

ISRAEL HIGH-TECH & INVESTMENT REPORT

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A Decade of Progress

In the past ten years Israel's economy has created major changes. The defense sector, for one, has moved away from offensive weaponry, to defensive ones. At one time unmanned aerial vehicles and rockets dominated the scene. Today, anti-rocket systems that can protect the country from short distance scuds, lead the way. The Arrow system has proved to be effective and the Iron Dome, used to knock out short distance rockets will go into operations in two months time. What this means is that the defense industries are succeeding in meeting the challenge of this era.

Even greater changes have taken place in the domestic sector, with its ever changing and challenging needs. Water desalination has become a leading export item. The world's largest desalination plant, located along Israel's southern Mediterranean coast, is operational. The water treatment plant provides 100 million cubic meters (mcm) of desalinated water per year.

A young Israeli company called Watersheer Ltd. has developed a series of products, ranging from a personal purifier in a form of a bottle cap, to up to a 100 liter water processing system. The multi purpose purifying system for large capacity of water, is easy to use and is independent of external energy sources.

The Sulis Personal Purification System (PPS) takes all the ingredients needed to transform dirty water into clean water - and has miniaturized the

technology to fit into the top of a cork that can be plugged into virtually any size bottle, container or tap.

Solar heating, once a major industry in Israel that was felled by falling oil prices is back in vogue.



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Expertise in these fields has drawn international attraction. China and India have become major trading partners. Both have shown interest in desalination. Israeli units are being used in California.

Israeli farmers have succeeded in producing new varieties of tomatoes. The tomato, named Antonella, retains its firmness, flavor and aroma and does not begin to rot even after a week at room temperature.

These allow them to maintain exports. Israel was the first country to raise seedless watermelons. Essentially it is the ability to meet current needs that continues to give Israel an edge in its global exports.

Breath test may be able to detect common cancers

An “electronic nose” could be used as a simple breath test to detect lung, breast, bowel and prostate cancers, Israeli scientists said. Using the sensor to pinpoint chemical variations, the team found they could not only distinguish between healthy and malignant breath but also identify the four different common tumor types. While more work is needed to develop the technology, the early success could lead to the development of a cheap, easy-to-use and portable test to help diagnose cancer earlier. “If we can confirm these initial results in large-scale studies, this new technology could become a simple tool for early diagnosis of cancer along with imaging,” said Abraham Kuten of the Technion Israel Institute of Technology. Kuten and his colleagues studied the breath of 177 people some healthy and some with various types of cancer to detect the different chemicals emitted from the surface of cancer cells as they grow.

Israeli defense firms land record deal: Making parts for F-35 Joint Strike jets

Israeli defense companies have scored one of the biggest deals in the industry’s history: They will be making about \$4 billion worth of parts for the next

generation of American fighter jets, according to industry sources.

While no official announcement has been made, Israeli defense officials have been talking with the U.S. defense companies involved in the development and production of the F-35 Joint Strike Fighter.

The main company involved is Lockheed Martin, home of the F-series of fighter jets, which began working on the F-35 in 2003.

The discussions about Israel’s involvement were led by Defense Minister Ehud Barak.

The Israeli companies that might be involved in supplying parts include Israel Aerospace Industries, which made the wings for a previous generation of Lockheed jet; Elbit Systems, which makes smart helmets for fighter pilots; Rafael Advanced Defense Systems; and Israel Military Industries.

Israel would not only like to be involved in the development and manufacture of the F-35 Joint

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Strike Fighter; it would like to buy 20 jets at a total cost of about \$2.75 billion.

The F-35 will be equipped with the capability for stealth concealment from enemy radar, making it easier to launch a surprise attack over hostile territory. That is one of the main reasons the Israel Air Force decided to buy the F-35 despite criticism over its price, which could reach about \$200 million for each plane which is - more than double the cost of the latest generation of fighter jets being developed by Boeing.

As a compromise, the IAF has ordered 20 F-35s instead of the 75 it had originally intended to procure. The jets will be paid for using U.S. defense aid, which amounts to about \$3 billion a year.

The F-35 will be available in three forms: one that takes off and lands as planes normally do, and one with vertical takeoff and landing capacity, like a helicopter. The third will be adapted for use on aircraft carriers.

Israel hopes that the planes it buys will be equipped with Israeli-made control monitoring systems, and electronic warfare systems.

Israel was originally invited to participate in developing the F-35, a process that began in 2003, but declined because of the cost. Development partners include Turkey, Britain, Australia and Canada.

Some believe that the F-35 will be the last manned jet fighter to be developed, ever. The next generation of jet fighters is expected to be completely robotic. Again, Israel could play a major role, given its dominant position in the development of unmanned drones.

High tech jump leads exports rise

Despite concerns of a slowdown in the global economic recovery, and worries about political factors affecting Israeli exports, exports rose in May-July 2010, the Central Bureau of Statistics reported.

High tech exports, which account for 49% of Israeli industrial exports, totaled \$1.97 billion in July, 5.7% more than in June. High-tech exports rose by an annualized 51% in May-July, after rising by an annualized 39.4% in January-April.

The Bank of Israel has several times in the past few months expressed concern about the effect of the debt crisis in Europe on Israeli exports.

Based on original figures, exports of goods fell to \$4.43 billion in July from \$4.75 billion in June. Exports in seasonally adjusted figures, however, rose to \$3.79 billion in July from \$3.59 billion in June. 83% of exports were industrial goods, 16% were diamonds, and 1% were agricultural products

Based on original figures, imports of goods fell to \$4.88 billion in July from \$4.91 billion in June, although imports rose in seasonally adjusted figures to \$4.36 billion in July from \$4.12 billion in June.

The trade deficit was about \$500 million in July.

Economy grew at 4.7% in second quarter

Israel's GDP in fixed prices and after seasonal factors grew by 4.7% on an annualized basis in the second quarter of 2010, the Central Bureau of Statistics reported. Due to the economic crisis in Europe, predictions were that the economy would only grow by 2.9%.

Growth in the economy is accelerating, having grown by 3.6% in the first quarter of 2010 and 4.3% in the fourth quarter of 2009.

This means that the economy grew by 4.1% on an annualized basis in the first half of 2010, after growing 3.3% in the second half of 2010 and contracting 1.5% in the first half of 2009.

Contributing factors to the Israeli economy's surprisingly strong growth in the second quarter of 2010 were a 15.8% rise in exports of goods and services compared with the preceding quarter,

an 8.7% rise in private consumption, 10.9% rise in investments in fixed assets and a 2.8% rise in public expenditure not including defense, on an annualized basis.

HU professor first Israeli to win top math medal considered equivalent to Nobel Prize

Prof. Elon Lindenstrauss of the Einstein Institute of Mathematics at the Hebrew University of Jerusalem today received the Fields Medal for 2010 – a prize regarded as the “Nobel Prize” in mathematics that is awarded once in four years. He was the first Israeli to be awarded the medal.

The Fields Prize is given to scholars up to the age of 40 for outstanding mathematical achievement. Prof. Lindenstrauss received the medal today in Hyderabad, India, at the opening of the International Congress of Mathematicians, which is convened every four years by the International Mathematical Union. The medal was presented to him by Shrimati Pratibha Patil, the president of India,

The Fields Medal is named for Prof. J. C. Fields, a mathematician at the University of Toronto who was secretary of the 1924 International Congress of Mathematicians in that city. He donated funds establishing the medal and outlined the criteria for earning it – that it would go to someone with great future potential and who had already demonstrated significant achievements in the field. The medal this year was awarded to three others in addition to Lindenstrauss..

Prof. Lindenstrauss is a second generation mathematician. His father, Prof Yoram Lindenstrauss, is a professor emeritus at the Einstein Institute of Mathematics at the Hebrew University, an Israel Prize winner for mathematics, and a member of the Israel Academy of Sciences and Humanities.

Prof. Elon Lindenstrauss is a graduate of the Talpiot program for outstanding students in the Israel Air Force, a reserve major in the Israel Defense Forces, and a winner of the Israel Defense Prize.

Born in 1970, he has a bachelor's degree in mathematics and physics, and a master's degree and Ph.D. in mathematics, all earned at the Hebrew University. After receiving his Ph.D. he worked at the Institute for Advanced Study at Princeton, .N.J., and at Stanford University in the US. He also held an appointment as a professor at Princeton University. He has been a professor at the Hebrew University since 2008. He is married and the father of three children. The family lives in Jerusalem.

The proof of the outstanding achievement of Israel in mathematics, he said, can be seen in the leading role that Israeli mathematicians play in the Intentional Mathematical Union, the membership which is determined on the basis of the quality and quantity of research by individuals. “Israel is one of the ten largest and leading state delegations represented in the organization,” he noted.

Quark in Novartis; plans TASE IPO

Quark Pharmaceuticals Inc. is following the path trod by Israeli drug development companies of bringing a product up to a certain stage of development and entering into a licensing agreement with an international pharmaceutical company, in exchange for royalties on future sales. Sources inform advise that Quark has signed a licensing agreement for its QPI 1002 drug for the treatment of acute kidney disease and delayed graft function (DGF) in kidney transplantation with Novartis AG (NYSE:NVS; LSE: NOV; SWX: NOVZ). The new deal follows a licensing agreement with Pfizer Inc. (NYSE: PFE; LSE: PFZ) signed in 2006.

The agreement is for development of a drug for the treatment of kidney-related problems. Payments could reach \$700 million, dependent on milestones. Quark will receive an initial payment of a few million dollars.

In a separate development, Quark is again considering an IPO, this time on the Tel Aviv Stock Exchange (TASE), three years after abandoning a planned IPO on Nasdaq. The company had

planned to raise \$60-70 million at a company value of \$220-260 million.

Quark plans to raise several tens of millions of dollars at a company value of \$250-300 million in an IPO within two or three months. Assuming that the company goes public, it will follow in the steps of Intec Pharma Ltd. (TASE: INTP), Proteologics Ltd. (TASE: PRTL), Aposense Ltd. (TASE: APOS), and InsuLine Medical Ltd. (TASE: INSL), all of which have gone public this year. However, assuming that the company value is achieved, Quark could join the Tel Aviv 100 Index.

Quark president and CEO Dr. David Zur founded the company in 1994. The company is developing silencing RNA (siRNA) drugs, which function by selectively blocking genes that cause disease. The Ness Ziona-based company has several drugs in the pipeline, aimed at treating age-related macular degeneration (AMD), acute kidney injury, and glaucoma. The company has raised \$130 million in eight financing rounds to date, the most recent in June.

Quark already has revenue from Pfizer from the licensing agreement for PF655 for AMD. Potential revenue could be tens or even hundreds of millions of dollars.

The agreement with Novartis was signed following completion of a Phase I clinical trial of the QPI 1002 for acute kidney disease. The drug also has obtained orphan drug status for DGF in kidney transplantation from the European Medicines Agency (EMA) and US Food and Drug Administration (FDA). Quark has conducted the trials on the drug on its own. Novartis will finance further trials under the licensing agreement, and Quark will receive payments on meeting milestones, such as completion of the Phase II clinical trial, the start of a Phase III trial, and regulator approval of the drug.

In July, Quark signed a collaboration and license agreement with Japan's Nitto Denko Corporation (TSE: 6988) for Quark's QPI-1007 drug for the

treatment of glaucoma. Under the collaboration, Quark will provide the drug and Nitto Denko will provide its proprietary drug delivery technologies.

Arad Metering Technologies Conserves Water via Battery-Operated Drones

Israeli firm saves H2O by taking to the skies

The word drone may conjure thoughts of sci-fi flicks, or images of attacks carried out remotely on hostile lands, or even your high-school biology teacher's voice. You certainly don't expect a drone to help save water, but that's what Arad Metering Technologies intends to do. The Israeli company's battery-operated drone is one of the novel tools it is deploying to help consumers and companies conserve H2O -- and to make money.

That such an idea would come out of Israel is no coincidence. The country is poor in water and rich in tech innovation, much of it born of constant military conflict. Israel pioneered the use of unmanned aerial vehicles after it lost many fighter jets in the 1973 war. But Arad's drones don't fight: They read data from the company's patented water-meter system to detect leakage or, in irrigation systems, drought.

The World Bank estimates that water wastage costs utilities \$14 billion a year worldwide; in developing countries, 200 million more people could be served by the water lost to leaks and theft. Arad CEO Dan Winter says this is largely a consequence of how the business works in places where water is cheap or untaxed: "You train people to abuse water because they pay very little."

This broken system created an opportunity for Arad, which has deep green roots. Its parent company, the Arad Group, began making water meters in 1941, after prescient members of Kibbutz Dalia saw how the devices could help save water. Winter says his tech-centric unit seeks "to bring an added value" to both the core business and customers. Its technology can find irregularities -- a pipe failure, an unusually low flow rate, or

a too-constant one that could indicate a leak -- in a few hours, rather than every 60 days as with a typical meter reading.

Arad's system is built around what looks like a standard meter. The difference is on the inside, where you'll find 3G wireless technology, a micro-controller, and 20-year batteries. Every 11 to 30 seconds, the system transmits data, which can be picked up by a drone (best for quickly covering big distances in remote areas) or by a drive-by or fixed-base reader. The data are then analyzed by computer to gauge how much water has been consumed, how much was lost, and even where tampering may have taken place. As a result, companies can save both water and man hours.

Arad has realized that water loss is a significant issue beyond arid nations like Israel; it plagues even water-abundant countries. So it has focused on the biggest ones. Its largest cluster of clients is in the United States, and its next four biggest markets are now Brazil, China, India, and Russia -- a quartet of emerging powers that suggests the size of both the problem and Arad's ambition.

The possibilities for Arad's services go far beyond water. Winter sees potential for monitoring everything from municipal infrastructure, such as traffic lights, to security-camera networks -- basically any complex system prone to localized failures and waste. And if Arad has its way, drones could soon be associated with saving, not destroying; life, not death.

IBM Corporation (NYSE: IBM) has acquired Israeli data storage company Storwize Inc. for \$140 million. Almost \$40 million was invested in Storwize, mostly by private investors, as well as strategic investors, Sequoia Capital, Bessemer Venture Partners and Tanaya Capital (formerly Lehman Brothers' venture capital arm). The sale reflects an average three-fold increase. Storwize was named as one of Israel's most promising start-ups in 2007.

Storwize president Gal Naor and CTO Jonathan Amit founded the company in 2004. The company's solution uses complex algorithms to

compress data in real-time even before it is sent to storage systems.

Storwize was originally based in the Tel Aviv suburb of Yehud, but Naor and Amit moved the firm to the US, the company's primary market, in early 2008 in order to meet their growth plans. The company is now headquartered in Massachusetts. The company held a number of financing rounds over the years. The company's private investors include Igal Ahouvi, Pujo Zabudowicz, and former Bank Hapoalim chairman Shlomo Nehama. Japanese computer infrastructure giant Tokyo Electron Device Ltd. is a strategic investor.

VC company Giza gains exit in Taiwan

Giza Venture Capital Taiwanese portfolio company Danen Technologies Corporation (Taipei: 3686) has held an IPO on the Taipei Stock Exchange, after less than three years in business. Danen manufactures high-quality solar ingots for photovoltaic applications, including solar cells, and has become a leader in its field since it was founded in 2007.

Danen held its IPO at a company value of \$350 million, and the share price jumped 23% in its first day of trading.

Giza invested in Danen's first institutional round in 2009, and was the only non-Taiwanese investor in the round. The investment is part of Giza's Asian investment strategy, with a focus on Taiwan.

Yishai Klein heads Giza's Asia operations from an office in Singapore. Giza recently established a designated fund for investment in Asia. Klein said, "Danen has made rapid and impressive progress since it began operations. The company succeeded in leveraging its technological advantage and know-how to consistently produce very high-quality wafers, thereby differentiating it from its competitors."

Danen's customer base includes all of Taiwan's top solar cell manufacturers, as well as leading European, Asian and US manufacturers, such as

Korea's Samsung Solar Energy Ltd., Taiwan's Motech Solar Ltd., Neo Solar Power Corp. (Taipei: 3576) and E-Ton Solar Tech. Co. Ltd. (Taipei: 3452), Conergy Inc., China's Suntech Power Holdings Co. Ltd. (NYSE: STP), and Germany's Q-Cells SE (DAX: QCE).

Giza has three Taiwanese portfolio companies: Danen, Advanced Lithium Electrochemistry Co. Ltd. (ALEEES),

The tomato, named Antonella, retains its firmness, flavor and aroma and does not begin to rot even after a week at room temperature.

Medical imager Arineta, GE Healthcare to collaborate

Cardiology imaging developer Arineta Ltd. has signed a strategic partnership with GE Healthcare to jointly develop computed tomography (CT) for cardiovascular applications.

Caesarea-based Arineta did not disclose the size of the deal, but sources believe that it is substantial for the company. Arineta and GE Healthcare did not disclose details of the collaboration either, but, like similar agreements, Arineta will probably focus on the development of the product, while GE Healthcare will provide sales and marketing services.

Arineta chairman Yosi Morik said, "We believe this collaboration with GE Healthcare provides the most effective path for Arineta to bring its cardiovascular imaging technologies to market."

GE Healthcare VP and general manager for Global CT and Advantage Workstation Steve Gray said, "CT can be a viable, minimally-invasive imaging alternative for many cardiovascular procedures. We chose Arineta as a partner because we believe their cardiovascular imaging technology complements the GE Healthcare market-leading position in CT imaging."

Israeli firm developing new touch screen

A new tablet from Google (GOOG) and Verizon

(VZ) could use a multi-touch screen from Israel's secretive N-Trig. Also, Apple (APPL) may be tighten its iPhone controls and target users who jailbreak their phones.

Secret tablet technology

There is little doubt that 2010 has been the breakout year for Android phones, as the number of models available from U.S. wireless carriers and the apps to go with those phones have spread across the landscape at a blistering pace. Each week, it seems, there's a new Android phone that grabs your attention, as well a bevy of useful Android apps to make the user experience even better.

But can a maker of Android phones translate that experience into tablet computers, much like Apple created the iPad using its mobile operating system? We will find out soon, as official announcements of Android tablets should start appearing with regularity after Labor Day. For this reviewer, one of the most exciting products looks to be coming from HTC (2498.TW), the company that produced the HTC Evo (Sprint) and HTC Incredible (Verizon). Those phones, particularly the Evo, were among the most eye-catching Android introductions this year.

Now, HTC appears to be working with an Israeli technology firm to deliver a touch-screen experience on a tablet that is expected to arrive at Verizon Wireless in November. The Israeli company is called N-Trig, and its "multitouch screen technology has led it to be called the iPhone of notebook computers," according to Haaretz.com. However, a different report in Slashgear claims the tablet may run on the Google Chrome operating system, not Android, and it would go on sale on Nov. 26, or "black Friday."

Interestingly, a principal backer of N-Trig is Microsoft (MSFT), who uses some of the company's technology in Windows 7. The company has other investors as well, raising more than \$74 million in financing since 1999, Haaretz reports, using data from Israel Venture Capital-Online. N-Trig is also

working on a tablet project with Hewlett-Packard (HPQ) and has contracts with Dell (DELL), Lenovo and Toshiba (TOSBF.PK).

The product has been dubbed the 'gPad' -- one presumes for Google pad, providing cover for either an Android or Chrome tablet -- but it is so wrapped in secrecy, Haaretz claims, that even "most N-trig employees" have not seen the prototype. The story adds a nice touch of color to illustrate that the Israeli tech sector has deep ties to Silicon Valley: "Let's just hope, for their sake, that no one leaves it in a Ra'anana bar."

Jailbreak woes coming?

Even though it is now OK to jailbreak your iPhone's software without legal push back from Apple (except a voided warranty), that doesn't mean the company is pleased if you unofficially alter its software. And it may start getting tougher on those who do.

Details of a patent application were released last week, and reported by CNET.com, that "describes measures to identify 'particular activities that may indicate suspicious behavior,' so that 'safety measures' can be taken to restrict the device's functions. Those activities include the 'hacking, jailbreaking, unlocking, or removal of a SIM card,'" CNET reports, citing the patent application.

The intent of the patent appears to be wrapped as a security concern to protect devices if they are stolen or accessed by an unauthorized user. But, as CNET points out, "unauthorized users apparently applies to those who engage in jailbreaking."

Jailbreaking, of course, refers to putting software on your iPhone that is not authorized by Apple. It is believed that more than 2 million iPhones run some form of jailbroken software. These phones can be unlocked to operate on other wireless carriers, such as T-Mobile, or simply allow people to access software Apple doesn't offer at the App Store. One such jailbroken software store is called Cydia. The real bad news here: If Apple's

patent is granted, and it runs the software, "sensitive information can be erased from the electronic device," according to the application. In a nutshell: Apple will have the power to remotely wipe your phone.

Let's hope that if Apple activates such a big-brotherly tool that it will be used for security, to protect an iPhone owner from theft. If it intends to use this tool to stop owners from jailbreaking, something the government said is OK, that would alienate millions of people already using an Apple product.

3M buys Attenti for \$230m

3M Corporation (NYSE: MMM) will acquire Tel Aviv-based Attenti Holdings SA for \$230 million in cash, from an investor group led by Francisco Partners. Attenti Holdings was formally Dmatek Ltd., which was traded on the London Stock Exchange, before its acquisition in 2009 by Francisco Partners, Cavendish Asset Management, Sequoia Capital and CEO Yoav Reisman for \$80 million. The company develops and manufactures remote people monitoring technologies, in other words, electronic ankle bracelets. The acquisition should be closed in the fourth quarter.

The company's products can be used monitor a person's whereabouts, such as parolees or people with Alzheimer's disease.

Attenti has 340 employees in Tel Aviv, at three sites in the US at Tampa, Milwaukee and Naperville in Illinois, and at Sydney, Australia, and Plovdiv in Bulgaria. The company estimates that its sales will reach \$100 million this year.

The company's customers include private companies and public organizations, monitoring service providers, security and telecommunications companies, as well as government agencies in over 25 countries worldwide.

Attenti CEO Yoav Reisman said, "This is an exciting opportunity to continue growing our business within the framework of a renowned global leader

and innovator which recognizes the value of our unique market position and product portfolio. 3M's culture of innovation fits well with our own and its R&D capabilities and global reach will help accelerate the growth of our business."

3M Track and Trace Solutions general manager Rory Yanchek said, "This acquisition will position our track and trace business as a leader in the high growth electronic offender monitoring market and add Global Positioning System (GPS) and active radio frequency (RF) technology and capability to our portfolio. The addition of Attenti's location tracking capability enhances the value we can deliver to our customers around the world."

3M Israel managing director Nir Leshem said, "For 3M Israel, this acquisition will strengthen our presence and contribute to growth in our local market."

Israeli company develops tomato that doesn't need to be refrigerated

An Israeli company that breeds and markets hybrid plant varieties announced a new innovation on Tuesday: A tomato that doesn't need to be refrigerated. The tomato, named Antonella, retains its firmness, flavor and aroma and does not begin to rot even after a week at room temperature.

Hazera Genetics, which purports to develop products with an 'improved look and taste', developed the Antonella tomato with the aim of withstanding the hot Israeli summer.

The tomato is grown in hothouses and is to be sold in bunches, after it was proven that when kept in a bunch the tomato retains its firmness, flavor and color. The scientist who developed this specific variety recommends keeping these tomatoes in a cool place for several days before consuming.

The company estimates that due to its resistance to heat and its long shelf life, the Antonella has the potential to gain 10 percent of the Israeli tomato

market within a short period of time.

The tomato is the most popular vegetable in Israel.

Mazor wins FDA nod for combined surgical systems

Mazor Surgical Technologies Ltd. (TASE:MZOR) has obtained US Food and Drug Administration (FDA) approval for the company's combined spinal surgical system comprising the SpineAssist miniature robotic navigation system and C-Insight 3D imaging system.

Mazor believes that the synergy that can be achieved by use of the combined system and the high added value it provides surgeons will boost company sales and support higher prices. The company will begin marketing the combined system in early 2011.

The combined system enables imaging during surgery without the need to move the patient to a CT scanning room, which will minimize the need for repeat surgical procedures on the spine. The system enables surgeons to precisely position surgical implants, based on prior planning that relies on the 3D scans.

August top month this year for mutual fund

August was a good month for Israeli mutual funds, during which they broke a number of records. First, net capital raised was the highest so far this year, amounting to NIS 3.2 billion. Excluding money market funds, which raised a net NIS 350 million, equity and debt mutual funds raised a net NIS 2.85 billion during the month, the highest amount since November 2009.

The second record broken in August was the aggregate assets under management, which exceeded NIS 150 billion, according to Meitav Investment House Ltd. advisors relations manager Roni Apter.

Government bond funds attracted considerable attention in August because the Consumer Price Index (CPI) rose by less than expected in July (which was announced on August 15), and because Governor of the Bank of Israel Prof. Stanley Fischer kept the interest rate for September unchanged. There is an ongoing “convergence trend” from the previous month, as mutual funds specializing in CPI-linked government bonds raised less capital, while there was a drop in the pace of withdrawals out of unlinked shekel government bonds by investors.

Mutual funds specializing in government bonds and CPI-linked bonds raised a net NIS 300 million in August, the lowest amount since April 2010, compared with a net NIS 800 million raised in July. Withdrawals from unlinked shekel-based mutual funds totaled NIS 500 million, and the pace steadily declined over the month. Average daily withdrawals fell from NIS 40 million during the first week of August to NIS 10 million during the last week of the month.

Mutual funds’ aggregate assets under management rose by NIS 4.3 billion in August, included NIS 3.2 billion in net capital raised, and NIS 1.1 billion rise in the value of assets, to an all-time high of NIS 150.8 billion.

New therapy superior to current treatments, which only delay the development of the disease and make AIDS more manageable.

A team of researchers from the Hebrew University has developed a treatment that completely destroys HIV-infected human cells in laboratory cultures, according to an article published last month in the scientific journal *AIDS Research and Therapy*.

Health worker taking a blood sample for HIV test in San Salvador

A health worker taking a blood sample for an HIV test in San Salvador on June 25, 2010.

Photo by: AP

The therapy, developed by scientists from the university’s Alexander Silberman Institute of Life Sciences and the Institute of Chemistry, destroys cells infected with HIV without damaging adjacent healthy cells.

There has so far been no therapy that completely destroys HIV-infected cells.

Current treatments involve inhibiting the replication of the virus, which delays the development of AIDS, making AIDS a chronic, yet managed disease. But if treatment with the so-called AIDS “cocktail” is halted or the virus develops immunity to the cocktail, it can begin infecting other cells again.

The new treatment is based on the fact that when the virus infects a cell, its DNA penetrates the cell, which then manufactures new HIV viruses that infect neighboring cells.

“In the usual process the HIV virus injects a maximum of two replications of its genetic material into healthy cells,” said Dr. Abraham Loyter, of the life sciences institute. Loyter, who carried out the research together with Prof. Assaf Friedler, Dr. Aviad Levin and Dr. Zvi Hayouka, explained that peptides, or segments of short proteins, which they developed, interfere with replication and transmit a massive number of replications of the genetic material into the infected cell, triggering the cell’s self-destruction.

“The usual medications kill the virus that has entered the body during infection, and the [peptide] treatment allows cells infected with the genetic load of the virus to be killed,” Loyter said.

When the treatment was applied to human cell cultures, in the laboratories of the Hebrew University campus in Givat Ram in Jerusalem, it caused the infected human cells to disappear within two weeks. The cells did not reappear in the culture for another two weeks, “so it can be concluded that they were destroyed,” Loyter said.

The study examined the effectiveness of the new treatment on the HIV-1 virus, which is the predominant cause of AIDS in developing nations.

The researchers registered a patent this year on their therapy through Yissum, the Hebrew University's technology transfer body. Yissum is now seeking a commercial partner to continue developing the treatment ahead of the next phase of experimentation, on animals, and later, if its efficacy is proven, on humans.

An estimated 33.4 million people worldwide are carriers of HIV. In Israel, in 2008, 390 new cases were reported, the highest figure in a decade.

The current breakthrough joins other new therapies to fight AIDS. Last year, health authorities in Thailand reported encouraging preliminary results of a U.S.-funded study on humans of a vaccination against AIDS that reduced the chances of infection by a third.

Six weeks ago, researchers in South Africa reported the development of a vaginal gel that prevents replication of the virus and reduces the risk of HIV infection by 54 percent.

Emblaze sells Formula Systems to Asseco
By Reuters and TheMarker

Asseco Poland, Europe's fifth-biggest software group, is acquiring 51% of software group Formula Systems from Emblaze.

For Warsaw-listed Asseco, the acquisition provides an entry to new markets. For London-listed Emblaze, it represents a premium over Formula's present market cap.

Emblaze, a cellular technology group founded by embattled entrepreneur Eli Reifman, had bought the 33.6% controlling interest in Formula in 2006, to have a central revenue generator in the group. Later it increased its stake.

Emblaze said it could not turn down Asseco's offer, which priced Formula at 43% above its market cap. Emblaze said it would report a capital gain of about \$35 million on the sale, which it would invest in its business and use to take advantage of opportunities in the market.

The deal, worth up to \$145 million, follows Asseco's buying spree, which it used to more than double sales to nearly \$1 billion in two years.

The deal remains contingent on approval by Emblaze shareholders, who will convene to discuss it before the end of November.

As of year-end 2008, Formula had paid its shareholders \$30 million in dividends, of which Emblaze received \$15 million. It spent most of that money developing a mobile phone ("else"), which flopped. If the dividend is included in the calculation of returns on Emblaze's investment, then its return on Formula is 74%.

Reifman remains registered as a major shareholder at Emblaze, with 15.3% of its shares. However, there is doubt as to whether he has possession of the shares.

Formula earned \$31 million last year on sales of \$435 million. With the sale, Emblaze remains essentially bereft of a revenue driver.

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in the foreseeable future. Our scientific advisory board, copy chief, web master, graphics consultant, who designed the dove of peace, all wish our Jewish readers a Peaceful, Happy and Healthy New Year.



We have delayed publishing our September issue with the hope that the Israel-Palestine meeting in Washington will bring some fruits.

So far this has not been the case and the prospects a period of calm does not appear to be



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