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ISRAEL EQUITY REVIEW & OUTLOOK – Q2 2021

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About the BlueStar Indexes[®]

The BlueStar Indexes were launched in 2011 by BlueStar Global Investors, LLC, a research-driven provider of indexes and financial data focused on serving the needs of innovative ETF issuers, index fund sponsors and asset managers. BlueStar's Indexes were acquired by MV Index Solutions (MVIS) in August 2020 and are now continued as a sub-brand of MVIS.

BlueStar has produced monthly updates on the Israeli market since 2012. In this Israel Equity Review and Outlook we provide data and insight on 2020's performance of Israeli equity benchmarks, stocks and sectors driving performance, key economic data for the Israeli market, as well as data on our flagship Israeli equity indexes, BIGI[®] and BIGITech[®]. We also provide an outlook on key economic, geo-political and domestic political developments which could impact the markets in 2021.

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. BIGI[®] is tracked by a NYSE-listed ETF, as well as an Israel-domiciled index fund tracking BIGI[®].

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 such as information technology, defense technology, clean technology and bio-technology. BIGITech[®] is tracked by a NYSE-listed ETF. In addition, there are two Israel-domiciled investment vehicles tracking BIGITech[®].

MV Index Solutions also maintains five additional Israel Equity Indexes under the BlueStar brand (BIGI[®]-TIM, IGEI, IDEI, BIGI[®]-SD and BIGI[®]-SV), one Israel Government Bond Index (BIGUSD), approximately 30 Regional and Global Thematic/Tech Equity indexes, and the BlueStar-TzurGilboa Israel Equity Hedge Fund Index.

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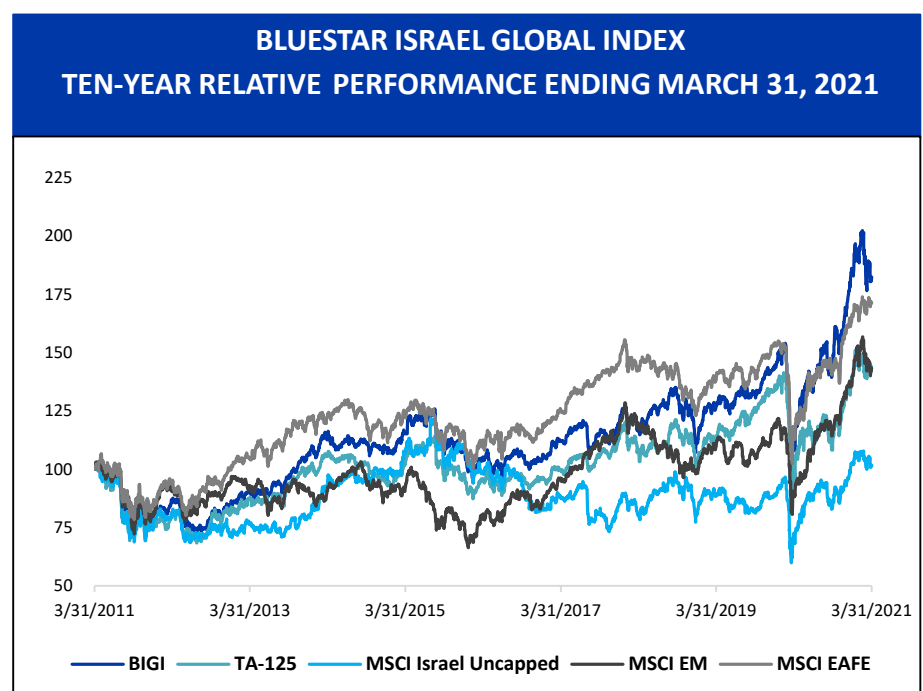
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ISRAELI EQUITIES OFF TO A SLOW START IN 2021. BIGI SLID 1.17% IN Q1, UNDERPERFORMING MSCI EAFE BY 4.77%. ISRAELI TECH STOCKS COOLED THROUGH MARCH, AFTER A SIZZLING 2020, DOWN 5.36%.

Highlights:

- Israeli stocks, as defined by the BlueStar Israel Global Index[®] (BIGI[®]), retreated 1.17% in Q1 2021, underperforming developed international equities by 4.77%, as measured by MSCI EAFE. This comes following a breakout 2020, in which BIGI posted a return of 28.41% for the full year, leading MSCI EAFE by an impressive 20.13%.
- Israeli technology stocks, as defined by the BlueStar Israel Global Technology Index[™] (BIGITech[®]), regressed 5.36% in Q1 2021, trailing the Dow Jones US Tech and S&P Global Tech indexes by 8.82% and 7.49%, respectively. This temporary backslide comes on the heels of an impressive 2020, which saw BIGITech[®] return 62.37%, leading the Dow Jones US Tech by 15.05% and S&P Global Tech by 18.42%.
- BIGI underperformed the TA-125 Index of Israeli-listed stocks in Q1 2021 by 3.17%. For the full-year of 2020, BIGI led the TA-125 by 24.17%.
- Following a busy 2020, which saw an unprecedented number IPOs for Israeli companies valued at more than \$9 billion, 2021 is slated to surpass those numbers with several early IPOs in Q1, and a robust pipeline of potential IPO candidates for second half of the year.
- A catalyst for the flurry in IPOs has been the utilization of SPACs — a vehicle which could provide a quicker, and often times, a more efficient path for companies to go public.
- Israel's world-leading COVID-19 vaccination drive, which demonstrated the country's public health prowess, is starting to see an impact. With COVID-19 cases down to manageable levels and a majority of the population vaccinated, Israel has ended the mandate to wear face masks in public.
- After Israel's fourth election in two years, it seems that it's government uncertainty will continue unless Prime Minister Benjamin Netanyahu can form a new government before May 4. If not, a possible fifth election could be in play.



*These individuals are associated with MV Index Solutions and GmbH. Steven Schoenfeld is not registered with FINRA or subject to FINRA rules. Joshua Kaplan is registered with FINRA and is subject to FINRA rules.

Israel Equity Market Performance

Israeli equities, as defined by the BlueStar Israel Global Index[®] (BIGI[®]), lost 1.17% in Q1 2021, following a remarkable 2020 in which Israeli equities rose 28.41%. BIGI underperformed developed markets indices such as MSCI EAFE, S&P500 and the local TA-125 by 4.77%, 7.34%, and 3.17%, respectively in Q1, giving up some of 2020's relative outperformance.

After a breakout year in 2020 Israeli technology stocks pulled back sharply in Q1 2021 by 8.30%. Israeli technology stocks underperformed most other major technology benchmarks by a wide margin though technology stocks globally have underperformed broader averages this year.

Israeli technology stocks in general fall into the small-mid cap, higher-growth, and higher-P:E bucket of the global technology sector. Broad market trends have shunned these types of stocks so far this year in the face of rising interest rates and potentially easier-to-achieve growth prospects in other sectors like financials and industrials.

A prevailing opinion is that the relative pressure on growth and technology stocks will subside once investors have completed their repositioning into value-oriented sectors. On the other side of the coin, another line of thinking would indicate that interest rates will continue to rise which would most likely cause price-multiple corrections in high-growth and technology stocks.

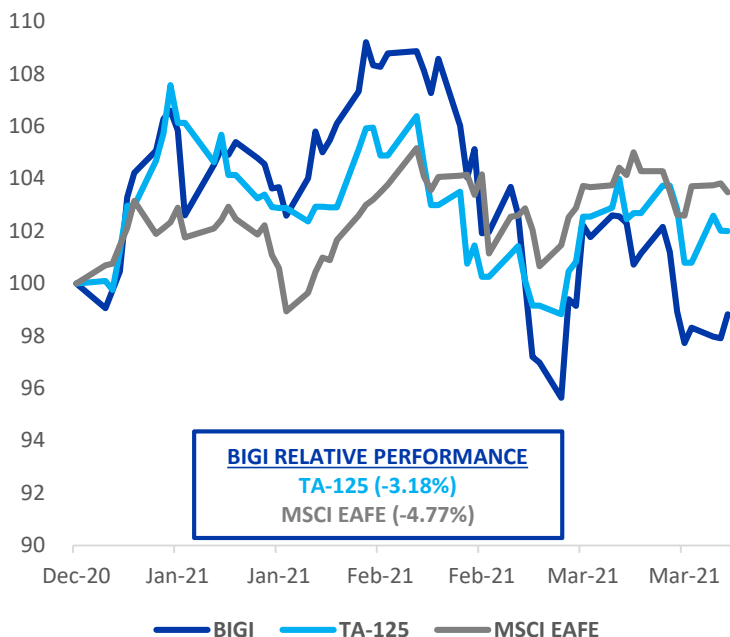
Long-term investors will undoubtedly use corrections in share prices of stocks leading in secular growth themes to add to their positions.

ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON		
Benchmark	Q1 2021 Return (%)	2021 (%)
BIGI [®]	(1.17)	(1.17)
BIGITech [®]	(5.36)	(5.36)
MSCI Israel Uncapped	(0.31)	(0.31)
TA-125 INDEX	2.00	2.00
S&P 500	6.17	6.17
MSCI EM	2.29	2.29
MSCI EAFE	3.60	3.60
Israel Domestic Exposure	6.89	6.89
Israel Global Exposure	5.24	5.24

ISRAEL AND GLOBAL TECH EQUITY BENCHMARK COMPARISON		
Benchmark	Q1 2021 Return (%)	2021 (%)
BIGITech [®]	(5.36)	(5.36)
Dow Jones US Tech	3.46	3.46
S&P Global 1200 Info Tech	2.13	2.13
MSCI EM Tech	4.68	4.68

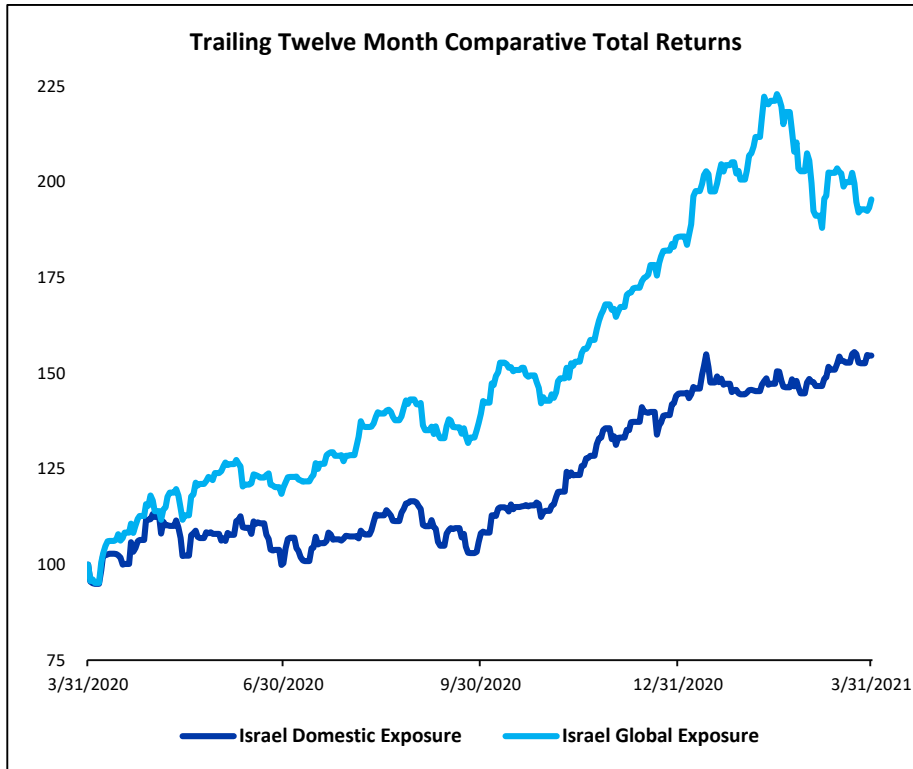
TOP AND BOTTOM BIGI PERFORMERS: Q1 2021			
	Positive Contributors (%)	Negative Contributors (%)	
Tremor International	80.35	Pluristem Therapeutics Inc	(32.53)
Gilat Satellite	74.75	Jfrog Ltd	(29.38)
Delek Group Ltd	61.88	Compugen Ltd	(29.07)
Inmode Ltd	52.42	Lemonade Inc	(23.98)
Tadiran Holdings Ltd	45.12	Cellcom Israel Ltd	(23.96)
888 Holdings Plc	42.86	Novocure Ltd	(23.61)
Perion Network Ltd	40.61	Nice Ltd	(22.70)
Delek Automotive	38.60	Cyberark Software	(19.96)
Camtek Ltd	36.47	Energix-renewable	(16.58)
Ceragon Networks Ltd	35.61	Check Point Software Tech	(15.76)

BLUESTAR ISRAEL GLOBAL INDEX[®] 2021 YTD Relative Performance



SECTOR PERFORMANCE (%): Q1 2021	
Consumer Discretionary	17.30
Materials	17.13
Energy	11.42
Communication Services	8.72
Financials	7.97
Industrials	5.59
Health Care	0.02
Consumer Staples	(2.23)
Real Estate	(2.55)
Information Technology	(6.75)
Utilities	(10.56)

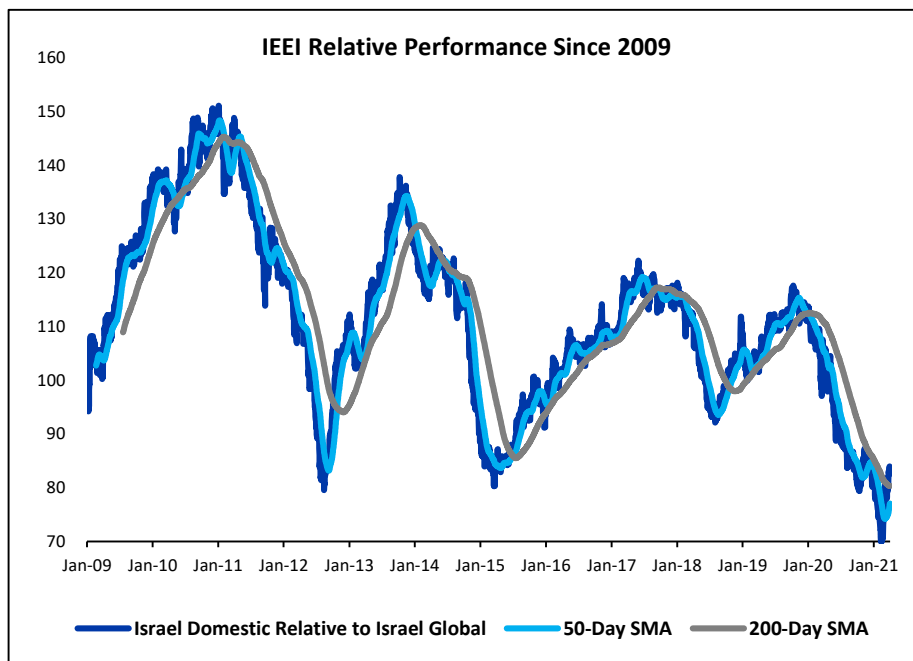
Dramatic Performance Diversion of Israel Economic Exposure Indexes



2020 witnessed a remarkable divergence of the two Israeli economies, as measured by the BlueStar Israel Economic Exposure Indexes (IEEI). On one hand, Israeli stocks with predominantly global sources of revenue outpaced the broader BIGI[®] benchmark by approximately 16 percentage points. At the same time Israeli stocks with predominantly domestic sources of revenue as measured by our Israel Domestic Exposure Index ("IDEI") underperformed BIGI by roughly 12 percentage points.

Last quarter, we provided some evidence to suggest that domestically-oriented Israeli stocks could begin to recover against their globally-oriented peers. The most salient points we made were that the P:E ratio on globally-oriented stocks, relative to domestically-oriented stocks, had reached extreme levels. Additionally, we maintained that domestically-oriented stocks were in an extremely oversold technical position.

So far in 2021, IDEI has outperformed IGEI by just over 1.5% as domestically-oriented sectors such as consumer discretionary, materials, energy, and communications services outperformed. The outperformance of these sectors against globally-oriented sectors is roughly in-line with global market trends.



The BlueStar Israel Government USD Bond Index

The attractiveness of Israeli government debt remains compelling, as interest rates in the US and Israel continue to fall. The yield-to-maturity (YTM) on the **BlueStar Israel Government USD Bond Index** (with an average of 5 years to maturity) stands at 1.03%, while the generic US government 5-year bond has a YTM of 0.46%, and the YTM on Shekel-denominated Israeli government debt is at 0.14%.

Global investors' appetite for Israeli sovereign debt is strong, even amidst an unprecedented global economic crisis. The most recent issuance was oversubscribed, proceeds of which helped fund its COVID-19 emergency economic response package. Earlier this year, Israel joined an exclusive club of two other nations - Canada and Australia - that has successfully issued Century Bonds (100-year maturity debt) demonstrating investor perspective of Israel's appealing long-term risk profile.

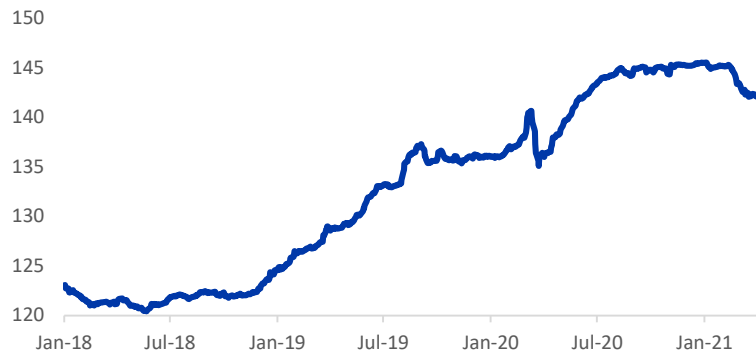
With a conservative Debt:GDP ratio of approximately 60% heading into the crises (now at 73%), we remain confident that Israel has substantial capacity to stimulate fiscal policy without risking the strong domestic and global investor confidence in its government bonds. This is a positive for Israel's recovery, as additional domestic and global bond sales will be necessary to support further economic rescue measures, including the one announced on January 24th. The long-term strength of the Israeli Shekel has also made domestic Shekel-denominated bonds attractive to foreign investors

ISRAEL AND GLOBAL SOVEREIGN DEBT COMPARISON* (Maturity-Matched)

Benchmark	YTM (%)	Duration
BlueStar Israel Government USD Index	1.03	4.08
US Government Generic 5 Year Bond	0.46	3.23
Israel Government Generic 5 Year Bond (NIS)	0.14	2.61

*As of March 31, 2020.

BLUESTAR ISRAEL GOVERNMENT USD BOND INDEX



Sources: MVIS, Bloomberg LP

Flurry of IPO Activity Continues for Israeli Companies As SPACs Become a Popular; Public Mask Mandates Ends As COVID-19 Policies Relax; More Election Uncertainty

Following a busy 2020 for Israeli companies — in which there were an unprecedented 19 IPOs for Israeli companies valued at a record more than \$9 billion — 2021 is slated to surpass those numbers with several early IPOs in Q1, and a robust pipeline of potential IPO candidates for second half of the year. A catalyst for the flurry in IPOs has been the utilization of SPACs — a vehicle which could provide a quicker, and often times, a more efficient path for companies to go public.

In January, Taboola announced it was going public via the SPAC Ion Acquisition Corp 2, at a valuation of \$2.6 billion. In March, the trading platform eToro announced it was going public via a SPAC, valued at roughly \$10 billion. Other Israeli companies who are leaning towards IPOs in 2021 are IronSource — via a SPAC — Monday.com, SimilarWeb, and OrCam, just to name a few.

Israel's world-leading COVID-19 vaccination drive, which demonstrated the country's public health prowess, is starting to see an impact. With COVID-19 cases down to manageable levels and a majority of the population vaccinated, Israel has ended the mandate to wear face masks in public. According to the Israeli Ministry of Health, over 5.3 million Israelis have had at least one dose of the Pfizer/BioNTech Covid-19 mRNA vaccine, and over 4.9 million in the country are fully vaccinated (this excludes all those who were unable to receive the vaccine because of testing positive for COVID-19) — meaning more than half the total population and more than 80% of the adult population are fully vaccinated.

On March 23, 2021, Israel held its fourth parliamentary election in the last two years. Unfortunately, as of now, the results of this election don't seem to be much different than the previous ones — not one political bloc won enough seats to secure a majority leaving the government, and the country, in a state of uncertainty.

Prime Minister Benjamin Netanyahu will have had six since the election to build a coalition and form a government. If he's not able to form a government before May 4th, Israel could be headed for another possible election.

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