

May 16, 2019

## ISRAEL EQUITY REVIEW & OUTLOOK

### What's Inside

1. Highlights
2. March Performance Review
3. Economic Update
4. Technical Analysis of Israeli Equities

### About BlueStar Indexes®

BlueStar Indexes is a leading provider of research and investment solutions for the Israeli capital markets. BlueStar has been producing monthly market updates on the Israeli market since 2012. In our *Israel Equity Review and Outlook* we provide data and insight on recent performance of Israeli equity benchmarks, stocks and sectors driving performance, key economic data for the Israeli market, as well as technical analysis of our flagship Israeli equity indexes, BIGI® and BIGITech®.

The BlueStar Israel Global Index® (BIGI® or BLS & BLSTR INDEX on Bloomberg) is the broadest and deepest benchmark for Israeli equities trading worldwide in Tel Aviv, New York, London, Singapore and Australia. The VanEck Vectors Israel ETF (ticker ISRA) tracks BIGI® and is listed on the NYSE. In addition, Israel-domiciled investment vehicles tracking BIGI® are offered by Psagot and IBI.

The BlueStar Israel Global Technology Index™ (BIGITech® or BGTH & BGTHTR INDEX on Bloomberg) is the broadest and deepest benchmark tracking the performance of Israeli companies operating in innovative sectors like information technology, defense technology, clean technology and bio-technology. The BlueStar Israel Technology ETF (NYSE ticker: ITEQ®) tracks BIGITech®. In addition, there are two Israel-domiciled investment vehicles tracking BIGITech® managed by KSM/Excellence.

BlueStar also maintains five additional Israel Equity Indexes (BIGI®-TIM, IGEL, IDEI, BIGI®-SD and BIGI®-SV), one Israel Government Bond Index (BIGUSD), and 16 Regional and Global Thematic/Tech Equity indexes. Approximately US\$500 million in index-tracking assets are benchmarked to BlueStar Indexes as of mid-May 2019.

### JOSHUA KAPLAN, CFA\*

Director of Research  
(646) 380-2503

[jkaplan@bluestarindexes.com](mailto:jkaplan@bluestarindexes.com)

### STEVEN SCHOENFELD\*

Chief Investment Officer  
(646) 380-2501

[sschoenfeld@bluestarindexes.com](mailto:sschoenfeld@bluestarindexes.com)

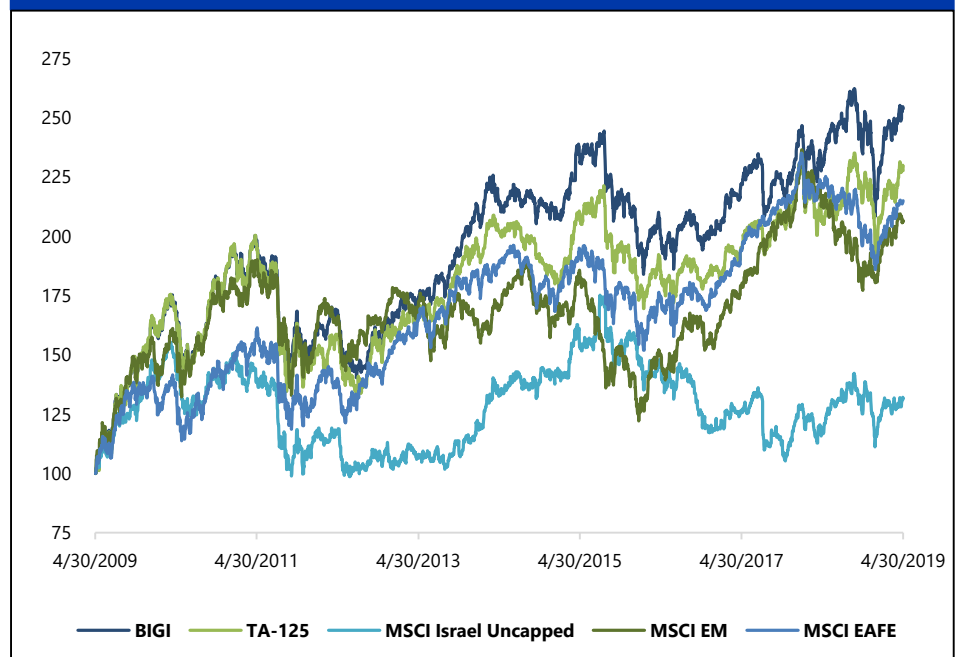
\*These individuals are associated with BlueStar Indexes, an independent financial research firm. They are not associated persons with Jefferies LLC. Steven Schoenfeld is not registered with FINRA or subject to FINRA rules. Joshua Kaplan is registered with FINRA and is subject to FINRA rules.

## ISRAELI STOCKS CONTINUE TO MAINTAIN LEAD OVER INTERNATIONAL MARKETS IN 2019; ISRAELI TECH GAINS FURTHER FOR 2019, HITTING ANOTHER ALL-TIME HIGH

### Highlights:

- Israeli stocks, as defined by the BlueStar Israel Global Index® (BIGI®), posted a gain of 2.96% in April, slightly ahead of international markets. BIGI® continues its 2019 run, outpacing the MSCI EAFE Developed Market Index by 2.86% YTD.
- Israeli technology stocks, as defined by The BlueStar Israel Global Technology Index™ (BIGITech®), gained 3.2% in April, hitting a new all-time high. BIGITech® continues to lead Israel equity benchmarks in 2019, returning 22.67% YTD.
- BIGI® gave back 2.0% in relative performance against the local Israeli TA-125 Index in April, but still maintains a 1.59% outperformance YTD, as the TA-125 has missed out on some of Israel's top foreign-listed technology companies.
- The Israeli Shekel bounced slightly upward against the US Dollar at the end of April, finishing in par with March.
- Following a sharp bounce off long-term support earlier this year, BIGI's® has consolidated, and its technical outlook is now cautiously-bullish; BIGITech® confirmed January's support and continues its bullish upward trend in 2019, achieving multiple new highs.

### BLUESTAR ISRAEL GLOBAL INDEX® TEN-YEAR RELATIVE PERFORMANCE ENDING APRIL 30, 2019



THIS MATERIAL WAS PREPARED BY BLUESTAR INDEXES®, AN INDEPENDENT FINANCIAL RESEARCH FIRM. IT IS NOT A PRODUCT OF JEFFERIES. Refer to the end of this report for important disclosures and certifications.

## Equity Market Performance Review

Israeli Equities, as defined by the BlueStar Israel Global Index®, continued higher in April, posting a gain of 2.96%. Nine of the eleven sectors represented in BIGI gained in April, with the exceptions of communications services and health care. The Israeli Tech sector continues to surge, with the strong performance of mid/large cap names like Kornit Digital, Varonis, SolarEdge and NICE.

In aggregate, Israeli equities continue to outpace all other major international market categories in 2019, with relative outperformance against MSCI EAFE and MSCI EM of 2.86%, and 3.96% respectively.

After an impressive first quarter, Israeli technology stocks, as defined by BIGITech® - the BlueStar Israel Global Technology Index – added another 3.20% in April, bringing 2019 YTD returns to 22.67%. While tech markets outside of Israel had a more impressive April, they have also given their relative outperformance back (and then some) since the start of May's trade-related correction. As of May 13th, Israeli technology stocks have pulled back just 2.6% from their May 3rd high, while the Dow Jones US Tech Index and S&P Global 1200 Info Tech Index have fallen 7.1% and 7.3%, respectively.

Domestically-oriented Israeli stocks, as defined by our Israel Domestic Exposure Index (IDEI) continued to gain against globally-oriented Israeli stocks in April despite continued deterioration in Israel's communication services sector and the period of escalated violence emanating from Hamas-controlled Gaza. Financials and consumer staples stocks each gained more than 4% in April while real estate and energy stocks gained more than 3%.

BlueStar continues to believe that domestically-oriented stocks will outperform globally-oriented stocks as the Shekel continues to appreciate, local sources of GDP growth and the labor market show few signs of weakening, and worries over the pace of global trade will continue to be a drag on companies with global sources of revenue. In addition, the Israel Global Exposure Index has a significantly higher weight in the Health Care Sector which is coming under increased regulatory pressure in the US.

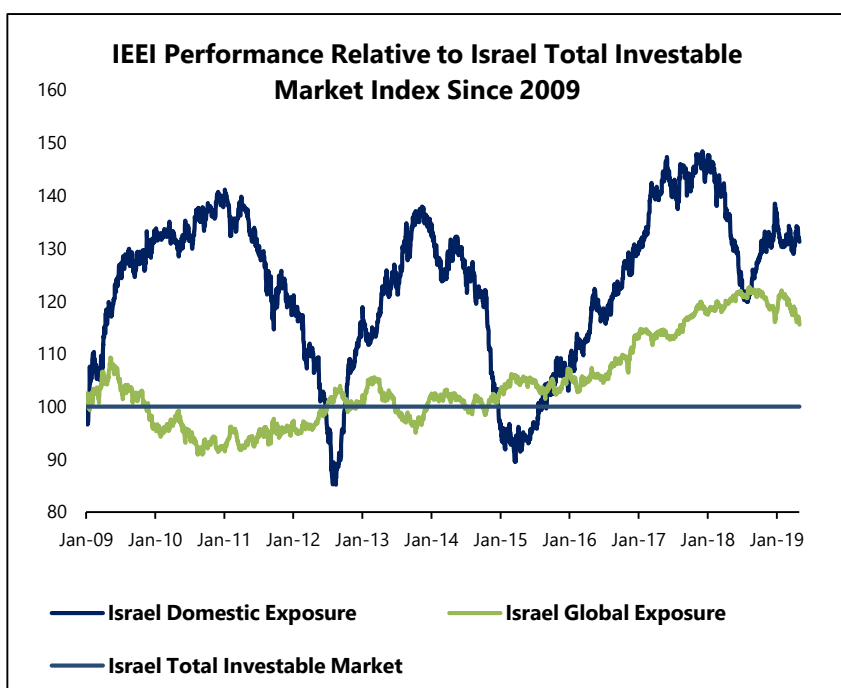
ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON		
Benchmark	Apr. Return (%)	2019 (%)
BIGI	2.96	16.19
BIGITech	3.20	22.67
MSCI Israel Uncapped	2.99	13.41
TA-125 INDEX	4.96	14.60
S&P 500	4.05	18.25
MSCI EM	2.11	12.23
MSCI EAFE	2.91	13.33
Israel Domestic Exposure	5.45	12.54
Israel Global Exposure	0.76	13.43

Sources: BlueStar Indexes, Bloomberg LP

ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON		
Benchmark	Apr. Return (%)	2019 (%)
BIGITech	3.20	22.67
Dow Jones US Tech	6.77	27.77
S&P Global 1200 Info Tech	6.12	25.72
MSCI EM Tech	3.59	16.84

TOP AND BOTTOM BIGI PERFORMERS: APRIL 2019			
	Positive Contributors (%)	Negative Contributors (%)	
Kornit Digital Ltd	21.13	Pluristem Therapeutics	(36.09)
Varonis Systems	19.32	Taptica International Ltd	(29.83)
Partner Communications	18.11	Plus500 Ltd	(29.74)
Rada Electronic Inds Ltd	18.03	Silicom Ltd	(19.79)
Solaredge Technologies Inc	17.57	Intec Pharma Ltd	(16.78)
Nice Ltd	16.96	Compugen Ltd	(15.46)
Delek Automotive Systems	16.42	Xlmedia Plc	(15.42)
Electra Consumer Products	16.20	Foamix Pharmaceuticals Ltd	(13.33)
Radcom	16.04	Tamar Petroleum Ltd	(11.81)
Cellcom Israel Ltd	15.45	BiolineRx - Spons ADR	(9.58)

SECTOR PERFORMANCE: APRIL 2019	
Industrials	7.38
Financials	6.67
Utilities	5.80
Consumer Staples	4.85
Information Technology	3.99
Real Estate	3.52
Energy	3.07
Materials	2.38
Consumer Discretionary	2.14
Communication Services	(2.22)
Health Care	(3.25)



\*Sources: BlueStar Indexes, Bloomberg LP

## Technical Analysis (Chart data as of May 14, 2019)

**Israel Global Equities (BIGI®)  
Performance Since 2007**



### BlueStar Israel Global Index®

The technical outlook for Israeli Global Equities remains cautiously bullish. With BIGI's sharp bounce off the long-term support lines, starting in end-December, the technical position for BIGI® stabilized and is still constructive, even after early-May's trade-related volatility and a sharp decline in Teva's share price. The consolidation between long-term support lines and the lower set of upward sloping resistance lines has been constructive. There remain several layers of significant resistance that could contain the index below its Autumn 2018 high, particularly the 305-310 level.

Our technical outlook for BIGI® thus remains cautiously bullish. Our outlook would shift to bearish if key support at the double green line (approximately at the 245 level) is broken or if the index reaches the resistance lines between 315 and 320 on the chart. Most importantly, the longer that BIGI® remains above 265/270, the more energy it will have to mount a sustained rally toward – and perhaps above – the key resistance levels noted above.

**BlueStar Israel Global Technology Index  
(BIGITech™) Performance Since 2006**



### BlueStar Israel Global Technology Index

Israeli technology stocks as measured by BlueStar's BIGITech® index achieved new all time highs in April, and continued higher into early May, with a slight wobble due to global trade uncertainty.

The early Spring performance confirms that BIGITech® successfully tested its major support area above 2017's breakout level in late 2018 and is resumed a strong structural uptrend in 2019.

After such a sharp rebound and extension, it should be expected that Israeli Tech Stocks would consolidate their gains. BIGITech® already did this in March, and is starting another adjustment in May. We believe that multiple levels of support - from 210-230 - will hold in a deeper correction. Long-term investors attracted to the secular case for Israeli Technology Stocks can accumulate on any correction, while maintaining awareness of the steepness of 2019's surge and strong long-term resistance at the 310-315 level.

## Disclosures

This report was prepared by analysts of BlueStar Global Investors LLC (doing business as *BlueStar Indexes*®). Any opinions expressed herein are solely those of the author(s). BlueStar Global Investors LLC and BlueStar Indexes make no warranty, express or implied, as to the results to be obtained by any person or entity from the use of the indexes, trading based on the indexes, or any data included herein about investment in ETFs or funds tracking BlueStar's BIGI® or BIGITech® benchmarks, or for any other use, or about any other product mentioned in this document. The information contained herein is not intended as a recommendation to buy or sell any security and past performance is no guarantee of future results.

The *BlueStar Israel Technology ETF* ("ITEQ®") is distributed by ETFMG Financial LLC, located at 30 Maple St, Summit, NJ, which is affiliated with ETF Managers Group LLC. Joshua Kaplan is a registered representative of ETFMG Financial LLC. BlueStar Indexes®, is a provider of financial indexes used as the benchmarks for the ITEQ® Israel Tech ETF and the VanEck Vectors Israel ETF (ISRA®) , as well as approximately 20 ETFs and index mutual funds domiciled, regulated and distributed in Israel. BlueStar is compensated by fund sponsors based on the level of assets under management in those investment vehicles.

The authors are long, have trading authority over accounts which are long, or may enter into long positions in the following securities which are constituents of BlueStar's Indexes® or track BIGI® or BIGITech®: Amdocs (DOX), CyberArk (CYBR), DSP Group (DSPG), Elbit Systems (ESLT), Teva Pharmaceuticals (TEVA), Israel Chemicals (ICL), BlueStar Israel Technology ETF (ITEQ®), and VanEck Vectors Israel ETF (ISRA®).

© 2019 BlueStar Global Investors, LLC