i>			
<b>UNITED STATES - 69.91% (2014 : 72.17%)</b> <i>continued</i>			
<i>INTERNET - 17.28% (2014 : 12.48%)</i> <i>continued</i>			
47,100	Support.com Inc Com USD0.0001	32,276	0.17
10,000	Yelp Inc Com USD0.000001	195,400	1.00
<i>SEMICONDUCTORS - 17.87% (2014 : 20.11%)</i>			
3,750	Cavium Inc Com USD0.001	167,184	0.86
38,000	Intel Corp Com USD0.001	888,188	4.56
11,500	Mellanox Technologies Com ILS0.02	328,794	1.69
43,000	Micron Technologies Inc Com USD0.01	413,108	2.12
10,200	QUALCOMM Inc Com USD0.0001	345,917	1.77
16,000	Silicon Motion Technology Corp ADR USD0.01	340,430	1.75
28,000	Teradyne Inc Com USD0.13	392,673	2.01
19,000	Xilinx Inc Com USD0.01	605,489	3.11
<i>SOFTWARE - 21.41% (2014 : 20.58%)</i>			
24,000	Acxiom Corp Com USD0.10	340,647	1.75
20,200	Akamai Technologies Inc Com USD0.01	721,301	3.70
30,000	AVG Technologies NV Com EUR0.01	408,101	2.09
14,750	Check Point Software Technologies Com USD0.01	814,407	4.18
21,000	Microsoft Corp Com USD0.00000625	790,474	4.05
11,200	Pegasystems Inc Com USD0.01	208,969	1.07
7,000	Proofpoint Inc Com USD0.0001	308,752	1.58
56,000	RADWARE Com ILS0.05	582,836	2.99
<i>TELECOMMUNICATIONS - 0.80% (2014 : 0.00%)</i>			
2,950	Arista Networks Inc Com USD0.0001	155,796	0.80
<b>UNITED STATES - TOTAL</b>		<b>13,627,652</b>	<b>69.91</b>
<b>EQUITIES - TOTAL</b>		<b>17,986,328</b>	<b>92.27</b>
<b>TOTAL VALUE OF INVESTMENTS</b>		<b>17,986,328</b>	<b>92.27</b>
<b>CASH</b>		<b>1,555,453</b>	<b>7.98</b>
<b>OTHER NET LIABILITIES</b>		<b>(47,685)</b>	<b>(0.25)</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT LAST TRADED PRICES</b>		<b>19,494,096</b>	<b>100.00</b>

**Analysis of Portfolio**

**% of Total Assets**

Transferable securities admitted to an official stock exchange listing or traded on a regulated market.

92.00

Other Assets

8.00

**100.00**

Calculation based on the total assets of the Fund (excluding liabilities). This summary is a UCITS requirement.

Percentages in brackets represent the prior year comparative amounts.  
The industry groups are based on the Bloomberg Level II classification.

**HERALD INVESTMENT FUND PLC**

**- The Herald Worldwide Fund**

**SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the year ended 31 December 2015**

<b>MAJOR PURCHASES*</b>		<b>VALUE GBP</b>
2,950	Arista Networks Inc Com USD0.0001	131,701
16,000	Silicon Motion Technology Corp ADR USD0.01	244,965
11,500	Mellanox Technologies Ltd Com ILS0.02	334,906
<hr/>		
<b>MAJOR SALES*</b>		<b>VALUE GBP</b>
80,000	PMC-Sierra Inc Com USD0.001	538,504
7,000	Proofpoint Inc Com USD0.0001	335,913
25,000	Cadence Design Systems Inc Com USD0.01	312,617
194,216	Phoenix IT Group Ltd Com GBP0.01	310,746
20,000	Taiwan Semiconductor Manufacturing Co ADR NPV	308,511
20,000	Jabil Circuit Inc Com USD0.001	289,007
15,700	EMC Corp/MA Com USD0.01	287,119
7,000	AlteraCorp Com USD0.001	255,509
100,000	Imagination Technologies Group PLC Com GBP0.10	252,232
195,000	Epistar Corp Com TWD10.00	240,042
4,500	Western Digital Corp Com USD0.01	238,387
3,750	Cavium Inc Com USD0.001	162,514
1,780	Apple Inc Com USD0.00001	149,189

\* The above purchases and sales represents the total trading for the year