

# ITEQ | Investment CASE



**“Israel is the leading, largest and most promising investment hub outside the United States.”**

**-Warren Buffet**

## INTRO

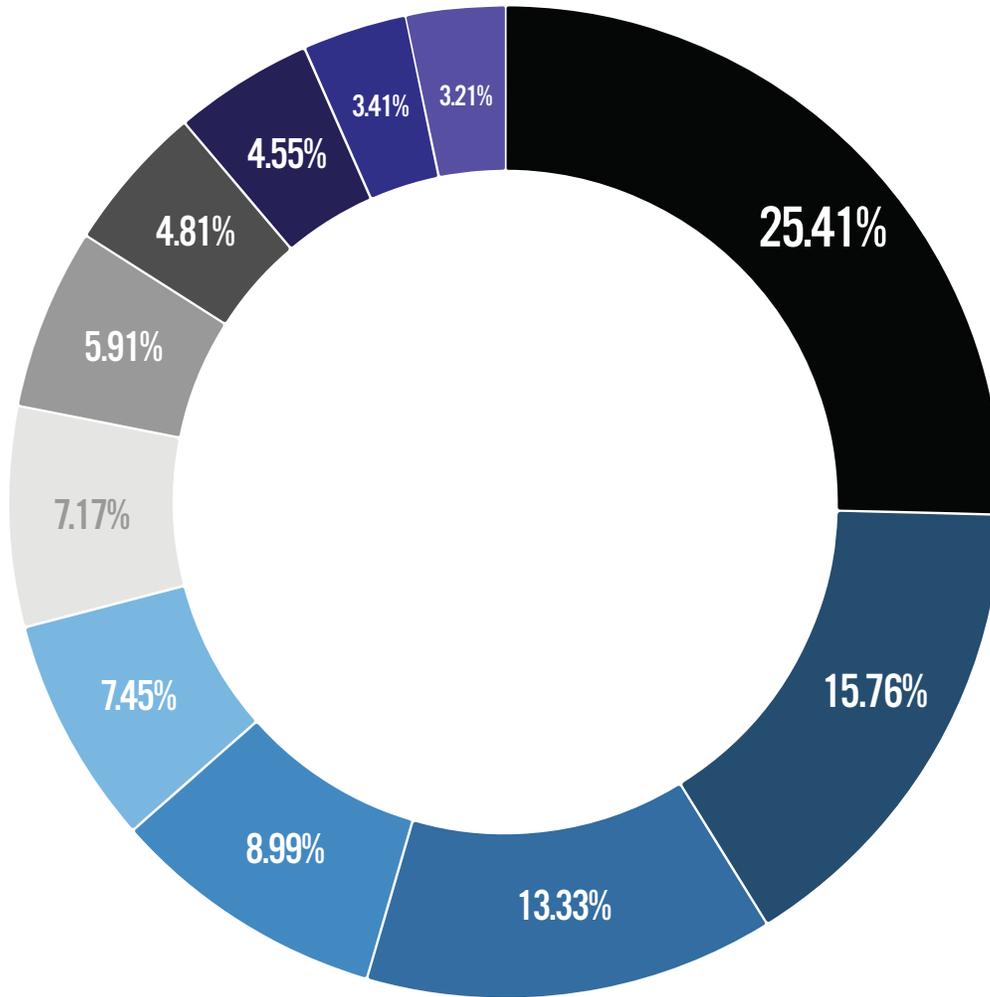
Today, Israel represents one of the greatest hubs of innovation and entrepreneurship in the world. Israeli technology companies are leading the current global innovation cycle, defining and transforming how businesses and consumers interact with the world.

Israel’s technology ecosystem was not built overnight, but rather through a series of targeted government policies and a world-class academic research infrastructure, further enhanced by the challenges of Israel’s geopolitical environment.<sup>1</sup>

# ISRAELI TECHNOLOGY LEADERSHIP

The ITEQ® ETF tracks the BlueStar Israel Global Technology Index – BIGITech® – the flagship benchmark for Israeli technology stocks, and enables investors to gain exposure to the disruptive and cutting-edge technology themes firmly implanted at the Crossroads of Innovation<sup>1</sup> :

Here is a look at the areas Israeli companies are innovating in, as measured by the BIGITech Index.



25.41% ● BIG DATA + APPLIED AI

15.76% ● CYBER SECURITY

13.33% ● BIOTECH + MEDICAL DEVICES

8.99% ● ELECTRONICS + SEMICONDUCTOR MANUFACTURING

7.45% ● DATA CENTER HARDWARE + COMMUNICATIONS EQUIPMENT

7.17% ● CLEAN ENERGY AND WATER TECH

5.91% ● INTERNET SOFTWARE + ADVERTISING TECH

4.81% ● DEFENSE TECH

4.55% ● FINANCIAL + GAMING TECH

3.41% ● INTERNET OF THINGS, VOIP + AUTONOMOUS DRIVING

3.21% ● 3D PRINTING + CONSUMER/BUSINESS ELECTRONICS



## RESEARCH & DEVELOPMENT: ISRAEL'S CALLING CARD

Innovation is in the Israeli DNA: Israel itself is the ultimate 70-year-old-start-up.

Israel's technological edge has been cultivated purposefully over time. Early on, Israel realized that technology would be critical to its development and could significantly mitigate the country's precarious geopolitical situation and lack of natural and financial resources.<sup>2</sup>

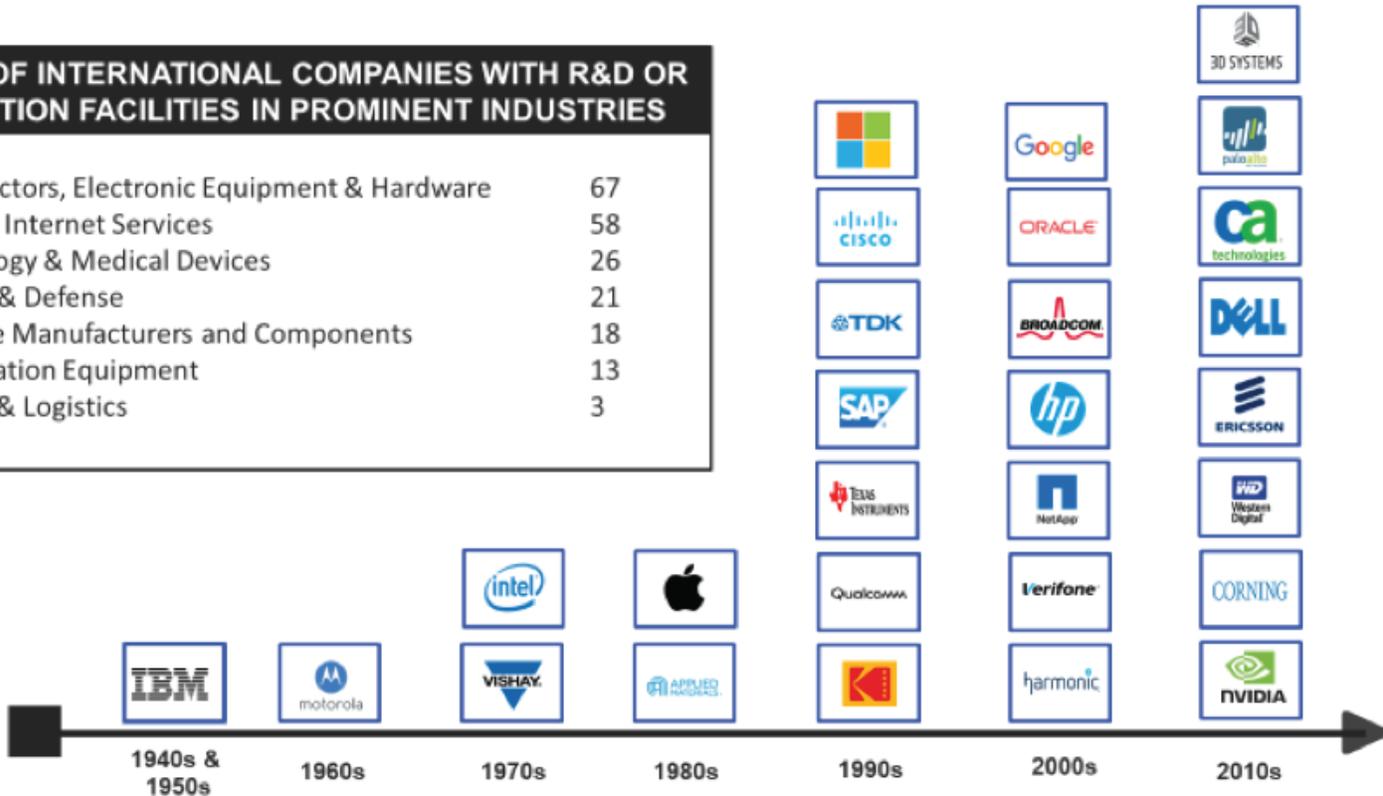
The state's formal role in technology transfer was established with the creation of the Office of Chief Scientist within the Ministry of Trade in 1969. Its mission and objectives were enshrined in the 1984 "Research & Development Law" – which directly incentivize international companies to do business in Israel and provides tax advantages & subsidies for Israel companies' spending on R&D.<sup>3</sup>

Today, nearly 400 of the world's largest global tech companies have a meaningful presence in Israel – providing Israeli companies with a deep pool of customers, partners and acquirers – transforming the country into one of the world's most important hubs for technology and innovation.<sup>4</sup>

Israel has the highest ratio of R&D expenditures to GDP (4.5%) in the Organization for Economic Co-operation and Development (OECD) – 65% of which is performed by foreign-controlled affiliates.<sup>5</sup>

# EVOLUTION OF GLOBAL R&D CENTERS IN ISRAEL

NUMBER OF INTERNATIONAL COMPANIES WITH R&D OR PRODUCTION FACILITIES IN PROMINENT INDUSTRIES	
Semiconductors, Electronic Equipment & Hardware	67
Software & Internet Services	58
Biotechnology & Medical Devices	26
Aerospace & Defense	21
Automobile Manufacturers and Components	18
Communication Equipment	13
Air Freight & Logistics	3



Source: The Israeli Tech Imperative: Investing at the Crossroads of Innovation, BlueStar Indexes, 2018

According to the OECD and the World Economic Council, as a country Israel is:

- #1 in R&D as a % of GDP**
- #1 in engineers per capita**
- #2 in innovation**
- #3 in quality of scientific institutions**
- #3 in company Research & Development Spending**
- #3 in University-Industry collaboration on R&D**
- #4 in capacity for innovation**
- #5 in patent applications per million citizens**

This is very impressive for a country with fewer than nine million inhabitants that is the approximate size of New Jersey.<sup>6</sup>



## PIONEERING FOUNDATIONAL TECHNOLOGIES

Israeli companies have introduced new and imaginative technologies to the world such as Instant Messaging<sup>7</sup> & Voice over Internet Protocol, Flash Memory, Advanced Driver Assistance Systems (autonomous driving), the Telephone Answering Machine Voice Processor, or by keeping us safe through world's first "Firewall" launching the global infotech security industry (cybersecurity).

If this is surprising to you, you are not alone. Israeli companies are in almost everything we touch, as they tend to make technology work better, but are typically one step removed from the final product. For example, Israel does not manufacture cars, but the country produces the technology to enable cars to drive themselves.

# EXPOSURE: LEADING THE TECH REVOLUTION

## Enterprise Digitization, Internet Software & 5G



## ISRAELI PUBLIC TECH COMPANIES



## CleanTech, Ag/FoodTech, FoodTech & Biotech



## Cyber Security and Defense



## IoT & Autonomous Driving



Israel is a key player in the global technology ecosystem. ITEQ® allows you to add international exposure, with meaningful diversification potential, to your core technology portfolio.

# S&P GLOBAL 1200 INFO TECH

COUNTRY	NUMBER OF SECURITIES	WEIGHT (%)
UNITED STATES	68	77.98
JAPAN	18	4.22
SOUTH KOREA	4	3.60
CHINA	1	2.82
TAIWAN	4	2.72
GERMANY	4	2.19
IRELAND	1	1.39
NETHERLANDS	2	1.07
FRANCE	3	0.77
SWITZERLAND	2	0.75
CANADA	4	0.58
SWEDEN	2	0.53
FINLAND	1	0.49
SPAIN	1	0.38
UNITED KINGDOM	2	0.20
AUSTRALIA	1	0.09
AUSTRIA	1	0.05
BRAZIL	1	0.05
ISRAEL	0	0.00

## EXPOSURE TO ISRAELI TECH STOCKS

**Nasdaq-100 Index  
Stocks = 1 (Weight = 0.22%)**

**Nasdaq-100 Technology Index  
Stocks = 0 (Weight = 0%)**

**S&P Global 1200 Info.  
Tech Index Stocks = 0  
(Weight = 0%)**



## ITEQ FILLS THE GAP OF YOUR GLOBAL TECH EXPOSURE!

BlueStar Indexes launched the BlueStar Israel Global Technology Index™ (BIGITech®) so investors and business managers around the world could properly identify Israel's publicly traded high-tech companies, track the growth of the sector's range, and serve as the basis for investment vehicles. As of mid-2018, three investment vehicles are benchmarked to the BIGITech® Index including the NYSE-listed BlueStar Israel Technology ETF (ITEQ®) as well as two Israel-domiciled funds offered by KSM/Excellence.

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**Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's prospectus, which may be obtained by calling 1-844-ETF-MGRS (1-844-383-6477), or by visiting [www.iteqetf.com](http://www.iteqetf.com). Read the prospectus carefully before investing.**

The BlueStar Israel Technology ETF seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the BlueStar Israel Global Technology Index.

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Narrowly focused investments typically exhibit higher volatility. Investment in securities of Israeli companies involves risks that may negatively affect the value of your investment in the Fund. Among other things, Israel's economy depends on imports of certain key items, such as crude oil, coal, grains, raw materials and military equipment. Foreign investing involves special risks such as currency fluctuations and political uncertainty. Funds that invest in smaller companies may experience greater volatility. Funds that emphasize investments in technology generally will experience greater price volatility. The Fund's return may not match or achieve a high degree of correlation with the return of the BIGITech® Index. To the extent the Fund utilizes a sampling approach, it may experience tracking error to a greater extent than if the Fund had sought to replicate the Index. Diversification does not guarantee a profit, nor does it protect against a loss in a declining market.

The S&P Global 1200 Information Technology Index is based on the securities of the S&P Global 1200 Index classified as Information Technology by GICS. The Nasdaq-100 Index includes 100+ of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market (Nasdaq) based on market capitalization. The NASDAQ-100 Technology Sector Index is an equal weighted index based on the securities of the NASDAQ-100 Index that are classified as Technology according to the Industry Classification Benchmark (ICB) classification system.

ETF shares are not individually redeemable and owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Units only, typically consisting of aggregations of 50,000 shares.

The Fund is distributed by ETFMG Financial LLC. ETF Managers Group LLC and ETFMG Financial LLC are wholly owned subsidiaries of Exchange Traded Managers Group LLC (collectively, "ETFMG"). ETFMG Financial LLC is not affiliated with BlueStar Indexes.

### Sources:

1. - 6. BlueStar Indexes: The Israeli Technology Imperative: Investing at the Crossroads of Innovation
7. "Instant Messaging Marketing Statistics & Forecasts For 2017," Medium, 2017