

ISRAEL'S VIBRANT ECONOMY AND TECHNOLOGY ECOSYSTEM: THE OPPORTUNITY FOR INVESTORS

May 2016

BlueStar Indexes®

www.BlueStarIndexes.com

Overview

- Israel's Economic Success
- Israel's Vibrant Technology Ecosystem
- Israel's Leading Companies and their vital role in global technology development
- Investing in Israel's 'Grown-Up' Start-Ups listed worldwide
- Allocating broadly to Israel within an Investment Portfolio

Israel's economic success

- Israel's economy is **well diversified** across sectors and export markets
- **Israel is a leader** in the growing Info-Tech, Bio-Tech, Defense-Tech, Agri-Tech, and Clean-Tech sectors
 - Israeli tech companies have **global reach** and produce key elements of products such as smartphones, televisions, and Internet and communication devices
- **Well-capitalized banking sector:** each of Israel's three largest banks already exceed Basel III 'Tier One' Capital Adequacy Ratio requirements
- Israel is fast-approaching **energy independence**, mitigating geopolitical risks to the economy and removing a drag on Gross Domestic Product (GDP) growth and domestic finances

Trade Agreements with Major Economies in Six Continents



Center for R&D for Domestic and Foreign Companies Alike

- Google
- Intel
- Microsoft
- IBM
- Cisco
- Huawei
- Samsung
- Tata Industries
- Lockheed Martin
- SAP
- Siemens
- General Electric
- Proctor & Gamble
- Qualcomm
- Hewlett Packard
- Facebook

Source: "The Energy Island: Israel Deals with its Natural Gas Discoveries." Brookings Institution, Policy Paper Number 35. February 2015. www.brookings.edu

Israel's Economic Success

- Israel has maintained Investment Grade ratings for its sovereign debt from all three major global rating companies
- Israel's real estate market is one of the world's strongest and most stable, underpinned by conservative lending, favorable demographics and economic growth
- Israel's equity markets have demonstrated attractive relative returns compared to both International Developed Markets and Emerging Markets over the past five, ten, 15 and 25 years

Israel Sovereign Debt Ratings

Rating Firm	Term	Domestic Bond Rating	Forecast	Foreign Bond rating
Moody's	Long	A1	Stable	A1
	Short	-		P1
Standard & Poor's	Long	AA-	Stable	A+
	Short	A1+		A1
Fitch	Long	A+	Stable	A
	Short	-		F1

Sources: Moody's, S&P Global, Fitch, Israel Ministry of Finance (as of 31 March 2016)

The Case for Investing in Israel



- Israel was upgraded to Developed Market status from Emerging Market status by the Financial Times Stock Exchange (FTSE) in 2009, Morgan Stanley Capital International (MSCI) in 2010, and joined the Organization of Economic Cooperation and Development (OECD) the same year
- Israel has the stability of a Developed Market with superior growth characteristics
- Israel has demonstrated more than 25 years of pro-market reforms and world-class monetary and fiscal policy management
- Israel is home to a dynamic mix of innovative companies across all major sectors
- World-Class companies in mature industries like pharmaceuticals, financial services, food & beverages, retailing and fertilizers
- Companies in the *Start-Up Nation* are leaders in a wide-range of innovative technologies and industries, such as Cyber-Security, Big Data, IT software, 3D printing and Biotechnology

Sources: MSCI, OECD

Israeli Technology Leadership



Israel is a Global Hub for Technology Development and Innovation

Globally, Israel Ranks

- **1st** in R&D spending as a % of GDP at 4.4%
- **1st** in quality of scientific research institutions
- **1st** in public expenditure on education
- **1st** for innovative capacity
- **2nd** for entrepreneurship among corporate managers
- **5th** in patent applications per million people
- **6th** for strength of investor protection
- **6th** for Nobel Prizes in the sciences

More than 250 global technology companies have R&D facilities in Israel

Israel is home to more start-ups per capita than any other country.

Ranked #5 in Bloomberg's 2015 Innovation Index, ahead of both the United States and Britain

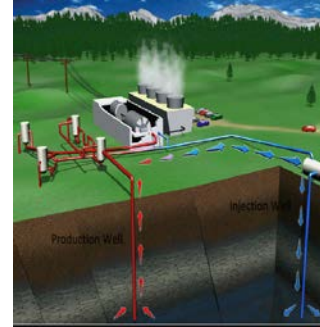
Sources: OECD, Israel Ministry of Economy, World Economic Forum, BlueStar Indexes, World Bank and Bloomberg.

Why Invest in Israeli Technology?

Developed in Israel. Used Everywhere, Every Day



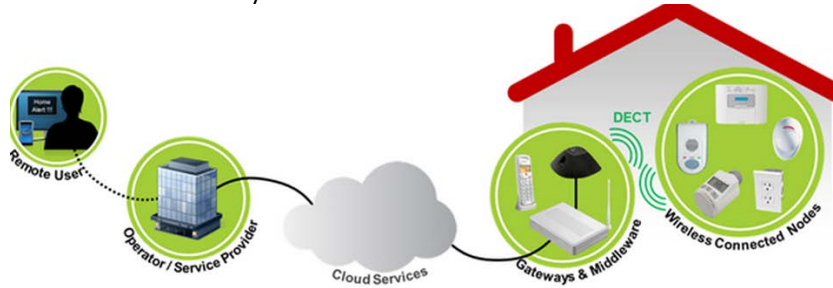
Aircraft helmet systems



Geothermal Power Technology



High-Powered Computing:
World's first end-to-end 100 gbps Ethernet solution



Internet of Things and the Connected Home and Business



Low-Pressure Irrigation:
50% Global Market Share



Consumer Electronics:
Optical Inspection Machines for TV panels and touch-screens



3D Printing: Top 3 in global market share

Why Invest in Israeli Technology?



Israel is an Indispensable Part of the Global Technology Supply Chain

Israeli Companies in the Global Technology Supply Chain

Israeli Global Technology Companies



Customers and Integrators of Israeli Global Technology Companies' Products and Services



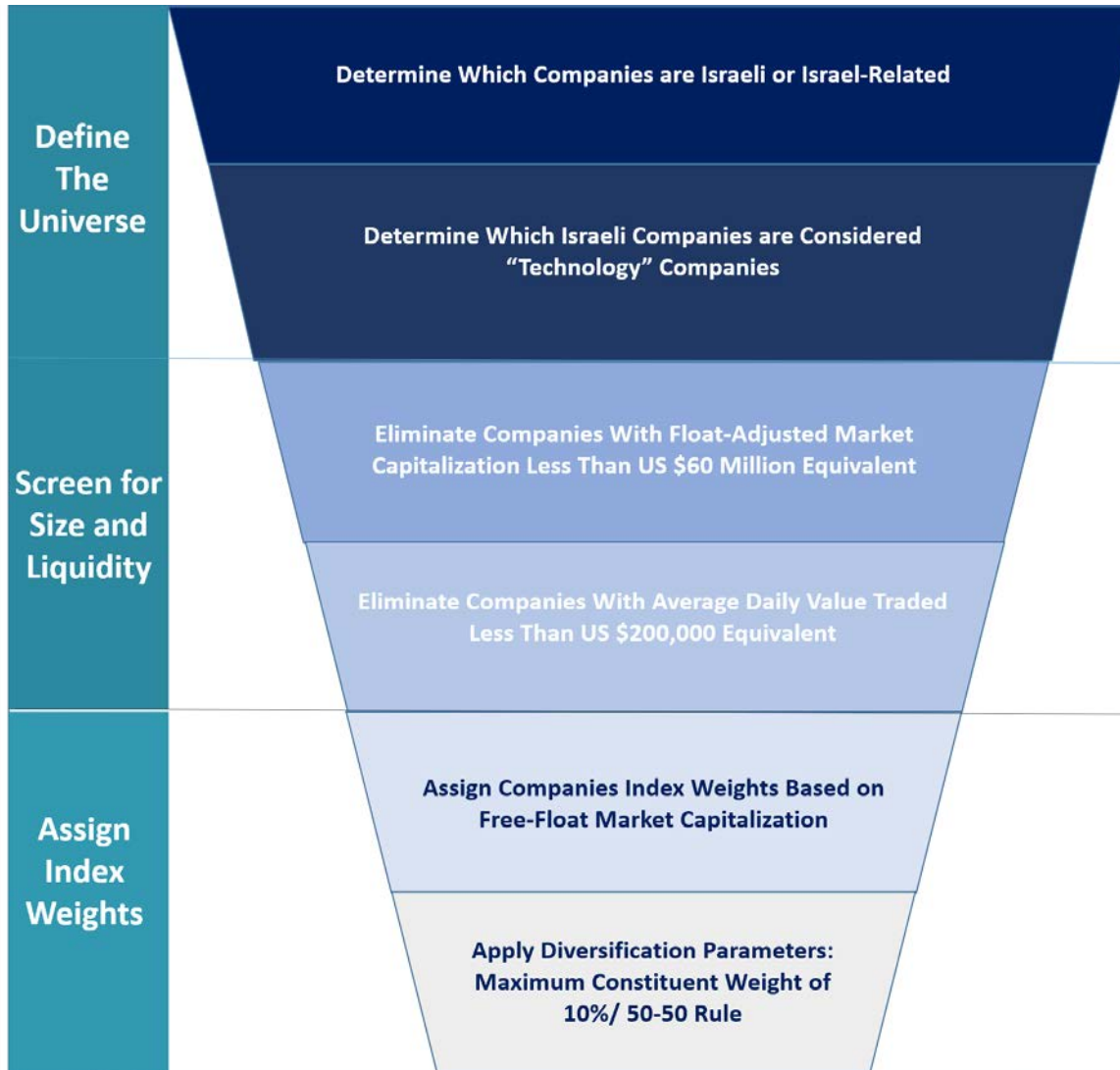
Source: Bloomberg and company filings. Illustrative

About the TA-BIGITech™ Benchmark (TASE-BlueStar Israel Global Technology Index)



- 70 stocks operating in 16 industries leading the start-up nation's world-renowned high-tech sector
- Considers all Israeli companies regardless of listing venue
- Allows for the inclusion of companies operating in a range of industries from information technology to biotechnology to sustainable agriculture & energy technology
- Calculated by Standard & Poor's, governed by BlueStar's experienced Index Advisory Committee and rebalanced twice a year (June and December)
- Calculated real-time from Tel Aviv open through New York close and co-branded with Tel Aviv Stock Exchange (TASE) since March 2015, with TASE participation in BlueStar's Index Advisory Committee
- More than a decade of Index History: TA-BIGITech™ has been live since October 2013 and fully-back tested from December 2003

TA-BIGITech™ Index Construction Process



Source: www.iteqtf.com

Index Stats/Data as of Mar. 31, 2016

Index Statistics	
No. of Securities	70
Currency	USD
Total Index FF Market Cap	\$75 billion
Largest FF Market Cap	\$16 billion
Smallest FF Market Cap	\$50 million
Average FF Market Cap	\$1 billion
Listing Venue Weight	
Weight on NYSE/Nasdaq Only	60%
Weight on TASE Only	2%
Weight on LN/SGX Only	6%
Dual-Listed	32%
Market Cap- Segmentation	
> \$5 Billion	36%
\$750 Million to \$5 Billion	37%
< \$750 Million	27%

Source: BlueStar Indexes, data Subject to Change.

TA-BIGITech™ Evolves with Israeli Technology – Selected new constituents since December 2013



Company Name	Exchange	Market Cap (USD)	Entry Date
Chiasma	Nasdaq	459m	12/15
EndoChoice	NYSE	200m	12/15
SolarEdge Technologies	Nasdaq	1.3b	06/15
Kornit Digital	Nasdaq	430m	06/15
Sarine Technologies	Singapore	797m	06/15
Foamix Pharmaceuticals	Nasdaq	325m	06/15
Neuroderm	Nasdaq	273m	06/15
Mobileye	NYSE	1.5b	12/14
Cyberark Software	Nasdaq	350m	12/14
Matomy Media Group	London	250m	12/14
Rewalk Robotics	Nasdaq	185m	12/14
Crossrider	London	185m	12/14
Lumenis	Nasdaq	360m	06/14
Safecharge International	London	290m	06/14
Enzymotec	Nasdaq	170m	06/14
Varonis Systems	Nasdaq	390m	06/14
Borderfree	Nasdaq	390m	06/14
Alcobra	Nasdaq	285m	12/13
Plus500	London	570m	12/13
Wix.com	Nasdaq	640m	12/13

Source: BlueStar Indexes – Data Subject to Change

Top 10 Constituents and Industries (as of Mar. 31, 2016)

Company	Index Weight
Amdocs Ltd	10.80%
Check Point Software Tech	10.36%
Mobileye Nv	8.71%
Mellanox Technologies Ltd	5.90%
Nice Systems Ltd	4.82%
Opko Health Inc	4.45%
Elbit Systems Ltd	4.26%
Verint Systems Inc	3.82%
Ormat Technologies	2.93%
Imperva Inc	2.80%



Source: BlueStar Indexes – Data Subject to Change

GICS Industry	Weight
Software	35.85%
IT Services	12.83%
Semiconductors & Semiconductor	11.17%
Biotechnology	8.42%
Communications Equipment	5.40%
Aerospace & Defense	4.26%
Internet Software & Services	3.87%
Independent Power and Renewabl	2.93%
Pharmaceuticals	2.79%
Health Care Equipment & Suppli	2.61%
Technology Hardware, Storage &	2.49%
Electronic Equip., Instruments	2.01%
Diversified Financial Services	1.77%
Machinery	1.25%
Hotels Restaurants & Leisure	1.06%
Life Sciences Tools & Services	0.81%
Leisure Products	0.47%

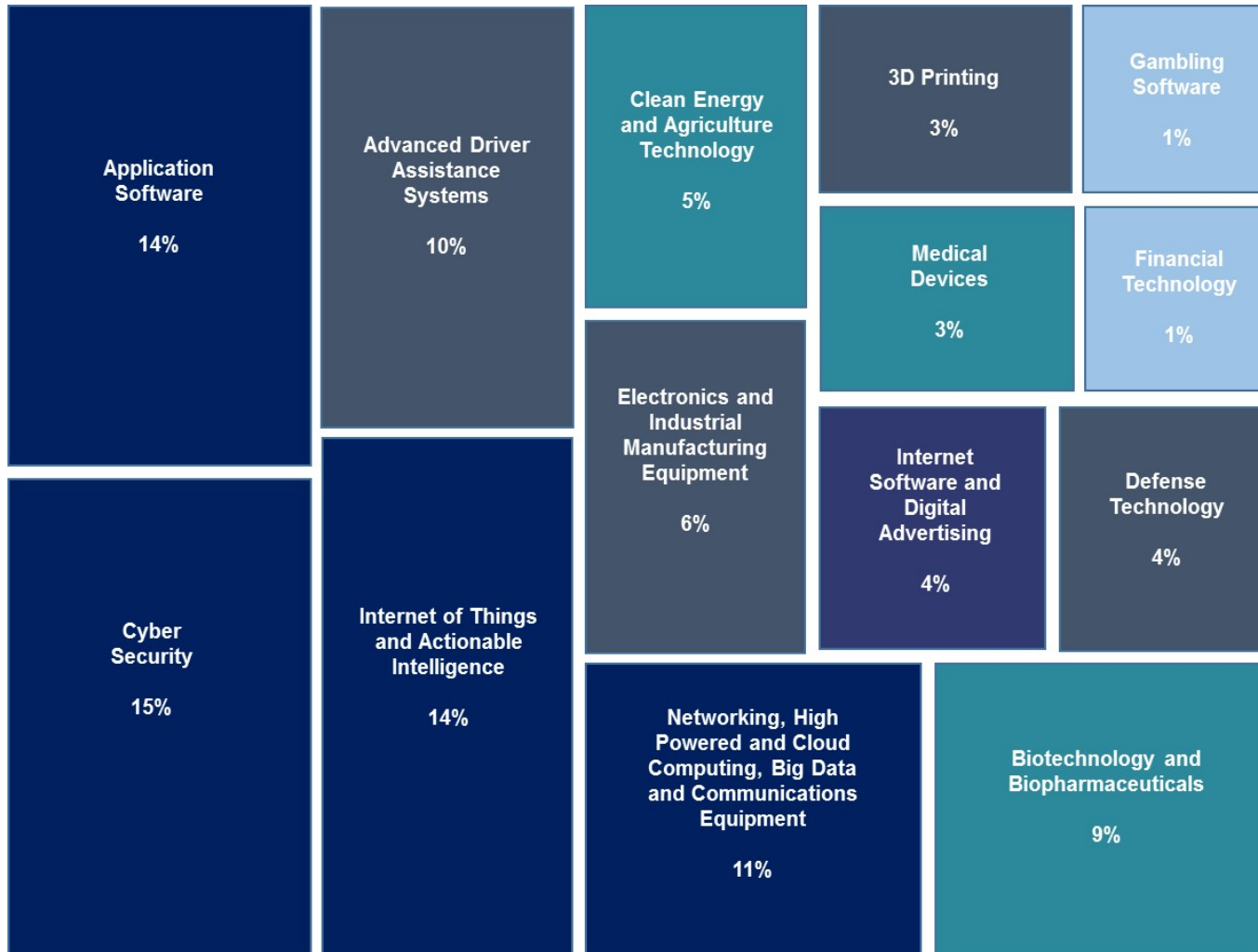
Source: BlueStar Global Investors, LLC.

Industry Exposure



Why Invest in Israeli Technology?

TA-BIGITech™ provides exposure to companies in secular growth industries



Source: BlueStar Indexes®
TA-BIGITech™ benchmark weights as of Mar. 31, 2016
(data subject to change)

Why Use TA-BIGITech™ As Your Benchmark?

Technology Exposure That Can't be Found Anywhere Else



Index	AUM of U.S. ETFs Tracking Index (Millions)	Number of Constituents In Common With TA-BIGITech Index	Total Weight Of Constituents In Common With TA-BIGITech Index	Company Names In Common With TA-BIGITech Index
S&P Global 1200 Information Technology Index	\$925	0	0.00%	None
Technology Select Sector Index	\$1,400	0	0.00%	None
North American Tech-Software Index	\$1,000	2	0.81%	Verint Systems, Imperva
Dow Jones U.S. Technology Index	\$3,000	2	0.31%	Amdocs, Verint Systems
Nasdaq 100 Technology Index	\$309	1	2.94%	Check Point Software
Nasdaq 100 Index	\$43,000	1	0.30%	Check Point Software
Nasdaq Biotechnology Index	\$8,000	5	0.24%	Chiasma, Alcobra, Neuroderm, Foamix, Compugen
S&P SmallCap Information Technology Index	\$420	3	0.90%	DSP Group, Ceva, Live Person
ISE Cyber Security Index	\$1,000	4	14.92%	Imperva, CyberArk, Check Point Software, Radware
ISE Cloud Computing Index	\$543	1	0.92%	Check Point Software
Philadelphia Semiconductor Index	\$417	0	0.00%	None

TA-BIGITech Comparative Performance



Annualized Returns for Periods Ending Mar. 31, 2016

Index Name	2016 YTD	1yr.	3yrs.	5yrs.
EAFE	-2.88%	-7.87%	2.67%	2.76%
MSCI EM	5.75%	-11.70%	-4.08%	-3.80%
S&P 500	1.35%	1.78%	11.82%	11.58%
Russell 2000	-1.52%	-9.76%	6.84%	7.20%
MSCI Israel	-10.06%	-8.43%	8.88%	-0.28%
TA-100	-1.61%	-6.69%	3.19%	-0.84%
BIGI*	-2.92%	-8.97%	5.35%	N/A
NASDAQ 100	-2.06%	4.74%	18.26%	15.34%
TA BlueTech 50	1.52%	-10.16%	0.55%	0.31%

Sources: BlueStar Indexes, MSCI, S&P, TASE

Annualized Standard Deviation of Returns for Periods Ending Mar. 31, 2016

Index Name	2016 YTD	1yr.	3yrs.	5yrs.
EAFE	24.11%	17.14%	13.62%	15.52%
MSCI EM	34.92%	23.34%	16.66%	18.77%
S&P 500	20.45%	14.66%	11.36%	12.22%
Russell 2000	29.07%	17.45%	15.33%	16.68%
MSCI Israel	13.25%	21.84%	15.95%	18.61%
TA-100	16.77%	17.49%	14.49%	16.27%
BIGI*	21.14%	16.39%	12.31%	N/A
NASDAQ 100	23.73%	18.20%	13.75%	14.17%
TA BlueTech 50	30.53%	19.38%	17.42%	17.29%

Sources: BlueStar Indexes, MSCI, S&P, TASE

Conclusion

- Strong fundamental case for allocating to Israel within your Investment Portfolio
- Opportunity for both International Equity investors and Global Tech Investors to complete their exposure
 - Broad-based Israeli Global Equities missing from Developed Market portfolios
 - Israeli Tech Stocks missing in US & Global Tech Indexes & ETFs
- We believe that Israel's Vibrant Technology Ecosystem is changing the world for the better
- Israel's 'Grown-Up' Tech Companies can complete a Global Technology Investors' Exposure

Index Definitions

- S&P Global 1200 Information Technology Index: The S&P Global 1200 Information Technology index consists of all members of the S&P Global 1200 that are classified within the GICS® information technology sector.
- Technology Select Sector Index: The membership of Technology Select Sector combines constituents of the GICS Information Technology and Telecommunication Services sectors
- North American Tech-Software Index: The S&P North American Technology Software Index provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® application software, systems software and home entertainment software sub-industries.
- Dow Jones U.S. Technology Index: The Dow Jones U.S. Technology Index represents the Technology Industry as defined by the proprietary classification system described at www.djindexes.com. The index is one of ten indices that together make up the Dow Jones U.S. Index, which represents approximately 95% of U.S. market capitalization.
- Nasdaq 100 Technology Index: The NASDAQ-100 Technology Sector Index is an equal weighted index based on the securities of the NASDAQ-100 Index that are classified as Technology according to the Industry Classification Benchmark (ICB) classification system.
- Nasdaq Biotechnology Index: The NASDAQ Biotechnology Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as either Biotechnology or Pharmaceuticals which also meet other eligibility criteria. The NASDAQ Biotechnology Index is calculated under a modified capitalization-weighted methodology.
- S&P SmallCap Information Technology Index: The S&P SmallCap 600® Capped Information Technology Index imposes capped weights on the index constituents included in the S&P SmallCap 600 Index that are classified in the GICS® information technology sector.
- ISE Cyber Security Index: The ISE Cyber Security® Index provides a benchmark for investors interested in tracking companies actively involved in providing cyber security technology and services.
- The companies in this index are either those which work to develop hardware and/or software that safeguards access to files, websites and networks, both locally and from external origins or those that utilize these tools to provide consulting and/or cyber security services to their clients.
- ISE Cloud Computing Index: The ISE Cloud Computing Index uses a market capitalization weighted allocation across the pure play, non pure play and technology conglomerate categorizations as well as an equal weighted allocation methodology for all components within each sector allocation. Index components are reviewed quarterly for eligibility, and the weights are re-set accordingly.
- Philadelphia Semiconductor Index: The PHLX Semiconductor Sector IndexSM (SOXSM) is a modified market capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.
- TA-BIGITechTM: The TASE-BlueStar Israel Global Technology Index is comprised of companies that are involved in a broad range of technology sectors, including cyber security, big data, cloud computing, clean and renewable energy, among others. Members of the index are traded on stock exchanges in the U.S., Europe and Asia.
- EAFE: The Morgan Stanley Capital International EAFE Index is a market capitalization weighted index composed of company's representative of the market structure of 21 Developed Market countries in Europe, Australasia and the Far East.

One cannot invest directly in an index.

Index Definitions

- MSCI EM: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure emerging markets equity performance.
- S&P 500: The S&P 500 Index is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices.
- Russell 2000: The Russell 2000 Index is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.
- MSCI Israel: The Morgan Stanley Capital International Capped Israel Investable Market Index is free-float adjusted index that caps the weights of its largest constituents and only includes companies that meet certain investability criteria.
- TA-100 Index: The TA-100 Index is a stock market index comprised of the 100 largest companies by market capitalization listed on the Tel Aviv Stock Exchange (TASE).
- BIGI®: The BlueStar Israel Global Index is comprised of publicly traded companies that are generally considered by the Index Provider to be Israeli companies. Members of the index are traded on stock exchanges in the U.S., Europe and Asia.
- NASDAQ 100: The Nasdaq 100 Index includes 100 of the largest domestic and international nonfinancial companies listed on The Nasdaq Stock Market based on market capitalization.
- TA BlueTech: The TA BlueTech index is comprised of companies included in the TA-Technology and TA-Biomed indexes which include the largest Tel Aviv Stock Exchange-listed companies in those sectors
- Global Equities (MSCI ACWI): MSCI ACWI represents the Modern Index Strategy and captures all sources of equity returns in 23 developed and 23 emerging markets.
- Global Equities ex-US (MSCI ACWI ex-US): The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. With 1,855 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.
- US Equities (S&P 500): The S&P 500 Index is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices.
- Israeli Equities (BIGI®): Defined above.
- Global Bonds (Barclays Global Aggregate): The Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.
- Global Bonds ex-US (Barclays Global Agg. ex-US): The Barclays Global Aggregate ex-US bond index is a broad-based flagship benchmark that measures the performance of the global investment-grade, fixed rate, fixed income corporate markets outside the United States
- US Bonds (Barclays Aggregate): The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).
- Israel Bonds (Israel Bonds): Israel Bonds is an international organization that markets Israeli government bonds directly to individual and institutional investors. BlueStar Global Investors has calculated historical performance of these bonds.

One cannot invest directly in an index.

THANK YOU...

FOR MORE INFORMATION PLEASE CONTACT

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ETF Managers Group

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