



CLAL FINANCE

Clal Insurance Pensions & Finance Group

Mabat ETFs

Israel Opportunity 2005

September 2005

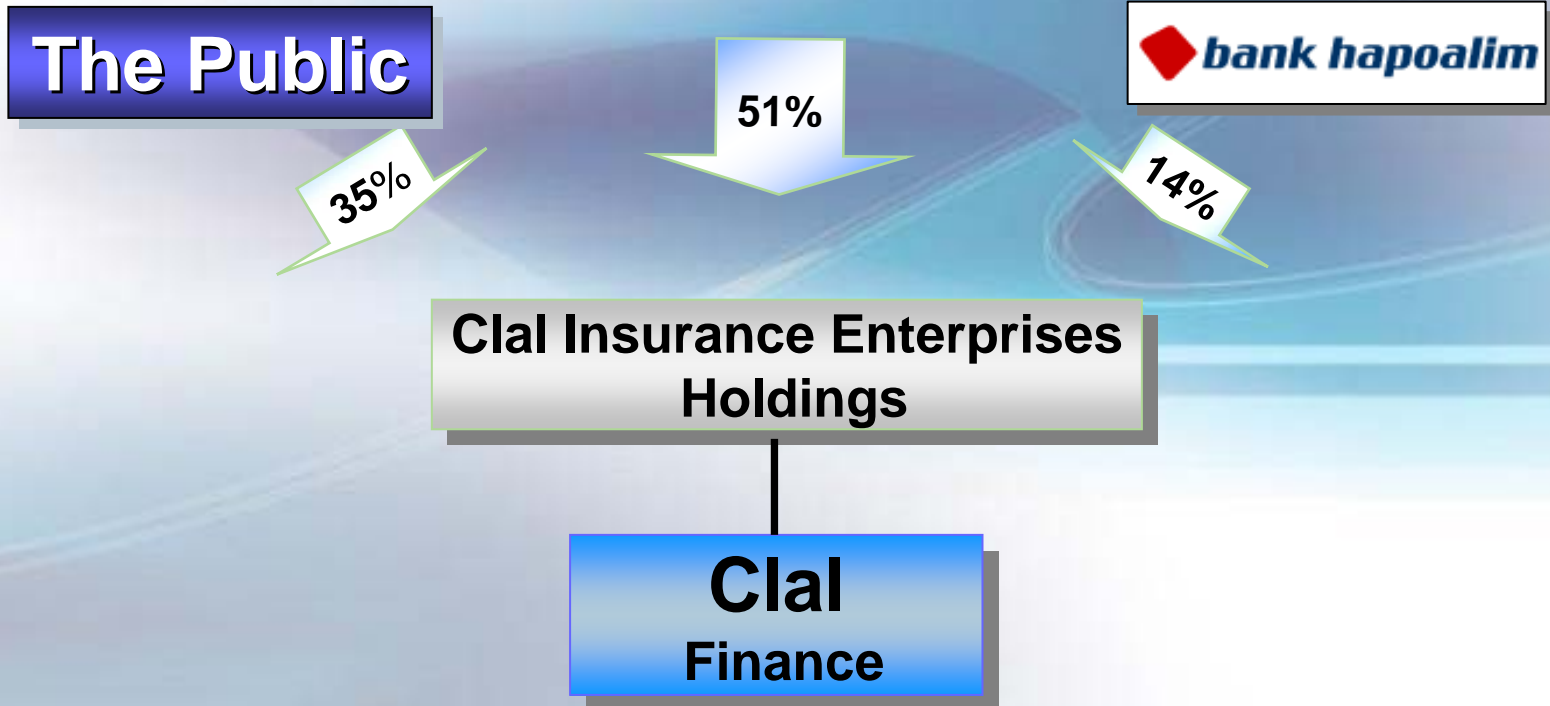
Shuky Abramovich
C.E.O - Clal Finance Batucha

**Chairman of the Non Banking
Brokerage Firms Association**

Clal Finance ETFs

- Part of IDB Group.
- Offers the highest liquidity for major indices .
- Offers the narrowest bid / ask spreads in the market.
- Unique products.

IDB Group





- **Largest non-bank financial institution in Israel.**
- **The largest non-bank member of the Tel-Aviv Stock Exchange.**
- **US\$16 billion in assets under management.**

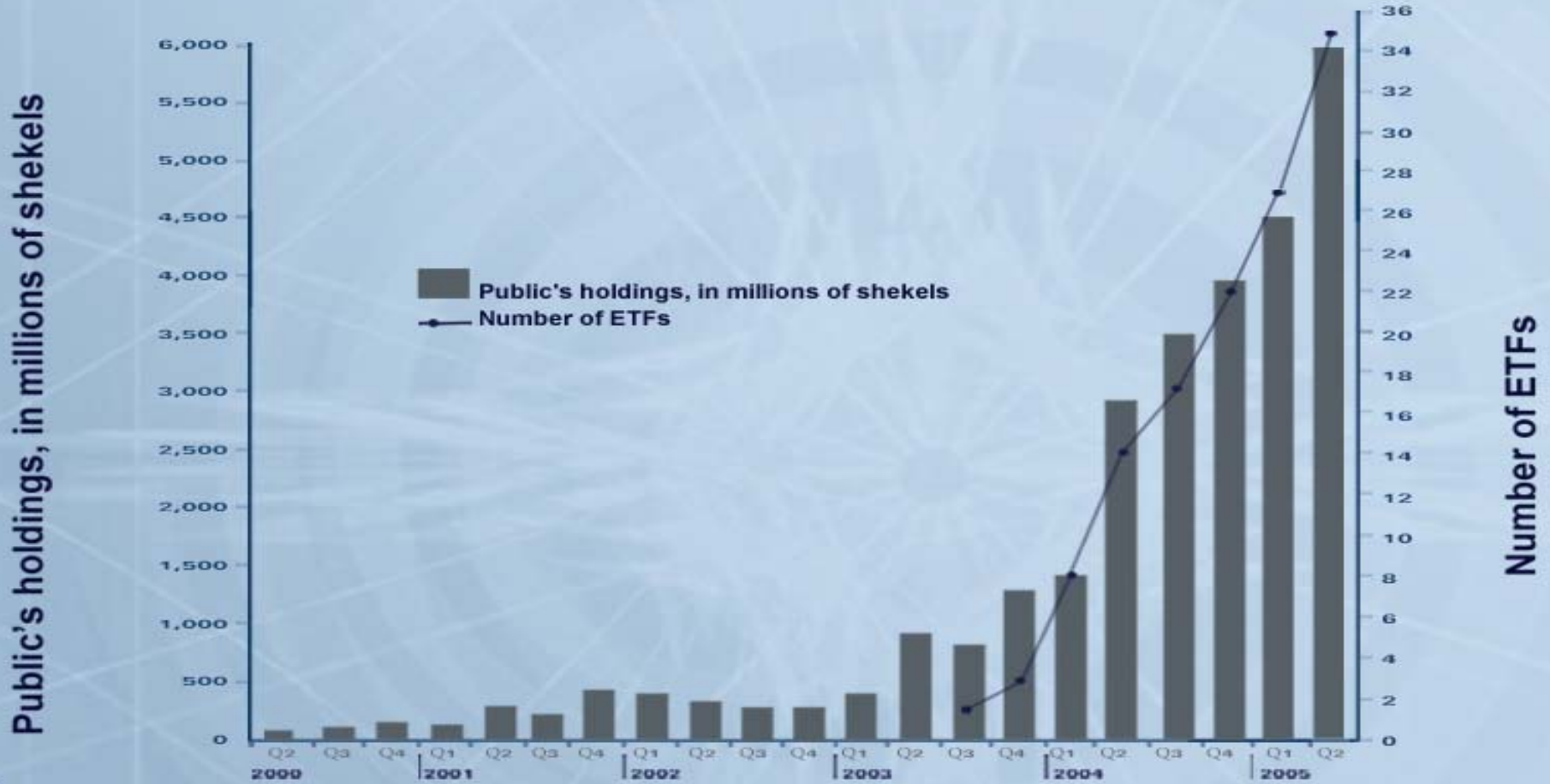
Due to the planned reforms for the capital market (Bachar committee), Clal Finance is expected to buy mutual and provident fund assets which will multiple this amount of money.

- **Leader in product innovation.**

Israeli ETF (Exchange Traded Fund)

- Israel has 35 different ETFs.
- About \$1.5 billion worth of assets are managed through Israeli ETFs.
- Trading in ETFs comprises about 10% of the daily turnover on the Tel Aviv Stock Exchange.

Development of the Israeli ETF Market



Clal Finance Derivatives –ETF Managers

- The biggest player in the derivatives market, generating close to 20% of the overall derivatives turnover on the Tel Aviv Stock Exchange.
- The most experienced team in the Israeli derivatives market.
- Experts on risk assessment, management and control.

Advantages of the Mabat ETFs

- The index yield is guaranteed.
- Many investors believe that indices over time generate higher yields than active investment management.
- Investment and management costs are low compared to alternative investment forms. No management fee whatsoever is charged for the Mabat TA-25, the Mabat TA-100, the short Mabat TA-25 and the short Mabat NASDAQ 100.
- ETFs can be bought and sold throughout trading hours.
- High liquidity.
- Perfect instrument for foreign investors looking to invest in Israel via indices.

Advantages of the Mabat ETFs

- Israel is considered one of the most attractive investment targets among emerging markets.
- Israel's markets are highly volatile. Investing through ETFs is a convenient and simple way of increasing or decreasing exposure to Israel.
- Innovative products.

Clal Finance's Mabat ETFs

LONG ETFs

	Mabat TA-25	Mabat TA-100	Mabat Yeter 30	Mabat Finance 15
Underlying index	TA-25 index	TA-100 index	Yeter 30	Finance 15
Index description	The 25 shares with the highest market cap on the TASE	The 100 shares with the highest market cap on the TASE	Companies ranked 101-130 by market cap	The 15 finance shares with the highest market cap (banks & insurance companies)
ISIN No.	IL0010895154	IL0010914955	IL0010920713	IL0010920630
Management fees	0	0	1%	0.5%

Clal Finance's Mabat ETFs

SHORT ETFs

	Mabat short TA-25	Mabat short TA-100
Price	1400-index	1400-index
ISIN No.	IL0010933500	IL0010933682
Management fees	0	0

	<u>Index</u>	<u>Price of short ETFs</u>
Currently	740	660
Scenario A	800	600
Scenario B	700	700

Clal Finance's Mabat NASDAQ ETFs

LONG ETFs

Mabat NASDAQ 100
NASDAQ 100
The 100 tech stocks with the highest market cap on the NASDAQ
IL010909849
0.5% Management fees

SHORT ETFs

Mabat short NASDAQ 100
$\frac{(3,000 - \text{index}) * \\$}{450}$
IL0010933765
No management fees

Clal Finance offers the highest liquidity and the narrowest bid/ask spreads of all Israeli ETFs.

Contact Information

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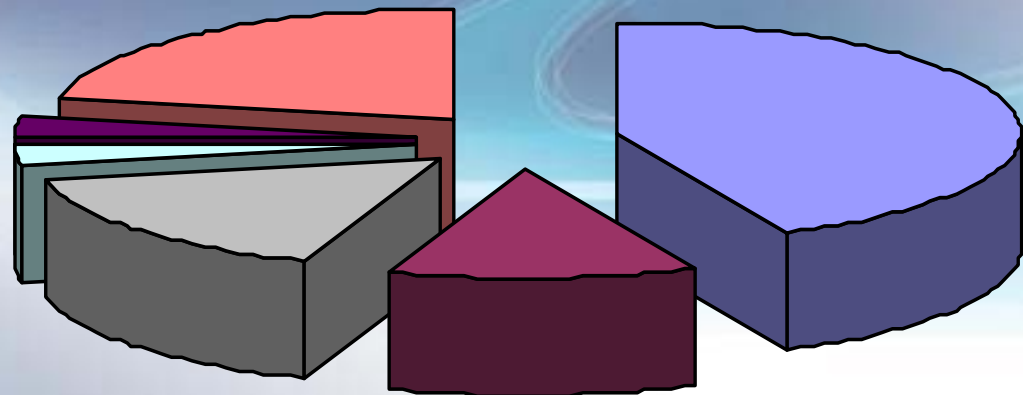
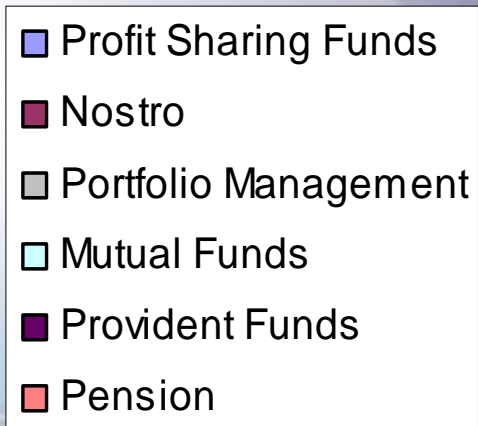
Mr. Lenny Kushner, Head of International Sales and Trading

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Asset management

Clal Finance manages around 16 billion \$.



The Clal Insurance, Pensions & Finance Group

- Established in the 1970's, Clal became Israel's leading insurance group through a series of mergers and acquisitions and organic growth.
- One of the largest financial groups in Israel, providing comprehensive financial solutions including insurance, investment management and pensions.
- Israel's largest insurance group with a market share of 23% (in life and general insurance). Annual gross premiums amount to some \$1.6 billion.
- Rated Aa1 by "Midroog" (Moody's affiliate in Israel), and AA by "Ma'alot" (S&P's affiliate in Israel).
- Clal Insurance has the highest Israeli credit rating of any financial services company in Israel.
- Market capitalization of some \$1 billion.

Examples of trading strategies using "short" ETFs

1. Neutralize macroeconomic risks

An investor with holdings in several stocks, who wants to protect his investment against macroeconomic risks, such as political or security-related events, could in parallel buy "short" ETFs.

Investment strategy:

An investor buys stocks in Bank Leumi and Bank Hapoalim. In addition an investment is made in the short Mabat TA-25.

Outcome:

If Bank Leumi and Bank Hapoalim outperform the market, the investor will gain the margin in returns - even if the index and the stocks drop due to negative macroeconomic developments.

Examples of trading strategies using "short" ETFs (Cont.)

2. Protect the portfolio

An investor with several Israeli stocks, who seeks protection during a period of uncertainty but prefers not to sell the stocks, could buy short ETFs. The investor offsets any losses from the stocks by profits from the rising price of the ETF unit.

3. Speculation

An investor suspecting that Israeli share prices are going to fall could buy short ETFs, generating positive returns when the indices drop.