

Investing in Israel, for the greater good

You can be socially responsible and still turn a profit

By Elah Alkalay

Around Rosh Hashanah, we tend to devote more time to reflection. As Israel's investment houses field increased requests for *tzedakah*, the juxtaposition of the holy day and the robustness of Israeli stocks led me to think about SRI – socially responsible investing.

On the one hand, with the S&P 500 down by more than 4% year to date and with mean gains from bonds, SRI seems almost improper – a privilege for times of prosperity, not when every shekel counts. But what if you could do both: invest sensibly and have a positive social impact?

That was the concept behind the Israel Bonds your parents and maybe you invested in, which gave the Israeli government a source of badly needed foreign currency while allowing investors to 1) make a positive social impact, 2) invest in a financial instrument with competitive yields, and 3) get tax breaks.

Nowadays, the Israeli government is quite capable of raising money on the global financial markets on its own. It doesn't need investors interested in SRI. Nor does the broad economy.

Thanks to what can only be described as surprisingly strict monetary and budgetary governance, and circumstances that allowed the emergence of giants such as Teva Pharmaceuticals, NICE Systems and Israel Chemicals, the country's economy is strong. Proof of this postulation is evident in the heavy demand at public offerings of securities, and the fact that Israel's foreign currency reserves exceed its foreign debt.

The strength of Israel's banking system relative to the systems in the United States and Europe, along with the standing of the Israeli real estate sector – which unlike the rest of the world, hasn't contracted – also bear witness to this country's remarkable state of affairs. And the Israeli economy has been further strengthened by the discovery of large quantities of natural gas in the Mediterranean Sea by primarily Israel-based enterprises.

What does Israel need?

So what does Israel need? Where should you direct your SRI investments?

Here are two ideas:

1) Israel's upgrade to developed country status has substantially impacted investment by global players on the Tel Aviv Stock Exchange. Though developing-market funds moved out, Israel is not yet on the map for developed-market funds. Given the prevailing tendency to risk aversion, it will probably be some time before these global players learn about and enter our market.

2) For Israel to remain a substantial player in the global market, it must retain its technological edge.

When it comes to military technologies, Israel has an enormous advantage. A great many resources have been invested in the development of these technologies. But what about markets such as biomed or clean technology? Israel has a head start, but could certainly use more resources.

Over the last 10 years, Nasdaq generated a loss of more than 40% for investors while Teva returned more than 200%. Think of the impact Teva's success had on the Israeli stock market and, even more importantly, what it did for the country's biomed industry.

You could contribute to a life-saving cause such as the umbilical cord blood bank for bone marrow transplants through a nongovernment organization such as the Israel Cord Blood Bank (I should disclaim that I do), or you could invest in Teva, which owns the marketing rights for StemEx, a proprietary being developed to enable the use of cord blood to treat hematological malignancies (blood cancers). Given that Teva is one of the larger companies traded on Nasdaq, this would probably qualify as a relatively low risk investment.

You might considering using the portion of your portfolio allocated to high yield high risk investments (as the Hadassah Women have) to help support a company such as Hadasit, an early-stage biomed fund investing in medical technology based on work done at the Hadassah University Hospital in Jerusalem.



There are also plenty of investment ideas in sectors like clean-tech and high-tech. At this time, whatever your political stance regarding Israel, investing in the Israeli stock market provides an intriguing venue for socially responsible investing.

The country's economy would not only be strengthened and better positioned to compete in global markets, but you would also diversify your portfolio and, hopefully, improve your yields.

The author is VP Business Development of the IBI Group. The article should not serve as the exclusive basis for any investment decisions and should not be construed as counsel to trade in the securities mentioned. The IBI Group may hold some or all of the securities mentioned.



You could consider allocating part of your portfolio to life-saving biomed investments. AP

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