

June 11, 2019

## ISRAEL EQUITY REVIEW & OUTLOOK

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### 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. More than US\$500 million in index-tracking assets are benchmarked to BlueStar Indexes as of early-June 2019.

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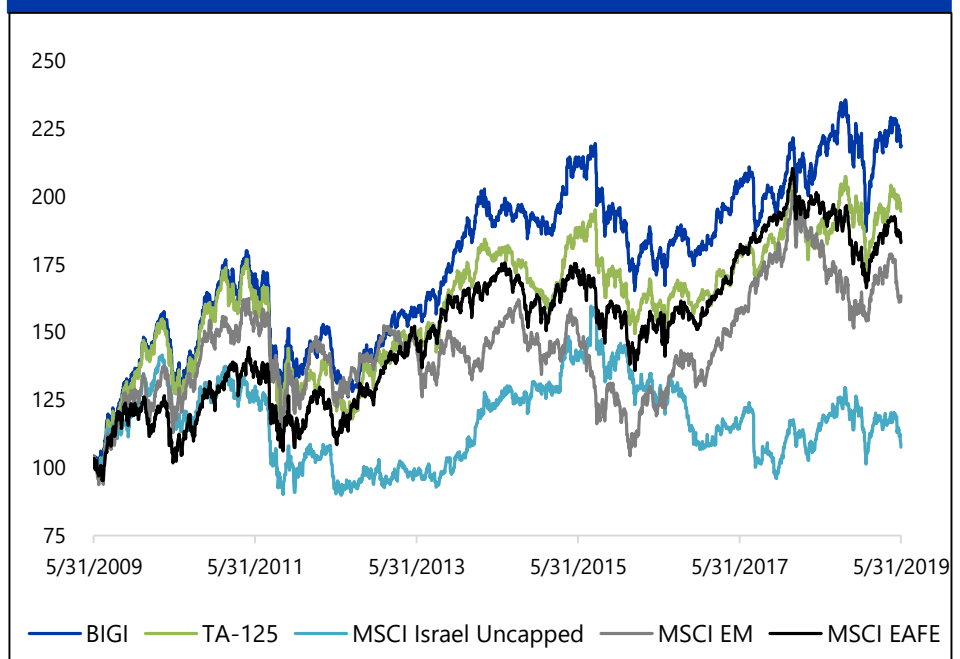
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## ISRAELI STOCKS RESUME THEIR LEAD AGAINST MAJOR BENCHMARKS; ISRAELI TECH PROVES RESILIENT IN MAY, DELIVERING IMPRESSIVE RELATIVE & ABSOLUTE PERFORMANCE IN 2019 YTD

### Highlights:

- Israeli stocks, as defined by the BlueStar Israel Global Index® (BIGI®), posted a loss of 4.23% in May, extending its relative YTD 2019 outperformance versus the S&P 500, MSCI EAFE, and MSCI EM by 0.54%, 3.22%, and 7.18% respectively.
- Israeli technology stocks, as defined by The BlueStar Israel Global Technology Index™ (BIGITech®), lost just 1.09%, demonstrating impressive resiliency in May compared to the Dow Jones US Tech and MSCI EM tech indexes, down 9.51% and 10.7%, respectively.
- BIGITech® continues its 2019 relative and absolute dominance against leading tech benchmarks, pulling ahead of Dow Jones US Tech by 4.73%, S&P Global 1200 Info Tech by 5.31%, and MSCI EM Tech by 16.08% for the year to-date.
- BIGI® gave back 1.12% in relative performance against the local Israeli TA-125 Index in May, but still maintains a slight outperformance YTD, as the TA-125 has missed out on some of Israel's top foreign-listed technology companies.
- The Israeli Shekel continues to provide stability against the US Dollar, finishing May at par to 12 months ago.
- Following May's correction the technical position for BIGI® remains constructive; BIGITech® consolidated in May after an impressively shallow drop relative to global technology stocks.

### BLUESTAR ISRAEL GLOBAL INDEX® TEN-YEAR RELATIVE PERFORMANCE ENDING MAY 31, 2019



## Equity Market Performance Review

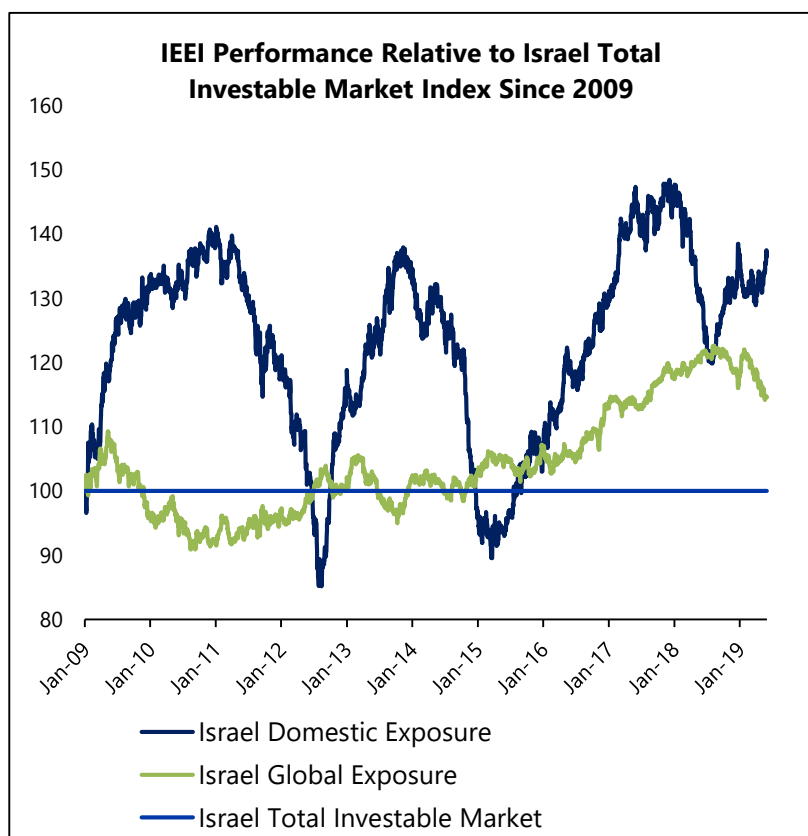
Israeli Equities, as defined by the BlueStar Israel Global Index®, sank along with other global equities in May, posting a loss of 4.23%. Seven of the eleven sectors represented in BIGI were down last month with Health Care being the worst performer as Teva's woes deepen.

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 3.22%, and 7.18% respectively.

Israeli technology stocks, as defined by BIGITech® - the BlueStar Israel Global Technology Index™ - demonstrated remarkable resilience in May having lost just 1.90% while other leading global technology indexes such as the Dow Jones US Tech and MSCI EM tech indexes were down 9.51% and 10.7%, respectively. The outperformance was due to strong positive returns by several of Israel's larger technology companies.

Seven out of the ten largest Israeli tech stocks were higher in May. Wix.com, which holds a 7.6% weight in the index gained 2.4%; Amdocs, which holds a 6.5% weight in the index gained nearly 8% after reporting strong earnings and increasing visibility.; Novocure, Israel's largest biotech company with a 4.5% weight gained more than 20%; and NICE, Israel's second largest tech company was up 0.5%.

Domestically-oriented Israeli stocks, as defined by BlueStar's Israel Domestic Exposure Index (IDEI) continued to gain against globally-oriented Israeli stocks in May, having lost just 0.15% compared to Globally-oriented stocks with a loss of 5.13%. 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.



ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON		
Benchmark	May Return (%)	2019 (%)
BIGI	(4.23)	11.27
BIGITech	(1.90)	20.34
MSCI Israel Uncapped	(10.07)	1.99
TA-125 INDEX	(3.11)	11.04
S&P 500	(6.35)	10.73
MSCI EM	(7.26)	4.09
MSCI EAFE	(4.66)	8.05
Israel Domestic Exposure	(0.15)	12.38
Israel Global Exposure	(5.13)	7.61

Sources: BlueStar Indexes, Bloomberg LP

ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON		
Benchmark	May Return (%)	2019 (%)
BIGITech	(1.90)	20.34
Dow Jones US Tech	(9.51)	15.61
S&P Global 1200 Info Tech	(8.51)	15.03
MSCI EM Tech	(10.77)	4.26

TOP AND BOTTOM BIGI PERFORMERS: MAY 2019		
	Positive Contributors (%)	Negative Contributors (%)
Safecharge International	27.79	Teva Pharmaceutical Ind Ltd (38.04)
Solaredge Technologies Inc	20.95	Ceragon Networks Ltd (27.68)
Novocure Ltd	20.54	Arotech Corp (27.24)
Plus500 Ltd	15.69	Foamix Pharmaceuticals Ltd (24.62)
Clal Insurance Enterpr Hldgs	14.05	Forescout Technologies Inc (23.60)
Hilan Ltd	13.57	Galmed Pharmaceuticals Ltd (22.65)
Menora Mivtachim	12.97	Idi Insurance Co Ltd (20.13)
Matrix It Ltd	10.82	Compugen Ltd (20.00)
Shikun & Binui Ltd	9.82	Camtek Ltd (19.24)
Phoenix Holdings Ltd/The	8.93	Tower Semiconductor Ltd (16.60)

SECTOR PERFORMANCE: MAY 2019	
Real Estate	3.64
Consumer Staples	2.09
Utilities	0.58
Industrials	0.33
Financials	(0.23)
Information Technology	(2.90)
Energy	(4.12)
Materials	(5.12)
Consumer Discretionary	(6.43)
Communication Services	(6.51)
Health Care	(23.89)

\*Sources: BlueStar Indexes, Bloomberg LP

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

### BlueStar Israel Global Index®

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



The technical outlook for Israeli Global Equities is at a decisive inflection point. May's correction brought BIGI down to its 2015-2018 support line - which had been broken in Q4 2018 - and recovered above in Q1 2019. We remain cautiously bullish, but recognize that if current levels don't hold, a deeper correction down to the long-term support lines, last tested in December 2018.

Thus the technical position for BIGI® remains constructive, even after early-May's trade-related volatility and a sharp decline in Teva's share price. If the uptrend resumes, there are several layers of significant resistance that could contain the index below its Autumn 2018 high, particularly the 315 level.

Our technical outlook for BIGI® would shift to bearish if key support at the double green line (approximately at the 245 - 250 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, the more energy it will have to mount a sustained rally toward 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 consolidated from all-time highs in set April and early May, with an impressively shallow drop relative to global technology stocks, which swooned due to US-China trade and strategic competition.

After such a sharp rebound and extension, it was expected that Israeli Tech Stocks would consolidate their gains - now the key is that they maintain the current levels, as if a correction resumes, it's a quite a drop to long-term support in the 225-230 level. However, we believe that multiple levels of support - from 210-230 - will hold in a deeper correction, and that long-term investors attracted to the strong fundamental case for Israeli Technology Stocks can accumulate on any such correction.

## Disclosures

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