

ISRAEL MARKET REVIEW AND OUTLOOK Q4 2025



Israeli Equities Continue Positive Momentum as Hostage Release and Tentative Ceasefire Boosts Market Optimism

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About the BlueStar Indexes®

The BlueStar Indexes® were launched in 2011 by BlueStar Global Investors, a research-driven provider of indexes and financial data. BlueStar®'s Indexes were acquired by MarketVector Indexes™ ("MarketVector") in August 2020 and are now continued as a sub-brand of MarketVector.

BlueStar Indexes® has produced updates on the Israeli market since 2012. In this Israel Equity Review and Outlook we provide data and insight on Q3 2025'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®. In general, we provide an outlook on key economic, geopolitical, and domestic political developments.

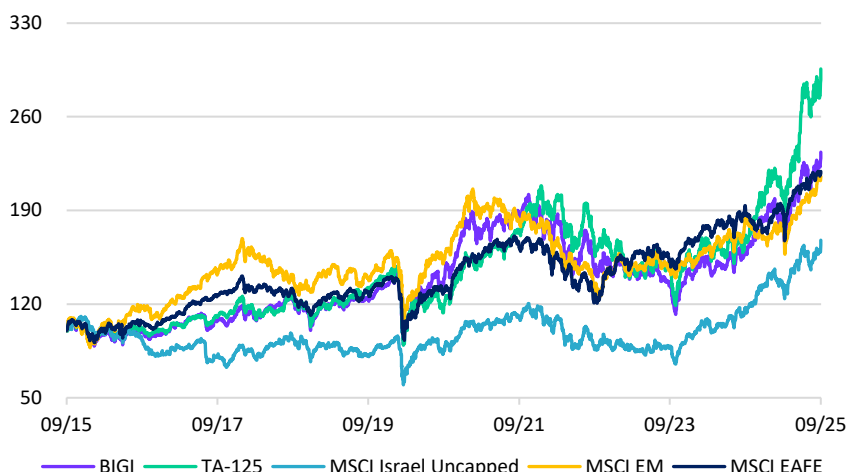
The BlueStar® Israel Global Index (BIGI® or BLS & BLSTR INDEX on Bloomberg) is the broadest and deepest benchmark for Israeli equities trading. BIGI® is tracked by an NYSE-listed ETF, as well as an Israel-domiciled index fund.

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 an NYSE-listed ETF. In addition, there are two Israel-domiciled investment vehicles tracking BIGITech® managed by KSM.

Highlights:

- Israeli stocks, as measured by the BlueStar® Israel Global Index (BIGI®), rose by 5.62% in Q3 2025, and are up 27.43% YTD.
- Israeli Technology stocks, as measured by the BlueStar® Israel Global Technology Index (BIGITech®), rose by 3.64% in Q3 2025, and are up 14.43% YTD.
- The BOI's Monetary Committee kept the policy interest rate at 4.5% on September 29, 2025, maintaining a mildly-restrictive stance aimed at anchoring inflation expectations within the target range. Annual inflation stood at 2.9%, near the upper bound of the 1–3% target and is expected to remain around that level through early 2026 before easing toward the midpoint of the range.
- The BOI's Research Department projects GDP growth of 2.5% in 2025 and 4.7% in 2026, assuming continued stabilization and no major escalation following the recently announced ceasefire with Hamas in Gaza.
- Labor shortages persist due to reserve service mobilization and fewer foreign workers, leading to wage pressures and higher operating costs, particularly in construction and services. However, a sustained ceasefire could gradually ease these constraints as reservists return to the workforce and cross-border labor flows resume.
- The Israeli Shekel appreciated by about 1% against the US dollar since the previous BOI decision, and is at a three-year high versus the US Dollar. The Bank signaled that future policy moves will depend on inflation dynamics, fiscal developments, and the durability of geopolitical calm.

10-Year Total Returns



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Israel Equity Market Performance

Israeli equities extended their rebound in 2025. BIGI® is up 27.43% YTD, with domestically-oriented names far ahead of exporters: The Israel Domestic Exposure Index is +62.10% vs. Israel Global Exposure Index is +15.41%. The TA-125 gained 47.09% YTD in Shekel terms, outpacing global benchmarks (S&P 500 +14.83%, EM +27.53%, EAFE +25.72%). BIGITech® rose 14.43% YTD, lagging the broader Israeli market.

ISRAEL AND GLOBAL EQUITY BENCHMARK COMPARISON	
Benchmark	2025 YTD (%)
BIGI®	27.43
BIGITech®	14.43
TA-125	47.09
SPDR S&P 500 ETF Trust	14.83
iShares Emerging Markets ETF	27.53
iShares EAFE ETF	25.72
Israel Domestic Exposure	62.10
Israel Global Exposure	15.41

Despite very strong equity price action, acute labor shortages persist, especially in construction, where starts and permits remain high, yet completions are low and average build times have stretched to ~36 months, underscoring persistent worker shortages and execution bottlenecks. Since the start of the year, home prices are down ~1.4% and the annual pace has eased to ~1.6%, while the rents component is still advancing (~4.3% annual in August)

If ongoing negotiations succeed in producing a lasting ceasefire, the economic impact could be an acceleration of positive impact. A rapid end to hostilities would allow for the resumption of cross-border trade flows, the return of foreign and potentially also Palestinian labor to key industries such as construction and agriculture, and a general reduction in supply-chain bottlenecks that have constrained production for much of the past year. Improved security conditions will also bolster consumer and business confidence, encourage investment and accelerate recovery in sectors hardest hit by the conflict. According to the Bank of Israel's September 2025 statements, such a scenario would ease supply constraints, support expanded economic activity and help inflation gradually converge toward the midpoint of the target range, allowing for a smoother implementation of monetary policy.

TOTAL RETURN BY SECTOR (BLSTR): Q3 2025	
Sector	Total Return
Utilities	20.64
Health Care	17.41
Financials	9.03
Real Estate	8.39
Communication Services	7.82
Energy	7.30
Industrials	3.51
Information Technology	2.68
Consumer Discretionary	(2.26)
Consumer Staples	(4.64)
Materials	(7.44)

On a sector level, Utilities and Health Care generated the highest total return of the quarter while Materials and Consumer Staples lagged. This may reflect a rotation toward defensive and rate-sensitive sectors.

On an index component level, SolarEdge Technologies led the top performers, after posting a solid Q3 rebound marked by sequential revenue growth and improved gross margins following several quarters of compression.

Monday.com, on the other hand, faced investor headwinds after reporting softer-than-expected top-line growth in Q3. The tempered enterprise spending weighed on sentiment, in part leading the stock to retreat over the quarter.

TOP AND BOTTOM TOTAL RETURN BY NAME (BLSNTR): Q3 2025	
Sector	Total Return
SOLAREGE TECHNOLOGIES	81.37
TOWER SEMICONDUCTOR	64.18
SAPIENS INTERNATIONAL	47.01
ENLIGHT RENEWABLE	36.00
PHOENIX FINANCIAL LTD	31.54
OPC ENERGY LTD	30.30
ODDITY TECH LTD-CL A	(17.45)
MOBILEYE GLOBAL INC-A	(21.47)
NOVOCURE LTD	(27.42)
KORNIT DIGITAL LTD	(32.19)
MONDAY.COM LTD	(38.41)

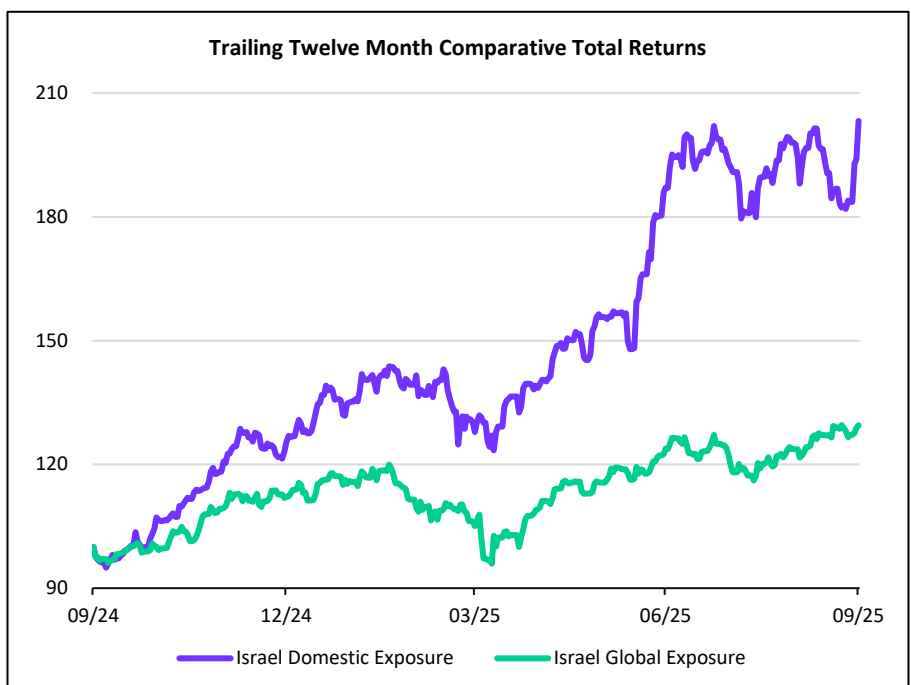
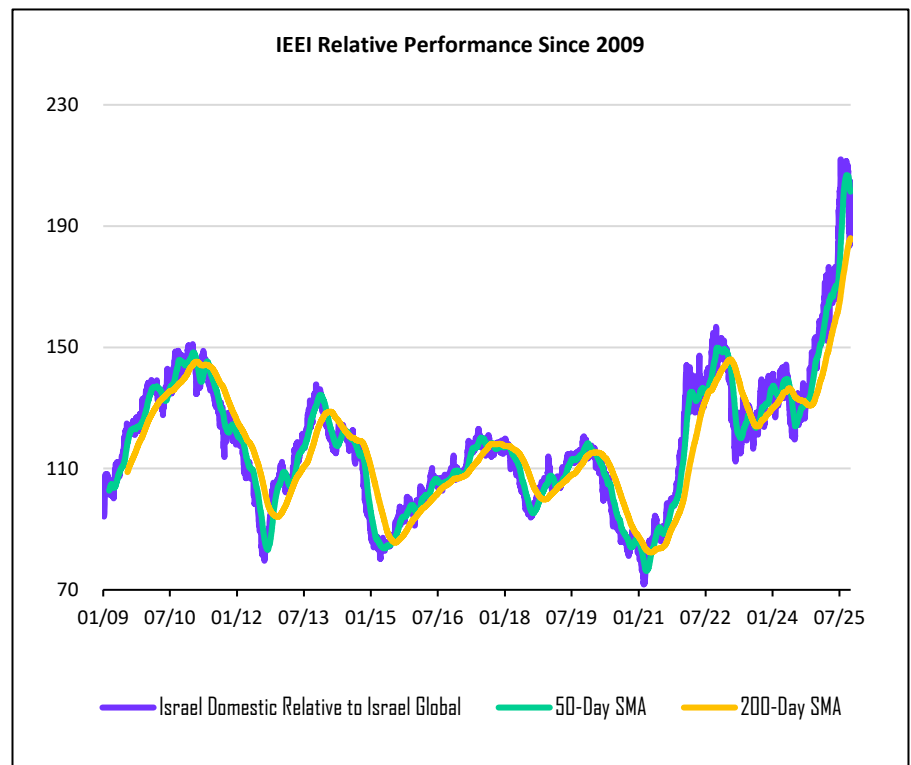
Economic Dispersion and the BlueStar® Israel Economic Exposure Indexes

The BlueStar® Israel Domestic Exposure Index has continued to significantly outperform its Global Exposure counterpart. This is likely attributable to differences in sector exposure. Even amid intense political uncertainty, wartime disruptions, and a volatile shekel, domestically-oriented companies have shown impressive resilience -- underscoring the strength of Israel's economy.

For context, the Israel Domestic Exposure Index in Q4 2023 suffered substantially worse declines than the Global Exposure Index following October 7's attack by Hamas and Israel's subsequent response. Financials, Real Estate, Communications Services – any sector primarily linked to Israel's domestic economic output and productivity – took on a “sell now ask later” mentality. But, by the end of the quarter the Israel Domestic Exposure Index had nearly caught up to the Global Index, ending the quarter roughly in-line.

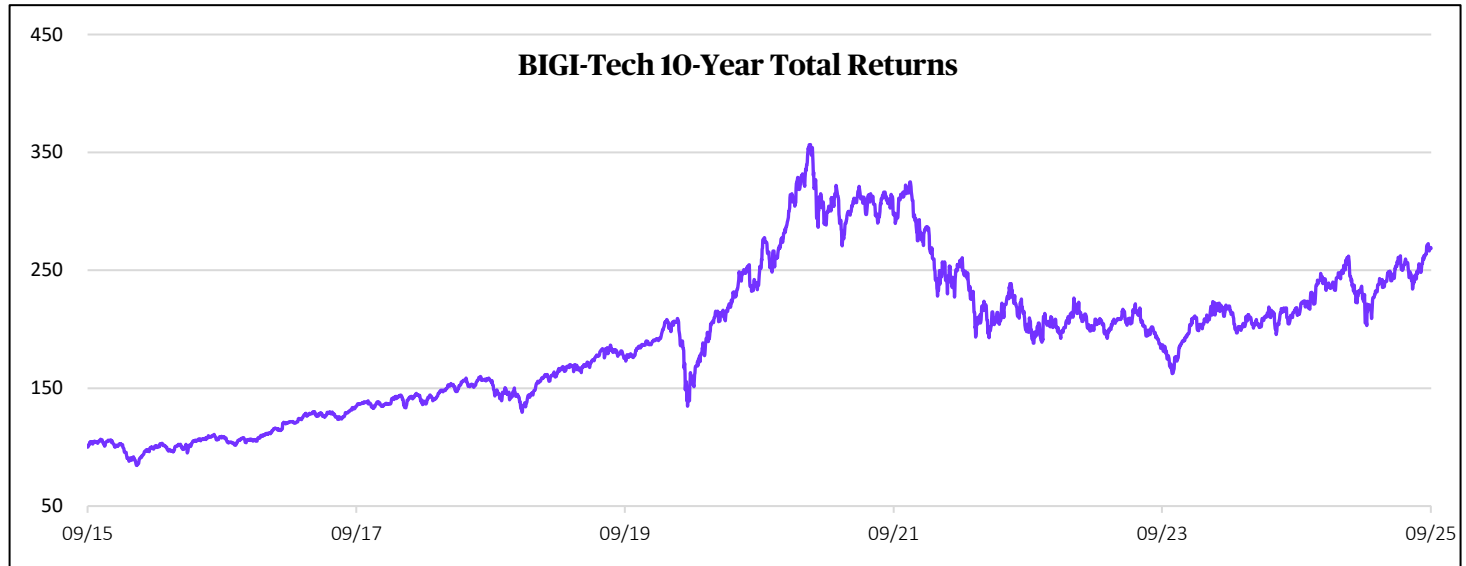
Throughout 2024 we noted that the outlook for the relative performance of these two indexes would be muddled. As the war in Gaza dragged on, other geopolitical risks at home and political challenges abroad have the potential to quickly change the relatively positive picture in the domestic Israeli economy and markets.

A strengthening Shekel-Dollar exchange rate in 2025 has also supported Israel Domestic's outperformance, as shekel-denominated assets have benefited from the currency's strength. This appreciation reflects renewed foreign inflows into Israeli equities and bonds, underscoring investors confidence in the Israeli economy's post-conflict resilience.



BlueStar® Israel Global Technology Index

The BlueStar Israel Global Technology Index (BIGITech®) continued its upward climb, gaining 3.64% after a very strong second-quarter climbing 15.24%. Leadership came from large-cap cyber-security and defense names such as CyberArk, Elbit Systems, and Check Point Software.



Several positive developments fueled BIGITech's rally. Israeli private tech companies raised approximately US \$6.0 billion in Q2 2025 (versus ~\$3.3 billion in Q1), bringing H1 2025 funding to around US \$9.3 billion, the strongest six-month tally in three years. At the same time, heightened global defense and dual-use cyber demand amplified demand toward Israeli DefenseTech exports and cybersecurity/AI-infrastructure firms. In addition, monetary conditions were supportive in Europe - this helped reduce discount-rate pressure on long-duration tech cash flows. Finally, AI-driven infrastructure capital expenditure continued to spur demand for the semiconductor and cloud-software companies heavily represented in BIGITech®.

BIGITech® Top Holdings as of Sept 30 2025

Sector	Weight (%)
CYBERARK SOFTWARE	8.46
ELBIT SYSTEMS LTD	8.19
CHECK POINT SOFTWARE TECH	6.44
WIX.COM LTD	5.75
NICE LTD - SPON ADR	5.45
AMDOCS LTD	4.55
MONDAY.COM LTD	4.46
NOVA LTD	3.79
TOWER SEMICONDUCTOR LTD	3.71
VARONIS SYSTEMS INC	3.57

CyberArk emerged as a standout performer for the quarter, with shares rallying following a strong Q3 earnings report: total revenue reached US \$240.1 million, up 26% YoY, while subscription ARR rose to US \$735 million, a 46% increase. Non-GAAP operating income jumped to US \$35.4 million (~15% margin). Free cash flow hit US \$51.6 million (~21% margin). Furthermore, the company raised full-year guidance across all key metrics, signaling confidence in its expanding identity-security platform and the recent acquisition of Venafi to bolster machine-identity capabilities.

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