

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, EDITOR

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From the Editor's Desk

A Battle of the Giants

Who, out there, who has been reared on the concepts of democratic capitalism, does not harbor an innate dislike of monopolies? For every benevolent monopoly there are 99 others which use the status to provide inferior, expensive goods and services. Proving the point is much easier than one would expect. All that is needed is to clock the time it takes to phone New Delhi, Beijing, Bucharest, Budapest, Lima or Moscow.

Falling back on the Marion Webster's definition, "monopoly" means "exclusive ownership through legal privilege, command of supply." In the 1980s, some governments began to respond to criticism of the inefficiency inherent in government-owned monopolies. Most industrialized countries, by fiat or through natural development, had acquired control over a broad range of goods and services, these being supplied by (government) monopolies. Most visible were the monopolies in electricity, telecommunications, airlines and defense-oriented enterprises. The British government under Margaret Thatcher carried out a broad program of privatization which included airlines, fuels and telecommunications. This pattern has been repeating itself on a global scale, including some of the best-known telecommunication companies, among them British Telecom, Nippon Telephone and Telegraph and Telefonos de Mexico.

The benefits of privatization are most apparent to the consumer, though the true advantages of exposure to the free market are not achieved overnight nor without upset.

In Israel several years ago, the postal services were privatized. Post office branches began to be run by entrepreneurs who shared in the profits of the branches they managed. The results were dramatic: letters which five years before took anywhere from three days to a week to reach their in-country destination are now delivered overnight. The Post Office realized that it had a multi-branch geographic advantage which matched that of the country's

banking system. While the resultant postal bank has not driven any of the nation's banks out of business, it has provided a cost-effective alternative for the payment of bills, money transfers and the maintenance of accounts.

Bezeq - The Israel Telecommunication Corp. - became partially privatized when the government sold some of its holdings to the public. Bezeq nevertheless is finding it difficult to meet the challenges posed by open-market suppliers such as Motorola. Bezeq in March 1994 installed its two millionth telephone and, according to reports in the third quarter of 1993, earned \$100 million. Yet Bezeq personnel launched a wildcat strike in February when the government rejected Bezeq's appeal for renewal of its monopoly status. Yet there's more involved here than profit. Bezeq management, in its rush to create profits, may be forsaking the norms involved in doing business in Israel. Its management right! continues to aim at improving efficiency and profitability. However, it has been unsuccessful in negotiating an order with Tadiran for one million telephones. Tadiran is Israel's largest electronics industry and its third-largest industrial enterprise. Its sales over the past three years have totaled \$2.3 billion, on which it earned \$152 million. Tadiran is a world-class company, and its electronic products are sold worldwide. Of its total sales, approximately half are for export. Its telecommunications equipment has been used by Bezeq. Recently Tadiran management

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was stunned to learn that Bezeq intended to tender an order for a million telephones to a foreign supplier. Tadiran is itself a public company, whose equity is traded on both the New York and Tel Aviv stock exchanges. In its most recent Annual Report, Tadiran Managing Director Gurion Meltzer and Chairman Benny Gaon said they had offered a cut of 20% on the four-year contract to supply telephones, but Bezeq management was adamant on tendering out the order.

The loss of this business would have a serious impact on Tadiran's sales and profits, the management stated. It is time that Messrs. Yitzhak Kaul, Bezeq's CEO, and Meltzer sit down and negotiate so that all sides are well served. The alternative will be the loss of jobs, and will make a sham of the belief that privatization leads to benefits for all concerned.

Tadiran will be seeking to raise funds for corporate acquisitions, with offerings on either the Tel Aviv or New York Stock Exchange. The company wishes to expand in the civilian market as part of an overall strategy to expand activities in the telecommunications and other non-defense areas.

Bezeq has recently announced a major order for the supply of telephones to an eastern European nation. The telecommunications business will grow in this area.

Bezeq and Tadiran should sit down and iron out their differences.

Propper: Business sector growth rate to fall

Dan Propper, President of the Manufacturers Association, predicted recently that the business sector's growth rate will fall to 5% this year as a result of the decline in exports and the recent volatility in the capital market, and that the Treasury's initial growth forecasts of 6.5% will not be attained. He blamed the coming slowdown on the fall in industrial exports during the past few months, and the sharp drop in securities traded on the capital market.

According to Propper, the sharp fall in the capital market has significantly reduced the value of the public's financial investments. As a result, he predicts a decrease in consumption per person. Propper said a reduction in unemployment will be difficult with a growth rate of only 5%. He warned that there could be a growth in unemployment to 10.5%, compared with initial forecasts of a fall to 9.4%.

The Manufacturers Association also blamed the slowdown on the continued delays in the peace process, the closure of the territories, and the aftereffects of the Hebron massacre on tourism and other sectors.

Propper said the basic conditions necessary for rapid

economic growth have not changed, despite the fall in exports and the drop in the capital market. He said the business sector remains in a good position to raise capital from the public.

All Aboard! Pharmos is approaching critical mass!

Biotechnology companies are being increasingly judged on their ability to strike deals in marketing or development with larger rivals. On this level, the jury is still out on Pharmos Corp., though such an international deal is the next logical step for Pharmos management.

Followers of Pharmos can assume that such a deal is in the process of being negotiated, and could be completed shortly, since the company has announced that one product will be ready for market in 1994 and two others are in the pipeline for introduction early next year.

Approval is expected in the current year of the company's first product, a patented ophthalmic Loteprednal Etabonate, said to be safer than conventional ophthalmic steroids. In addition, one of two glycoma drugs is entering phase III American studies.

Richard Stover, principal of the Stafford Connecticut Life Science Advisory Group, has issued a major institutional research report on Pharmos. In it he cites the company's "broad invisible portfolio of ophthalmic product opportunities based on Pharmos's patented technologies, already in advanced clinical study." Key issues touched upon are:

- Novel technologies for optimized therapeutic performance.
- Lower-risk product development.
- Balanced product portfolio and well-developed pipeline.
- Attractive market dynamics.

Mr. Stover's net present value/product life cycle evaluation analysis of Pharmos's portfolio suggests a current share value of \$11 - \$12, and a one-year target of \$15 - \$18 per share.

Pharmos is a public company (NASDAQ:PARS approx. \$7), with a recent market capitalization of \$115 million. However, Mr. Stover, assigns a technology value of \$70 million, which comes to \$7.28 per share.

The conclusion is that the market may be undervaluing Pharmos. Israeli experts in the ophthalmic medical and academic fields have expressed great enthusiasm for the line of biopharmaceuticals which Pharmos intends to introduce.

It is only a matter of time

In the past 10 years, several proposals have been made to establish a foundation for the development

of the entire Middle East. After so many years of war in the region, such a fund would direct investment in much the same way that the Marshall Plan effected the rehabilitation of Europe after World War II. In Israel, some \$30 billion in investments have been earmarked over the coming decade to take advantage of the benefits of peace. The budget is divided as follows: about \$12 billion for highways and rail transportation; \$8 billion for communications and outer space; \$5 billion for energy; and the remainder in a variety of projects including environmental protection and water conservation.

These investments will be integrated with planned regional development projects in the Arab states. Concrete discussions are already being held in this regard. The multilateral talks were a good example of this, chaired by France with numerous countries participating, including such powers as China, Japan and India.

These discussions dealt with potential multi-party cooperation for regional development projects in the following areas:

- Motor and rail transportation arteries.
- Communications channels and utilizing outer space.
- Sources of water.
- Natural resources and minerals.
- Quality of life and environmental protection.
- Education, health and social welfare.

Investments and Financing

Israel Tech Acquisition Corp. is said to be ready to turn to NASDAQ to raise \$12-\$20 million for specific acquisitions in Israel and other countries. Momentum Asset Management, which manages offshore funds, is said to be planning to launch a fund which will invest in Israeli equities. Thirty million dollars is to be raised from individuals and institutional investors. A three-year target has been announced by its local representatives, Old City Finance.

Mr. M. Guild, who manages five funds, has enjoyed a spotty performance. The Momentum Guild fund, which began activities about two years ago, was recently quoted at \$99.84. Its issue price was \$100 per unit.

Financier/philanthropist George Soros has made initial investments in Indigo (a developer and manufacturer of offset color printing machines) and in Geotek (in the wireless telecommunication field). The former is expanding its production facilities near its home base at Weizmann Science Based Industries Park, at a cost of \$2.3 million. Mr. Soros has made it known that he prefers Israeli high-tech to investments in banks. He recently turned down an offer to participate in a group wishing to bid for Bank Leumi, Israel's second most profitable banking group.

Research and development companies will benefit from legislature now in the Knesset. Under the new laws, funds raised for research and development can be used for product development and marketing. Barclays de Zoete Wedd Ltd. and Societe General are maintaining their investment program in Israel despite the recent drop in share prices on the Tel Aviv Stock Exchange. These knowledgeable investors have stated that "it is better to enter the market at lower prices."

Financial results of high-tech companies

Ramat Gan-based Magic Software develops, publishes, markets and supports software tools used to create software applications without writing lines of computer code.

Magic Software has reported record sales and earnings in 1993. Sales for the year totaled \$15.9 million, up 68% from \$10 million in 1992. Net income totaled \$2.5 million in 1993, up 93% from \$1.3 million the year before. Earnings per share totaled \$0.65, compared with \$0.37 in 1992.

Magic's Chairman and CEO David Assia said the company's sales and profitability are continuing to grow in accordance with industry and market trends. In 1994 the company expects to maintain its annual growth rate of over 50% in sales and revenues.

The introduction of a number of new products during the year required a major investment in sales and marketing, including the opening of an office in Germany and the expansion of an office in France.

Magic is a public company with shares traded on NASDAQ. In the first week of April, the company anticipates heavy losses on its security holdings, the value of which has fallen by about \$700,000 due to the recent drop in share prices on the Tel Aviv Stock Exchange. As a result of the announcement, the value of Magic shares dropped to \$12 level from \$17 at the beginning of April.

Members of the Israeli business community continue to hold the company in high regard due to its ability to penetrate the American and European markets, and its unique software tools.

Unique treatment for liver cancer at Herzliya Medical Center

For the first time in Israel, patients suffering from metastasized liver cancer can avail themselves of a unique treatment resulting in a high rate of survival and a better quality of life. The surgeon, after opening the abdomen, introduces liquid nitrogen at -196C to the affected area. Subsequent imaging has shown the liver to be clean.

The system has been developed and is marketed by the American firm of Cryogenics Technologies. Israel now joins medical centers in England, France,

the U.S. and Australia, where this treatment is already available. In the U.S., no fewer than 59 medical centers employ the procedure.

The Herzliya Medical Center, where Professor Eli Antebi has perfected the technique, charges patients \$10,000 per treatment, including surgeon's fees and hospitalization.

There are expectations that the "freeze" technique can be adapted for prostate and breast cancer. It is hoped that this procedure will be adopted by Israeli government and municipal hospitals, making it available to the general public.

Genome research

The Israel Council for Higher Education has provided grants towards establishing the Israel National Genome Resource Center. The center will encompass a Bioinformatics Genome Resource Care (BIGROC) at the Weizmann Institute, and a National Laboratory for Israel Population Genetics at Tel Aviv University.

These facilities will enable Israeli scientists to become full partners in the exciting Human Genome Project, which is expected to provide a molecular "encyclopedia" of human genes which will yield new possibilities for diagnosing, preventing and treating genetic disorders such as cystic fibrosis, Tay-Sachs disease, and some forms of mental retardation.

The 15-year, \$3-billion undertaking was launched by the world scientific community in 1989, at the instigation of the US National Institute of Health and the U.S. Department of Energy.

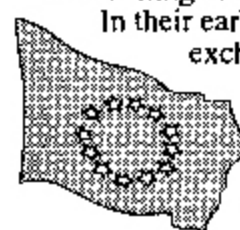
China has "only" 11 million scientists

The Israeli economy has been surging strongly for the past few years, mainly because of the integration of new immigrants from Russia. However, the major political changes that have taken place in Europe have caused many newly formed countries, and older established ones which have maintained discrete relations with Israel, to open diplomatic missions or embassies. Such countries include Bulgaria, Cameroon, China, Czech Republic, India, South Korea, Poland, Russia, Slovak Republic, South Korea, Ukraine and the Union of Myanmar.

The Israeli business community has long been trading with many countries which had not maintained formal economic relations. This posed a paradox, as in some quarters questions were raised as to whether these activities served the interest of the business community while indirectly harming the country's standing among the community of nations. The prospect of peace adds a new dimension to this country's international trade and internal growth, as a result of capital investment and the open interchange of ideas in science and technology. Since 1973, Israel's Ministry of Science has maintained extensive

programs of cooperative research with the Federal Republic of Germany, the U.S., France and the European communities. Israel maintains and has established programs with France and Holland. For example, more than 500 joint Israeli/German research projects valued at more than DM 100 million have been carried out, and have involved more than 1,300 research scientists and over 1,000 exchange visits.

Israel is engaged in three major programs with the U.S. -- the Bi-National Research & Development Foundation, the Bi-National Agricultural Research Foundation, and the Bi-National Science Foundation. In 1993, the BIRD Foundation approved grants totaling \$7 million as its 50% participation in joint research. The success of the Israel-America cooperation has been used as a role model by other countries. The Ministry of Science and Arts (MOSA) seeks to extend Israel's international scientific connections by promoting and establishing bi-national science research programs.



In their early stages, these involve the exchange of scientists. Typically, a scientist will carry out post-graduate research at a leading institute of the partner nation.

The next step is the promotion of bi-national research projects.

Scientists are given funding to carry out approved projects. MOSA's goal is to promote the setting up of endowment funds whose income would be sufficiently large to fund such projects. The funds established between Israel, America and Germany owe their success to large funding bases.

The role model for endowment funding is not in the field of fundamental research, but rather industrial R&D. In the instance of the Israel-US Bi-National Research and Development Foundation, the activities are financed from the income of an endowment fund of \$110 million, says a BIRD staff member.

At MOSA, where the bi-national scientific programs are developed, there is a growing amount of attention devoted to formulating new initiatives. Current negotiations should lead to the establishing of joint programs with India, South Korea and Russia, according to MOSA's Michal Wolf.

Prime Minister Yitzhak Rabin is scheduled to travel to Russia to sign a bi-national agreement. The program is still fraught with uncertainty because the Russian leaders have not decided whether the program will be carried out by



Russia's National Science Foundation or its Ministry of Science.

The amount of interest in developing joint scientific programs with Israel is quite high, but cultural differences between Israelis and prospective partners often need to be overcome. The Israeli view is pragmatic, and budgets are proposed in the early planning stages. Cooperation between Israel and China is just beginning to get underway. Mr. Xie Gaofeng, second secretary of the Science Section at the one-year-old embassy of the People's Republic of China in Tel Aviv, is enthusiastic about the benefits to be reaped from scientific cooperation between his country and Israel. However, he is less clear as to when a budget will be implemented. An agreement in principle to initiate a joint research program has been decided upon, and startup funds of \$3 million dollars are to be shared by both countries. Seventeen projects have been suggested and one has been approved.



Israelis welcome the prospect of joint research, but at this stage fact-finding missions are apparently being considered by the Chinese as the first steps, according to a knowledgeable

source.

Mr. Gao Feng, an astronomer, is openly admiring of Israel's ability to transfer the results of scientific research from the laboratory to the world of research in industry medicine and ecology. The linkages between industrial research and development, and the close links between the institutes of higher learning and industry, plus the quick responses that are possible in a country the size of Israel, are not comprehensible to him.

China's High-Tech Goals

"To create an acceptable living standard throughout the country, China can only depend on the great hope created by modern science and technology. There is virtually no way out if we do not transform our conventional industries.

"So far as the industrialized nations are concerned, high technology is the outcome of an almost natural evolution, a result of long-accumulated technologies and solid industrial basis.

"We in China see hi-tech development as the key to survival. We in China feel the urgency.

"In the case of China, we have to admit certain disadvantages, including fairly outdated conventional industries, a rather weak technological infrastructure, and labor-intensive modes of production.

"However, we also see our advantages, and some of them are pretty



encouraging:

- an 11 million-strong contingent of scientists and technicians, one tenth of them engaged in R&D and some of them rated among the world's most brilliant;
- a fast-growing socialist market economy to generate huge development demands as one means to spur high-tech industry.
- continuous and forceful government support in policy-making, taxation, project funding and work organization to effectively utilize the country's limited resources, and
- an increasingly more open China to attract stronger international cooperation," says Mme ZHU Lilan, Executive Vice Chairperson of the State Science & Technology Commission of the People's Republic of China.



Last year, China's traditionally discreet behavior was replaced by the greater openness which now characterizes its ties in business, culture, science and technology.

The following item appeared in a June 1992 issue of *IHTIR*. We reproduce it here to highlight the contrast with the new, more open style of relations now prevailing between the two countries.

China: A bridge to distant countries

China is more open for technical cooperation with Israel than are the Eastern European countries. The key is to understand China's drive to acquire manufacturing know-how. It can buy the fruits of Israeli expertise and either produce equipment or construct entire plants, the products of which will be marketed in China first, and then in countries with which Israel has no relations. The concept is to upgrade Chinese industries and use Israel as a marketing partner, says Dr. David Gurevitz, an Israeli technology specialist in international projects. Technology marketing specialists generally prefer not to identify customers until projects are completed. Neither do they discuss the size of the projects. For example, there is a company -- part of Israel's metal industry -- negotiating to supply its specialized equipment to China. The Chinese buyer has negotiated the purchase of not only the equipment, but of the blueprints, for its further production in China. It is understood that the Chinese will be manufacturing the equipment for sale not only within China but also to neighboring countries.

But are deals of this type -- combining the transfer of technology with the loss of manufacturing and export opportunities -- good for Israel?

(Cont'd on page 7)

The Capital Market

It used to be said that when Wall Street caught cold, the Tel Aviv Stock Exchange sneezed, and sometimes contracted pneumonia. But the American share market followed the downward move that began in Israel in mid-January of this year. In the second week of April, it appeared that Israel's share prices had seen their low point as a result of the "1994 correction." It is less clear whether Wall Street, at 3,680, has touched bottom, or whether the 10% downward movement so far marks the beginning of a Bear market.

In Israel no less than in the United States and other countries, changes in interest rates established by the central bank tend to affect the movement of bonds and shares. The central bank's policy of adjusting rates upwards or downwards is its

way of reacting to the perception of an overheating economy and rising inflation. There are differences of opinion regarding the anticipated rate of growth of the country's economy for the rest of 1994. Yoram Gabai, a high official in Israel's Ministry of Finance, expects a continuation of the 7-8% growth rate recorded in the first quarter. If he is correct, then accelerated growth may have to be



accompanied by higher interest, which in itself would curb any sharp price rises on the TASE. Dr. Jacob Shainan, Head of Economic Models, a leading "think tank," stated that in the first half of 1994, economic growth will decline to 3.7%, compared with 6% in 1993.

He projects a meaningful decline in property prices well into 1996. His projection of a relatively low 8-9% rate of inflation anticipates a decline in interest



rates in the near term. He considers the current two-sided (Mishtanim) Index Trading range of between 200 - 230 as an attractive time to accumulate shares on the

| | Main Indices | | |
|-------------------------|------------------|------------------|-----------------------|
| | AS OF 3/31/94 | YIELD Mar. 94 | YIELD Jan.-Mar. 94 |
| General Share Index | 218.0 | -6.8 | -19.3 |
| Two-Sided (Mishtanim) | 208.1 | -6.4 | -15.9 |
| Ma'of | 206.0 | -7.3 | -23.8 |
| Karam | 244.0 | -7.3 | -23.8 |
| Shekel/\$ Exchange Rate | 2.969 | 0.2 | 0.6 |
| Consumer Price Index | --- | 0.7 | 1.9 |

T.A. Stock Exchange.

Our own belief is that there are excellent opportunities for investment both on the Stock Exchange and in companies which are still privately held. The best opportunities are to be found in the public-company industrial sector, and especially among those companies whose sales and activities can be positively affected by increased trade possibilities with the Arab world and Eastern European countries.

Share Fund Yields

Category: Diversified and Flexible Share Funds

Investment Objective: Growth

Management Policy: Manager invests in equities with mix of investments adjusted to market conditions.

Funds in Category: 47

Top Five Performers

| Fund | Manager | % gain |
|-----------------|---------------|--------|
| Lemashkiya | Goldman | 26.0 |
| Panther | Central Trade | 25.3 |
| Ramco Flexible | Ramco | 25.2 |
| Psagot 100 | Psagot | 21.0 |
| Afikim Flexible | Afikim | 13.2 |

Category: General, Variables and Maof

Investment Objective: Aggressive Growth

Management Policy: Manager invests in the 70 leading shares making up the TASE Share index or in the 25 leading shares which make up the Maof Index

Funds in Category: 47

Top Five Performers

| Fund | Manager | % gain |
|----------------|------------------|--------|
| Afikim Shares | Afikim | 14.7 |
| Epsilon Shares | Epsilon | 10.9 |
| Lahak Agamia | Lahak | 10.2 |
| Magic | Moritz & Tuchler | 10.0 |
| Analyst Shares | Analyst | 9.5 |

Share Fund Yields

Category: Specialized

Investment Objective: Aggressive Growth

Management Policy: Manager invests in specialized sectors as real estate, oil infrastructure etc.

Funds in Category: 55

Top Five Performers

| Fund | Manager | % gain |
|--------------|-----------|--------|
| Ahrayut Oil | Ahrayut | 44.2 |
| Zik | Unitrust | 15.1 |
| Mivneh | Fibi | 10.1 |
| Raam 91 | Silberman | 9.4 |
| Lahak Slayit | Lahak | 6.1 |

(percentages represent gain in value in U.S. dollar terms for 12 months ending March 31, 1994)

Database: Micylav Mutual Funds

(Cont'd from page 5)

Israel's Highest Priority Scientific Fields

(Steering Committees Established by the Ministry of Science)

Material sciences
 Medical research
 Superconductivity
 Electro-optics
 Infrastructure for R&D telecommunications
 Hydrology
 Biotechnology
 Microelectronics

On your marks, get trained and go!

Israel's Science and Technology achievements have been made possible by the existence of a large reservoir of highly trained manpower. Fifteen percent of Israel's labor force is now university educated, as opposed to 7% in 1972. The increasing technological sophistication of Israeli industry has consistently increased the demand for qualified manpower, especially in engineering, computer science, and the physical and biological sciences.

The percentage of students in Israeli universities is high compared to that of other developed countries. The total number of academicians engaged in R&D was about 47,000 in 1990. However, because the current influx of immigrants from the former Soviet Union includes 1,500 scientists and researchers per 100,000 immigrants, Israel can anticipate an increase of about 10,000 science and technology professionals by the year 2000. In addition, about 25% of the

immigrant work force is trained in engineering and architecture; in Israel, these fields account for only 2% of all professionals. Also, the percentage of immigrants with medical and pharmaceutical professions is six times that of veteran Israelis. According to current estimates, the total number of academicians -- both veteran and new Israelis -- engaged in R&D could reach 76,000 by 1995, and 83,000 by the year 2000 -- the world's highest ratio of scientists per population, and an increase of about 40% over estimates made before the current flood.

The "eager beaver" Israeli scientific community -- world leader

Israel is a member of EMBL (European Molecular Biological Laboratory) and CERN. In 1990, of all scientific papers published internationally, Israel's share was 30%; 20% in France, West Germany and England; 10% in the United States and 7% in Japan -- leaving 33% for the rest of the world.

In the same year, Israel was 10th in terms of citations per article published.

The prestige of Israeli science has resulted in many bilateral scientific agreements with China and India. Israel has 40 bilateral and multinational agreements for cooperative and scientific activity, of which 25 are active.

The value of international scientific funding in Israel is about \$10 million per year, which includes contributions from West Germany and the European community averaging \$6 million. This is in addition to the \$4.2 million budgeted by MOSA (the Israel Ministry of Science and the Arts).

Reproduction of a letter sent to the Bank of Israel

Dr. David Klein,
 Senior Director,
 Bank of Israel
 Hakiriyah,
 JERUSALEM. 91007

Dear Dr. Klein,

After the symposium on the Capital Market, I had the pleasure of talking to you and I am responding to your question: Why are most Israeli Mutual Funds unsuitable for American investors? Under current regulations foreign investors are encouraged to invest in the local capital market and in local currency, and in due course may repatriate their funds in the currency of their choice. In spite of the vast increase in foreign investment of this type, figures which were stated at the conference to be about \$1 million, the question arises why do not more foreigners, especially Americans, both institutional investors and private individuals, take advantage and participate in the Israeli economy by investing in what

they understand best, mainly mutual funds.

Of course there are many answers the main one being the lack of knowledge and understanding of the local market place. A more serious obstacle is that Americans can only invest in foreign mutual funds that are registered under the American Laws

Conversely speaking, mutual funds, like the world famous Templeton Fund, though originating in England, are widely advertised and apparently invested in by many American investors.

It is quite possible, another aspect of the current situation, though I could not check the figures, that there are some Americans who unwittingly invest in Israeli mutual funds through accounts in Israel which are openly advertised for the foreign investor, without checking whether they are legally allowed to invest in them. Since Israel funds are under strict local regulations, in principle there should be no objection to registering some funds in the United States and in compliance with American laws.

Benefits to Israel - over a period of time, as in other countries (such as Mexico, Peru, Venezuela, Malasia, Hong Kong, Thailand), Israeli industry, its financial management sector and the whole business community would benefit from such investments and the contacts which inevitably follow. The foreign investor, in keeping with recognized studies quoted in the Economist, would be exposed to participation in returns on investment which are generally associated with growing economies and in recent years are higher than available in the United States.

If the Bank of Israel would quantify this assumption, about the small amounts Israeli mutual funds being sold to Americans, then it may be worthwhile to make recommendations to the Israeli mutual fund industry to offer mutual funds which comply with the requirements. Some of the Israeli mutual fund management firms if made aware of the requirements and the possibilities offered would probably take this course as there is a massive potential. The funds like other Israeli products would be marketed there and could compete for a portion of the billions of dollars annually invested in by Americans in foreign funds.

Presently for Americans wishing to invest in Israeli equity funds the only known option is to invest in the Israel Fund registered on the New York Stock Exchange. Investors in the Israel Fund, at best are participating indirectly in the economy of Israel. Very few invest in companies directly because of the administrative complications regarding conversion of currency, and the difficulty of having these orders executed conveniently at brokers, American or even Israeli banks.

My suggestion, whose implementation is neither complicated or expensive, could result in opening up of Israel to a whole new group of investors. Since it is a policy of the Bank of Israel and the Treasury to liberalize and open up Israel to international capital influx the above approach may further these goals.

Looking forward to your comments.

Israel High-Tech & Investment Report

NASA corroborates 1989 research findings.

Gamma ray bursts (GRBs), huge explosions in space, were noted by American space satellites as early as 25 years ago. In 1989 Hebrew University researcher Tsvi Piran published a paper suggesting that the GRBs had their origin not in our own galaxy but in distant ones. It was a theoretical assumption which recently researchers at the U.S. National Aeronautics and Space Administration (NASA) corroborated. NASA based its conclusions on the analysis of findings and data obtained from NASA's Compton observer satellite.

Marginalia in healthcare

- In advance of the recently celebrated Passover holidays Israel's Federation of Labor Health Fund published a directory indicating which medicines are Kosher for use during the holiday. Observant Jews, during the seven day holyday period, do not eat any ingest any foods or pharmaceuticals which had come in contact with leavened substances. It is reported that a number of cough syrup manufacturers changed the components to suit the needs of the traditional part of the community.
- Zeev (Vladimir) Reizikov, 38 according to the influential Russian language newspaper Vesty, emigrated to Israel in 1992. His economic success is traced to his willingness to enter into a partnership with a local a physician whose specialty is sports medicine. Vladimir brought with him experience in the use of lasers in medicines. The clinic has been so successful that additional locations are being sought.

ISRAEL HIGH-TECH & INVESTMENT REPORT NEWS AND INVESTMENT OPPORTUNITIES

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