

HERALD (Lux) SICAV
UNAUDITED SEMI-ANNUAL REPORT AND
FINANCIAL STATEMENTS
From 18 February 2008 (date of incorporation) to 30 June 2008

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HERALD (Lux) SICAV

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HERALD (Lux) SICAV

DIRECTORY

Board of Directors

Helmut E. Frey (Chairman)
Andreas Pirkner (Conducting Officer)
Richard Goddard (Conducting Officer)
Friedrich Pfeffer
Franco Mugnai

Investment Manager and Global Distributor

Bank Medici, AG
Operegasse 6/4
A-1010 Vienna
Austria

Auditor

Ernst & Young, S.A.
7, Parc d'activite Syrdall
L-5365 Munsbach
Luxembourg

Custodian and Service Agent and Listing Agent

HSBC Securities Services (Luxembourg) S.A.
40 avenue Monterey
L-2163 Luxembourg

Legal Advisers

Elvinger, Hoss & Prussen
2, Place Winston Churchill
L-1340 Luxembourg

Registered Office

HSBC Securities Services (Luxembourg) S.A.
40 avenue Monterey
L-2163 Luxembourg

HERALD (Lux) SICAV

DIRECTORS' REPORT

The Directors are pleased to present the semi-annual report and unaudited financial statements for the period from 18 February 2008 (date of incorporation) to 30 June 2008.

Herald (Lux) – US Absolute Return Fund:

For the period from 18 February 2008 (date of incorporation) to 30 June 2008 the total net subscriptions amounted to EUR 68,831,787 whilst a net increase in net assets as a result of operations for the period of EUR 485,813 was achieved. The total net asset value as at 30 June 2008 was EUR 69,317,600 .

At 30 June 2008 the net asset values per share were as follows:

- USD 1,012.42 for the I Class USD
- € 1,015.81 for the I Class EUR

The Board of Directors
17 July 2008

HERALD (Lux)

STATEMENT OF NET ASSETS AS AT 30 JUNE 2008

	NOTES	HERALD LUX US ABSOLUTE RETURN FUND EUR
Investments		
Cost		67,782,834
Unrealised appreciation / (depreciation)		-
		<hr/>
Investments in securities, at fair value	2.1	67,782,834
Other Assets		
Cash at bank		13,267,224
Sundry debtors and prepayments	2.6	79,082
		<hr/>
Total Cash		13,346,306
		<hr/>
Total Assets		81,129,140
		<hr/> <hr/>
Liabilities		
Subscriptions in advance	2.4	11,538,619
Performance fees payable	3	7,084
Management fees payable	3	104,192
Sundry creditors and accruals		161,645
		<hr/>
Total Liabilities		11,811,540
		<hr/>
Net Assets		69,317,600
		<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

HERALD (Lux)

STATEMENT OF OPERATIONS FOR THE PERIOD FROM 18 FEBRUARY 2008 (DATE OF INCORPORATION) TO 30 JUNE 2008

	NOTES	HERALD LUX US ABSOLUTE RETURN FUND EUR
Income		
Dividend income	2.3	57,057
Interest	2.3	39,472
		<hr/>
		96,529
		<hr/>
Expenses		
Management fees	3	202,883
Performance fees	3	54,318
Directors' fees and expenses		17,892
Administration and custodian fees	5	15,565
Audit and professional fees		11,683
Bank interest		2,901
Custodian fees		2,782
Taxe d'abonnement		776
Other expenses		37,967
		<hr/>
		346,767
		<hr/>
Net loss for the period		(250,238)
		<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

HERALD (Lux)

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM 18 FEBRUARY 2008 (DATE OF INCORPORATION) TO 30 JUNE 2008

	NOTES	HERALD LUX US ABSOLUTE RETURN FUND EUR
Net operating loss for the period		(250,238)
Net realised gains / (losses) on:		
- Investments and options	2.1	607,120
- Forward foreign exchange contracts	2.5	1,203,329
- Foreign exchange transactions	2.2	(1,074,398)
Net Realised Gain		485,813
Increase in Net Assets as a Result of Operations		485,813
Capital Transactions		
Subscriptions received		69,522,441
Redemptions paid		(690,654)
Net Increase in Net Assets as a Result of Share Capital Transactions		68,831,787
Total Increase in Net Assets in the period		69,317,600
Net Assets at the beginning of the period		-
End of period		69,317,600

The accompanying notes form an integral part of these financial statements.

HERALD (Lux) SICAV

STATISTICAL INFORMATION

HERALD (Lux) US ABSOLUTE RETURN FUND

I CLASS USD

30 June 2008	Net asset value	USD 17,372,589
	Number of shares outstanding	17,159.43
	Net asset value per participating non-voting shares	USD 1,012.42

I CLASS EUR

30 June 2008	Net asset value	EUR 58,330,458
	Number of shares outstanding	57,422.85
	Net asset value per participating non-voting shares	EUR 1,015.81

The accompanying notes form an integral part of these financial statements.

HERALD (Lux) SICAV
Herald (Lux) US Absolute Return Fund

Schedule of Investments

30 June 2008

(expressed in Euro)

Number of shares / Nominal Value	Security	Fair Value	% of Net Assets
	Funds	75,674	0.11
	<i>United States</i>		
119,643	Fidelity Spartan US Treasury Money Market	75,674	0.11
	Government Securities	67,707,159	97.66
	<i>United States</i>		
3,850,000	US Treasury Bill 04/09/2008	2,427,503	3.50
54,250,000	US Treasury Bill 11/09/2008	34,197,489	49.33
26,075,000	US Treasury Bill 25/09/2008	16,424,654	23.69
5,200,000	US Treasury Bill 02/10/2008	3,273,443	4.72
5,200,000	US Treasury Bill 09/10/2008	3,272,292	4.72
5,200,000	US Treasury Bill 16/10/2008	3,271,042	4.72
3,850,000	US Treasury Bill 23/10/2008	2,420,880	3.49
3,850,000	US Treasury Bill 30/10/2008	2,419,856	3.49
	Total Investments	67,782,833	97.77
	Net Other Assets and Liabilities	1,534,767	2.23
	Net Asset Value	69,317,600	100.00

The accompanying notes form an integral part of these financial statements.

HERALD (Lux) SICAV

Notes to the Financial Statements for the period from 18 February 2008 (date of incorporation) to 30 June 2008

1. GENERAL

Herald (Lux) SICAV (the "Company") is a self-managed investment company with variable share capital (SICAV) organised under the law of Luxembourg in accordance with article 27 of the 2002 Law. It's registered under part I of the Luxembourg law of 20 December 2002 on undertakings for collective investment and qualifies as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the amended European Council Directive 85/611/EEC of 20 December 1985.

The Fund was incorporated in Luxembourg on 18 February 2008.

The Fund directly comprises one sub-fund, namely Herald (Lux) – US Absolute Return Fund.

The objective of the Fund is to achieve long-term capital appreciation through diversification of investments.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with Luxembourg investment funds generally accepted accounting principles. It requires management to make estimates and assumptions that effect the reported amounts and disclosures during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies:

2.1 Valuation of Investments, Futures and Options

The value of any investment which is quoted, listed or normally dealt in on a stock exchange or market, shall be based on the last traded price for such investment available to the Directors at the relevant valuation point. Securities for which stock exchange quotations are not available but which are dealt in on a regulated market are valued on a similar basis.

In the case of any investment which is quoted, listed or normally dealt in on a stock exchange or market but in respect of which for any reason, prices on that market may not be available at any relevant time, or, in the opinion of the Directors, may not be representative, the value therefore shall be the probable realisation value thereof estimated with care and in good faith by a competent person, firm or association making a market in such investment and/or any other competent person, in the opinion of the Directors.

The value of any investment which is not quoted, listed or normally dealt in on a stock exchange or market shall be the probable realisable value estimated with care and good faith by a competent person, firm or association making a market in such investment and/or any other competent person, in the opinion of the Directors.

HERALD (Lux) SICAV

Notes to the Financial Statements for the period from 18 February 2008 (date of incorporation) to 30 June 2008 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Valuation of Investments, Futures and Options (continued)

The value of any investment which is a unit of or participation in a collective investment scheme/mutual fund shall be the latest available net asset value of such unit/participation or if the latest available net asset value is not available, the estimated value based on the advice of the manager or administrator of such collective investment scheme.

Treasury bills are valued at the probable realisation value estimated with care and good faith by a competent person.

The value of any futures contracts and options which are dealt in on a market shall be calculated at the settlement price as determined by the market in question, provided that where it is not the practice of the relevant market to quote a settlement price or if such settlement price is not available for any reason such value shall be the probable realisation value estimated with care and in good faith by a competent person.

2.2 Foreign Exchange

The Fund maintain their accounts in Euro ("EUR") and the financial statements are presented in this currency. Transactions denominated in currencies other than EUR are recorded on the basis of the exchange rate prevailing on the date they occur. At the end of the financial year, assets and liabilities expressed in currencies other than EUR are translated into EUR at the exchange rate prevailing on that date. Resulting exchange gains or losses are included in the statement of changes in net assets for the period, as 'Net realised gains/(losses) on foreign exchange transactions' except where they relate to investments where such amounts are included with in 'net realised gains/(losses) on investments and options'.

2.3 Revenue recognition

Dividends are credited to the statement of net income, net of withholding taxes where applicable. Interest income is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Realised gains and losses on sales of investments in securities are determined on an average cost basis.

2.4 Subscriptions in advance

Subscriptions received prior to the period end are credited to the 'Subscriptions in advance' account until the net asset value per share has been calculated.

2.5 Forward foreign exchange contracts

Forward foreign exchange contracts are valued by reference to the valuation point at which a new forward contract of the same size and maturity could be undertaken.

HERALD (Lux) SICAV

Notes to the Financial Statements

for the period from 18 February 2008 (date of incorporation) to 30 June 2008 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Formation expenses

Formation expenses are being amortised over a period of five years, on a straight line basis.

3. MANAGEMENT, PERFORMANCE AND ADVISORY FEES

Bank Medici AG (the "Investment Manager") is entitled to Investment Management Fees equal to 2 % per annum of the Net Asset Value of the Fund calculated (before deduction of accrued Management Fees and/or accrued Performance Fees, if any) on each Valuation Day. Such fees and any properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears.

Furthermore, the Investment Manager is entitled to a Performance Fee which shall be equal to 10 per cent of the appreciation in the Net Asset Value per Share from one Valuation Period to another, provided that such Net Asset Value per Share is higher than any other Net Asset Value per Share calculated at the end of any previous Valuation period (High Water Mark). The Performance Fee will be calculated by reference to the Net Asset Value.

The Performance Fee will be deducted from the relevant Sub-Fund, will accrue on each Valuation Day and will be payable monthly on arrears. If the Investment Management Agreement is terminated, any accrued Performance Fee shall be calculated and payable on a pro rata basis.

4. TAXATION

The Sub-Fund is not subject in Luxembourg to any taxes on income or capital gains. However pursuant to Council Directive 2003/48/EC of 3rd June 2003 on taxation of savings income implemented in the Luxembourg law by a law of 31st June 2005, a withholding tax may be applicable.

However, the Fund is liable in Luxembourg to a "taxe d'abonnement" of 0.05 % per annum of its net assets, such tax being payable quarterly and calculated on the total net asset value of each Class of each Sub-Fund at the end of the relevant quarter. For Classes of Shares reserved to institutional investors a reduced rate of 0.01 % applies. The "taxe d'abonnement" is not applicable in respect of assets invested (if any) in Luxembourg UCIs, which are themselves subject to such tax.

The regular income of the Fund from some of its securities as well as interest earned on cash deposits in certain countries may be liable to withholding taxes at varying rates, which normally cannot be recovered.

HERALD (Lux) SICAV

Notes to the Financial Statements

for the period from 18 February 2008 (date of incorporation) to 30 June 2008 (continued)

5. ADMINISTRATION AND CUSTODIAN FEES

Under the service and custodian agreements between HSBC Securities Services (Luxembourg) S.A. ("HSSL") and the Fund, HSSL is entitled to receive from the Fund combined fees at such rates and at such times as may be agreed from time to time. HSSL is also entitled to be reimbursed by the Fund for reasonable out-of-pocket expenses incurred by it in performing its duties, including fees and charges of correspondents and agents.

As per annum basis point fee will be charged, based on the net asset value of each Sub-Fund as of each Valuation Day, in accordance with the following schedule :

Tranches	Custody	(Supervisory Services)	Administration	Total
€0- €100,000,000	4.5bp	2.00bp	8.0bp	12.5bp
€100,000,000 to €200,000,000	4.0bp	2.00bp	6.0bp	10.0bp
€200,000,000 to €1,000,000,000	3.0bp	2.00bp	4.5bp	7.5bp
Above €1,000,000,000	2.0bp	2.00bp	3.0bp	5.0bp

Subject to a minimum fee per month per sub-fund of: **€7,500**
(this monthly minimum will be reduced to €2,500 during the first three months after implementation and reduced to €5,000 the subsequent three months).

6. FINANCIAL INSTRUMENTS

The following forward foreign exchange contract in the Herald (Lux) US Absolute Return Fund Euro Class was open as at :

30 June 2008

Currency Bought	Currency Sold	Maturity Date	Appreciation / Depreciation EUR	% of NAV of the Class
€ 69,346,198	\$ 109,577,395	15/07/2008	-	-
Unrealised gain/(loss) on forward foreign exchange contracts			-	-

7. DIVIDENDS

The Directors do not currently intend to make distributions. Dividends, if paid, may be paid from any account permitted by law and shall be debited to the relevant Class of Shares.

8. SEPARATE MANAGED ACCOUNT

The Investment Manager invests most of the assets of the Herald (Lux) US Absolute Return Fund through a separate managed account. This separate managed account is managed by a broker/dealer investment firm. The custodian bank has appointed this broker/dealer investment firm as its sub-custodian to hold and maintain the assets of the Herald (Lux) US Absolute Return Fund.

HERALD (Lux) SICAV

Notes to the Financial Statements

for the period from 18 February 2008 (date of incorporation) to 30 June 2008 (continued)

9. SHARE CAPITAL

The share capital of the Company is as follows:

Authorised

EUR 300,000 300 fully paid up shares of EUR 1,000 par value each

The Management Shares are held by the Investment Manager.

The minimum capital of the Corporation shall be the minimum prescribed by Luxembourg law.

The board of directors is authorized without limitation to issue further shares to be fully paid at any time at the net asset value per share or at the respective net asset value per share determined in accordance with Article 23, without reserving the existence shareholders a preferential right to subscription of the shares to be issued.

The board of directors may delegate to any duly authorized director or officer of the Corporation or to any other duly authorized person, the duty of accepting subscriptions for delivering and receiving payment for such new shares.

Such shares may, as the board of directors shall determine, be of different sub-funds and the proceeds of the issue of each sub-fund shall be invested pursuant to Article 3 hereof in transferable securities, money market instruments or other assets corresponding to such geographical areas, industrial sectors or monetary zones, or to such specific types of equity or debt securities, or/and with such specific distribution policy or specific sales and redemption charge structure as the board of directors shall from time to time determine in respect of each sub-fund.