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PROFESSIONAL

# Herald Investment Trust

Investment companies | Update | 13 November 2023

## Patience and power

Herald Investment Trust (HRI) demonstrates why patience can be key when it comes to investing. The managers highlight the drought of funding available to small cap technology stocks. The team has ensured that HRI has sufficient liquidity to take advantage of opportunities as these arise. HRI is operating in a buyers' market, and this often gives it the power to dictate terms. HRI's performance also reflects the bifurcation of global technology markets, whereby US stocks, especially those with larger market caps, have driven both HRI's, and the wider market's, near-term return.

### Small-cap technology, telecommunications and multi-media

HRI's objective is to achieve capital appreciation through investments in smaller quoted companies in the areas of telecommunications, multimedia and technology. Investments may be made across the world, although the portfolio has a strong position in UK stocks. The business activities of investee companies include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

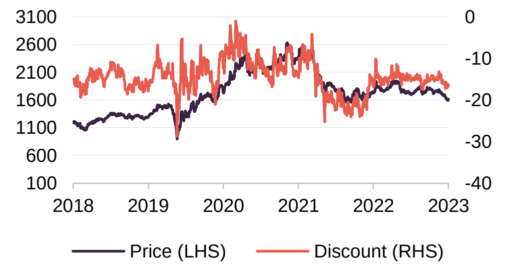
| 12 months ended | Share price total return (%) | NAV total return (%) | Numis ex IC plus AIM (%) | B'berg World Tech TR (%) | MSCI World Index TR (%) |
|---|---|---|---|---|---|
| 31/10/2019 | 8.1 | 11.9 | 1.7 | 20.1 | 11.3 |
| 31/10/2020 | 34.4 | 26.2 | (2.6) | 38.3 | 4.4 |
| 31/10/2021 | 36.0 | 38.9 | 43.5 | 38.2 | 32.5 |
| 31/10/2022 | (26.6) | (24.5) | (24.9) | (13.6) | (2.9) |
| 31/10/2023 | (6.4) | (7.2) | (5.9) | 20.5 | 4.8 |

Source: Morningstar, Marten & Co

| | |
|---|---|
| Sector | Global Smaller Companies |
| Ticker | HRI LN |
| Base currency | GBP |
| Price | 1,708p |
| NAV | 2,014.2p |
| Premium/(discount) | (15.2%) |
| Yield | Nil |

### Share price and discount

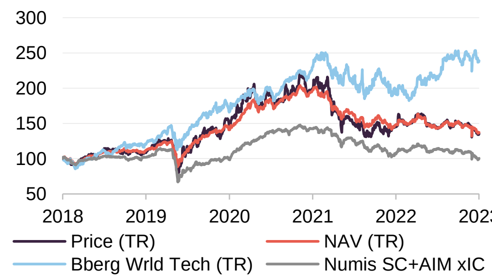
Time period 31/10/2018 to 31/10/2023




Source: Morningstar, Marten & Co

### Performance over five years

Time period 31/10/2018 to 31/10/2023




Source: Morningstar, Marten & Co

# Contents



| | |
|---|---|
| Domicile | United Kingdom |
| Inception date | 21 February 1994 |
| Manager | Katie Potts |
| Market cap | 947.4m |
| Shares outstanding (exc. treasury shares) | 56.4m |
| Daily vol. (1-yr. avg.) | 96,1k shares |
| Net cash | 9.7% |

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Click for an updated HRI factsheet

Click for HRI's peer group analysis


## Analysts

**Matthew Read**
mr@quoteddata.com

**James Carthew**
jc@quoteddata.com

**David Johnson**
dj@quoteddata.com


Click to provide feedback to the company

Click if you are interested in meeting HRI's managers

Click for links to trading platforms

## Market update

In the face of rising interest rates, lacklustre global growth (outside of the US), and a myriad of other factors like US-China trade spats, the global technology sector has seemed to shrug off the wider headwinds and has proven remarkably resilient over 2023 since our last note (which was published at the start of the year).

Developed market inflation growth rates have finally started to stagnate

Be it the result of higher interest rates, lower energy prices, or simply an adaptation to the supply chain issues that resulted from COVID-19 and the Ukrainian conflict, inflation figures are coming down to much more manageable levels. Recently this fall in inflation has been seen in both core and non-core inflation (the latter excluding the more volatile energy and food costs) decline, which will take much of the pressure off central banks. Interest rate expectations have eased since our last note, in the UK forecasted peak-rates are c.50bps lower, with the average pundit now expecting another 0.25% rise, to 5.50%.

For HRI, and the wider technology market, the single most important factor has been the rate-setting policy in the US, as determined by the Federal Reserve (Fed), which unlike the UK's central bank has a dual mandate for both inflation control and economic growth. The Fed is further ahead of the curve than the UK and has signalled a possible pause to interest rate rises in the near term, though it is open to increasing interest rates by another 0.25bps before the end of the year (to 5.50%). Some pundits even speculate that the Fed could cut rates by the end of the year, at the earliest, but bond markets have been jittery. Given the sensitivity of highly valued tech companies to interest rate policy, a cut in rates would be a clear boon for the industry's valuations.

### AI in charge

The proliferation of AI has been a powerful secular tailwind for the technology sector

Much of the tech sector should prove defensive if growth continues to be sluggish. Be it the disruptive nature of their products, like digital payment providers, the critical services they provide, like cloud computing or security, or the simple need for ever more powerful semiconductors, there is a path to growth that is often unique to the tech sector, which allows it to thrive regardless.

In recent months the secular growth story on everyone's minds has been artificial intelligence (AI), instigated by the launch of Open AI, the generative AI tool. This revitalised interest in the tech sector, reversing its post-rate rise selloff and sending companies with strong exposure to the AI industry to all-time highs. While the flurry of interest around AI has come off recently, along with the valuations of the wider technology sector, technology still remains the winner of 2023, and has easily eclipsed the returns of other industries.

The HRI team highlights that the AI story represents a material shift in the dynamics of the technology sector. There will be major ramifications in the demand for certain components, such as AI-oriented semiconductors (which was the primary reason for NVIDIA's skyrocketing share price), as well as the need for faster physical components like cables and switches to keep up with the rapid increase in computational capacity. The outcome of the proliferation of AI will also lead to a much more efficient software development cycle, with companies also being able to deploy AI software into non-tech industries such as healthcare and law. The question the HRI team asks is not whether or not AI will be a driver of share price growth, but who will be the winners and losers of AI, and what are the new markets that it will open up. While investors flocked to large cap names exposed to the AI theme, in time some of the big winners will probably emerge from amongst the smaller companies.

The defence sector may offer another avenue of growth, while consumer-exposed stocks may stall out

Beyond AI, the HRI team has noticed growing tailwinds behind companies associated with the defence sector, given the increased defence spending by western governments in light of the war in the Ukraine, though there are fewer tech companies directly associated with this industry than AI. Conversely, the team is increasingly cautious around consumer sensitive tech sectors, as a possible weakness in the end consumer (be it through weaker GDP or a decline in real purchasing power) will directly affect this sector. This is more of an issue in China which HRI has limited direct exposure to. The UK, on the other hand, where HRI's traditional focus is, has little to no consumer tech.

## HRI team view

In our recent conversation with the HRI team, they raised their concerns around the fundamental shifts in global market dynamics. Specifically, how greater government indebtedness, which is leading to rises in taxation – the tax burden in Europe, for example, is at its highest level for at least 25 years – coupled with tight labour markets, which are pushing up costs, is putting a significant brake on GDP growth. As can be seen from Figure 1, debt to GDP across the major economies has increased, and for certain countries this has been fuelled in a large part by the central banks expanding their balance sheets, especially in the case of the Eurozone. Very tight labour markets are leaving governments with less room to stimulate their domestic economies.

## Figure 1: Government debt and employment

| | Debt to GDP (%) | | Central bank assets to GDP (%) | | Unemployment rate (%) | |
|---|---|---|---|---|---|---|
| | Dec 2019 | Dec 2022 | Dec 2019 | Dec 2022 | Dec 2019 | Dec 2022 |
| Eurozone | 85 | 93 | 39 | 62 | 7.4 | 6.6 |
| France | 97 | 112 | N/A | N/A | 8.1 | 7.2 |
| Germany | 60 | 66 | N/A | N/A | 5.0 | 5.5 |
| Italy | 134 | 145 | N/A | N/A | 9.8 | 7.8 |
| Japan | 236 | 264 | 103 | 125 | 2.2 | 2.4 |
| Canada | 87 | 102 | 7 | 26 | 5.6 | 5.0 |
| USA | 107 | 120 | 19 | 33 | 3.5 | 3.5 |
| China | 57 | 77 | 38 | 33 | 5.2 | 5.5 |
| UK | 85 | 97 | 22 | 33 | 3.8 | 3.7 |

Source: Herald Investment Management

This has more nuanced implications for equity investors than simply stalling economic growth. The rise in the volumes of debt present in the economy has warped market liquidity, as excess debt in the market has reduced the relative volumes of cash available to fund equity market transactions. Even more recently, the increasing attractiveness of bond yields (considering the sudden sharp rises in interest rates) combined with the huge volumes of debt in circulation has only drawn more investors out of equity markets, as they can gain sufficient returns by holding bonds, or even cash deposits. Within tech, the manager notices that liquidity is often withheld for earnings announcements, as investors are delaying trades until companies give greater clarity around earnings, a cause and symptom of the declining lack of liquidity. We do note that while declining liquidity is an issue for the wider equity market, it can be a boon for HRI, as their closed ended structure allows them greater patience when investing, and they can take advantage of forced sellers or buyers to generate above market returns for HRI, especially when compared to the equivalent open-ended strategy.

M&A activity has died out over 2023, while liquidity has also started drying up

Overall, there has been a marked reduction in private market activity, and participation in the funding rounds in general. Where M&A activity had once been rife in the tech sector, thanks to cheap capital and the relative cheapness of UK equities, it has almost completely dried up. This can be seen clearly in Figure 2 which shows the number of takeovers of HRI's invested companies.

In the US, venture capital fundraising has fallen by more than 50% year on year (based on Q1 2023).

### Figure 2: Takeovers within HRI's portfolio

| | UK | North America | EMEA | Asia | Total |
|---|---|---|---|---|---|
| 2015 | 8 | 9 | - | - | 17 |
| 2016 | 8 | 6 | 1 | - | 15 |
| 2017 | 6 | 6 | 1 | - | 13 |
| 2018 | 7 | 5 | 1 | - | 13 |
| 2019 | 10 | 8 | 1 | - | 19 |
| 2020 | 6 | 4 | 2 | - | 12 |
| 2021 | 7 | 8 | 1 | 4 | 20 |
| 2022 | 5 | 11 | 2 | 5 | 23 |
| H12023 | - | 1 | - | 1 | 2 |

Source: Herald Investment Management

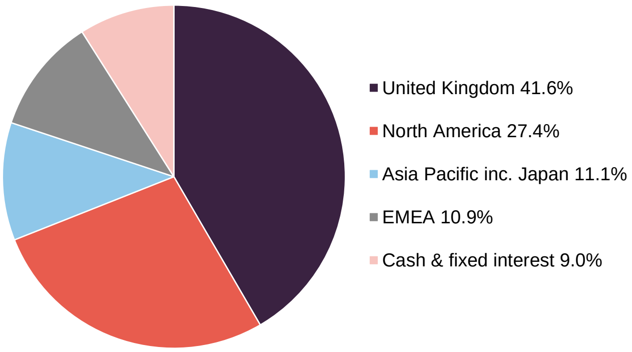
## Asset allocation

HRI is sitting on considerable 'dry powder' to capitalise on the lack of market liquidity

For the reasons that we have discussed above, Herald has about 9% of its portfolio in cash and fixed interest, a little less than it did in September 2022, but still a significant weighting. Investors may be encouraged that this is earning far higher returns in this higher interest environment.

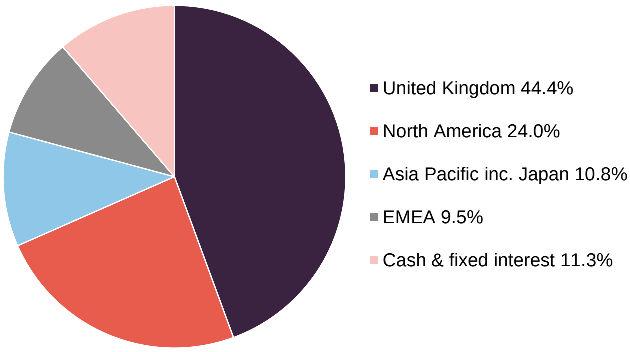
On a geographical level there has been a shift towards the US within HRI, at the expense of HRI's UK exposure. There are two reasons for this shift, the first being that the US is becoming the easier market to navigate, with it having superior liquidity versus other markets, as well as more companies within the 'sweet spot' of a $3bn market cap, a threshold which draws increased investor attention and thus liquidity. The second reason is simply that US technology stocks have blazed ahead of other regions, meaning there has been a natural increase in the size of their US equity position due to the increase in comparative value.

### Figure 3: Geographic allocation as at 30 September 2023*




Source: Herald Investment Management *Note: as a proportion of gross assets

### Figure 4: Geographic allocation as 30 September 2022*




Source: Herald Investment Management *Note: as a proportion of gross assets

## Top 10 holdings

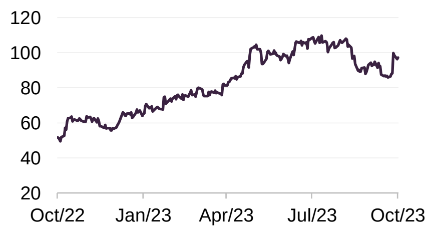
Figure 5 shows HRI's top 10 holdings as at 30 September 2023 and how these have changed over the previous 12 months.

### Figure 5: Top 10 holdings as at 30 September 2023

| Holding | Sector | Country | Allocation 30 September 2023 (%) | Allocation 30 September 2022 (%) | Percentage point change |
|---|---|---|---|---|---|
| Super Micro Computer | Technology hardware & equipment | US | 3.9 | 1.5 | 1.4 |
| Diploma | Support services | UK | 2.2 | 1.8 | 0.4 |
| BE Semiconductor Industries | Tech hardware and semiconductors | Netherlands | 2.1 | 1.0 | 1.1 |
| Fabrinet | Tech hardware and semiconductors | US | 1.9 | 1.1 | 0.8 |
| Next Fifteen Group | Media | UK | 1.6 | 1.8 | (0.2) |
| Volex | Tech hardware and semiconductors | UK | 1.6 | 1.0 | 0.6 |
| Idox | Software & computer services | UK | 1.5 | 1.6 | (0.1) |
| YouGov | Media | UK | 1.4 | 1.4 | 0.0 |
| Descartes Systems | Software & computer services | Canada | 1.3 | 1.4 | (0.1) |
| Silicon Motion Technology | Tech hardware and semiconductors | US | 1.3 | 1.6 | (0.3) |
| Total of top 10 | | | 18.8 | 15.8 | 3.0 |

Source: Herald Investment Management, Marten & Co

### Figure 6: BE Semiconductor Industries (EUR)




Source: Bloomberg

### BE Semiconductor Industries

BE Semiconductor Industries (Besi) is a holding company that is engaged in the development, manufacturing, sales, and service of semiconductor assembly equipment. Besi does not produce semiconductor chips, but rather the niche equipment used by other companies in their own semiconductor production. Besi operates in three segments: Die Attach, Packing, and Plating.

Besi is an example of a company that is a critical cog in the global semiconductor industry despite its small size. Besi's shares have shot up meteorically since COVID-19, as the proliferation of technology adoption has directly increased the demand for semiconductors. Besi's highly advanced systems are also becoming increasingly integrated into semiconductor manufacturing, which is helping to solidify its position as a market leader. For example, Besi's hybrid bonding technology is expected to go mainstream with smartphone processor makers around 2027.

## Fabrinet

Fabrinet is a Cayman Islands-based company, which provides advanced precision optical/electronic/mechanical manufacturing services. The company provides advanced optical packaging and precision optical, electromechanical and electronic manufacturing services to original equipment manufacturers of complex products, such as industrial lasers, medical devices and sensors, to name a few. Fabrinet offers a range of advanced optical and electromechanical capabilities across the whole manufacturing process, from the process design and engineering, to manufacturing, then final assembly and testing. Its primary focus though is on the production of low volume, high-mix products.

Figure 7: Fabrinet (GBP)

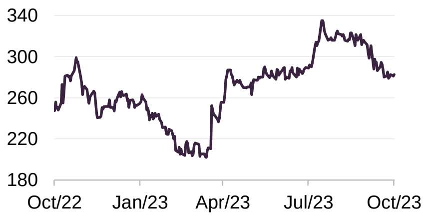

Source: Bloomberg

Thanks to the recent surge in AI-driven demand, Fabrinet has been able to post robust earnings for its fourth quarter 2023 (for its financial year). The surge in demand from AI-linked firms, with NVIDIA accounting for 13% of revenues, was more than enough to offset a falling demand from telecoms, which has traditionally been Fabrinet's largest business - something which demonstrates the importance of sectoral growth opportunities (the advancement of AI in this case) in offsetting cyclical slowdowns.

## Volex

Volex is a UK based firm that is engaged in integrated manufacturing of performance-critical applications and power products. Volex's range of products, capabilities, and solutions includes power cords, connectors, integrated manufacturing services, electric vehicle charging solutions, consumer cable harnesses and power products, higher speed internet and data transfer cables, and data centre power cables.

Figure 8: Volex (GBP)




Source: Bloomberg

There has been a spate of recent wins for Volex, with it recently becoming a licensed charging system partner of Tesla, a testament to the quality of its products. It also acquired Murat Ticaret, a maker of wire harnesses, which it believes will provide it with immediate entry into a new growth market. These developments come after Volex reported a FY 2023 performance ahead of market consensus, growing its profits by 17% on the prior year, which sent its share surging in April. These results can be attributed to Volex's ability to control costs and improve its margins, as well as its strategy of targeting structural growth industries like electric vehicles, complex industrial technologies, and the medical sector.

## YouGov

YouGov is a UK based international research and data analytics company, providing its clients with data to help them explore, plan, activate and track the impact of their marketing and communications activities. UK readers will likely recognise the company for the polling data, which is frequently referred to by the UK's press, especially during election periods. YouGov operates in three divisions: Data Products, Data Services, and Custom Research. YouGov's data products division comprises its syndicated data products, such as its 'BrandIndex' and 'Profiles' products suites, which are offered to clients on a subscription basis. Its data services division provides clients with fast-turnaround and cost-effective survey solutions for national and specialist sample sizes. Its custom research division offers a range of quantitative and qualitative research tailored to fit each client's specific requests.

**Figure 9: YouGov (GBP)**


**Source:** Bloomberg

Please click here to visit QuotedData.com for a live comparison of the global smaller companies peer group.

YouGov's recent activity includes the acquisition of the GfK's Consumer Panel Business, a leader in European household purchase data, for €315m. The purchase was partially funded by a £51m equity issuance by YouGov, which in part explains the weakened share price over the year, given the diluting effect. YouGov's shares were also impacted by the company's announcement in July that while its 2023 operating profit would be in line with expectations, its revenues were on track to come in at the lower end of its estimates, which led to a fall in its share price. We note that YouGov has begun to look at the idea of listing in the US, which would dramatically increase the liquidity around the stock, and may be a future tailwind for its share price, enabling it to take advantage of the more conducive market dynamics in the US.

## Performance

Despite the recent headwinds global investors have faced, HRI has still provided impressive absolute returns, having more than doubled its shareholders' capital over the last 10 years, as well as generating a nearly 40% total return over five. This compares very favourably to the domestic UK small cap market, as the Numis small cap index has failed to add virtually any value over the last five years, having returned a paltry 0.4%.

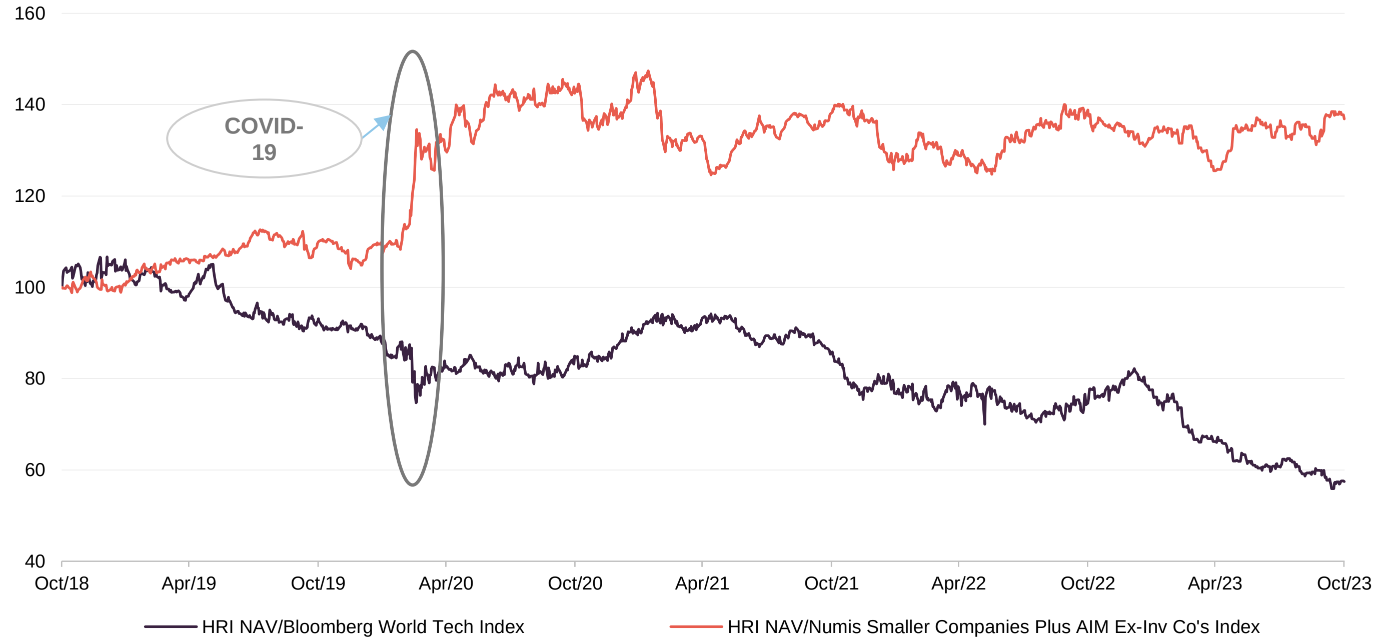
HRI has however lagged global markets over the long term, falling behind the Bloomberg World Technology Index over nearly all sampled periods. This is mainly due to its relative underexposure to the US and its zero allocation to large caps.

North American equities, in particular their technology stocks, have often represented the lion's share of the growth in global equities, thanks to the US's supportive equity markets, strong earnings results from US technology companies, and the abundance of cheap capital (due to prolonged rock bottom interest rates). While this has certainly been a boon to the US small and mid-cap sector, its greatest impact has been in the US mega cap sector.

Generally speaking however, the US's equity market returns, and by extension global equity market returns, have been driven by the 'magnificent seven', seven of Americas largest technology companies, Apple, Amazon, Alphabet, Microsoft, Nvidia, Tesla, and Meta, which saw outsized rallies during the end of 2022 and 2023. This was in part due to their earnings but also due to the frenzy around AI, with investors sheltering in well-known companies to capitalise on the expected growth of a very complex sector. The Bloomberg Technology Index also surpasses HRI for similar reasons, as while it does not hold the consumer-focused technology companies like Amazon or Facebook, Apple, Microsoft, and NVIDIA account for 47% of the index alone, and has arguably been an even greater beneficiary of the recent tech tailwinds than any other index of fund presented here. In the case of the Bloomberg World Technology Index Apple accounts for 20%, while Microsoft accounts for 18%.

These very high concentrations in the largest stocks is a significant challenge for any strategies that are benchmarked against them. Many strategies do not allow managers to have allocations close these levels and, even if permitted, many would avoid this as it would not generally be considered to be good portfolio management. As a consequence, in periods where mega cap technology outperforms, actively managed technology funds look set to underperform. This high concentration in the big names of the major technology indices increasingly raises questions about their practical use as benchmarks.

**Figure 10: HRI's NAV total return relative to various indices, over five years to 30 October 2023**




Source: Morningstar, Marten & Co

**Figure 11: Cumulative total return performance over periods ending 30 October 2023**

| | 1 month (%) | 3 months (%) | 6 months (%) | 1 year (%) | 3 years (%) | 5 years (%) | 10 years (%) |
|---|---|---|---|---|---|---|---|
| HRI NAV | (5.2) | (9.6) | (4.3) | (7.2) | (2.6) | 37.4 | 151.9 |
| HRI Share price | (5.8) | (10.7) | (6.2) | (6.4) | (6.6) | 35.6 | 145.5 |
| Numis Smaller Cos plus AIM ex IC | (7.0) | (10.7) | (12.2) | (5.9) | 1.4 | 0.4 | 33.3 |
| Bloomberg World Tech | (1.1) | (4.4) | 10.3 | 20.5 | 43.9 | 139.2 | 544.9 |

Source: Morningstar, Marten & Co

## H1 2023 - A tale of two halves

The first half of 2023 has been a story of two distinct groups, as can be seen by Figure 12. Specifically, HRI's returns have been driven overwhelmingly by its North American exposure. Asia Pacific was also a positive contributor but, at only c.10% of HRI's allocation, its effect is muted versus that of North America's. The other defining factor has been size – the larger market cap stocks within HRI's portfolio generated fear greater returns than the smaller.

## Figure 12: HRI H1 2023 regional IRR by market cap

| Regional IRR Returns | IRR all investments | IRR – investments with market cap above $3bn | IRR – investments with market cap below $3bn |
|---|---|---|---|
| UK | (11.5) | 11.1 | (12.7) |
| North America | 21.4 | 53.5 | 0.6 |
| Asia Pacific | 7.5 | 18.3 | 4.1 |
| EMEA | (3.0) | 77.6 | (13.2) |
| Total Company | (0.2) | 43.0 | (8.5) |

Source: Herald

US equity gains have offset HRI losses in the UK market

Market returns during H1 2023 have been largely driven by macro or sector wide events. One of, if not the most, transformative developments within the technology space has been the excitement around AI, which has placed the spotlight on the US tech market once again as most of the major AI names, like Chat GP, have come out of the region.

While there have been several bright spots within tech over 2023, one cannot avoid the conducive macroeconomic situation the sector found itself in. Through the first half of 2023, we finally began to see a sustained reduction in US inflation, and a softening in the language used by the Fed, as well as a reduction in interest rate expectations by the wider market, which are now forecasting a possible interest rate cut early next year. The US is also benefiting from a comparatively robust economy. GDP growth is better than most other developed market and both businesses and consumers remain strong. The combination of economic strength and tempering interest rate expectations brought about renewed investor confidence in US markets, as shown in Figure 12. The strength of performance from the Asia Pacific region can also be attributed to similar factors, as the region has far lower inflation expectations that developed markets, although it has likely been weighed down by the economic woes of China.

The size effect present within HRI's portfolio, whereby its larger market cap holdings outperformed the smaller market caps, can be attributed to the liquidity advantage larger companies have. As we outlined on page 5, there has been a decline in market liquidity since 2022, as investors retreated from the small cap equity market in favour of larger and more defensive positions which are seen as safer. Given the dramatic shifts we have seen in both macro and sector trends in 2023, it is unsurprising that investors have favoured liquid stocks, given their advantages in navigating a volatile market environment.

## Discount

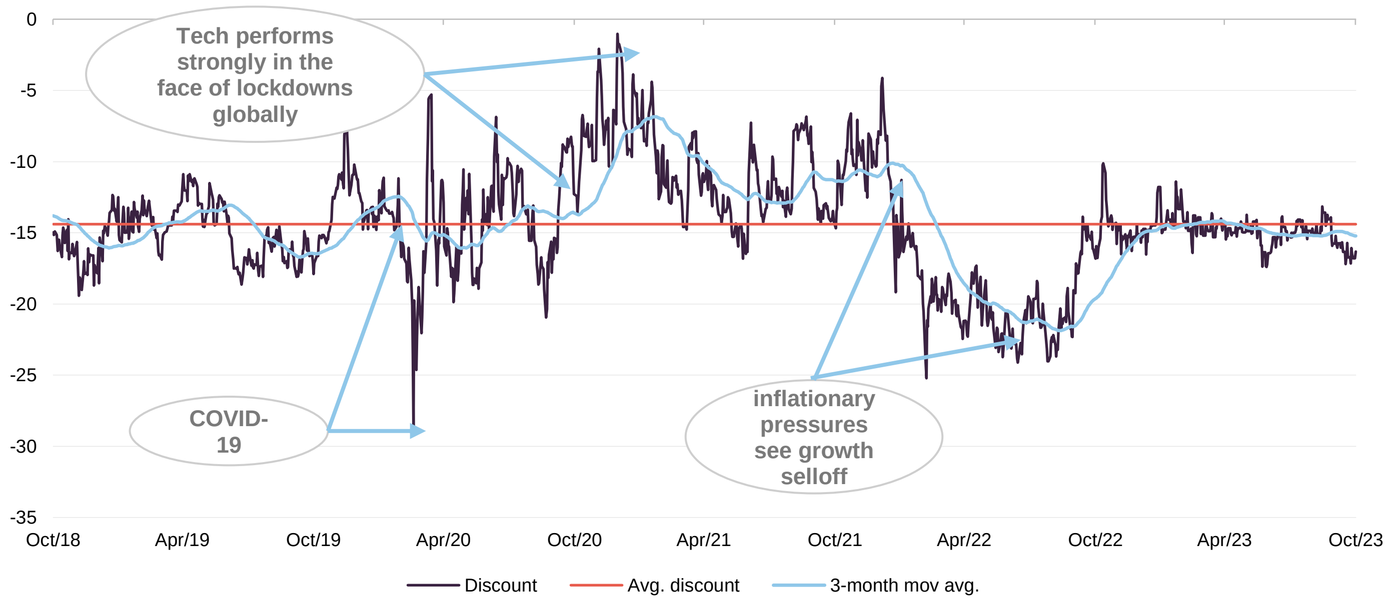
HRI's discount trades in line with its long-term average.

While HRI has traded at a continual discount across all of the last five years, the size of its discount has historically been a reflection of the outperformance of technology stocks, narrowing during periods of strong relative performance. This can be seen clearly during the post-pandemic-crash period, which saw a substantial outperformance of technology stocks, with HRI trading at its narrowest discount of the last five years at the end of 2020.

Given how quickly underlying holdings have rerated, though, it is surprising this has not been fully reflected in the discounts of tech focused trusts. However if the current technology tailwinds continue, either through the proliferation of AI or the sector superior earnings potential, this could represent a significant valuation opportunity.

HRI currently trades on a 15.2% discount and over the past year, HRI has traded on a discount ranging between 11% and 17%, with an average discount of 14.4%.

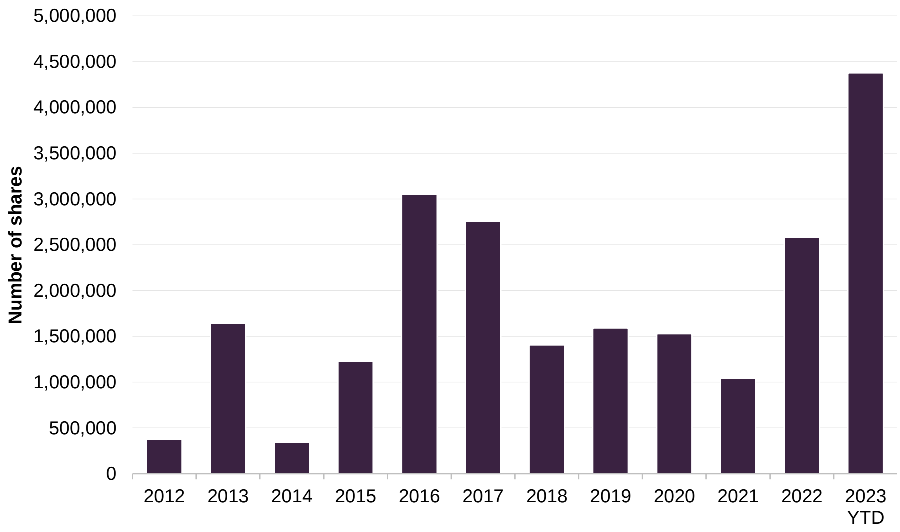
### Figure 13: HRI premium/(discount) over five years




Source: Morningstar, Marten & Co

The board has increased its share repurchases over 2023, as can be seen by Figure 14. Whilst HRI's policy is not to attempt to control the discount, because it is not considered appropriate given the limited liquidity available within the underlying portfolio companies, the trust will repurchase shares opportunistically. Where repurchases are undertaken, the aim is to enhance the NAV per share for remaining shareholders. Given the magnitude of the recent repurchases, it is a testament to the opportunity the board perceive in HRI's recent discount.

**Figure 14: HRI share repurchases over the past 10 calendar years**




**Source:** Herald Investment Trust

## Dividend

HRI is focused primarily on generating capital growth, and dividend income makes up only a small part of returns. The consequence of this is that HRI only declares a dividend where this is necessary to retain investment trust status, and in practice, no dividend has been declared since 2012.

## Fund profile

More information can be found at the trust's website: www.heralduk.com.

Established in 1994, HRI invests globally in small technology, communications and multimedia companies with the aim of achieving capital growth. It is the only listed fund of its type. The trust invests globally, but has a strong bias towards the UK, which further distinguishes it from other global technology funds, which tend to be biased towards the US.

New investments in the fund will typically have a market capitalisation of $3bn or less but are generally much smaller when the first investment is made. If successful, these can grow to be a multiple of their original valuation. This type of investing is longer-term in nature and so the trust tends to have low turnover. Reflecting the risks inherent in this type of investing, and the liquidity constraints of having a small cap investment remit, the trust maintains a highly diverse portfolio of investments (typically in excess of 250) to help mitigate this risk.

Experience is important in markets such as these

One of the most consistent benefits the trust has offered has been the considerable experience offered by its lead fund manager Katie Potts, who has managed HRI since its launch. She was a highly-regarded technology analyst at SG Warburg (later UBS) prior to launching the fund. Katie owns a substantial stake in the company and a significant minority stake in the management company, and therefore is clearly motivated to ensure the success of the fund.

HRI's closed-ended structure allows effective use of gearing during market selloffs

Under Katie's stewardship, HRI has navigated several downturns and has benefited from the team's ability to select companies capable of weathering difficult conditions. HRI's closed-ended structure has also been used to great effect. Whilst open-ended funds are often forced sellers, HRI can capitalise on its ability to gear to pick up lines of stock at attractive prices (we discuss this further on page 9), though in practice it has seldom made use of this facility in recent years.

HRI's size, focus on smaller companies and the depth of expertise within the management team mean that it plays an important role as a provider of much-needed capital to listed technology companies looking for expansion capital. This is particularly valuable in a downturn and has offered HRI further opportunities to generate alpha when others may not have been able to.

HRI offers a liquid subcontract for any investor looking to gain access to this part of the market, and we believe that an investment in HRI complements an investment in one of the large-cap technology funds.

## Previous publications

Readers interested in further information about HRI may wish to read our previous notes (details are provided in Figure 15 below). You can read the notes by clicking on them in Figure 15 or by visiting our website.

### Figure 15: QuotedData's previously published notes on HRI

| Title | Note type | Published |
|---|---|---|
| Invest in the future | **Initiation** | **16 August 2016** |
| Tech bids demonstrate value | **Update** | **20 December 2016** |
| Backing growing businesses | **Update** | **11 July 2017** |
| Who wants to be a billionaire? | **Annual overview** | **7 December 2017** |
| From small acorns…. | **Update** | **12 June 2018** |
| Shifting sentiment | **Annual overview** | **12 February 2019** |
| "Profits are only profits when they are realised" | **Update** | **8 October 2019** |
| Change is a coming | **Annual overview** | **4 April 2020** |
| Hot chips | **Update** | **5 November 2020** |
| The future is bright | **Annual overview** | **2 February 2022** |
| Efficiency Savings | **Annual overview** | **11 January 2023** |

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**50 Gresham Street, London EC2V 7AY**
**0203 691 9430**

**www.QuotedData.com**

**www.martenandco.com**

Registered in England & Wales number 07981621,
2nd Floor Heathmans House,
19 Heathmans Road, London SW6 4TJ

Edward Marten (em@quoteddata.com)
Nick Potts (np@quoteddata.com)
Veronica Cappelli (vc@quoteddata.com)
Jemima Grist (jg@quoteddata.com)
Aiman Shaikh (as@quoteddata.com)

**INVESTMENT COMPANY RESEARCH:**

Matthew Read (mr@quoteddata.com)
James Carthew (jc@quoteddata.com)
David Johnson (dj@quoteddata.com)
Andrew Courtney (ac@quoteddata.com)
Richard Williams (rw@quoteddata.com)