

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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From the Editor's Desk

GETTING THERE, LITTLE BY LITTLE

The economic growth predicted for the 1990s is underpinned by political and economic factors. Among these is the April resumption of peace talks between Israel, Syria, Lebanon and the Palestinians. These meetings -- though yet to produce a breakthrough -- are essential, and remain the best hope for creating long-term political and economic stability in this part of the world.

Though Israeli politics remain volatile, economic policies are emerging which appear to have a greater consistency and focus than in the past. The American government and its people have signed loan guarantees of \$10 billion over five years to finance the absorption of new immigrants. Also, Israel can now meaningfully increase its international trade figures, as it has the benefit of a Free Trade Agreement with the US and a special arrangement with the European Community. The country's external debt has been falling as a percentage of its Gross Domestic Product. Bank Leumi reported the debt to be 80% of GDP in 1984. It is currently under 30%.

Yet not surprisingly, Israel's citizens remain among the highest-taxed in the world, with rates in excess of 40%. The taxes are needed to maintain a minimum standard of living, for defense purposes, and to offset the cost of mass immigration.

In order to reduce the foreign balance of payment deficit, capital imports are needed. Foreigners functioning under a free-market philosophy would benefit by being able to invest freely in all areas of Israel's capital market, including its mutual funds. By the same token, Israelis could benefit greatly were they allowed to invest in American financial instruments, including such bellwether investments as US Treasury Bills. The Israeli Finance Ministry regulations allow citizens to invest in the American marketplace, but in practice, the tax structure makes such investment impractical.

A 35% tax on capital gains, plus a 5% at-source

deduction when selling, brings yields down to the same level that foreign depositors obtain when placing deposits with the local banks.

Dropping this tax would not set a precedent, as profits realized by Israeli investors from the sale of shares listed on the Tel Aviv Stock Exchange and profits realized from the sale of approved shares listed outside Israel are free of capital gains tax.

Financial reciprocity and open markets between this country and the United States would be a positive step, and open Israel even further to the American investor. In turn, Israel would be showing its faith in America by investing in it.

The sums available for such investment could exceed \$1 billion.

100th issue

With the publishing of April 1993 issue we mark the beginning of the second century. Some of the technologies and companies that we have written about since 1984 have developed and become important entities in terms of employment, exports and profitability. Telecommunications, software and biotechnology are important areas today and can be expected to develop strongly over the foreseeable future. I personally look forward to the personal contact with our readers and the people that make the news.

In this Issue

Getting there, Little by Little

Vital Statistics on 46 Companies Traded Publicly in the US
Report of Company Results and Unusual Price Movements

The Case for Mutual Funds: Guidelines for Performance

The Top Mutual Fund Performers

Interview with leading mutual fund manager

An Agronomist's Story

Investments: Private Placements

Selected News Items

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ISRAELI AND ISRAELI RELATED COMPANIES TRADED PUBLICLY IN THE US

Ticker Symbol	Company Name	Marketplace	Market Value	Sales (Projected)	Profits (Projected)	Equity	P/E	Year High	Year Low	% Change	Last Price Mar. 16, 1993
AIP	American Israeli Paper	AMEX	155	270.5	11.5	132	13	44 3/8	38 5/8	-3	41
AIS.a	Ampal American Israel	AMEX	156	70	12.5	118.3	12	9 7/8	5 1/4	+70	8 3/4
ARYTF	Aryt Optronics Ltd	NASDAQ	18	17.4	1	10	18	4 3/8	3 1/8	+18	3 11/16
BTGC	BioTechnology General	NASDAQ	133	6	-9.8	14	N	6 3/4	5 1/8	-11	5 1/4
BVRTF	BVR Technologies Ltd	NASDAQ	70	8.6	-0.5	6	N	17 3/8	11 1/2	+9	13 1/2
KML	Carmel Container Sys	AMEX	15	72.3	0.04	13	9	6 7/8	6 7/8	-4	6
CMVT	Comverse Technology Inc	NASDAQ	270	32.1	5.7	32.1	47	20	15 1/2	+11	19 5/8
DSSI	Defence Software & Sys	NASDAQ/NMS	43	7.9	0.9	6.2	47	19 7/8	11 1/2	+78	19 7/8
ECILF	ECI Telecommunications	NASDAQ/NMS	1185	160.5	38.5	148	30	44 3/4	33	+3	37 1/2
EDUSF	Edusoft Ltd	NASDAQ	54	3.5	0.8	4.8	67	14 1/4	9 1/8	+47	13 1/2
ELBTF	Elbit Ltd	NASDAQ/NMS	748	483.3	30.3	230.4	24	54	39	-8	43 3/4
EIF	Electrochemical Indus. Frutar	AMEX	46	121	3.4	41.5	13	2 7/16	1 7/8	-9	2
ELRNF	Elron Electronic Industries	NASDAQ/NMS	359	640	14.2	152.6	25	26 7/8	19	+10	21
ELT	Elscont Ltd	NYSE	526	220.1	20.1	115.5	26	8 5/8	6 1/8	-12	6 5/8
ROBOF	Eshed Robotec	NASDAQ	32	8.7	1.7	12.6	18	3 15/16	2 5/8	+6	3 3/16
ETZ	Etz Lavud Ltd	AMEX	26	106	2.2	20.5	11	12 1/8	8 7/8	-12	9
ETZA	Etz Lavud	AMEX	26	106	2.2	20.5	11	10 7/8	7 1/2	-12	7 5/8
FBRX	Fibronics International Inc	NASDAQ/NMS	51	53.5	-11.2	18	N	9 1/2	6 1/2	+20	8 1/8
DDDDF	Fourth Dimension	NASDAQ	231	17.3	5.8	43	39	25 1/4	15 3/4	+14	22
TATTF	Galagraph Ltd.	NASDAQ	80	7.3	1.2	2.1	66	4 15/16	2 3/8	+64	4
GOTK	Geotek Industries Inc	NASDAQ	112	42	-1.1	17.6	N	6 3/8	4 1/4	+22	5 1/8
HCTLF	Healthcare Technologies	NASDAQ	20	3.4	0.06	4.8	N	3 1/6	2 3/16	+5	2 1/4
IDANF	Idan Software Industries	NASDAQ	47	0.1	-0.1	1.1	N	3	1 11/16	+26	2 1/16
IISLF	IIS Intelligent Info	NASDAQ	279	43	6.3	36.4	44	26	17 1/2	+34	22 3/4
IPLLF	Interpharm Labs. Ltd	NASDAQ	234	48.4	6.3	21	37	47	28	+11	37 1/2
SISGF	ISG Software	NASDAQ	56	2.4	1.3	10.5	43	19	13 1/2	+5	13 3/8
ILDCY	Israel Land Development	NASDAQ/NMS	122	207	3.5	110	34	14 3/8	11 1/2	-4	13 1/2
ISTEF	Istec Industries & Technol	NASDAQ	8	0.8	0.6	2.2	15	1 5/8	1	+9	1 1/8
LANTF	Lannet Data Communications	NASDAQ/NMS	212	67	13	67	16	31 1/4	17 3/4	-23	19 1/2
LNOPF	Lanoptics	NASDAQ	156	7.6	3.4	25.4	29	24 1/4	17 1/4	-5	17 1/2
LAS	Laser Industries Ltd	AMEX	38	29.3	1.4	3.5	27	10 1/4	6 5/8	+21	7 3/4
FLSH	M-System	NASDAQ	31	2.2	0.74	6.2	41	7 1/2	6	+81	7 1/4
MOCF	Magic Software Ent. Ltd	NASDAQ	73	10	1.3	10	56	20 3/4	15	+15	20 1/4
ORBKF	Orbotec Ltd	NASDAQ	255	111	-31.3	29	N	21 3/4	14 1/4	+29	14 1/4
OSHF	Oshap Technologies Ltd.	NASDAQ	43	38.6	-3.2	14.3	N	8 1/8	5 1/2	-6	6 1/2
IEC	PEC Israel Economic Corp	AMEX	474	63.5	34.2	271	13	30 7/8	24 1/4	-10	25 1/4
RADIF	Rada Electronic Indus.	NASDAQ/NMS	30	31	-0.6	11	N	10	6	+22	7 1/2
SPNSS	Sapiens International Corp	NASDAQ/NMS	255	37.8	6.5	35	39	27 1/4	19 7/8	-11	23 1/4
SCIXF	Sciex Corp. Ltd	NASDAQ/NMS	1770	550	122.4	641	14	44 3/8	37 3/8	-2	42
TAROF	Taro Vit Industries Ltd	NASDAQ	79	25.7	1.9	9.6	42	9 1/4	8	-5	8
TCNOF	Technomatix	NASDAQ	97	15.8	1.6	10.6	60	13	10 3/4	+4	12 1/2
TEVY	Teva Pharmaceutical Inds	NASDAQ/NMS	1246	396	31.7	216	39	51 1/8	34	+3	45 1/2
TAD	Tadimn Corp	NYSE	619	783	34.6	120	17	36 3/4	26 3/8	+14	31 5/8
TLDCS	Teledata Communications	NASDAQ/NMS	187	39.5	6.8	39.5	27	22 1/2	15 7/8	+19	18 3/4

ECI Telecom Makes a Small Acquisition

In early March, ECI Telecom announced its first acquisition in 1993 -- the purchase of 75% of the shares of Compression Telecommunications Corp. for \$1.3 million. CTel manufactures equipment used by ECI in testing its DTX systems for voice and data fax transmission. CTel is a family-owned company, and Dr. V. Gupta, controlling shareholder and CEO, expressed the hope that its new and existing products will benefit from ECI's international market presence.

CTel had sales of \$1.4 million in 1992, and was profitable.

Will ECI continue on the acquisition trail? CFO Mannie Olswang did not rule out such a possibility. "The company has \$90 million in cash, and its own shares, which could be used for further acquisitions," he said.

Elscont Does Well, but Expenses are High

If not for the unexpectedly high cost of moving from beta site installation to operational mode, the company's profits would be even higher," said Yuval Yannai in the aftermath of Elscont's 1992 results. He was referring to the six new scanners which were installed in the period under review. As it was, the company's results were good if not sparkling.

	1992	1991
Sales	\$220.9 mil	\$190.9 mil
Net income	\$ 20.1 mil	\$ 17.1 mil

If new scanner sales exceed 40 in 1993, the firm will be assured of a good year.

The order backlog at year's end was \$67 million, compared with \$57 million a year ago.

Elscont results "disappointing"

T-A representative Oscar Gruss & Son considers the Elscont results disappointing. At the time of the remarks, Elscont shares had fallen to \$6.50 from about \$8. OGS lowered its forecast for Elscont from \$0.33 to \$0.30 for 1993. At this estimate, the shares are selling in excess of 21 times earnings.

M-Systems**1993 estimated earnings.**

M-Systems (NASDAQ: FLSHF, FL.SUP, and FLSWF) produces a new silicon chip with special memory data retention capabilities. The "flash" or special data retention chip is rugged, reliable and, when used in a data memory system, readily accessible.

The US Army purchases an unrelated product from the firm.

Last year was the first profitable one for this four-year-old company. For the nine months ending September 1992,

the firm earned \$560,000 on sales of \$1.6 million. Demand in the after-market raised shares to \$7 and warrants to about \$2. At these levels, the original units have doubled in price. The company is now valued at more than \$28 million, in keeping with the strong demand for most new Israeli issues.

M-Systems was priced at \$8 per unit, which included two shares and one warrant. The warrant entitles the holder to exercise it for one share at \$8, and is valid for three years. The company, at its option, can convert the warrant to shares if the share price exceeds \$10 for at least 30 days.

High Fliers

M-Systems and Comverse have been attracting investor interest. M-Systems became a public company in March when it issued shares at \$4 each in a package of two shares and an option. The package was then priced at \$8. In the first month these shares more than doubled, and the option was trading at more than \$2 -- a gain of more than 125%.

Comverse's price moved over the \$20 mark in mid-March trading. The company's message transfer systems are gaining greater acceptance, and recent financial statements indicate that in 1992 sales rose by 75% to \$38.4 million. Profit for 1992 reached \$5.6 million -- a margin of more than 14%. In 1991, Comverse reported sales of \$22 million, on which it earned \$2.4 million.

Fibronics Reports \$25 million Loss

The American-based Fibronics Ltd., which has a plant in Haifa and is part of the Elron Group of companies, has reported a \$25.1 million loss for 1992.

	1992	1991
Sales	\$54.3 mil	\$53.9 mil
Net income	(\$ 25.1 mil)	(\$ 3.3 mil)

Fibronics is a leader in network and interconnectivity solutions. Restructuring charges of \$10.7 million and provisions of \$4.7 million were included in the 1992 results. Gil Weiser, newly elected president, says some benefits are already being felt as a result of the restructuring.

LanOptics

LanOptics Ltd., based in Migdal Haemek, produces and markets wiring concentrators and network management systems. It recently reported that sales in 1992 rose

	1992	1991
Sales	NS 20.9 mil	NS 8.9 mil
Net income	NS 9.3 mil	NS 4.2 mil

(Cont'd on page 6)

The Case for Mutual Funds

The market is dominated by big institutions and the individual investor is served best by hiring professional managers rather than competing against them. This is provided by the country's mutual fund industry.

Performance over the trailing twelve months

The tables presented here indicate performance of the leaders. If you are invested in these funds then you are getting the best results. They are classified by category, investment objective and investment policy. The Top Performing Funds are measured against their performance over the past twelve months, between February 27, 1992 and February 28, 1993.

The results are calculated in US dollar terms

The mutual funds are sold in shekels. However, many investors prefer to do their accounting in dollars and the results are expressed in US dollars, reflecting changes in the shekel's value in terms of the dollar.

Share Funds Tables

Guidelines for Future Performance

Analysis of past and present performance should be the most important basis for choosing one mutual

fund over another. Investors seeking top performance should understand the reasons why some funds outperform others.

Factors that Influence Performance

Small-size funds are likely to outperform large ones.

This has been true in the US. In 1990, the 25 best performers were "small-asset" funds. They all had positive performances. The 25 largest funds, by comparison, all did poorly. This has been found to be true in both up-market and down-market years.

The American experience holds true in Israel. Last month we listed the five top-performing diversified and flexible share funds. Of these, Sivan and Hadas had total assets of NS 98.7 million and NS 76 million, respectively. The remaining three had assets of less than NS 13.5 million each. Large-asset funds such as Saar, Psagot Flexible and Kela, with total assets of NS 582.6 million, NS 368 million and NS 783.3 million respectively, were poor performers.

The largest funds may have the best managers, but the smaller-asset fund managers are better able to invest in smaller emerging growth companies. Such holdings may represent a large portion a small fund's assets, so price surges will have a great impact on the performance of such funds. In the instance of a large-asset fund, a similar-size holding will have a

Share Funds

Category: Diversified and Flexible Share Funds

Investment Objective: Growth

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

Funds in Category: 42

Top Five Performers

Fund	Manager	% gain
Sivan	Amban	43.5
Emda	UMB	37.9
Hadas	UMB	35.6
Yesodot	Moritz Tuchler	33.6
Avoka	Unitrust	32.6

Category: General, Maof and Specialized

Investment Objective: Aggressive Growth

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

Funds in Category: 55

Top Five Performers

Fund	Manager	% gain
Mivneh	Amban	47.1
Magic	Moritz Tuchler	46.6
Noí	Nassua	40.6
Analyst Ind's	Analyst	40.4
Kochav	Hapoalim	33.9

(percentages represent gain in value in U.S. dollar terms for 12 months ending Feb. 28, 1993)

smaller impact.

Positive cash flow is also a help to management, which can use fresh funds when buying into new positions. This activity is next to impossible to monitor, however, except by careful analysis of performance vs. growth of total assets.

Cash position is a good criteria for judging management. In up markets, one should expect to find management fully invested. The reverse should be true in down markets. A company's cash position is not easily pinpointed, but mutual fund managers can be expected to supply this information on request.

Bonds Linked to Cost-of-Living Index

Category: Government

Investment Objective: Conservative Growth

Management Policy: Manager invests in government bond issues.

Funds in Category: 35

Top Five Performers

Fund	Manager	% gain
Meytav C-O-L	Meytav	5.3
Ziv	Amban	4.5
Egoz	Ilanot Discount	4.1
Zohar	Amban	3.5
Epsilon C-O-L	Epsilon	3.4

Category: Non-Government, General, Short Term & Corporate

Investment Objective: Conservative Growth

Management Policy: Manager invests in Non-Government Bonds Linked to Cost-of-Living Index

Funds in Category: 45

Top Five Performers

Fund	Manager	% gain
Pil	Central Trade	22.9
Gia	Amban	22.8
Heron-Lavie	Heron-Lavie	21.6
Or	Leumi Pia	14.0
Hemda	Hemda UMB	13.7

(percentages represent gain in value in U.S. dollar terms for 12 months ending Feb. 28, 1993)

Foreign Currency Funds

Category: Denominated or Linked in Foreign Currency

Investment Objective: Conservative Growth

Management Policy: Manager invests in foreign currency linked bonds

Funds in Category: 22

Top Five Performers

Fund	Manager	% gain
Meitav F/C	Meitav	9.3
Psagot FC	Psagot	8.3
Inbal PKN	Hapoalim	7.4
Hochit	Lahak American	6.2
Zabar	Hapoalim	6.1

(percentages represent gain in value in U.S. dollar terms for 12 months ending Feb. 28, 1993)

Index Linked and Share Funds

Category: Mixed funds

Investment Objective: Growth

Management Policy: Manager invests in a combination of index-linked bonds and shares.

Funds in Category: 12

Top Five Performers

Fund	Manager	% gain
Barak	Ilanot Discount	18.0
Moked	First International	12.7
Zofit	Lahak American	11.8
Pia	Leumi Pia	8.3

(percentages represent gain in value in U.S. dollar terms for 12 months ending Feb. 28, 1993)

(Cont'd from page 3)

sharply to \$7.6 million. Profits totaled \$2.4 million, with margins exceeding 31%.

The above table is presented in Israeli currency because, prior to LanOptics becoming a public company in November 1992, its books were maintained in New Shekels only. At that time the company sold shares valued at \$21.6 million. Currently its shares are trading at \$18. The market is capitalizing LanOptics at just over \$100 million, similar to its capitalization at the outset of 1992.

Geotek runs with the military ball

Israeli defense industries are facing severe recovery programs due to sharp cutbacks in international defense spending. A similar situation is being faced by the west's leading armament industries and contractors. Military aircraft and hardware manufacturers have been faced with a glut of supply and dwindling markets, now that the Soviet threat appears to have ended.

In Israel, the generally accepted view is that neither Israel Military Industries, Israel Aircraft Industries nor Rafael (the research and development arm of the country's defense establishment) can be expected to convert their business from swords to plowshares in the immediate future. Over the years, these concerns have produced small arms, tanks and missiles to meet the country's security needs. Competitive pricing was secondary. These industries have accumulated extensive know-how and capabilities, but the consensus is that they will not convert this know-how into viable commercial businesses. Privatization and joint ventures are seen as the preferred routes.

Enter Geotek. Since November 1992, the NASDAQ shares of Geotek Inc. have been advancing, and the company's capitalization has tripled to about \$90 million. Information has been sparse, but from available financial data and discussions with brokers and investors, it appears that Geotek's growth potential is connected with the rapidly expanding wireless communication market in the US, and on products springing from Israel's Rafael facilities.

Rafael has spent more than \$250 million to develop wireless communication techniques for Israel's defense establishment. Geotek, in a joint venture with Rafael, is using the technology to provide cellular telephone communications in the United States using a frequency at which others have not succeeded.

The story sounds promising, and the suggestion being made by one broker is that Geotek could derive even more major benefits by finding niches for its products.

Geotek Industries Inc. manufactures electronic fuses, precision mechanical defense components and electrical power supply systems. In 1991 it acquired the American Bogen Communications company. The latter has more than 50 years' experience in marketing electronic products.

Since its restructuring in 1988, Geotek has not experienced a profitable year. In 1991 its sales reached

\$36.7. In 1992 its sales were projected at \$42 million, with a loss of more than \$1 million.

Some vital statistics indicate that Geotek has 15 million shares outstanding, with a 2.6 million float. In October 1992, the shares traded at a low of \$2, and reached a 12-month high of more than \$6 in February 1993.

In his report, Bloomberg's A.L. Babino cited Geotek's profile, which included some impressive growth rates over the past three years.

Growth in revenues +48.1%
Growth in net income +59.0%
Growth in EPS +30.5%

Interview with Zvi Stepak, Meitav Mutual Funds Share Market Prospects for 1993

Most financial experts have predicted that the Tel Aviv Stock Exchange Share Market will offer investors a positive return in 1993. They are also nearly unanimous in feeling that the performance will be well under its buoyant 1992 levels. In that year, the share market recorded a 65% return when measured in dollar terms.

For Mr. Zvi Stepak, principal and manager of Meitav Mutual Funds and Portfolio Management Ltd., there are two key issues: the prospects for peace and the fate of the Arab boycott. Progress on these issues, according to him, could see the General Share Index at 260-270 by the end of the year. Possible negative influences include a failure in the peace process, a Treasury-imposed tax on capital gains resulting from share investments, a flood of new issues, or friction with Israel's neighbors.

"The imposition of a capital gains tax would not bring as lengthy a setback as in the period after Finance Minister Pinhas Sapir declared a tax. However, the market could dip by 20-25% in response to such a situation," suggests Mr. Stepak.

United States studies have shown that small-sized mutual funds outperform large-sized funds in both up and down markets. "My remarks are intuitive, and not the result of a study. Smaller funds have an advantage due to the ease of buying into a position and then selling out," he said.

(Small-sized funds are generally classified as those with assets of up to NIS 150 million.)

"Flexible funds such as Kela Gemisha, with assets of NIS 800 million, keep 50% of their holdings in shares. The fund is one of a group of mutual funds, with total assets of NIS 2.5 billion, managed by Leumi Pia. A management decision to reduce the percentage of shares held requires heavy selling in the market. A fund with assets of NIS 100 million deciding to reduce its share holdings by 20% will only need to sell NIS 20 million," states Stepak.

Meitav has five mutual funds under management. Its Meitav Share fund is a General Share fund which seeks above-average growth. It is a top-ranking fund among the 52 in this category. In the 12 months ending January 31, 1993, its net asset value grew by 54% in dollar terms.

The Meitav Foreign Currency Fund was also a top performer among the 22 in its group. It achieved a growth of 13.8% in dollar terms in the 12-month period ending January 31, 1992.

Being Smaller Requires Better Performance

"It is not all positives; there are negatives as well. Smaller funds tend to charge higher management fees. Our management fee of 3% is three times that of the large mutual funds. We have to perform better to make up for the fact that we begin with less money," he said.

Timing as a factor in performance.

In a rapidly climbing market, mutual fund managers keep little cash on hand. In down markets they will increase their cash position. A well-timed decision as to when a fund should be fully invested and when it should be holding cash is one key to above-average performance. Most mutual fund managers in Israel and overseas do not like to take chances. They tend to act together, and are satisfied with keeping up with the averages. "The day after the election on July 16, 1992, the decision was taken to reduce our holdings in shares from 80% to 60%. One had to be strong enough to take individual action. The market declined from an index level of 161 to 145," said Stepak.

New Financing

The new-issue market has been a source of major capital gains in 1992.

Can mutual funds increase their performance by utilizing their size to obtain sizable blocks of new issues, which subsequently sell at a premium?

"Mutual Funds are not allowed to borrow unless they sign up as institutional investors in the first round. Money and portfolio managers are in the new-issue market. They borrow heavily to get their allocation," says Stepak. He abstains from making any comments about the massive oversubscription resulting from the generous lending policies practiced by the Israeli banking community in the second half of 1992 and early 1993.

Asset Allocation -- Some Criteria Used by Meitav

The General Share Fund has holdings of approximately 50% of the Mishtanim large capitalization shares, and 50% of the Karam-traded lower capitalization issues. "There are many criteria used in choosing shares. The Price/Earnings ratio is but one of these. A recent study was intended to help us understand some of the key ratios existing in the Israeli share market. We found out that an average price/earnings ratio was 18. The Market Capitalization to Equity ratio is about 2:1. Other criteria we looked at included expectations for performance of the given company and the economic sector in which it operates," explained Stepak.

Yields in 1992 from Foreign Currency Funds

With interest rates falling worldwide, investors continue to seek alternatives to the meager rates quoted for funds left on deposit in Israeli banks -- often as little as 3%. Some Israeli Foreign Currency Mutual Funds outperformed this figure by a factor of four. The top five

funds in this category averaged 12.2% growth in dollar terms in the 12-month period ending January 31, 1993. The Meitav Foreign Currency Fund was top-ranked, with a dollar return of 13.8% per cent. Mr. Stepak was questioned as to the strategy employed to obtain these results.

"The devaluation of the shekel amounted to 21% last year. In the Meitav Fund, 80-85% was invested in Government Gilboa Bonds, which returned 31%. In addition, 5-15% was invested in shares," said Stepak.

An Agronomist's Story

Israel holds a special place in the world of agriculture. The country is a major force as a grower, a manufacturer of inputs, a research center and a provider of know-how. But the depth and level of leadership which Israel maintains in these areas confound traditional explanations and growth patterns. Israel's home-developed technologies are used across the globe. How has this happened?

One answer lies in a paradox. The history of Israeli agriculture spans no more than 100 years. The country's first farmers bore the same personality traits and characteristics as those who are involved in the Israeli agricultural industry today -- young, idealistic and highly educated people who saw agricultural development as a national priority. For the pioneers a century ago there existed no tradition of farming, no accumulated wisdom and no methodology passed from father to son. Perhaps because there was thus no conservative tradition to hold back progress, these new farmers had the freedom to find innovative solutions to age-old farming problems. Thus Israel's agronomists learned early on how to make the country agriculturally self-sufficient while overcoming such hurdles as low rainfall, lack of fertile soil, blisteringly hot summers and a scarcity of investment capital.

Other reasons exist. Israeli farmers have for many years been backed by a world-class network of research stations, academic establishments and agricultural extension services that turned this small country into one large experimental farm.

The economy supported this drive towards agricultural development. It is a mixed economy which is capable of broad vision, and it tends to view targets as optimal and not maximal goals. In addition, fluent interaction between farmers, industry and extension services provides a flow of information that leads to positive action and rapid development.

Government support has also been a critical factor. Israeli governments have historically viewed the country's agricultural industry as critical to the health of the national economy, as well as an ideological plank. This has prompted them to invest in the development of an agricultural infrastructure, including a national water carrier and other water resources. Governments have also subsidized farmers, farming cooperatives and farming collectives.

Israeli agriculture has been forced to cope with three disadvantages -- lack of fertile soil, low rainfall and high labor costs. These impediments were overcome in innovative ways. A survey of available soil was made, and high-yield crops were chosen to offset the soil shortage. In order to make good use of the limited quantities of water, sophisticated methods of irrigation were developed. Included among these are drip irrigation, which provide plants with the correct amount of water without wastage or evaporation. High labor costs were offset by having existing manpower reach high levels of productivity. Finally, the kibbutz or collective farm is a major contributing factor to the development of Israeli agriculture. As the kibbutz collective settlement system developed, it provided from within its ranks professional agronomists and agricultural economists whose natural inclination when addressing and solving problems was to relate the individual issue to all elements of the farming community, thus placing problems within their greater context. The results of these policies have been spectacular in comparison to farming communities world wide. Results have included a fall in agricultural fresh water needs over the past 20 years. Crop sales have registered high profits, with yields from one cubic meter of water rising from \$0.46 in 1950 to \$2.04 in 1990.

Israel has the most productive dairy and livestock sector in the world, and generates 300 tons of tomatoes per hectare from its greenhouses. The cotton yield stands at six tons per hectare, and cotton production requires only five working days per year per hectare.

There is little doubt that other countries can implement Israeli agricultural systems and make use of Israeli farming know-how, but this must go hand-in-hand with the adoption of agricultural strategies which take a broad view of the whole instead of concentrating on individual crops. Agritech Israel the Middle East's Premier Agricultural Exhibition is scheduled to take place in May.

In cooperation with Dan Meiri for the Israel Export Institute

Private Placements

The number of private placements on offer and recently completed is growing. For many companies, the raising of capital by private placement is efficient and cost effective. Public companies, whether on the Tel Aviv Stock Exchange or on American over-the-counter markets, can save the time and money involved in preparing a prospectus. A large public company will also benefit from charges which may be as low as 1% of the sum raised. Small private companies that are not ready for an initial public offering also find private placements effective. However, their expenses may run to 5% or more, with an equivalent amount of warrants for the placement.

Assutech Ltd. - a placement in progress

The company has spent several years developing products for the healthfood and healthcare industry. Its first product, a healthfood bar called Assubar, is selling well in Israel, and has been sold in Spain and the United

States.

Assutech has established sales in Israel, and has ongoing sales to Spain for Opuntia caps -- a science-based product made from cactus flowers which is claimed to alleviate some of the discomforts associated with prostate problems.

Eytan Harduf, Assutech's general manager, has confirmed that expectations are for a speedy conclusion of a private placement of Assutech's shares. Assutech is seeking to raise about \$1.35 million to cover its needs for research and development, production and marketing. The offering is being made to institutional investors and private individuals.

Sources outside the company indicate that Barington Securities in the US is offering to assist the firm with its marketing efforts in the US, and is offering investment banking services for future financing and an eventual initial public offering.

Teva Signs Placement for \$25 million

Teva Pharmaceuticals has completed a private placement of \$25 million. It issued seven-year bonds with principal and interest linked to the US dollar. The 6% annual coupon is payable twice a year. The principal is to be repaid in five equal installments, beginning the fourth year.

Clalit Finance & Investments and Hapoalim Capital Investments Ltd. organized this placement, which was distributed to institutional investors.

The 6% interest was the equivalent of LIBOR of 5 1/4% plus 3/4%.

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