

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

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2001: First Deceleration, then Resumption of Growth

Looking back at year 2000 we can point to some of our predictions for the Israeli high-tech sector in the millennium, which were 'spot on target'. At the outset of the year, as part of our annual attempt to be prescient we wrote: "Having become an acknowledged center for technological innovation the new decade should see an even greater attraction for investment banking merger and acquisition activity. In this sphere the American aphorism " you haven't seen 'nothing yet' will become highly appropriate". Our prophecy was realized this year when in June we reported that " deals of several tens of millions of dollars are no longer considered as newsworthy. Now it is big time M & A. With each new announcement observers are tempted to speculate as to whether this is the last of the megadeals or just a respite before the next new big buck record is announced". A case in point is that of Chromatis Networks Inc., that accepted a \$4.5 billion takeover offer from Lucent Technologies Inc. This created a new record in terms of sheer size for an Israeli company. Chromatis makes optical equipment for urban areas.

Looking ahead we believe that the trend toward mergers and acquisitions will continue and is likely to dominate future "big" news. The startups of yesterday are growing and are now sufficiently large to be identified as alluring objects for global leaders who seek specific technologies. This trend for M & A we expect will continue strongly into 2001. There could be plenty of sizzle!

Portents for the future are the two recent deals involving Israeli companies. One is Accord Net-

works (Nasdaq:ACCD) which is being acquired by Milpitas, California-based Polycom (Nasdaq:PLCM) for \$339 million. Milpitas, Calif.-based Polycom, manufactures and markets network access devices and broadband products. Accord, whose development and manufacturing facilities are in Israel, produces video and voice network products. The price reflects a premium of 115% above the market.

The second is Broadcom

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Corp. (NasdaqNM:BRCM) which is buying privately held VisionTech Ltd. in a deal that will broaden Broadcom's semiconductor portfolio to include video enhancement technology. Israel-based semiconductor company VisionTech makes chips that allow television viewers to freeze and manipulate live programs. The deal is valued at about \$677 million, based on Broadcom's closing share price at the time it was announced.

The specter of a Nasdaq retreat was sounded in a clarion call in our March 2000 issue. In an article captioned "Beware of the Ides of March", we at IHTIR became more concerned with the immediate realities of a switch in US interest rates. The signal was given on February 17 when we heard: "With foreign economies strengthening and labor markets already tight," Mr. Alan Greenspan warned that, "how the current wealth effect is finally contained will determine whether the extraordinary expansion that it has helped foster can slow to a sustainable pace, without destabilizing the economy in the process." To us this presages a period of monthly hikes of interest rates. This phenomenon not experienced for several years not surprisingly could be expected to lower prices by 10 to 20%. We were right about the event but underestimated its force, that resulted in a 50% drop from the level on April 10, when Nasdaq prices peaked. Friday, April 14, it closed out one of the worst weeks in the history of the United States stock markets. On that unsettling day, the Nasdaq index plunged by nearly 10% totaling 25.3% for the week. The fall of 7.3% for the Dow Jones industrial average, was the worst since the index fell 7.6 % in the week ended Oct. 13, 1989. Between Monday and Friday, it has been tallied that investors lost more than \$2 trillion, or \$7,000 on average for each person in the United States! The seven year old "bull market" was responsible for cushioning the average American investor. Some of the outstanding Israeli companies traded on Wall Street, including the three who appear on the Nasdaq 100, experienced sharply lowered valuations but at some point in 2001 we

feel will become highly attractive investments. The investment return from our Model Portfolio, made up of Israeli technology shares over the past two years, has been sensational. We simply picked what we felt were sustainable leaders in their field of activity. The ROI was 175% since January 1999 when we made our choices.

We concluded that many of our holdings were overvalued and as of November 20 we cashed out the portfolio. In our February issue we will present our new Millennium Portfolio. This is a sign of our ongoing commitment to Israeli technology.

It also reflects our perception that the market is offering buying opportunities.

The meteoric rise in the prices of dot.com securities, prior to spring 2000 was sustained by the "New Religion". Central to it was the belief that dot.com companies could be worth billions of dollars even though their prospects of profitability were unlikely. Since those heady spring days the 'dot' has fallen out of the 'com'. Not a week passes without the unhappy announcement of some dot.com closing its doors for lack of funds from income or investment revenue. The perversity of investor attitudes towards the dot.coms before and after their fall from grace, were marked by the fortunes made and lost.

Much will be written about the events from this period and undoubtedly this saga will continue long after we pen this editorial. What we wrote then and also project it for 2001.

So what can be said for 2001? The single catch phrase "deceleration" probably best pinpoints our expectations for the New Year. Israeli startups will have to scramble for funding as venture capitalists in the US and Israel have changed their investment strategy tactics. The logic is overwhelming. Why invest in a start up when the near term prospect of Initial Public Offerings, a desired cash out goal of all venture capitalists, is next to nil.

Yet the venture capitalists are still loaded with abundant funds and we believe that they will continue, at a decelerating rate, to target their investments toward companies already part of their

existing portfolio holdings. The logic is that these companies, if supported by injections of capital, will be able to attain better valuations when eventually taken public.

As dot.coms fold and start ups suffocate from capital shortages, a positive consequence is that the freed up technical IT personnel is readily finding employment. They help to reduce staff shortages which were so worrisome to managers last year.

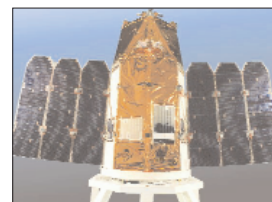
" There is the prospect of peace in the region in 2000. Peace with Syria and subsequently with Lebanon, has never appeared to be more tantalizingly closer", we wrote a year ago. The prospects for peace, in the past year at least for a fleeting moment seemed to be realizable, but were shattered by unrealistic Palestinian demands. We believe that at the utmost the best prospect is for a cold peace, as both sides weigh the frightening alternative consequences.

With the exception of tourism, temporarily in difficulties due mostly to the inaccurate and misleading televised pictures of violence, Israel's economy in 2001 will not suffer any severe damage. Yet it will in all likelihood decelerate from its 2000 5-6%, level of growth in its GNP to 2.5% - 3.0%, a rate which is still acceptable.

Our choice for the Israeli most likely to experience moments of exhilaration in 2001 is Israeli Air Force Col. Ilan Ramon who will become Israel's first astronaut. He will be in space this summer, as a payload specialist aboard the space shuttle Columbia. The former Israeli fighter pilot who became deputy commander for F-16 and F-4 squadron was awarded the rank colonel. On the space flight the 46 year old Ramon will take active part in scientific research.

A Happy and Prosperous New Year to our valued subscribers, to the growing number of visitors to our website and to our editorial/advisory group.

IAI EROS Commercial Satellite Launched Successfully



EROS

Israel Aircraft Industries/MBT Division announced on December 5 the successful launch of its EROS A1 satellite by the Russian Start-1 launcher. EROS-A1 satellite carries a high-resolution electro-optical camera that will make commercial digital imagery services available to users around the world.

The satellite operators who will sell satellite photographs to all comers, will not be permitted, at the orders of the Ministry of Defense, to sell photographs of sites and territory within Israel. It is the first in a series of satellites in a multi-phase program delivered to ImageSat International, a joint venture, in which IAI, American and European investors are partners.

IAI personnel who had been sent to Svobodny, the Russian launch site, prepared the satellite for launch and directed the entire launch campaign.

In its polar orbit, the satellite circles the earth over its poles every 94 minutes and crosses the equator, maintaining the same local time. The EROS satellite has the ability for total coverage of the earth for various imaging tasks. Initial in-orbit tests are expected to last about a month.

The 250 kg launch weight of EROS A1, includes fuel for a few years of mission life. Its unique light weight (about one third of competing satellites) makes the satellite highly manouverable and efficient in performing its imaging tasks. IAI/MBT successfully launched LEO (Low Earth Orbit) type satellites in 1998 and



Arrow

1999. These were the experimental OFEQ-1 and OFEQ-2 satellites. The Observation OFEQ 3 satellite was launched in April 1995. These LEO type satellites orbit the earth at altitudes ranging from 400 to 1000 km and circle the earth approximately every 100 minutes. They serve as platforms for observation, communication and for scientific purposes.

In May 1996, AMOS-1 manufactured by IAI/MBT, was launched by the French Arian, and is currently providing services over the Middle East and the Central Europe areas. AMOS has the capability to provide continuous telecommunication services.

MBT total sales for the 2000 reached \$260 million, as compared to \$220 million in 1999. Sales forecast for 2001 will exceed more than \$300 million. The backlog in 2000 reached \$800 million, and the forecast for 2001 is approximately \$ 1 billion.

The launch was broadcast live to the IAI command post and the communications center in Tel Aviv. All four stages of the launch worked perfectly. Thirteen minutes after launch, the satellite began broadcasting data to the command receiving station in Sweden, and it was reported that the satellite had entered its planned orbit. 90 minutes after launch, the satellite was scheduled to broadcast signals directly to the IAI receiving station, which will confirm whether all its systems are functioning properly. Eros-1 is a part of the photo-reconnaissance satellite system IAI and ImageSat are planning to deploy. Their international partner the US company CST, which will operate ten receiving stations and analyze the satellite's photographs. CST and other foreign investors hold 60% of ImageSat, and IAI and El-Op hold 31% and 9%, respectively. IAI general manager Moshe Keret said after the successful launch, "the satellite's entry to orbit symbolizes the inauguration of our civilian imaging satellite program. This is the realization of a dream and vision." If all goes according to plan, the satellite

will begin providing services in January 2001. Keret said that \$300 million worth of customers were already lined up for the services, however, the satellite's full marketing and commercial potential had not yet been tapped. Two more photography satellites will be launched in 2001. The civilian one, 2-B, will be the second in the Eros series (following 1-A), and the second one, which is part of the military enterprise of Israeli spy satellites, will be Ofek 4.

Mergers & Acquisitions

Polycom Buying Accord Networks at 115% Premium

Less than half a year after its initial public offering on Nasdaq, Accord Networks (Nasdaq:ACCD) announced that it is being acquired by Milpitas, California-based Polycom (Nasdaq:PLCM) for \$339 million. Milpitas, Calif.-based Polycom, manufactures and markets network access devices and broadband products. Accord, whose development and manufacturing facilities are in Israel, produces video and voice network products. The price reflects a premium of 115% above the market however Accord is trading 40% below its IPO price. Bob Hagerty, CEO of Polycom, said in a statement, "With Accord, Polycom will be well positioned to leverage its products and technology to service all of the voice and video communications needs of enterprises and service partners." The deal is expected to be completed by the end of the first quarter 2001.

The news of the "deal" has rippled through Wall Street and has negatively impacted RadVision (Nasdaq:RVSN), also an Israeli company. Salomon Smith Barney has cut the price target of RadVision (Nasdaq:RVSN) from \$60 to \$40. Analysts do not expect that RadVision's sales will

be significantly affected by the deal in the short term. But they believe that RadVision's sales to Polycom could dive in the longer term of a year to 18 months.

Broadcom to Buy Israeli Semiconductor High-speed communications chipmaker

Broadcom Corp. (NasdaqNM:BRCM) said it would buy privately held VisionTech Ltd. in a deal that will broaden Broadcom's semiconductor portfolio to include video enhancement technology. Israel-based semiconductor company VisionTech makes chips that allow television viewers to freeze and manipulate live programs. The company also makes add-in cards for next generation video conferencing on personal computers and chips that encode and decode video. Broadcom said it would issue about 7.96 million shares of its Class A common stock in

exchange for substantially all the assets of VisionTech -- a deal worth about \$677 million, based on Broadcom's closing share price of \$85-1/16 when the transaction was announced. The deal is the Irvine, Calif.-based company's 12th acquisition this year and its 17th since January 1999. Shares of Broadcom fell 13 percent or \$92.59. The stock has fallen steadily in the past month, down from a record high in August of \$274-3/4, as investors became skittish about val-

uations of high-soaring technology companies. Chips made by VisionTech, based in Herzliya, Israel, are used in set-top boxes that provide Personal Video Recording (PVR), which allows TV viewers to freeze a live program, instantly replay, or rewind a program being watched. "Vision-

Tech's capability to compress live video in real time will be used across all of Broadcom's product lines for applications ranging from distributed video over home networking, to IP video streaming over the Internet. Personal Video Recording chip unit shipments, are expected to increase 275 percent each year between 2001 and 2003, to 8 million annually, according to research firm Cahners In-Stat. "By integrating our technology with Broadcom's key strengths in video/audio decompression and broadband communication

technologies, we will be uniquely positioned to address the growing set-top box and home networking markets," said Amir Morad, VisionTech's president and chief executive. Moran added in an interview that the deal allows VisionTech to take advantage of Broadcom's marketing muscle and existing customer relationships. Set-top boxes are devices that allow a television to connect to the Internet and allow television sets to receive and decode digital television. VisionTech chips are already used in set-top boxes

RECORD RESULTS

Israeli Startups raised over \$3b in 2000 from venture capital funds

Israeli startups raised more than \$3.2 billion from venture capital funds in 2000 - three times the amount invested in 1999. According to the Zinook group in the last quarter of 2000 Israeli startups will have raised more than \$800 million. The figure was reached notwithstanding the sharp drop in Nasdaq, the drought in the Initial Public Offerings market and the security situation in the country. It also represents a decrease of less than 20 percent from the preceding quarter, when investments in Israeli startups exceeded \$1 billion.

The increase in investments stemmed from the rise in the amount raised by Israeli venture capital funds themselves. Zinook estimates that they raised some \$2.5 billion in 2000, compared to \$1.6 billion in 1999. Over the last decade, Israeli venture capital funds have raised a total of \$6.5 billion, some \$3 billion of which is still available for new investments, according to Zinook.

Zinook's CEO, Zeev Holtzman, estimates that since follow-up investments represent nearly half of the total amount managed by the funds, leaving \$1.5 billion is available for first-time investments in new startups.

In 2001 he expects a slowdown both in venture capital investments and in raising new money for venture capital funds. He also believes that amounts raised by the companies themselves will also drop since a large part of the venture capital funds' activities will focus on follow-up investments for existing portfolio companies, not on new companies.

made by Motorola Inc. (NYSE:MOT), Scientific-Atlanta Inc. (NYSE:SFA), Pace, Microsoft Corp. (NasdaqNM:MSFT - news) and PVR pioneer Replay TV. "The market presence Broadcom offers to VisionTech will accelerate the growth of the company," said Yoram Oron, president and founder of venture capital firm Vertex Management, which backed VisionTech. "Firms prefer to buy major components with brand names from large companies."

Analysts said the deal was a good fit which would allow Broadcom to extend its chip portfolio. "(Broadcom) wants to take the functionality of personal video recording to set top boxes. This expands their product offering," A.G. Edwards & Sons analyst Peter Andrew said. He said adding VisionTech's chips lets Broadcom provide a larger share of the chips in set-top boxes, and consequently garner a greater percentage of revenues from set-top sales. "We now have more compression compatibility and more silicon content in each (set-top) box," Nicholas said. "It erects another barrier to our competitors in the digital cable marketplace."

VisionTech will become Broadcom Israel, a new subsidiary that Morad will manage. The deal, already approved by the boards of directors of both companies, is expected to close within 60 days. Broadcom said, it expects to record a one-time charge, for in-process research and development related to the acquisition. It gave no estimate of the charge. Broadcom said the deal would be accounted for under the purchase method of accounting.

Fitch Reaffirms Israel's Credit Rating

Fitch, one of the major international rating agencies reaffirmed Israel's credit rating. In its announcement Fitch pointed out that the current conflict with the Palestinians is not seen as affecting the country's credit worthiness. The London based organization left unchanged Israel's long-term foreign currency rating at A- and a local currency rating for the shekel at A+.

It added that, barring the outbreak of a protracted regional war, the new intifada does not affect factors supporting Israel's current sovereign rating, which it said was based on Israel's dynamic and diversified economy combined with its democratic values. It added that Israel's large ratio of public debt to gross domestic product, estimated at 91 percent is "a constraint on the country's rating."

Fitch views the main risks to the economy as short term, especially on the macroeconomic front. "The crisis will not be without cost, mainly in investor confidence and GDP growth," it said in its published statement. The firm added that the nation's "credit fundamentals will remain solid."

Furthermore, the agency views the risks to gross domestic product, as short term, pointing to lower tourism revenues, slower growth and the possibility of a marginal increase in inflation. Despite these problems, Fitch stated that Israel's economic institutions are solid.

On the political front Fitch said that the existing political divisions are not expected to change the government's economic policies. Nonetheless, Fitch expects the 2001 state budget to be approved and the tax reform - which has been shelved for the time being - to be reintroduced next year.

At the end of October, Fitch together with Standard and Poor's (S&P) reaffirmed Israel's credit rating four weeks after severe rioting began in the Palestinian Authority. At the same time S&P, revised Israel's outlook to 'stable' from 'positive' citing the "ongoing increase of political risk as a result of the violence." S&P said that the violent clashes coincide with a state of government weakness, which has severely hampered normal policy-making and increased the risks of more expansionary economic policies.

El-Op to Supply Laser Designators to US Navy

The Elbit Systems (Nasdaq:ESLTF) subsidiary El-Op will provide the United States navy with \$5.75 million worth of 48 laser designators for F-18 fighter jets. Arie Tal the company's corporate secretary said that the contract is EL-Op's first with the U.S. military to provide laser designators for fighter jets. It has sold laser designators for combat helicopters, including the Cobra and the Apache.

El-Op specializes in the design and manufacturing of a multitude of electro-optical sensors and systems including lasers, visible and thermal imaging, stabilized payloads for all military applications, remote observation and designation systems, spaceborne sensors, fire control systems, avionics instruments and more.

BIRD-F Foundation Announces Grants

A grant has been awarded to General Electric's R&D division and to Israeli company Systel to develop chips for digital control of lighting applications linked to the electricity supply grid. Communication will be transmitted over the grid, without using additional wiring.

Another recipient is the Israeli company Plasma Laser Technologies which is establishing a joint project with DCT, a supplier of car production lines for global car manufacturers. Plasma Laser developed a technology combining laser and plasma for car chassis welding.

Medivision Medical Imaging another company to receive funding is developing an imaging system for the laser treatment of retinal disorders, in a joint project with US company Ophthalmic Imagine Systems, which is active in computerized imaging of the eye.

The BIRD Foundation (Binational Industrial Research and Development Foundation) was set up by the Israeli and US governments in 1977. The foundation cooperates with the Israeli Min-

istry of Industry and Trade's Chief Scientist Office and the US National Institute of Standards and Technology (NIST). Representatives of both agencies rotate as chairman of the foundation's board of directors.

The Bird Foundation, a non-profit entity, assists companies to identify strategic partners for setting up projects for joint product development. The foundation finances up to 50% of project expenses, and gets the money back in the form of royalties. If the project does not generate sales, the foundation participates in the loss, and does not demand the return of its investment.

The Venture Capital Universe

Optical Networking Startup Mintera Raises \$26m in First-round Funding

American start-up Mintera Corporation announced that it has closed a first financing round of \$26 million, with the participation of Portview Communications Partners, an international VC fund specializing in communication technology. Other investors included Court Square Optical, an affiliate of Court Square Ventures, and Star Ventures. Sycamore Networks also participated in the round.

Portview, which participated in the financing was founded by Israeli residents Robin Hacke and Julie Kunstler, managers of HK Catalyst, a former high-tech consulting firm.

Mintera is a Lowell, Massachusetts-based, privately held corporation, founded in August of this year by serial entrepreneur Menachem Abraham. Abraham, who serves as president and CEO of Mintera, was

How the Global Individual Investor Can Capitalize on Israel's High-Tech Boom

UPDATE

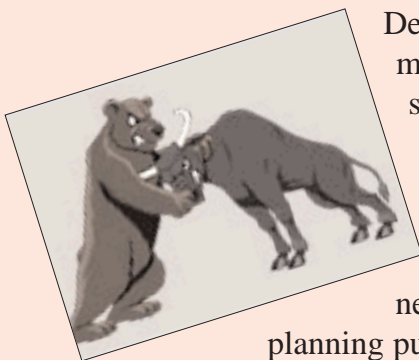
TASE Publicly Traded Venture Capital Companies

Results for the individual companies

Sadot	- 20.1 %*
Teuza	- 14.5 %*
Marathon	- 24.2 %*
Mofet	+ 33.7 %*
Inventech	+ 5.5 %*
Tamir Cap	- 43.9 %*

* Yields Year to Date and as of December 21, 2000

The portfolio of the above TASE Publicly Traded Venture Capital Companies, assuming equal sums being invested in each position, since the beginning of 2000 and as of December 21 shows a **nominal paper loss of 10.6%**. After eleven months of positive yields the shares of the venture capital companies slid into negative territory during December. Investor interest in this sector has been dampened by a lack of "exit" possibilities for these companies. The visibility and profitability of these companies is directly related to the ability of the portfolio holdings becoming public. An absence of Initial Public Offerings on Nasdaq has necessitated a wait and see attitude for those companies that have been planning public issues.



Patient investors will undoubtedly be well rewarded when the new issue market will resume. Even for high net worth investors the above companies, whose shares are traded on the Tel-Aviv Stock Exchange, continue to offer the Global Individual Investor an opportunity to Capitalize on Israel's High-Tech Boom.

among the founders of Chipcom, a data networking company, which grew from a start-up to a public company with \$300 million in revenues during Abraham's 11-year tenure at the firm. Abraham also co-founded Prominet Corporation, a pioneering Gigabit Ethernet firm, which was acquired by Lucent Technologies. Most recently, Abraham served as president of Lucent's Enterprise Internet-networking Systems Group. The Mintera 20 member founding team also includes Dr. Benny Mikkelsen and Dr. Pavel Mamyshev, world-renowned experts in ultra high-speed optical communications.

Giza Closes New \$211m. VC Fund

Tel Aviv-based Giza Venture Capital recently announced the closing of its third fund, Giza GE Venture Fund III (Giza III), totaling \$211 million. The funds came from GE Capital, Deutsche Bank Alex Brown, NIB Capital of the Netherlands, other institutional investors from the US, Europe and the Far East, as well as Israeli pension and provident funds.

The first closing of the Giza III Fund was for \$100m. in December, 1999. Adding together Giza III and the \$60m. ABS GE Capital Giza Fund II, which was backed by many of the same investors, have some \$271m. in total funds under management. Giza III intends to invest in early stage start-ups in communications, Internet infrastructure, software and life sciences. Interestingly, like other venture capital firms, and unlike Giza II, Giza III is abandoning Internet e-commerce in favor of medical and biotech arenas. Giza III plans to invest between \$3-10m. in each portfolio held company. The current fund has invested in some 15 portfolio companies since the beginning of 2000, and the firm has invested in more than 50 companies since 1992. Among Giza's success stories have been Libit, Butterfly, Telegate, DSPC, Scorpio, Precise, Morecom, Lasercomm, Oridion and M-Systems. More recent investments include Bandwiz, White Cell, Smartlink, Flash Networks, Redux, Hlan and Cardonet.

Introducing the Millennium Portfolio

Recently, as investment bank analysts and portfolio managers predicted further future erosion in the values of technology shares, we did some homework and concluded that toward end of November as prices were stumbling, an opportunity appeared. On November 20 we cashed out our nearly two year old **HIGH-TECH MODEL PORTFOLIO**. We realized \$678,540 on an investment of \$246,850 made in January 1999. The return over that period of time was a satisfactory 175%. On April 21, 2000 at the outset of the extended fall in Nasdaq the portfolio reached a monthly high of \$1,057,962, a gain of 328.6% in less than 15 months.

Reinforced by the favorable results and emboldened by the idea of reinvesting in Israeli technology at lower valuations we increased the available funds by topping them up to \$1.0 million. We then moved to the sidelines.

As we write this, our intention is to complete some heavy research and conclude the investment of the \$1.0 million into a new portfolio which we are naming the IHTIR Millennium Portfolio. We expect to publish the new portfolio in our February IHTIR 2001 issue

We strongly believe that our portfolio approach at cross-section identification of Israeli high growth companies will be rewarded with a high Return on Investment. Along the way we shall bring you comprehensive news of the component companies.

Companies Under Review for Inclusion in the Millennium Portfolio

Audiocodes Ltd.

AudioCodes Ltd. (Nasdaq:AUDC) designs, develops and markets enabling technologies and products for the transmission of voice and fax over packet networks. Packet networks include those based on Frame Relay, Asynchronous Transfer Mode and Internet Protocol. The Company's products enable its customers to build high-capacity gateways and access equipment that is used to connect traditional telephone networks with packet networks. The company's products include signal processor chips, which process voice and fax signals and compress the information into packets so that they can be sent between the traditional telephone networks and the packet networks; communications boards and media gateway sub systems, which enable voice and fax communications through gateway equipment employing the Internet protocol, and communications software used to process and format the compressed voice and fax information into packets. For the nine months ended 9/30/00, revenues totalled \$49.3 million, up from \$21 million. Net income totalled \$18.7 million, up from \$6.6 million. Revenues reflect an increase in new customers. Net income reflects an improved gross profit and an increase in net financial income.

BreezeCom Ltd.

BreezeCom (Nasdaq:BRZE) is a technology leader specializing in the development and manufacturing of broadband wireless access solutions used worldwide by service providers and enterprises. BreezeCom products provide a wireless alternative to wired Internet access solutions, such as DSL and cable modems, and facilitate indoor and outdoor, as well as fixed and mobile wireless local area network connectivity. BreezeCom's products employ point-to-multipoint

wireless packet switching technologies, optimized for high-speed Internet and Intranet access. For the nine months ended 9/00, revenues totalled \$69.1 million, up from \$32 million. Net income totalled \$6.1 million, vs. a loss of \$2.9 million. Revenues reflect the growth in the ISP market in the United States. Earnings also reflect lower selling and marketing costs as a percentage of revenues.

Orbotech Ltd.

Orbotech Ltd. (Nasdaq:ORBK) is an Israeli company engaged in the design, development, manufacture, marketing and/or service of automated optical inspection systems and computer aided manufacturing and imaging solutions. For the nine months ended 9/30/00, revenues rose 32% to \$266.5 million. Net income rose 49% to \$56.3 million. Revenues reflect continued global demand for high functionality telecommunications products and improved operating margins. Other companies that we have written about or who have been part of the IHTIR Model Portfolio and are likely to be chosen for the Millennium Portfolio are:

Check Point Software Technologies (CHKP)

Comverse Technology Ltd (CMVT)

Gilat Satellite Networks (GILTF)

Retalix Ltd. (RTLX)

Precise Software (PRSE)

Virtual Communities Has Closed

The Jerusalem-based Internet company Virtual Communities (Nasdaq:VCIX) has folded. The company, which specializes in creating community websites, has laid off all its 100 workers. Trade in its shares has been stopped. Many workers have apparently filed claims against the company for nonpayment of salary. The Jerusalem Court has ordered the appointment of a liquidator to sell available properties to cover liabilities such as salaries, and rent.

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ISRAEL HIGH-TECH MODEL PORTFOLIO

Selected Israeli Growth Companies

	Quantity		Commission	Open Amount	Current Value	Gain/Loss
IHTIR Model Portfolio						
BackWeb		BWEB		Price as of 11/20/2000: 8.00		
Total:	1,000		\$0.00	\$43,500.00	\$8,000.00	(\$35,500.00)

Check Point Software Tech		CHKP		Price as of 11/20/2000: 112.50		
Total:	3,000		\$0.00	\$17,015.62	\$337,500.00	\$320,484.38

Converse Technology, Inc.		CMVT		Price as of 11/20/2000: 92.44		
Total:	1,000		\$0.00	\$58,109.50	\$92,440.00	\$34,330.50

Gilat Satellite Networkss		GILTF		Price as of 11/20/2000: 41.00		
Total:	1,000		\$0.00	\$56,125.00	\$41,000.00	(\$15,125.00)

Point of Sale Ltd.		POSI		Price as of 11/20/2000: 17.00		
Total:	7,800		\$0.00	\$49,725.00	\$132,600.00	\$82,875.00

Precise Software		PRSE		Price as of 11/20/2000: 33.50		
Total:	2,000		\$0.00	\$51,234.00	\$67,000.00	\$15,766.00

IHTIR Model Portfolio			\$0.00	\$275,709.12	\$678,540.00	\$402,830.88

The "Cashing out" of the IHTIR Model Portfolio

Summary: Original Assumed Investment at the Start of 1999 was \$ 246,850

The "Cash out" obtained from the sale of the holdings is \$ 678,540.

The Profit is \$ 431,690 or a +174.9%Return on Investment

The Cash will be increased to \$1.0 million and the funds will be reinvested into our Millennium Portfolio to be published in our February IHTIR 2001 issue

*cash out date November 20, 2000

Cisco Invests \$15m in Be Connected

Cisco Systems, the global networking Internet leader, has invested \$15 million in Be Connected, a start-up subsidiary of Israel's Telrad group. Cisco received 10 per cent of the company's equity at a post money valuation of \$140 million. Be Connected specializes in next generation access systems (IMAP).

Be Connected is expected to be raising a further \$15 million from a still unnamed venture capital fund for financing ongoing operations. Cisco Systems is seen as being able to open new opportunities for Be Connected in the emerging market of Integrated Multi-Access Platforms, in which it considers itself to be one of the pioneers.

WorldCom Chooses Vyvo System

Vyvo (Nasdaq:VYYO) announced that WorldCom has selected Vyvo's industry-leading wireless hubs and modems for deployment in the nationwide rollout of WorldCom's broadband wireless access services. Vyvo's high-performance systems, combined with the products and services of Vyvo's system integrator partners, enable WorldCom to deliver reliable high-speed Internet access with guaranteed performance at broadband data rates that are significantly faster than conventional dial-up modems. Investors approved, sending Vyvo stock soaring by almost 50%.

Nokia Picks Geo's Chips

Nokia using Geo's Emblaze for video-phones Nokia (NYSE:NOK) will be incorporating the Emblaze chips made by Geo Interactive Media Group (LSE:GIM) to create videophones. The Nokia 9210 web-surfing phones sport a color display. Thanks to Geo's Emblaze chip, cellular surfers will be able to watch videos, live or on demand. Users will be able to watch news, weather updates, sports or financial reports, using their Geo-enhanced Nokiaphones. Moreover, they can receive video e-mail files, in addition to regular e-mail.

Teva is Wall Street's 17th Most Popular Share

Generic-drugs specialist, Israel's Teva Pharmaceuticals (Nasdaq:TEVA) is ranked the 17th most popular stock on Wall Street, says Citibank. It is ahead of Deutsche Telekom (NYSE:DT) and SAP (NYSE:SAP). The bank's report says turnover of foreign companies traded on U.S. exchanges rose 72% against 1999, compared with 66% for American companies.

After four years of effort, Teva finally obtained the nod to market its blockbuster multiple sclerosis drug Copaxone in Britain. It hopes that the UK approval will serve as a stepping stone to the Continent.

Palestinian Stock Exchange Plummets by 30%

Violence in the territories has pushed the Tel Aviv Stock Exchange (TASE) down, but TASE is not the only stock exchange affected by developments. The Palestinian Stock Exchange (PSE) in response to the unsettled conditions and the security situation's impact on the economy has sharply declined

"The Alquds Index, which was below 290 points before the outbreak of the violence, is down to 217 points," says Salah Almasry, head of Palestinian brokerage company. The PSE was set up three years ago in Nablus, considered the West Bank's economic capital. 25 companies whose value totals \$1 billion are listed on the PSE. Following the outbreak of violence, the management of the PSE, which is run as a private company owned by the PADICO concern, decided to shut it down for two weeks. Subsequently the PSE gradually reopened in order to prevent a collapse and protect investors. Weekly trading sessions were cut from five to three, and share upward and downward fluctuation were limited to 2%, down from 5% before the outbreak of violence. Daily turnover has fallen by 80% from \$500,000 to \$100,000. "Most of the shares lost 15-20% of their value. If we hadn't taken these preventive measures, most of them would have lost more than half of their value," he said.

PSE's value has fallen from \$1 billion in September to its recent level of \$700 million. Even this figure does not truly reflect the extent of the fall, because not all shares were traded.

Another problem obstructing the PSE's regular activity is technical. PSE employees complain of severe communications disruptions in electronic communications between the PSE and the brokerage firms, which led to the cancellation of trading sessions. Trading on the PSE is electronic.