

Jacob Internet Fund Inc.

Investment Advisor

Jacob Asset Management of New York LLC

**Administrator and Transfer Agent
and Dividend Agent**

U.S. Bancorp Fund Services, LLC

Underwriter and Distributor

Quasar Distributors, LLC

Custodian

U.S. Bank, N.A.

Independent Auditors

Ernst & Young LLP

J A C O B I N T E R N E T F U N D



This report has been prepared for the information of shareholders of the Jacob Internet Fund and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus that includes information regarding the Fund's objectives, policies, management, records and other information.

The prospectus should be read carefully before investing and can be obtained by calling:

1-888-Jacob-fx (522-6239)

Jacob Asset Management of New York LLC
19 West 34th Street, Suite 816A, New York, NY, 10001
www.JacobInternet.com

Semi-Annual Report

February 28, 2003

Letter from the Manager

March 2003

Dear Fellow Investors,

Since our last report just six months ago, we have seen a significant market recovery in the latter part of 2002 give way to weakness as the inevitability of war in Iraq approaches. We are pleased to report that the Fund considerably outperformed most of its peers and comparable indices over this time period.⁽¹⁾ Even though the final outcome of this conflict is not in doubt, investors are still split on how long it will last and its ultimate effect on our economy. Both business and consumer spending will likely be affected to some degree, and this has weighed on stock prices across the board. With so much inherent unpredictability in times of war, we continue to maintain the Fund in a more defensive posture. We believe it is prudent to wait for some additional clarity before we move the Fund to a more aggressive stance.

While many of the larger Internet-related companies have performed well this year, we continue to see better opportunities in the small-to-midsize companies in our sector. The companies we have mainly focused on have strong underlying businesses, unique positions in their markets and modest valuations. Additionally, many of these companies could make attractive acquisition candidates and will likely benefit from the increasing consolidation we are experiencing in the sector. We also continue our strategy of executing a more active trading strategy as a way to help mitigate portfolio risk. This includes reducing and increasing position sizes depending on size and individual company risk characteristics. This strategy has served us well over the past year and we believe is still appropriate, especially given the current market environment.

Although we have outlined many hurdles we face over the next few months, we would like to emphasize that our long-term outlook remains unabashedly positive for the Internet sector. Even with only a gradual improvement in a post-war economy, we believe that many of the Fund's holdings are positioned to perform quite well. This, combined with depressed valuations, should result in the opportunity for significant appreciation in the Fund's portfolio. While we are not quite there yet, we do believe that this trend will become more evident as we progress through the rest of 2003.

On a final note, we would like to take a moment to extend our gratitude to those soldiers fighting for our country. The conflict has numerous implications for the market, but we are concerned first and foremost with the safe return for the American men and women stationed in the region and pray that the loss of life on both sides is kept to an absolute minimum.

Once again, we would like to thank all shareholders for their trust and confidence during these difficult times and look forward to a brighter future together.

Ryan Jacob
 Portfolio Manager

(1) The following is an illustration of the performance of the Jacob Internet Fund relative to other peer funds and benchmark indices. The funds and Internet indices were selected because they focus on the Internet Sector. The returns reported are for the period beginning September 1, 2002 and ending February 28, 2003:

Jacob Internet Fund	33.33%
Dow Jones Internet Index.....	32.30%
Amex Internet Holders Index.....	30.73%
Amerindo Technology Fund—Class D.....	29.43%
Morgan Stanley Internet Index.....	19.64%
Goldman Sachs Internet Index.....	15.90%
RS Internet Age Fund.....	15.57%
The Street.com Net Index.....	15.54%
Amex Inter@ctive Week Internet Index.....	15.41%
Munder Net Net Fund—Class A.....	8.51%
Firsthand E-Commerce Fund.....	7.69%
Goldman Sachs Internet Tollkeeper Fund.....	7.40%
Bloomberg U.S. Internet Index.....	5.67%
Nasdaq Composite Index.....	2.01%
Kinetics Internet Fund.....	1.17%
WWW Internet Fund.....	(1.56)%
S&P 500 Index.....	(7.29)%
STI Classic Information and Technology Fund.....	(10.77)%

The following table represents the performance of the Jacob Internet Fund over longer time periods.

FOR PERIOD ENDED FEBRUARY 28, 2003

	<u>One Year</u>	<u>Annualized Since Commencement of Operations*</u>
Jacob Internet Fund.....	1.27%	(54.49)%
S&P 500®.....	(22.68)%	(13.75)%
NASDAQ Composite.....	(22.39)%	(26.65)%

The Standard & Poor's 500® Index (S&P 500®) is a capital-weighted index, representing the aggregate market value of the common equity of 500 stocks primarily traded on the New York Stock Exchange. The NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ stocks.

* The Fund commenced operations on December 14, 1999.

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security. Please see the following semi-annual report for fund holdings.

Past performance does not guarantee future results. Investment return and principal value of the fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Quasar Distributors, LLC, distributor. (04/03)

JACOB INTERNET FUND
SCHEDULE OF INVESTMENTS
February 28, 2003 (Unaudited)

<u>Shares</u>		<u>Value</u>
COMMON STOCKS		98.1%
Internet—Commerce		27.3%
194,230	Autobyte Inc.*	\$ 551,613
30,000	Digital River, Inc.*	269,400
1,000	eBay Inc.*	78,420
180,000	E*Trade Group, Inc.*	756,000
1,000	Expedia, Inc—Class A*	69,790
230,000	FreeMarkets, Inc.*	1,058,000
2,000	Getty Images, Inc.*	58,700
1,973,200	HomeStore, Inc.*	1,499,632
1,000	Hotels.com—Class A*	44,970
12,000	The Charles Schwab Corporation	94,800
180,000	TMP Worldwide Inc.*	1,647,000
1,037	USA Interactive*	25,438
286,904	ValueClick, Inc.*	900,879
		<u>7,054,642</u>
Internet—Communications		17.9%
293,650	Aether Systems, Inc.*	969,045
40,000	CIENA Corporation*	216,800
194,200	Cosine Communications, Inc.*	930,218
100,000	GlobespanVirata, Inc.*	466,000
1,000	Newport Corporation*	12,250
472,400	Nuance Communications Inc.*	1,190,448
417,250	Openwave Systems Inc.*	596,667
120,000	Terayon Communication Systems, Inc.*	235,200
		<u>4,616,628</u>
Internet—Infrastructure		20.7%
2,000	Adobe Systems Incorporated	55,000
85,200	Agile Software Corporation*	558,060
1,000	Akamai Technologies, Inc.*	1,530
134,800	Digital Insight Corporation*	1,348,000
15,000	Internet Security Systems, Inc.*	172,050
69,900	MatrixOne, Inc.*	250,941
110,524	Netegrity, Inc.*	446,517
1,000	Network Associates, Inc.*	14,800
34,100	OPNET Technologies, Inc.*	267,003
80,000	Palm, Inc.*	928,000
48,800	SafeNet, Inc.*	862,296
55,000	VeriSign, Inc.*	424,050
2,000	webMethods, Inc.*	21,560
		<u>5,349,807</u>

See notes to the financial statements.

JACOB INTERNET FUND
SCHEDULE OF INVESTMENTS
February 28, 2003 (Unaudited)

<u>Shares</u>		<u>Value</u>
COMMON STOCKS—(continued)		98.1%
	Internet-Media Content	32.2%
217,000	Alloy, Inc.*	\$ 1,087,170
27,200	CNET Networks, Inc.*	56,032
149,100	DigitalThink, Inc.*	380,205
152,000	DoubleClick Inc.*	978,880
1,000	Electronic Arts Inc.*	52,800
35,500	InfoSpace, Inc.*	411,800
621,500	iVillage Inc.*	422,620
69,500	MarketWatch.com, Inc.*	399,625
90,000	Netease.com Inc.—ADR*^	1,085,400
74,000	Overture Services, Inc.*	1,178,080
150,200	SINA.com*^	1,004,838
141,400	Sohu.com Inc.*^	1,247,148
1,000	Yahoo! Inc.*	20,850
		<u>8,325,448</u>
	TOTAL COMMON STOCKS (Cost \$27,576,798)	<u>25,346,525</u>
Principal Amount	SHORT-TERM INVESTMENTS	4.9%
	Variable Rate Demand Notes #	4.9%
\$ 94,319	American Family Financial Services, Inc., 0.9513%	94,319
1,111,445	Wisconsin Corporate Central Credit Union, 1.0075%	1,111,445
54,188	Wisconsin Electric Power Company, 0.9512%	<u>54,188</u>
	TOTAL SHORT-TERM INVESTMENTS	
	(Cost \$1,259,952)	<u>1,259,952</u>
	TOTAL INVESTMENTS (Cost \$28,836,750)	103.0% <u>26,606,477</u>
	LIABILITIES, LESS OTHER ASSETS	(3.0%) <u>(785,601)</u>
	TOTAL NET ASSETS	100.0% <u><u>\$25,820,876</u></u>

* Non-income producing security.

^ Foreign security.

Variable rate demand notes are considered short-term obligations and are payable upon demand. Interest rates change periodically on specified dates. The rates listed are as of February 28, 2003.

See notes to the financial statements.

JACOB INTERNET FUND
STATEMENT OF ASSETS AND LIABILITIES
February 28, 2003 (Unaudited)

Assets:

Investments, at value (cost \$28,836,750)	\$ 26,606,477
Receivable for investments sold	583,677
Receivable for capital shares sold	19,882
Interest receivable	2,647
Other assets	<u>25,847</u>
Total Assets	<u>27,238,530</u>

Liabilities:

Payable for investments purchased	345,101
Capital shares repurchased	869,101
Payable to Adviser	30,361
Accrued expenses and other liabilities	<u>173,091</u>
Total Liabilities	<u>1,417,654</u>

Net Assets \$ 25,820,876

Net Assets Consist Of:

Capital Stock	\$ 235,105,485
Accumulated net realized loss on investments	(207,054,336)
Net unrealized depreciation on investments	<u>(2,230,273)</u>
Total Net Assets	<u><u>\$ 25,820,876</u></u>
Shares outstanding (20 billion shares of \$0.001 par value authorized)	<u>32,413,153</u>
Net asset value, redemption price and offering price per share	<u><u>\$ 0.80</u></u>

See notes to the financial statements.

JACOB INTERNET FUND

STATEMENT OF OPERATIONS

For the Six Months Ended February 28, 2003 (Unaudited)

Investment Income

Dividend Income	\$ 268
Interest income	31,191
Total Investment Income	<u>31,459</u>

Expenses

Investment advisory fee	156,033
Distribution expenses	43,689
Administration fee	17,226
Shareholder servicing and accounting costs	147,192
Custody fees	9,923
Federal and state registration	12,020
Professional fees	29,049
Reports to shareholders	23,694
Directors' fees and expenses	19,046
Other	<u>10,334</u>
Total Operating expenses before expense reductions	<u>468,206</u>
Expense Reductions (Note 7)	<u>(124,552)</u>
Net expenses	<u>343,654</u>

Net Investment Loss

(312,195)

Realized and Unrealized Gain on Investments

Net realized gain on investments	1,582,889
Change in net unrealized appreciation/depreciation on investments	<u>2,533,601</u>
Net realized and unrealized gain on investments	<u>4,116,490</u>

Net Increase in Net Assets Resulting from Operations

\$3,804,295

See notes to the financial statements.

JACOB INTERNET FUND
STATEMENTS OF CHANGES IN NET ASSETS

	<u>Six Months Ended February 28, 2003 (Unaudited)</u>	<u>Year Ended August 31, 2002</u>
Operations:		
Net investment loss	\$ (312,195)	\$ (704,522)
Net realized gain (loss) on investments	1,582,889	(20,310,313)
Change in net unrealized appreciation/depreciation on investments	<u>2,533,601</u>	<u>16,699,989</u>
Net increase (decrease) in net assets resulting from operations	<u>3,804,295</u>	<u>(4,314,846)</u>
Capital Share Transactions: (Note 3)		
Proceeds from shares sold	53,193,820	9,779,512
Cost of shares redeemed	<u>(43,268,536)</u>	<u>(10,390,761)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>9,925,284</u>	<u>(611,249)</u>
Net Increase (Decrease) in Net Assets	13,729,579	(4,926,095)
Net Assets:		
Beginning of period	<u>12,091,297</u>	<u>17,017,392</u>
End of period	<u>\$ 25,820,876</u>	<u>\$ 12,091,297</u>

See notes to the financial statements.

JACOB INTERNET FUND

FINANCIAL HIGHLIGHTS

	<u>Six Months Ended February 28, 2003</u> (Unaudited)	<u>Year Ended August 31, 2002</u>	<u>Year Ended August 31, 2001</u>	<u>December 14, 1999⁽¹⁾ through August 31, 2000</u>
Per Share Data:				
Net asset value, beginning of period	\$ 0.60	\$ 0.83	\$ 5.54	\$ 10.00
Income from investment operations:				
Net investment loss ⁽²⁾	(0.01)	(0.04)	(0.05)	(0.09)
Net realized and unrealized gains (losses) on investments	<u>0.21</u>	<u>(0.19)</u>	<u>(4.66)</u>	<u>(4.37)</u>
Total from investment operations	<u>0.20</u>	<u>(0.23)</u>	<u>(4.71)</u>	<u>(4.46)</u>
Net asset value, end of period	<u>\$ 0.80</u>	<u>\$ 0.60</u>	<u>\$ 0.83</u>	<u>\$ 5.54</u>
Total return	33.33% ⁽³⁾	(27.71%)	(85.02%) ⁽⁴⁾	(44.60%) ⁽³⁾
Supplemental data and ratios:				
Net assets, end of period	\$25,820,876	\$12,091,297	\$17,017,392	\$127,779,557
Ratio of operating expenses to average net assets before reimbursement by Adviser	2.75% ⁽⁵⁾⁽⁶⁾	4.60% ⁽⁵⁾	2.99%	2.30% ⁽⁶⁾
Ratio of operating expenses to average net assets after reimbursement by Adviser	2.75% ⁽⁵⁾⁽⁶⁾⁽⁷⁾	4.60% ⁽⁵⁾⁽⁷⁾	2.82%	2.00% ⁽⁶⁾
Ratio of net investment loss to average net assets before reimbursement by Adviser	(2.50%) ⁽⁵⁾⁽⁶⁾	(4.37%) ⁽⁵⁾	(2.42%)	(1.85%) ⁽⁶⁾
Ratio of net investment loss to average net assets after reimbursement by Adviser	(2.50%) ⁽⁵⁾⁽⁶⁾⁽⁷⁾	(4.37%) ⁽⁵⁾⁽⁷⁾	(2.25%)	(1.55%) ⁽⁶⁾
Portfolio turnover rate	182.70%	1,080.63%	347.84%	195.24%

- (1) Commencement of operations.
- (2) Net investment loss per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.
- (3) Not annualized.
- (4) If certain losses had not been assumed by the affiliate, total return would have been lower by less than 0.01%.
- (5) The net operating expense ratio and the net investment loss ratio includes expense reductions from soft dollar brokerage credits. The net operating expense ratio excluding expense reductions for the year ended August 31, 2002, and the six months ended February 28, 2003, were 5.29% and 3.75%, respectively. The net investment loss ratio excluding expense reductions for the year ended August 31, 2002, and the six months ended February 28, 2003, were (5.06%) and (3.50%), respectively.
- (6) Annualized.
- (7) The Adviser did not waive or reimburse expenses during the fiscal year ended August 31, 2002 or during the six months ended February 28, 2003.

See notes to the financial statements.

JACOB INTERNET FUND

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2003 (Unaudited)

NOTE 1—DESCRIPTION OF FUND

Jacob Internet Fund Inc. (the “Corporation”), was organized as a Maryland corporation on July 13, 1999 and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company issuing its shares in series. The Corporation currently consists of one “diversified” series, the Jacob Internet Fund (the “Fund”) and the authorized capital stock of the Fund consists of twenty billion shares of stock having a par value of one-tenth of one cent (\$0.001) per share. The primary investment objective of the Fund is long-term growth of capital. The Fund issued and sold 10,000 shares of its capital stock, at \$10 per share on September 20, 1999. The Fund commenced operations on December 14, 1999.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund.

(a) *Investment Valuation*—Investment securities traded on a national securities exchange are valued at their market value determined by their last price in the principal market in which these securities are normally traded, unless there are no transactions on the valuation date, in which case they are valued at the mean between the closing asked and bid prices. Securities traded over-the-counter are valued at the last reported sales price unless there is no reported sales price, in which case the mean between the closing asked and bid prices is used. Debt securities with maturities of sixty days or less are valued at amortized cost, which approximates market value. Where market quotations are not readily available, securities are valued using methods which the Board of Directors believe in good faith accurately reflects their fair value.

(b) *Income Recognition*—Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. All discounts and premiums are amortized using the effective interest method for tax and financial reporting purposes.

(c) *Securities Transactions*—Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses on securities sold are determined using the high cost method.

(d) *Distributions to Shareholders*—The Fund records distributions to shareholders on the ex-dividend date. Dividends from net investment income, if any, are declared and paid annually. Distributions of net realized capital gains, if any, will be declared and distributed at least annually. The amounts of distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from those amounts determined under generally accepted accounting principles. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, reclassifications are made in the capital accounts in the period that the difference arises. The Fund may utilize earnings and profits distributed to shareholders on redemption of shares as part of the dividends paid deduction.

JACOB INTERNET FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

February 28, 2003 (Unaudited)

(e) *Federal Income Taxes*—The Fund intends to comply with provisions of the Internal Revenue Code applicable to regulated investment companies, including the distribution of substantially all of the Fund's taxable income. Accordingly, no provision for federal income taxes is considered necessary in the financial statements.

(f) *Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3—CAPITAL SHARE TRANSACTIONS

At February 28, 2003, there were twenty billion shares, \$0.001 par value, authorized.

Transactions in shares of the Fund were as follows:

	Six Months Ended February 28, 2003	
	Shares	Amount
Sales	66,637,208	\$ 53,193,820
Redemptions	(54,219,931)	(43,268,536)
Net Increase	12,417,277	\$ 9,925,284
Shares Outstanding:		
Beginning of period	19,995,876	
End of period	32,413,153	
	Year Ended August 31, 2002	
	Shares	Amount
Sales	12,022,202	\$ 9,779,512
Redemptions	(12,540,592)	(10,390,761)
Net Decrease	(518,390)	\$ (611,249)
Shares Outstanding:		
Beginning of period	20,514,266	
End of period	19,995,876	

JACOB INTERNET FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

February 28, 2003 (Unaudited)

NOTE 4—INVESTMENT TRANSACTIONS

During the six months ended February 28, 2003, purchases and sales of investment securities (excluding short-term investments) for the Fund were \$46,747,827 and \$37,580,565, respectively. The Fund did not purchase U.S. Government securities as a part of its investment strategy during the six months ended February 28, 2003.

The following information for the Fund is as of February 28, 2003:

<u>Cost for Federal Income Tax Purposes</u>	<u>Tax Basis Net Unrealized Depreciation</u>	<u>Tax Basis Gross Unrealized Appreciation</u>	<u>Tax Basis Gross Unrealized Depreciation</u>
\$37,495,734	\$(14,839,535)	\$3,950,278	\$(10,889,257)

At August 31, 2002, the Fund had an accumulated net realized capital loss carryover of \$182,666,408, of which \$92,790,048 expires in 2009 and \$89,876,360 expires in 2010. To the extent the Fund realizes future net capital gains, taxable distributions to its shareholders will be offset by any unused capital loss carryover for the Fund. In addition, the Fund realized, on a tax basis, post October losses through August 31, 2002 of \$15,221,861, which are not recognized for tax purposes until the first day of the following fiscal year.

The Fund made no distributions during the fiscal year ended August 31, 2002 and there was no undistributed ordinary income or long-term capital gains as of August 31, 2002.

NOTE 5—INVESTMENT ADVISORY AND OTHER AGREEMENTS

The Corporation has an Investment Advisory Agreement (the “Agreement”) with Jacob Asset Management of New York LLC (the “Adviser”), with whom certain officers and Directors of the Board are affiliated, to furnish investment advisory services to the Fund. Under the terms of the Agreement, the Corporation, on behalf of the Fund, compensates the Adviser for its management services based on an annual rate of 1.25% of the Fund’s average daily net assets.

The Adviser voluntarily deferred receipt of all or part of its advisory fee and/or absorbed the Fund’s other expenses, including organization expenses, to the extent necessary to ensure that the Fund’s operating expenses, did not exceed 2.00% of its average daily net assets from September 1, 2000 - December 31, 2000.

To the extent that the Adviser has deferred or absorbed expenses, it may seek payment of such deferred fees or reimbursement of such absorbed expenses for three years after the year in which fees were deferred or expenses were absorbed. The Fund will make no such payment or reimbursement, however, if the total annual Fund operating expenses exceed 2.00%.

JACOB INTERNET FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

February 28, 2003 (Unaudited)

Reimbursed/absorbed expenses subject to potential recovery by year of expiration are as follows:

<u>Year of Expiration</u>	<u>Amount</u>
August 31, 2003	\$393,086
August 31, 2004	\$ 79,399

U.S. Bancorp Fund Services, LLC serves as transfer agent, administrator and accounting services agent for the Fund. U.S. Bank, N.A. serves as custodian for the Fund.

NOTE 6—DISTRIBUTION AND SERVICE PLAN

The Corporation, on behalf of the Fund, has adopted a distribution and service plan (the “Plan”), pursuant to Rule 12b-1 under the 1940 Act. The Plan provides that the Fund will compensate the Adviser up to 0.25% per annum of the Funds’ average daily net assets for certain expenses and costs incurred in connection with providing shareholder servicing and maintaining shareholder accounts and to compensate parties with which it has written agreements and whose clients own shares of the Fund for providing servicing to their clients (“Shareholder Servicing”). The Plan also provides for a distribution fee equal to 0.10% of the Fund’s average daily net assets on an annual basis. Such a fee is paid in part to Quasar Distributions, LLC, the Fund’s distributor, with the balance paid at the direction of the Adviser to broker-dealers, other financial professionals whose clients are Fund shareholders, and for providing distribution assistance and promotional support to the Fund. The Fund incurred \$43,689 in expenses pursuant to the 12b-1 Plan for the six months ended February 28, 2003.

NOTE 7—EXPENSE REDUCTIONS

The Adviser has directed certain of the Fund’s portfolio trades to brokers at best execution and has generated soft dollar brokerage credits to reduce certain service provider fees. Shareholders benefit under this arrangement as the net expenses of the Fund do not include such service provider fees. For the six months ended February 28, 2003, the total expenses of the Fund were reduced \$124,552 by using soft dollar brokerage credits. In accordance with the requirements of the Securities and Exchange Commission, such amounts are required to be shown as an expense and have been included in each of the service provider fees in the Statement of Operations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]