



MCM ISRAELI CYBERSECURITY FUND



MCM ISRAELI IT-SECURITY
(CYBER) UCITS FUND



MIGDAL
CAPITAL MARKETS

MIGDAL HOLDINGS GROUP

OVERVIEW



ESTABLISHED IN

1934 

MIGDAL GROUP IS THE LARGEST
ISRAEL'S ASSET MANAGEMENT FIRM

~ **\$1.10B**
MARKET CAP 

~ **\$80B**
TOTAL ASSETS
UNDER MANAGEMENT

9.0% 
MARKET SHARE
IN THE ISRAELI MUTUAL FUND INDUSTRY


2,500,000
CUSTOMERS

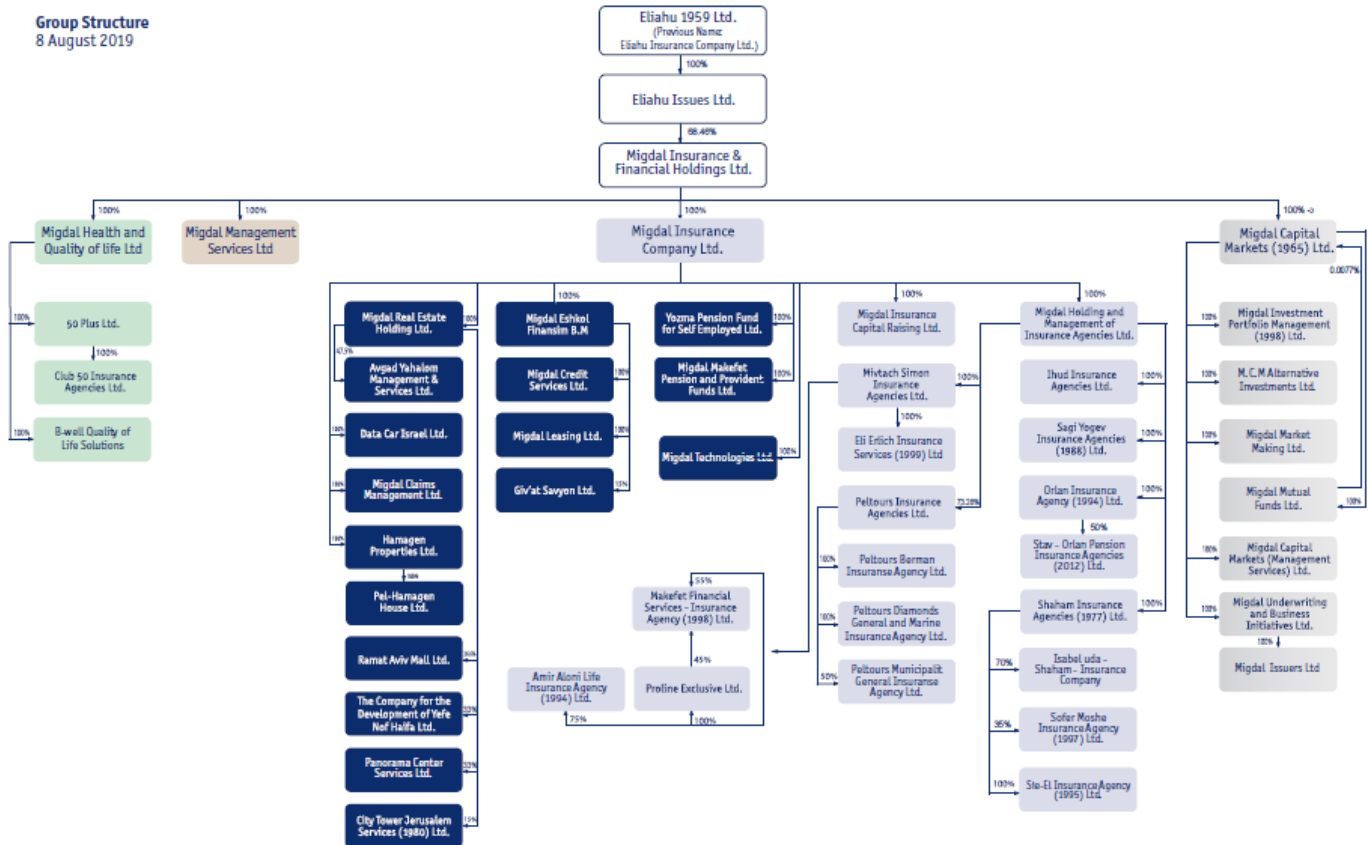
WELL POSITIONED
MUTUAL FUNDS WITH
28 PROVEN TRACK
RECORDS OF UP TO
YEARS

Regulated by the Israel Securities Authority and the Ministry of Finance's Capital Markets, Insurance, and Savings Division.

MIGDAL GROUP STRUCTURE



Group Structure
8 August 2019



MIGDAL CAPITAL MARKETS

FUND MANAGEMENT TEAM



DR. YOSSI SHVIMER, CHIEF ECONOMIST & HEAD OF RESEARCH, MCM
Co-manager of the MCM Israeli IT-Security fund



Dr. Shvimer is the Chief Economist and the Head of Research Department, which is comprised of 10 full-time analysts. In addition Dr. Shvimer is the CEO of MCM Alternative Investments and has been working for over 11 years in the Israeli capital markets. Dr. Shvimer is also a member of the Bank of Israel forecasters committee. Dr. Shvimer holds a BA in Economics from Ben-Gurion University, an MBA from the College of Management (cum laude), and a PhD in Finance at Bar-Ilan University.

JOSEPH MAVOR, HEAD OF QUANTITATIVE INVESTMENTS, MCM
Co-manager of the MCM Israeli IT-Security fund



Mr. Mavor is the Head of Quantitative Investments at Migdal Capital Markets. Before joining MCM, Mr. Mavor was the Senior Manager of the quantitative financial modeling group at PwC, and head of the PwC quant team at BNP Paribas in Brussels. Prior to PwC, Mr. Mavor was the Quantitative Investment Manager at Eliahu Capital and Derivatives. Mr. Mavor holds a BA in Economics from Tufts University, Boston, Mass. and an MA in Statistics and Algorithmics from the University of Brussels.

WHAT IS CYBER SECURITY

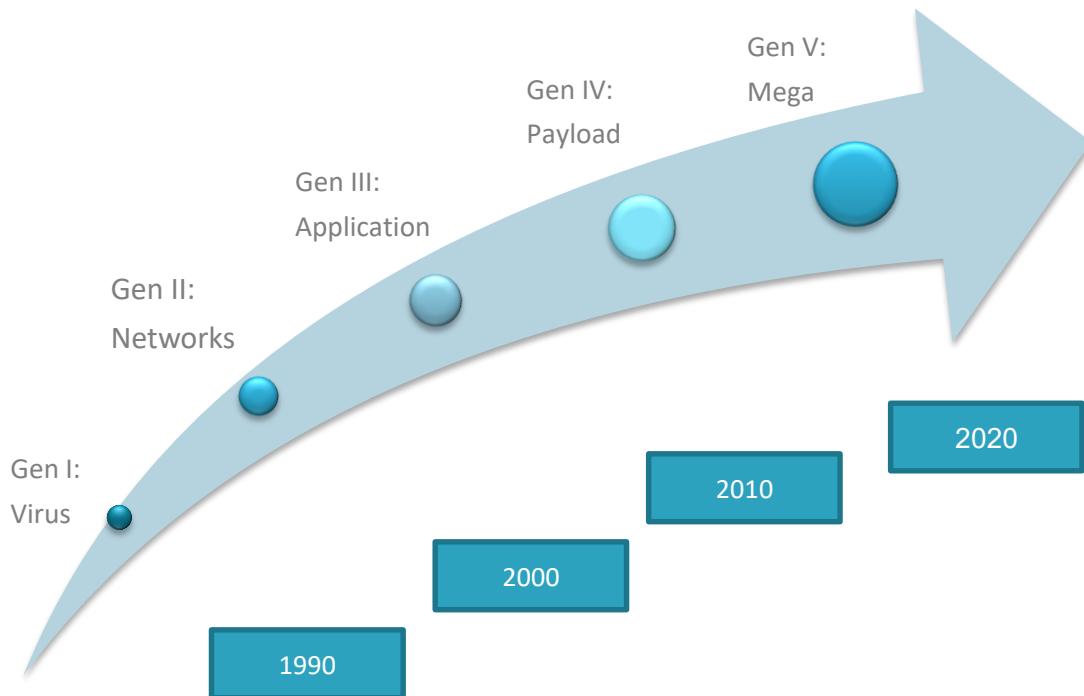
A BRIEF HISTORY



Cybersecurity is the practice of **protecting systems, networks, and programs from digital attacks**. These attacks are usually aimed at accessing, changing, or destroying sensitive information; extorting money from users; or interrupting normal business processes.

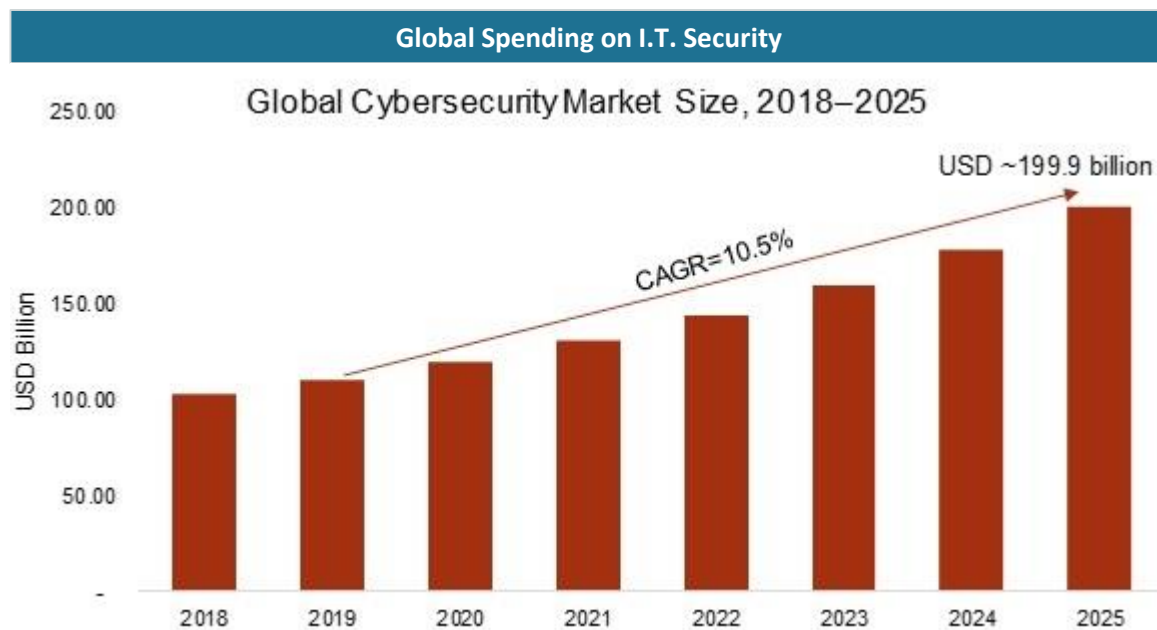
Implementing effective cybersecurity measures is particularly challenging today because there are more devices than people, and attackers are becoming more innovative.

97% of organizations are using outdated cyber security technologies (Checkpoint security report).



THE CYBER SECURITY INDUSTRY

INDUSTRY GROWTH



The cyber security market is estimated to **grow to \$170 billion (USD) by 2020**, at a Compound Annual Growth Rate (CAGR) of 9.8% from 2015 to 2020 (*Markets and Markets*).

By 2020, more than **60% of organizations will invest in multiple data security tools up from approximately 35% today** (Gartner).

Worldwide spending on security solutions will achieve a **compound annual growth rate (CAGR) of 10.0% over the 2016-2021** forecast period and **total \$120.7 billion in 2021** (IDC) .

THE CYBER SECURITY INDUSTRY

INDUSTRY GROWTH



In 2019, cybersecurity average cost of a data breach increased by 2% despite increase awareness to cybersecurity and cybersecurity solutions.

Data breaches cover every industry and almost every region around the globe.

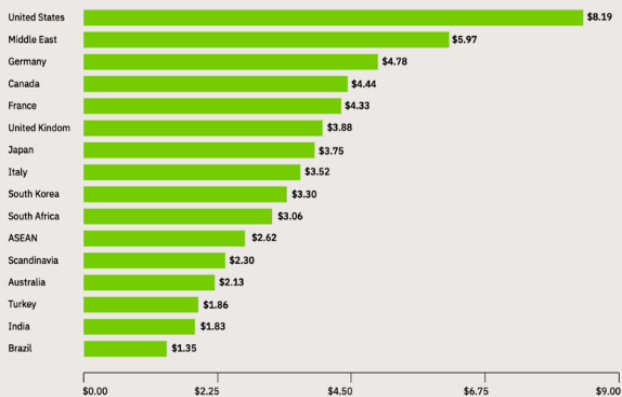
Global Average Cost of Data Breaches

Global average total cost of a data breach
Measured in US\$ millions



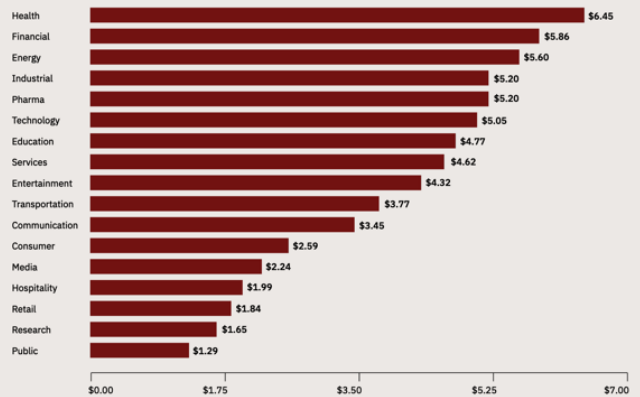
Average Cost of Data Breaches by Country

Cost of a data breach by country or region
Measured in US\$ millions



Average Cost of Data Breaches by Industry

Average total cost of a data breach by industry
Measured in US\$ millions



THE ISRAELI CYBER SECURITY INDUSTRY

ISRAELI CYBER SECURITY LEADERSHIP

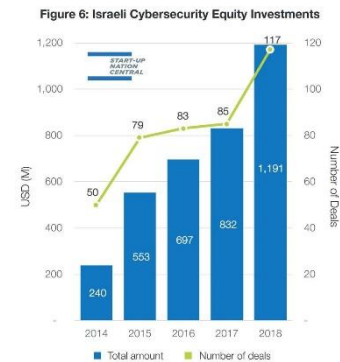
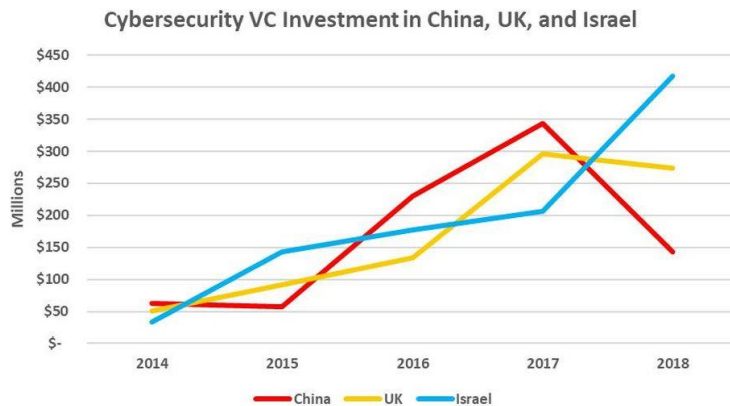


Israel is one of the most targeted countries in terms of cyber-attacks, this fact enables an early awareness of new emerging threats in cyber security and has given rise to a world leading industry.

Israel accounted for the **second-largest number of cybersecurity deals globally**, behind the US and ahead of the UK (CB Insights shows).

To date, **there are approximately 450 cybersecurity corporations operating in Israel** (Forbes).

Israel is rated **number 3 among the worlds top 10 most innovative economies** (*Global Competitiveness Report 2017-2018*).



THE INVESTMENT UNIVERSE

DEFINITION



The investment universe comprise IT security and cybersecurity stocks included in the ISE Cyber Security® Index (HXR) and TASE-BlueStar Israel Global Technology Index (BGTH Index).

As of March 2018, the universe includes 91 companies, with a **total market cap of \$286 Billion**. It includes 45 global cyber security companies (including the Israeli ones) with a total market cap of \$174 Billion and 46 Israeli IT companies with a market cap of \$112 Billion.

The investment universe represents respectively 85.88% and 59.1% of the HXR and BGTH indices.

The fund may invest in stocks with the following characteristics:

- Companies mainly having headquarters or R&D located in Israel.
- Stocks traded on the New York, London or Tel Aviv stock exchanges.
- Guidelines do not allow to invest more than 50% in non-Israeli related companies and no more than 25% of the fund assets in non- cybersecurity companies.
- Stocks mainly belong to the ISE Cyber Security Index or the TASE BlueStar Israeli Global Technology Index.
- There are no BioMed or renewable energy companies in the Investment universe.

The fund may invest in stocks with the following risk management characteristics:

- Market cap of all stocks must be above \$100 Million.
- Liquidity - Daily trading volume (liquidity) must allow us to liquidate in a short time.

THE INVESTMENT PROCESS

OVERVIEW



INVESTMENT UNIVERSE

The investment universe is comprised of *Israeli IT Security stocks and global Cybersecurity companies*, with a minimum \$100 Million market cap, with high average daily volume.

QUALITATIVE SELECTION

Our **External Advisory Board** provides valuable insight on emerging Cyber and Technology trends. MCM's Research Department carries out very detailed fundamental analysis, meeting the companies, including all R&D departments. A list of recommended stocks is generated for the portfolio.

PORTFOLIO CONSTRUCTION

Holdings are selected based on **Momentum** and **Volatility** criteria, similar to a Sharpe ratio. Upon inception all holdings are equally weighted and the stocks with the highest Sharpe ratio will be double-weighted. In order to guarantee sufficient liquidity in stressed times, stocks with insufficient volume will be filtered out.

RISK MANAGEMENT

The portfolio is Systematically Risk-Managed in order to reduce volatility and drawdown. The I.T. sector can undergo phases of significant over-valuation and the Risk Model captures this by controlling the allocation to cash. Our indicators are based on market trends, funds conditions and underlying companies valuations.

PORTFOLIO CONSTRUCTION

EXAMPLE OF TOP 5 PORTFOLIO ASSET WEIGHTS



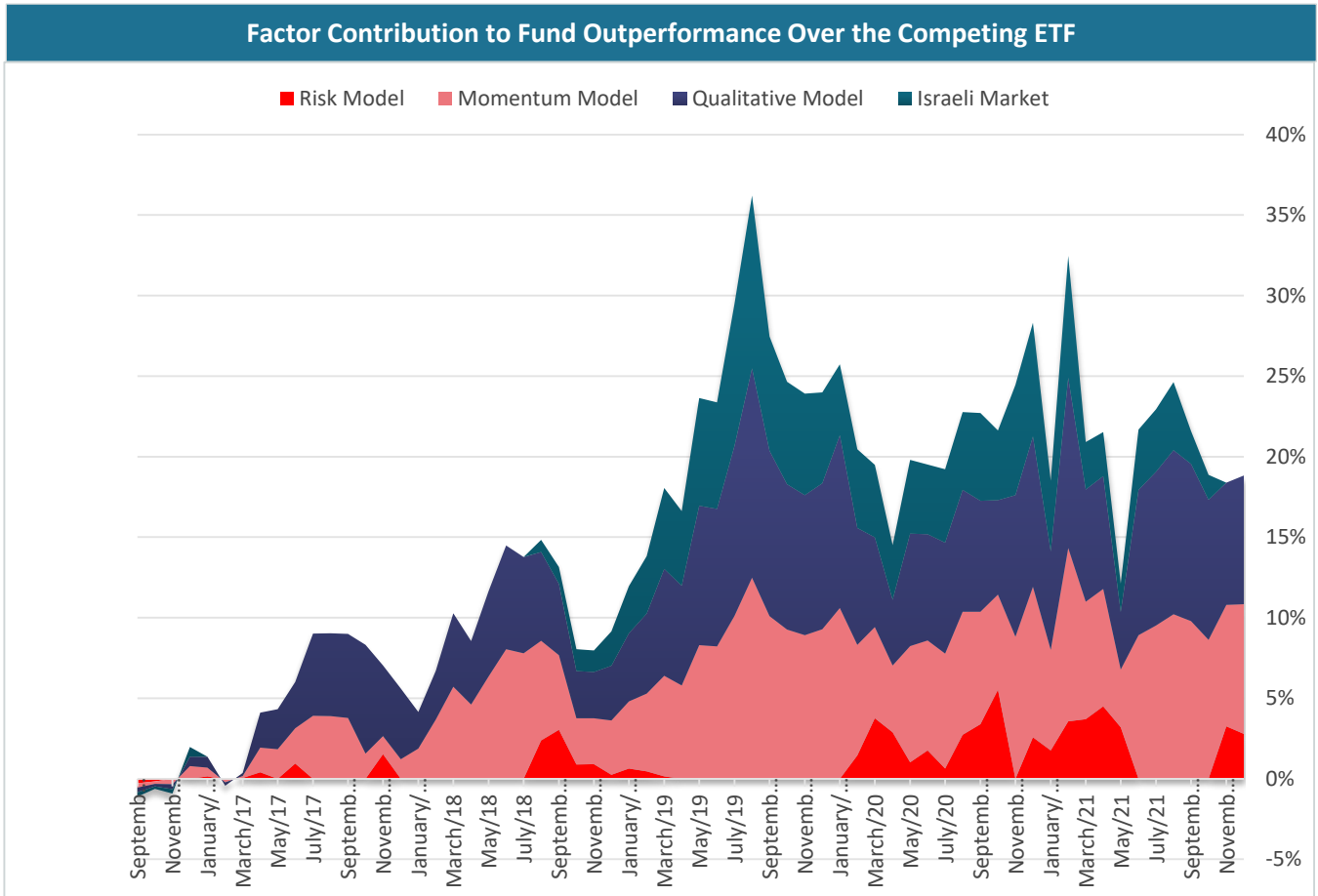
| Portfolio Weights | | Indicative Model Ranking | |
|----------------------|---------------|--------------------------|---------------------|
| <u>Top Holdings</u> | <u>Weight</u> | <u>Momentum Ranking</u> | <u>Risk Ranking</u> |
| Check Point Software | 8% | High | Low |
| Verint Systems | 8% | Medium | High |
| Varonis Systems | 8% | Medium | Low |
| Palo Alto | 8% | Low | High |
| Splunk | 8% | Low | High |

The quantitative model systematically weighs investments based on their ranking, using momentum and volatility factors.

The stocks selected by the qualitatively are then ranked according to high momentum and low volatility. The top 5 ranked stocks are allocated 8% of the portfolio weight and the others 4%.

BRINGING THE PROCESS TOGETHER

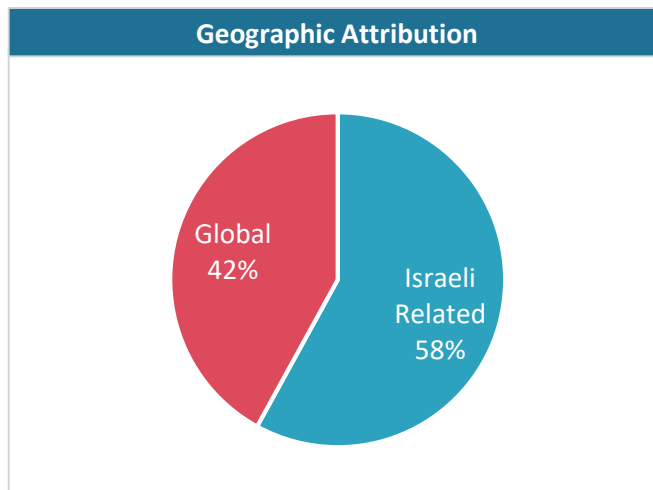
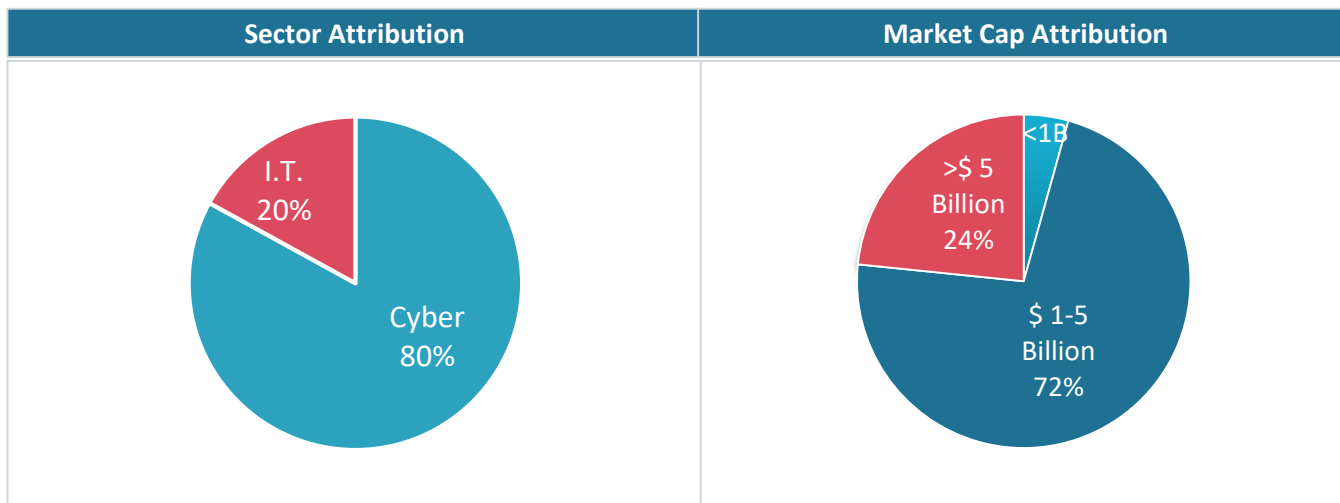
FACTOR CONTRIBUTION TO OUTPERFORMANCE



The investment factors contribute to the portfolio performance. Factors themselves undergo cycles, such that each factor's contribution may vary dynamically over time.

FUND ATTRIBUTION

FUND SECTOR AND SIZE ATTRIBUTION

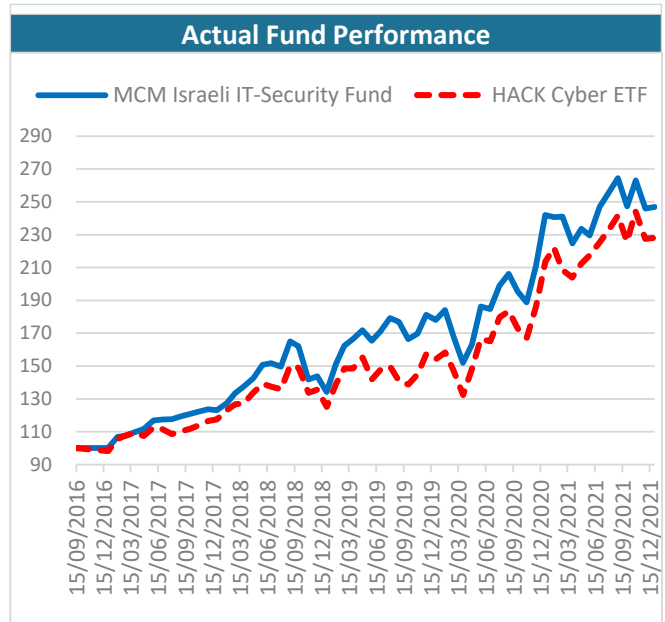


Cash Level: Normally 5% of AuM

FUND PERFORMANCE VS. THE COMPETING ETF



| Actual Fund Statistics | | | | | |
|------------------------|--------|---------|--------|---------|------------|
| RETURN | YTD | 1 Month | 1 Year | 3 Years | Since Inc. |
| MCM IT Security | 2.05% | 0.42% | 2.05% | 83.94% | 146.92% |
| HACK ETF | 6.76% | 0.26% | 6.76% | 82.34% | 128.10% |
| Bigtech Index | -8.34% | -1.00% | -8.34% | 104.45% | 158.49% |
| Nasdaq Index | 21.39% | 0.69% | 21.39% | 135.78% | 198.02% |
| STD DEV | YTD | 1 Month | 1 Year | 3 Years | Since Inc. |
| MCM IT Security | . | . | 17.16% | 22.21% | 20.49% |
| HACK ETF | . | . | 16.68% | 22.84% | 20.61% |
| Bigtech Index | . | . | 18.36% | 23.08% | 20.45% |
| Nasdaq Index | . | . | 11.90% | 19.92% | 18.17% |
| SHARPE | YTD | 1 Month | 1 Year | 3 Years | Since Inc. |
| MCM IT Security | . | . | 0.06 | 0.93 | 0.85 |
| HACK ETF | . | . | 0.35 | 0.90 | 0.80 |
| Bigtech Index | . | . | -0.51 | 1.11 | 0.88 |
| Nasdaq Index | . | . | 1.72 | 1.42 | 1.16 |



Left Table: Fund statistics

Right Graph: Actual fund net performance (class G) vs the HACK Cyber ETF.

Monthly Returns

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | ANNUAL |
|------|--------|--------|--------|-------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| 2021 | -0.57% | 0.19% | -6.78% | 4.01% | -1.82% | 7.57% | 3.50% | 3.48% | -6.43% | 6.32% | -6.50% | 0.42% | 2.05% |
| 2020 | 3.35% | -8.85% | -9.48% | 7.33% | 14.24% | -0.88% | 7.72% | 3.64% | -5.16% | -3.39% | 11.66% | 14.75% | 35.85% |
| 2019 | 12.57% | 7.37% | 2.66% | 3.18% | -3.72% | 3.34% | 4.76% | -1.27% | -5.97% | 2.06% | 6.75% | -1.68% | 32.68% |
| 2018 | 3.47% | 4.81% | 3.04% | 3.67% | 5.84% | 0.65% | -1.45% | 10.28% | -1.76% | -12.56% | 1.35% | -6.56% | 9.10% |
| 2017 | 6.85% | 0.39% | 2.36% | 1.46% | 4.81% | 0.46% | 0.09% | 1.60% | 1.08% | 1.38% | 1.01% | -0.47% | 22.89% |
| 2016 | | | | | | | | | 2.45% | -4.45% | 1.75% | 0.52% | 0.27% |

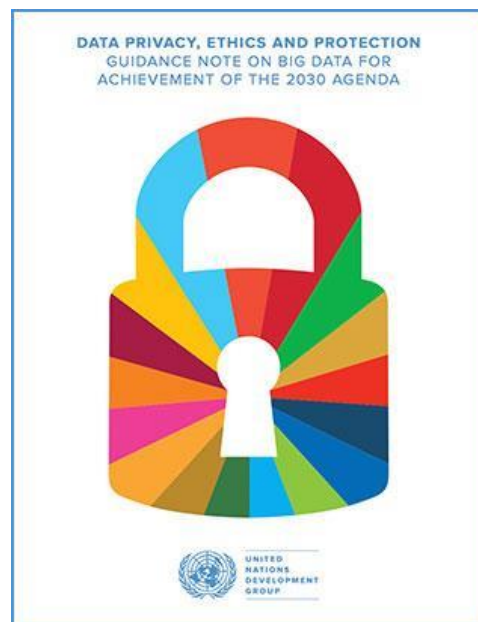
Actual performance of the MCM Israeli IT-SECURITY (CYBER) Fund does not guarantee equal future performance.

MCM Israeli IT-SECURITY (CYBER) Fund shown NET of fees. Fees may vary per share class. See below for detailed fee structure.

For professional clients only, with the experience, knowledge and expertise to make educated investment decisions and understand the associated risks. Source: MCM Alternative Investments, 2015, Bloomberg, 2015.

COMMITMENT TO RESPONSIBLE INVESTING

EU TAXONOMY ESG SCORE: The Fund=73%. The Nasdaq Index



Principles for Responsible Investment

Cyber security has been recognised as a risk in the World Economic Forum Global Risks Report for several years, with the latest version ranking cyber security as one of the top 10 risks that the world will face in the next 10 years.

Share Class characteristics

*EU TAXONOMY ESG score as calculated by Bloomberg on a previous months portfolio.

COMMITMENT TO RESPONSIBLE INVESTING

ESG POLICY



Maala Index, the first and only agency assessing Israeli Companies on their corporate social responsibility performance, has recently assigned a Platinum Rating to the Migdal group, based on criteria s.a. Organizational Ethics and Core Values, Employees, Diversity&Inclusion, Responsible Procurement, Community Contribution, Environmental Sustainability and Corporate Governance.

| | |
|--|---|
| Exclusion policy | Migdal Group has committed to remove all fossil- fuel investments from all portfolios by 2030, and this is in the process of winding down. |
| Engagement | MCM believes that engagement is a key factor for any efficient company due diligence and has always been part of the daily activities of our analysts. In the particular case of the Cyber Security fund we have a team of 11 analysts covering the sector, which give us comfort on the depth and accuracy of the corporate engagement process. |
| The company signed UN-PRI or other international protocols | MCM is proud to be the first Israeli company to adopt ESG standards and is working with the Israeli regulator in regards to the creation of an Israeli ESG reporting standard. While this is a recent development, all indications point to the Israeli regulator adopting an international standard similar to the EU Taxonomy. |
| The company defined a corporate social responsibility policy | The SRI policy has been documented and communicated to investors back in June 2020 by our Chairman of the Board (Israel Eliahu) and CEO (Sagi Stein). |
| Dedicated ESG analysts team | ESG analysis is embedded within our investment process and is becoming more and more important. We are supported by our partner S&P ESG which provides insights, best practices and holds a weekly discussion with our investment team on ESG analysis on Israeli companies. |
| Dedicated ESG PM team | As indicated above, with ESG integration in the investment process, the whole PM team is committed to fulfill sustainable guidelines. The process is coordinated by the Head of ESG Investments, Joseph Mavor. |
| Dedicated ESG reporting | MCM has internal proprietary models to monitor our ESG exposure, particularly the funds which are SRI. In addition, the fund Management Company in Luxembourg is currently updating all funds documentation to comply with SFDR, which will report the level of ESG compliance of the fund. Finally, we are proud to be working with the Israeli regulator to set up an ESG reporting standard for the Israeli market - which will put MCM ahead of the curve of our local competitors. |

FUND DETAILS

FEE STRUCTURE



| | |
|--|--|
| Class A – EUR – ISIN: LU1345291485 Minimum Subscription : 100,000 EUR | •0.75 % p.a. based on the net asset value of the Class A |
| Class B - EUR – ISIN: LU1345291642 Minimum Subscription : 10,000 EUR | •1.5 % p.a. based on the net asset value of the Class B |
| Class E - USD – ISIN: LU1345292533 Minimum Subscription : 100,000 USD | •0.75 % p.a. based on the net asset value of the Class E |
| Class F - USD – ISIN: LU1345292707 Minimum Subscription : 10,000 USD | •1.5 % p.a. based on the net asset value of the Class F |
| Class G - USD – ISIN: LU1345292962 [Closed to new subscriptions] | •0.5 % p.a. based on the net asset value of the Class G |
| Class I - USD – ISIN: LU2002716376 Minimum Subscription : 10,000 USD | •1.5 % p.a. based on the net asset value of the Class I •5% fee amortized linearly over 5 years. Early redemption within 5 years will incur the remaining fee |
| Class J - EUR – ISIN: LU2002716533 Minimum Subscription : 10,000 EUR | •1.5 % p.a. based on the net asset value of the Class J •5% fee amortized linearly over 5 years. Early redemption within 5 years will incur the remaining fee |
| Class K - GBP – ISIN: LU2002716616 Minimum Subscription : 10,000 GBP | •1.5 % p.a. based on the net asset value of the Class K •5% fee amortized linearly over 5 years. Early redemption within 5 years will incur the remaining fee |

Share Class characteristics

- Class A, Class E are reserved for Institutional Investors, with a minimal investment of 100,000 (EUR/USD).
- Class B, Class F are available to all investors , with a minimal investment of 10,000 (EUR/USD).

FUND DETAILS

ADMINISTRATIVE DETAILS



| | |
|---|---|
| Name of the SICAV | NHS-SICAV II |
| Registered Office | 1, rue Hildegard von Bingen, Luxembourg |
| Management Company | Davy Global Fund Management Luxembourg S.A. |
| Depository Bank, Administrative Agent, Registrar and Transfer Agent | UBS Luxembourg; European Fund Administrators Luxembourg |
| Auditor | PricewaterhouseCoopers Luxembourg |
| Legal form | A public limited company (société anonyme) under the form of an open-ended investment company with variable capital (société d'investissement à capital variable) and with multiple sub-funds incorporated under the laws of Luxembourg, subject to Part I of the 2010 Law. |
| Authorisation | The SICAV is registered on the official list of undertakings for collective investment in transferable securities ("UCITS") in Luxembourg and is authorised, pursuant to the UCITS IV Directive implemented into Luxembourg laws by the 2010 Law, to market its Sub-Funds in the Member States (as this term is defined under the 2010 Law). The fact that the SICAV is inscribed on the official list drawn up by the CSSF may not be interpreted in any circumstances or in any way whatsoever as a positive assessment by CSSF of the Shares offered for sale. |
| Date of incorporation | On 2 April 2015 for an unlimited duration. |
| Legal Advisor | Van Campen-Liem |
| Passporting | Luxembourg, Switzerland, Italy, UK |
| Fund Advisor | Migdal Capital Markets |

FUND DETAILS

DISCLAIMER

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Source and Copyright: Citywire. The NHS-SICAV II-MCM Israeli IT-Security G USD fund was ranked number 1 on a total return basis over 1 year by Citywire, to the period January 2019.

Morningstar: The ranking was as of January 2019 out of 468 funds in EAA Fund Sector Equity Technology Morningstar Category. The Placement of particular fund in a ranking, with 1 being the highest percentile and 100 the lowest, of its peers (i.e. Morningstar Category) for a specific datapoint.



M I G D A L
CAPITAL MARKETS

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