

Prospectus
“Ilanot (I*) Ilan”
Security no. 5111398
MUTUAL FUND TO FOREIGN RESIDENTS

AN OFFERING TO THE PUBLIC OF:

An unlimited number of registered units of 100 US Dollars par value each, are being offered at varying Unit Prices determined by the Fund Manager pursuant to the provisions of sections 4 and 5 of the Prospectus in addition to a premium of up to 1.5%, as specified in sections 2.5 and 2.6 of the Prospectus. Notwithstanding the aforesaid and until 30.3.2006, the Fund's units are being offered with no premium.

The units are offered on any trading day as defined in Section 2.3 hereunder (usually from Mondays to Thursdays), commencing 1.1.2006, 8:30 a.m. Israel time, until 31.12.2006, 16:00 p.m. Israel time.

Units in the Fund are offered to Foreign Residents only, as defined in the Income Tax Ordinance (New Version), against payment in foreign currency from the deposit of a foreign resident in an Israeli bank. Regarding restrictions in respect of offering units in the Fund to specific foreign residents see Section 2 of the Prospectus.

An open mutual fund.

The Fund's Investment Policy

According to the Fund Agreement, the Fund will invest at least 50% of the net value of its assets in foreign securities together with options traded abroad. The remaining assets of the Fund will be invested at the sole discretion of the Fund Manager, all within the framework of the maximum percentage of assets values that are held by the Fund, as stipulated by the Law.

Maintenance of asset levels at rates other than those described above for a period of no more than two trading days shall not be considered a deviation from the percentages stipulated, as aforesaid, provided that a deviation as mentioned will not exceed five times during a period of 12 recent months.

The Fund Manager is authorized to change, in whole or in part from time to time, the investment policy without authorization of a meeting of the Unit holders.

As required by Law, an immediate notice and announcement in the press will be given of any change in the Fund's investment policy.

The Fund Manager may, from time to time, invest in options for the Fund (including options trading outside of Israel), within the framework of the maximum permitted rate thereof, as stipulated by the law. As of the date of this Prospectus, the value of options permitted to be held by the Fund, except for Call-1 Options on the TA-25 Portfolio, is limited to the maximum rate of 10% of the Fund's net asset value calculated as above. As to the investment in options and future contracts, and the risks inherent therein see section 10.2 of the Prospectus.

The Fund Manager may execute on behalf of the Fund, subject to provisions of the law, the following:

- a. Purchase, sale and writing of options and futures contracts.
- b. Short sales.
- c. Lending securities held by the Fund for the purposes of short sale transactions.

In the year ended 30.9.2005 the average percentage make-up of the main investments of the Fund was (data according to at the end of each month):

Shares and options traded overseas	Approx.	69%
Foreign government bonds	Approx.	12%
Cash in foreign currency	Approx.	19%

Following are details of changes in the redemption price of the Fund's Units in comparison to various indices:

	<u>For the year ended:</u>	
	<u>30.9.2005</u>	<u>30.9.2004</u>
Redemption price of the Fund's Units (in dollar terms)	13.33%	21.73%
Redemption price of the Fund's Units (in Israeli currency terms)	16.26%	22.80%
S&P 500 Index	10.25%	11.91%
Representative exchange rate of US dollar	2.63%	0.88%
Consumer Price Index	1.89%	0.80%

Liable Fund to Foreign Residents

The Fund is an Indebted Fund to foreign residents, as defined in the Income Tax Ordinance, regarding taxation of the Fund's assets and taxation of the unit holder. The provisions applying to an Indebted Fund and the tax rates and/or the exemptions from tax applying to foreign residents shall apply to the Fund. See Section 21 of the Prospectus.

Remuneration of Fund Manager and Trustee

The Fund Manager receives annual remuneration equivalent to 2.5% and the Trustee receives annual remuneration equivalent to 0.05%**, both on the basis of the value of the Fund's assets as calculated for the purpose of determining the Unit Price. Under the terms of the Trust Agreement, the annual remuneration of the Trustee may be increased to a maximum of 0.09% annually of the Fund's assets as aforesaid. The Fund Manager will report in the press, as required by law, any changes in the rate of remuneration of the Trustee and the Fund Manager within the scope of the maximum percentages stated above. For further details refer to section 16 of the Prospectus.

The Fund Manager: Ilanot Discount Ltd.

The Trustee: Ubank Trust Company Ltd.***

The Hebrew published version of this Prospectus shall be the sole binding version. The permit provided by the Israeli Securities Authority concerns only the Hebrew version of the Prospectus.

The translated version of the Prospectus is published in the public site of the Israeli Securities Authority as a report regarding an Event in the Fund (Form 123).

The English translation of the Prospectus is a faithful translation of the Hebrew version; see the notary's authentication which is attached to the translated version.

January 1, 2006

* An Indebted Fund

** Until 30.6.2005 the Trustee's remuneration was at a rate of 0.09% of the aforesaid value.

*** Until 6.4.2005 the Trustee's name was Investec Trust Company (Israel) Ltd.

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1. **INTRODUCTION**

1.1 **Approvals**

The Fund has received all the permits and approvals required under any law for the offer and issuance of the units and for the publication of the Prospectus.

A copy of this Prospectus is available at the public site of the Israeli Securities Authority (hereinafter: "the Securities Authority") whose address is: www.magna.co.il.

The permit granted by the Securities Authority for the publication of the Prospectus does not constitute a verification of the particulars contained in the prospectus, or a confirmation of the reliability or completeness of such particulars or an expression of opinion as to the quality of the units offered.

1.2 **The Fund**

The Fund is called **"ILANOT (I) ILAN" Mutual Fund to Foreign Residents** (hereinafter: "the Fund").

The Fund was established pursuant to a Trust Agreement signed on December 7, 1989, which has been revised since then from time to time (hereinafter: "the Fund Agreement") to which the provisions of the Joint Investments Trust Law 5754-1994 (hereinafter: "the Law") apply.

The Fund is a Liable Fund to foreign residents, in respect of taxation of the Fund's assets and taxation of the unit holder. The tax provisions which apply to a Liable Fund and the tax rates and/or exemptions which apply to foreign residents shall apply to the Fund. See section 21 of the Prospectus.

The Fund is an Open Fund as defined by the Law.

1.3. **The Trustee**

Ubank Trust Company Ltd. (formerly: Investec Trust Company (Israel) Ltd.) whose principal business is performing trust roles, and its registered office is in 38, Rothschild Blvd., Tel-Aviv. The Trustee is a wholly owned subsidiary of Ubank Ltd. Its primary purpose is to be engaged in trusteeships and it meets the requirements of the Law to serve as the Fund's Trustee.

The Trustee serves as the trustee of other mutual funds under the management of the Fund Manager, and as trustee of mutual funds under the management of other fund managers.

The Fund Manager is using the services of Ubank Ltd. (hereinafter: "Ubank"), the parent company of the Trustee, for the purpose of providing assets revaluation services to all the funds under the management of the Fund Manager. The Fund Manager bears the payment for services as aforesaid from its own resources.

1.4 **The Fund Manager**

Ilanot Discount Ltd., (hereinafter: "the Fund Manager"), whose registered office is in 14, Echad Ha'am Street, Tel Aviv, is a company incorporated in Israel and its business is the management of mutual funds. As of the date of the Prospectus there are 60 funds managed by the Fund Manager. Regarding the holders of the Fund Manager and the expected changes therein, see section 12.5 hereof.

1.5 The Fund's Banker

Israel Discount Bank Ltd., (hereinafter: “Discount Bank”) which is the party controlling the Fund Manager also serves as the Fund’s banker, as securities broker for the Fund, and also as the principal distributor of the Fund’s units. The Fund Manager may also avail itself of the banking services of other banks from time to time, for the Fund. In the matter of revenues of Discount Bank from distribution and buying and selling commissions of securities for the Fund, see section 17.3 below.

Discount Bank is assisted by the services of Ubank Ltd. in carrying out activities in securities for the Fund and for other mutual funds under the management of the Fund Manager, and it bears the payment to Ubank Ltd. from its own resources.

1.6 Interest in the Fund Manager and in the Trustee

Israel Discount Bank Ltd., which holds 100% of the share capital and the voting power of the Fund Manager, holds approximately 26% of the issued and repaid share capital of the First International Bank of Israel Ltd. as well. Ubank Ltd. is fully owned by the First International Bank of Israel Ltd.

1.7 Number of Fund Units in Circulation

The number of Fund Units number in circulation as at 15.11.2005 was 32,222 registered Units of 100 U.S. Dollars par value each.

1.8 List of Mutual Funds Managed by the Fund Manager on the Date of the Prospectus

<u>Name of Fund</u>	<u>Security Number on the Stock Exchange</u>
Ilanot (E) Aga"ch Activit Mutual Fund	5111059
Ilanot (E) Aga"ch Chavarot Ve'Hamara Mutual Fund	5104286
Ilanot (E) Aga"ch Plus Mutual Fund	5111075
Ilanot (I) Ilan Mutual Fund for Foreign Residents	5111398
Ilanot (E) Astrategiot Mao"f Mutual Fund	5102785
Ilanot (E) Asia Mutual Fund	5111539
Ilanot (E) Latin America Mutual Fund	5103791
Ilanot (E) Gmisha Mutual Fund	5111430
Ilanot (E) Dekel Menayot Mutual Fund	5111133
Ilanot (I) Hachnassa Hodshit Mutual Fund	5111232
Ilanot (E) Chu"l Mutual Fund for Overseas Investments	5111414
Ilanot (I) Chissachon Mugan Mutual Fund	5111372
Ilanot (I) Chissachon Nazil Mutual Fund	5102660
Ilanot (E) Chissachon Tzamud Mutual Fund	5102835
Ilanot (E) Chassifa Le'Yeridat T"A 25 Mutual Fund	5102488
Ilanot (E) Templeton Aga"ch Globalit Mutual Fund	5111174
Ilanot (E) Templeton Global Mutual Fund	5104708
Ilanot (I) Templeton Global Equity Mutual Fund for Foreign Residents	5105515
Ilanot (E) Euro Mutual Fund	5231295
Ilanot (E) Yeter 50 Mutual Fund	5111455
Ilanot (I) Csafim Muganim Mutual Fund	5111158
Ilanot (I) Magen Mass 2009 Mutual Fund	5100573
Ilanot (E) Madad Katzar-Beinoni Mutual Fund	5111331
Ilanot (E) Mata"ch Agressivit Mutual Fund	5111117
Ilanot (E) Mata"ch Meguvenet Mutual Fund	5111273
Ilanot (E) Menayot Globalit Mutual Fund	5102868
Ilanot (E) Menayot Dinamit Mutual Fund	5104658
Ilanot (E) Mao"f Mutual Fund	5111471
Ilanot (E) Mao"f Baribua Mutual Fund	5111570
Ilanot (E) Maka"m Ve'od Mutual Fund	5104112
Ilanot (I) Maka"m Plus Mutual Fund	5102470
Ilanot (E) NASDAQ 100 Mutual Fund	5111554
Ilanot (E) New York Mutual Fund	5111513
Ilanot (E) Potential Mutual Fund	5231071
Ilanot (E) Pama"ch Nazil Mutual Fund	5103247
Ilanot (E) Platinum Mutual Fund	5103288
Ilanot (E) Patza"m Nazil Mutual Fund	5231097
Ilanot (I) Pikadon Nazil Mutual Fund	5231014
Ilanot (E) Tzmudin Arukim Mutual Fund	5117015
Ilanot (I) Rimon Mutual Fund	5111356
Ilanot (E) Shessek 75 Mutual Fund	5111299
Ilanot (E) Shkalim Astrategiot Mutual Fund	5104351
Ilanot (E) Shiklit Aktivit Mutual Fund	5111596
Ilanot (E) Shiklit Aruka Mutual Fund	5117056
Ilanot (E) Shiklit Beinonit Mutual Fund	5102892
Ilanot (I) Shkalim Atid Mutual Fund	5231030
Ilanot (E) Shiklit Ktzara Mutual Fund	5102900
Ilanot (E) T"A 25 Mutual Fund	5117031
Ilanot (E) T"A 75 Plus Mutual Fund	5102876
Ilanot (E) Tidhar Accumulated Mutual Fund	5111190
Ilanot (E) Tick Aga"ch Mutual Fund	5111018
Ilanot (E) Tick Aga"ch \$ Mutual Fund	5231170
Ilanot (E) Tick Aga"ch Tzamud Mutual Fund	5117098
Ilanot (E) Tick Aga"ch \$ + 20 Mutual Fund	5102884
Ilanot (E) Tick Aga"ch + 20 Mutual Fund	5111216
Ilanot (E) Tick Aga"ch + 35 Mutual Fund	5111034
Ilanot (E) Tick Aga"ch + 50 Mutual Fund	5111109
Ilanot (E) Tel-Aviv 100 Mutual Fund	5111315
Ilanot (E) Tel-Tech 15 Mutual Fund	5231055
Ilanot (I) Dollar Bonds Mutual Fund for Foreign Residents	5102231

(I) – Indebted fund

(E) – Exempt fund

2. OFFERING OF FUND UNITS AND THEIR PRICES

The Units in the Fund are being offered to foreign residents only, as they are defined from time to time in accordance with the Income Tax Ordinance (New Version), including its regulations and permits as shall be in force from time to time.

At the date of this Prospectus, a **Foreign Resident** as defined in section 1 of the Income Tax Ordinance (New Version) for this purpose, is a person **who is not an Israeli resident**, as in the following definition of an "Israeli Resident":

- (A) Regarding an individual – a person whose center of life is in Israel; and in this respect the following provisions shall apply:
- (1) For the purpose of determining the center of life of an individual, his entire familial, economic and social connections will be taken into consideration and among them also: (a) place of his permanent residence; (b) his and his family members' place of residence; (c) his regular or permanent place of business or his permanent place of employment; (d) his active and significant place of economic interests; (e) place of his activity in the various organizations, unions or institutions;
 - (2) The presumption is that the center of life of an individual during a fiscal year is in Israel – (a) if he stayed in Israel for 183 days or more during the fiscal year; (b) if he stayed in Israel 30 days or more during the fiscal year, and his whole stay in Israel during the fiscal year and the two preceding years thereof amount to 425 days or more;
For the purpose of this paragraph, a "day" – including part of a day;
 - (3) The presumption mentioned in paragraph (2) above may be contradicted both by the individual and by the assessment officer;
 - (4) The Minister of Finance, with the approval of the Knesset Finance Committee, is entitled to determine stipulations that will enable to consider an individual who is not an Israeli resident as per paragraphs (1) and (2) above, as an Israeli resident, as long as one of the following requirements is met: (a) he is an employee of the State of Israel; (b) he is an employee of a municipal authority in Israel; (c) he is an employee of the J.O.I.N.T in Israel; (d) he is an employee of the Keren Kayemet Le'Israel, Keren Hayessod – Hamagbit Hameuchedet Le'Israel; (e) he is an employee of a government company; (f) he is an employee of a national authority or a corporation incorporated by law, and in addition he is entitled to determine as aforesaid that categories of individuals considered as Israeli residents as per paragraphs (1) and (2) above, shall not be considered as such, all according to the stipulations he shall determine.
- (B) Regarding body corporate – a body corporate that meets one of the following: (1) it was incorporated in Israel; (2) its business control and management are being operated in Israel

The units being offered pursuant to this Prospectus have not been and will not be registered under the United States Securities Law - 1933, as amended. Accordingly, said units will not be offered for sale in the United States, unless such offering or sale shall be effected in accordance with the registration requirements of said law or shall be exempt from registration, as aforesaid.

The units are not offered for sale to a person, corporation or other body which is barred or restricted from buying or holding the units, or from being the owners thereof, according to the law of the country of which he or it is a citizen or resident, or pursuant to any other law which applies to him or it.

Any foreign citizen or foreign resident wishing to invest in the units must verify that he complies with all the provisions of the law that govern him in this regard, as described above, and must also obtain any government or other permit and comply with any formal requirement and pay any tax payable according to any law applicable to him as aforesaid in respect of the purchase of units or the transfer thereof, or any other tax imposed on him in this regard, and if he has any doubt in this connection, he should consult with his professional advisers on the subject.

Subject to the Fund's definition as a Mutual Fund to Foreign Residents in the Income Tax Regulations (Exempt from Tax on Certain Incomes of an Indebted Mutual Fund to Foreign Residents), 7563-2003, the financing of the Fund's purchases will be made out of the account of a foreign resident only. In addition, a foreign resident will submit to the distributor a declaration asserting his being a foreign resident, within 14 days from the date of purchasing the Fund's unit or the date of commencement of the fiscal year, the latest among them.

The Fund Manager and the Trustee bear no responsibility toward purchasers of units who are foreign citizens or foreign residents in connection with the restrictions imposed on them, with respect to the purchase of the Fund's units, pursuant to any law.

2.1 **The Units Offered**

An unlimited number of registered units of 100 U.S. Dollars (hereinafter: "Dollar" or "Dollars") par value each are being offered.

According to the Fund Agreement, the Fund Manager may limit from time to time the maximum number of units of the Fund in circulation, change from time to time such maximum number of units or cancel any such limitation. The Fund Manager will give an immediate report at least 7 days in advance of any such determination.

2.2 **The Period of the Offering**

The units are offered, from 8:30 Israel time on 1.1.2006 until 31.12.2006, 16:00 Israel time on (hereinafter: "the offering period") at varying unit prices.

2.3 **Days on which Units are Sold**

Units of the Fund shall be sold, during the period of the Offering, on any day from Mondays to Thursdays in which a trading takes place both on the Tel-Aviv Stock Exchange and on each stock exchange and/or regulated market outside Israel where the value of the foreign securities held in the Fund purchased therein exceeds 10% of the net value of the Fund's assets (hereinafter: "Trading Day").

2.4 **Unit Price**

The Unit Price shall be calculated for each trading day as defined in sections 4 and 5 below.

2.5 **Premium to the Unit Price**

2.5.1 Under the Fund Agreement the Fund Manager may add to the Unit Price an amount that shall not exceed 5% of the Unit Price (hereinafter: "premium"). The cases where the premium will be collected on sale of units and the premium rates within the aforesaid maximum rate shall be determined by the Fund Manager as specified in the Prospectus. The Fund Manager shall be authorized to vary, from time to time, the instances in which the premium is collected as set out in the Prospectus and may reduce the rate of premium provided that a newspaper notice is published beforehand, as required by law.

Notwithstanding the above the Fund Manager will be authorized from time to time at his discretion fully or partially to waive the rate of premium as provided in the Prospectus.

2.5.2 The rate of premium for Units offered under this Prospectus is up to 1.5% of the Unit Price subject as stated in sections 2.6 and 2.7. Notwithstanding the aforesaid and until 30.3.2006, the Fund's units are being offered with no premium.

2.6 **Unless the Fund Manager notifies otherwise by immediate announcement in the press, the following reduced rates of premium will be in effect:**

Situation requiring a Reduced Premium Rate	Rate of "Premium" (instead of 1.5%)	Size of the Reduction
A purchase at one time of Units for a total cost* amounting to between \$4,000 and \$15,000	1.00%	0.50%
A purchase at one time of Units for a total cost* amounting to between \$15,000 and \$30,000	0.75%	0.75%
A purchase at one time of Units for a total cost* in excess of \$30,000	0.50%	1.00%
Monthly purchase of Units according to standing order given in advance by the purchaser.	0.25%	1.25%
Purchase of units in exchange for amounts distributed to the purchaser in respect of his units in the Fund and in other funds under the management of the Fund Manager** on a distribution of cash payments to all the Unit Holders thereof provided his banker is instructed at least one business day before the distribution date of his request to acquire additional units in the Fund as above and their purchase will be effected on the distribution date.	Exempt	1.50%

* The total cost does not include the premium.

** Other funds under the management of the Fund Manager were specified in Section 1.8 above. In the event that new funds managed by the Fund Manager are established, the aforesaid provisions shall apply to each such new fund.

2.7 Reduction of the Premium in Special Cases

2.7.1 The Fund Manager shall be authorized at any time during the offering period, to offer for such specified period of time and/or in such quantity as it may determine at their Unit Price with the addition of a rate of premium lower than the rate of premium indicated in sections 2.5.2 and 2.6 above or without the addition of any rate of premium whatsoever (hereinafter reduced rate offer). The Fund Manager shall notify on any offer at a reduced premium as required by law.

2.7.2 In addition to the aforementioned, the Fund Manager, may at its sole discretion, give any purchaser of units an exemption from the premium or a reduction in the appropriate rate of the premium according to the circumstances as described in Sections 2.5.2 or 2.6 or 2.7.1 above in respect of the units ordered by him.

2.8 Suspension and Resumption of Sale

The Fund Manager will be entitled to suspend and resume from time to time the issue of new units in the Fund under this Prospectus for such period as he will determine from time to time provided he gives notice to that effect published in a newspaper as required under the Law, so long as the net value of the Fund assets will be at least NIS.4 million, (subject to linkage to the Consumer Price Index according to the Regulations in this connection on the date of the Prospectus and being NIS 6,250,000) and/or the number of the Unit Holders of the Fund will be at least 200 persons, as the case may be.

2.9 Applications for Units

- 2.9.1 The units being offered under this Prospectus, may be applied for at the branches of any bank, and through any TASE member (hereinafter: “the distributors”) in the manner generally practiced for this purpose. The distributor, to whom an application for units was given, shall submit them to the Fund Manager via the TASE clearing system. In accordance with the law, the distributor must submit to the Fund Manager via the TASE clearing system, all applications for units given to the distributor and may not offset them against a request to the distributor to redeem units.
- 2.9.2 Applications for units received by a distributor on a trading day by 16:00 (hereinafter: “the designated hour”) will be delivered to the TASE clearing system during that day up until the designated hour or within the period of time prescribed by the Minister of Finance (as at the date of this Prospectus, such period of time has not yet been fixed). Applications for units received by a distributor after the designated hour or within the period of time prescribed by the Minister of Finance or on a day when there is not trading, will be delivered to the TASE clearing system by the distributor up to the designated hour on the first trading day following. Applications for units received by the TASE clearing system on any given trading day will be delivered to the Fund Manager by the TASE clearing system on the same day immediately after the designated hour at the latest (hereinafter: “the operative time”).
- 2.9.3 Applications for units received by the Fund Manager up to the operative time on any trading day will be considered as applications submitted on that trading day. Applications for units received by the Fund Manager after the operative time on any trading day or on a day not being a trading day, will be considered as applications submitted on the first trading day following. The day on which the application is submitted to the Fund Manager for the units will, in accordance with the aforesaid, be considered and called the application day.
- 2.9.4 The Fund Manager shall be authorized to periodically change the designated hour as defined in section 2.9.2 above and the operative time as described in section 2.9.2 above, provided that a prior announcement regarding such a change is issued as required by law.
- 2.9.5 In the event that an application for units was submitted to the distributor before the designated hour on a given trading day and that application was not received by the Fund Manager before the operative time on that same day, the applicant shall be authorized to cancel the application by notice submitted to the distributor until the designated hour of the first trading day following, provided such notice of cancellation is received by the Fund Manager up until the operative time of the aforementioned day. In the event that the notice of cancellation is received by the Fund Manager after the operative time on the aforesaid day, the Fund Manager shall act in accordance with the aforesaid in section 2.9.3 above.
- 2.9.6 In consideration of each application received by the Fund Manager, the applicant will pay an amount equal to the Unit Price on the day of the application plus the applicable premium as described in sections 2.5.2, 2.6 and 2.7 above according to the situation.

Payment for the units shall be effected in “Dollars” that are deposited in the deposit account of a foreign resident. Pursuant to the Fund Agreement, at the purchaser’s request, the Fund Manager shall also be authorized (though not obliged) to accept payment for the units in another foreign currency. Should the Fund Manager agree to accept payment for the units in a currency other than the “Dollar” as aforesaid, it shall issue a notice in the press at least three days’ prior, and specify the manner in which the calculation of the amount which must be paid for the units in a currency which is not in “Dollars”.

The distributor through whom the application was submitted will be responsible to transfer to the Fund's account via the clearing system, an amount equal to the result from multiplying the price of a unit by the number of units applied for from the distributor and as well, to transfer to the Fund's Banker - the Israel Discount Bank Ltd., at its principal Tel Aviv branch (hereinafter: "the Fund's Banker") via the TASE clearing system., for the credit of the Fund Manager's account an amount equal to the premium accruing to the Fund Manager for the aforesaid units, and all valued on the day of the application.

- 2.9.7 As long as the net value of the Fund's assets, and/or the number of holders of Fund Units, is not less than the minimum value or the minimum number determined in the regulations (see section 2.8 above), the Fund's Manager will be authorized to reject applications for units, in whole or in part, provided that the Fund Manager treats all applications given on the same day on a similar basis. In accordance therewith, in the case of a partial rejection of applications, all applications will be rejected in the same proportion.

In the case of a rejection of an application for units, in whole or in part, the applicant will not be required to pay for the units not purchased.

2.10 **Distribution Commission to Distributors**

The Fund Manager shall pay the distributors of the Fund Units a distribution commission at the rates indicated below, in respect of units that are sold through them:-

- 2.10.1 The Fund Manager shall pay distributors commission, on units sold according to applications submitted by the distributor, equal to one half of the rate of premium charged on said units in accordance with sections 2.5.2, 2.6 and 2.7.1. A distribution commission will not be paid to a distributor for units sold at the Unit Price with no additional premium.
- 2.10.2 Notwithstanding the aforesaid in section 2.10.1 above, the Fund Manager shall be authorized at its sole discretion to pay the distributors any distribution commission which the Fund Manager determines to be appropriate for the sale of units according to applications submitted through the distributors.
- 2.10.3 The Fund Manager has special arrangements with the Fund's bankers - Israel Discount Bank Ltd. and with Mercantile Discount Bank Ltd., Clal Finances Batucha Investments Management Ltd. and Harel Capital Markets Ltd., with respect to the distribution commission, which the Manager pays to them for distributing units of the mutual funds under its management including the units of this Fund. These special arrangements differ from those with the other distributors as is described in section 2.10.1 above.
In the event that changes in the aforesaid arrangements and/or new arrangements shall occur, the Fund Manager will notify in an immediate report thereof.
- 2.10.4 The distribution commission will be paid from the resources of the Fund Manager and not from the Fund's Assets.
- 2.10.5 The law prohibits the offering of a payment or other compensation with regard to the purchase, redemption, sale or holding of units other than a reduction of the premium. Subject to this regulation, the distributors will be authorized to grant discounts to applicants who applied for Units through them from the amount owing for units sold to them in accordance with those same applications, provided that the Fund receives the Unit Price for each Unit sold.

3. PARTICULARS REGARDING PREVIOUS UNIT PRICES

The following are the high and low Unit Prices each year, from 1.1.2003 until 16.11.2005 (the price in U.S. Dollars per every unit of 100 US Dollars each:

<u>Period</u>	<u>Date</u>	<u>Lowest</u> <u>Price</u>	<u>Date</u>	<u>Highest</u> <u>Price</u>
1.1.2002-31.12.2003	12.3.2003	306.31	29.12.2003	448.71
1.1.2004-31.12.2004	12.8.2004	423.73	15.12.2004	483.82
1.1.2005-16.11.2005	28.4.2005	459.76	31.7.2005	523.31

The Unit Price together with the premium (for a unit of 100 US Dollars par value) on 16.11.2005 was \$506.97.

4. DETERMINING THE UNIT PRICE AND THE REDEMPTION PRICE

"The Unit Price" on any Day - is equal to the purchase price of the Fund's assets, as defined in the Law plus the expenses entailed in their acquisition, less the Fund's liabilities, divided by the total number of units in the Fund, all on the same day.

"The Redemption Price" on any Day - is equal to the sale price of the Fund's assets, (as defined in the Law) less the expenses entailed in their sale, less the Fund's liabilities, divided by the total number of units in the Fund, all on the same day.

The expenses entailed in the acquisition of the Fund's assets and in their sale are calculated on the basis of the commissions that the Fund pays on the purchase or sale of said assets in accordance with the relative value of the various Fund asset classes.

For the purpose of determining the Unit Price and the Redemption Price, as defined above, the buying and selling prices and expenses of the Fund Units will be calculated in accordance with section 5.

5. CALCULATION OF THE BUYING AND SELLING PRICE OF THE FUND ASSETS

5.1 The calculation of the purchase price and the sale price of all the Fund's assets, and the determination which shall serve as the basis for the calculation of the Unit Price and the redemption price, shall be calculated every trading day in accordance with in the Joint Investments Trust Regulations (Purchasing and Selling Prices of the Assets of a Fund and Value of a Fund's Assets) - 1994.

5.2 With respect to foreign securities including participation units or shares in foreign funds comprised in the Fund's assets:

5.2.1 The value of a foreign security traded on a stock exchange, for a trading day, is its closing price at the stock exchange on which it is traded, for the previous trading day ("Last"). If the foreign security has no closing price as aforesaid, its value shall be its average price for the previous trading day (average of "Ask" and "Bid" prices), as published by Bloomberg London.

The value of a security traded on a regulated market, for a trading day, is its average price for the previous trading day (average of "Ask" and "Bid" prices), as published by Bloomberg London.

In the event that no publication of prices as aforesaid is available, the Fund Manager shall obtain the information regarding said prices by other means which shall seem fit to it, considering the circumstances.

- 5.2.2 Regarding investment of the Fund in units of a foreign fund - The Fund Manager collects current management fees (by which the Fund Manager is remunerated) from the Fund's assets. An investment by the Fund in units of another mutual fund causes those holding units in the Fund to pay a higher management fee for the same investment as both the Fund Manager and the other fund manager charge a management fee plus a premium.
- 5.2.3 For the purpose of calculating the buying and selling prices of the Fund's assets, an amount shall be deducted from the prices of securities included in the Fund's assets, equal to tax at the rates determined for such fund, which would have been paid if exercised at the date taken into consideration when calculating the buying and selling prices of the Fund's assets. In addition, the tax for securities already exercised, but which was not yet paid, will be deducted, subject to the tax rates and/or the tax exemptions applying to foreign residents (see Chapter 21 of the Prospectus).
- 5.3 The Board of Directors of the Fund Manager, with the consent of the Trustee, prescribed the guidelines for determining the values of the Fund's assets in certain cases detailed in the Regulations, as follows:
1. a. As regards securities including a unit in a closed fund traded on a stock exchange in Israel, in which no transactions have been effected on the stock exchange for three consecutive trading days, and with respect to such a security traded on a stock exchange on weekly trading for which no transaction has been made on the weekly trading day thereof (including where there are such transactions due to suspension of trading), the value thereof will generally be calculated according to the last price fixed for that security by the stock exchange unless special circumstances exist justifying and enabling the calculation of the value thereof according to another price.
 - b. As regards options traded on a stock exchange in Israel in which no transactions on the stock exchange have been effected on any trading day, the value thereof will generally be calculated according to the last price fixed for that option by the stock exchange unless special circumstances exist justifying and enabling the calculation of the value thereof according to another price.
 - c. As regards foreign securities, including options, units or shares of a foreign fund being a closed fund and traded on a stock exchange or regulated market abroad having no price making it possible to determine the value thereof according to the Regulations on any trading day, the value thereof will generally be calculated according to the price used in most recently calculating the value thereof prior to such trading day unless special circumstances exist justifying and enabling the calculation of the value thereof according to another price.
 - d. As regards debentures the trading of which has been suspended following redemption, the price will be the last price on the last trading day thereof plus an amount equal to the difference between the redemption price of the debenture and the last price as aforesaid, such difference being divided by the number of days remaining between the last trading day thereof and the actual redemption date, multiplied by the number of days which elapsed from the last trading day thereof until the trading day in respect of which the value thereof is calculated. A price other than that stated above will only be determined if special circumstances exist justifying and enabling another price to be fixed.

- e. The cases where the value of a security will be calculated according to a price other than that prescribed in these guidelines and such other price whereby the value of a security will be calculated will be determined by a committee consisting of the managing director and one of the members of the investment committee. This committee will be assisted by two advisors - the Investment Department Manager of the Fund Manager and the leading investments manager of the Fund Manager. In the absence of the Managing Director, in any case, another member of the Investment Committee will deputize for him.
 - f. The price whereby the value of a security will be calculated pursuant to these guidelines will be examined and, to the extent necessary, redetermined, each trading day pending the possibility of calculating the value thereof according to the price defined in the Regulations.
2. As regards securities purchased on an issue where more than three trading days have passed since it was purchased and trading therein has not commenced, the price thereof will be determined daily, pending the commencement of trading, by a committee consisting of the Managing Director and a director representing the public interest, being a member of the Investments Committee. This committee will be assisted by two advisors - the Investment Department Manager and an economic consultant employed by Clal Finances. In the absence of the Managing Director, in any case, another member of the Investment Committee will deputize for him.
 3. As regards TA-25 Index Options, Dollar Rate Options, Euro Rate Options and TA-Banking Index Options that are traded on the stock exchange in Israel, the value thereof will be calculated as at the expiry date according to the amount that will be paid to a holder thereof at the time of its expiry, in the manner set out below. In calculating the unit and redemption prices as at the expiry date of these options, the value of the options that have expired will be included according to the last price fixed for them on the stock exchange plus the margin (in excess of the value of the options as stated) or less the loss, depending on the circumstances, in respect of the expiry thereof. This margin or loss will be calculated according to the TA-25 Index or the Dollar rate or the Euro rate or the TA-Banking Index depending on the circumstances, whereby the financial clearing of the expiry will be effected. On the date the financial clearing on the expiry is effected, the amounts by which the Fund's account was actually credited or debited in respect of the expired options will replace those sums included in respect of those options calculated according to the unit and redemption prices of the funds as at the expiry date of those options.

The above applies - mutatis mutandis - also to all options on any index or rate of any currency exchange rate (so far as they are traded on indices and other exchange rates) - on a stock exchange in Israel according to rules similar to the trading expiration and clearing rules of TA-25 Index Options and Dollar Rate Options, Euro Rate Options and TA-Banking Index Options, depending on the circumstances, on the Tel Aviv Stock Exchange Ltd.

5.4 Tax rebates expected by the Fund

According to a Circular dated March 2, 1995 issued by the Securities Authority to fund managers, tax rebates expected by a fund in respect of its past financial year, although they have not actually been received, are to be included by fund managers in calculating the unit and redemption prices of the fund units, during the fund's financial year but before concluding the auditing of the fund's financial statements for that financial year by the fund's auditors. The amount of such expected rebate is subject to a check by the Assessing Officer and will be increased by linkage differentials and interest according to law until the date that the rebate is actually received. Until actually receiving the tax rebate, the unit and redemption prices will be updated in the middle of each month in respect of interest and linkage differentials accrued according to law in such month on account of such expected tax rebate.

5.5 The commission rate (in percentages) paid by the Fund Manager as of the Prospectus date on the purchase and sale of assets according to the type of asset, are as follows⁽¹⁾:

<u>Type of Asset</u>	<u>Commission Rate</u>
<u>Securities traded on the Tel-Aviv Stock Exchange</u>	
Shares and Warrants	0.10
Treasury Bills (Short Term Loans)	0.05 (until 30.3.2006 – 0.025)
Bonds	0.10 (until 30.3.2006 – 0.05)
TA-25 Portfolio Options (CALL-1)	0.10
TA-25 Index Options (excluding CALL 1 options)	} NIS 3.5 per option (until 30.3.2006 – NIS 2.75)
NIS/Dollar (US) Options	
NIS/Euro Options	
Options on the TA-Banking Index	
<u>Foreign Securities</u>	
<u>Foreign securities traded on regulated markets (other than bonds and options)</u>	
Commission to securities agent ⁽²⁾	---
Commission to Fund's Banker	0.20 (until 30.3.2006 – 0.10)
<u>Foreign securities traded on stock exchanges (other than bonds and options)</u> ⁽³⁾	
Commission to securities agent	4 cents per share
Commission to Fund's Banker	0.20 (until 30.3.2006 – 0.10)
<u>Bonds traded overseas</u>	
Commission to securities agent ⁽²⁾	---
Commission to Fund's Banker	0.10
<u>Options traded overseas</u> ⁽⁴⁾	
Commission to foreign securities agent	3 cents per option's underlying asset unit (minimum \$25 per transaction)
Commission to Fund's Banker	1 cent per option's underlying asset unit whose price is up to \$1.5 2 cents per option's underlying asset unit whose price exceeds \$1.5
<u>Futures traded overseas</u> ⁽⁵⁾	
Commission to securities agent	\$8 per futures contract (upon closing)
Commission to Fund's Banker	\$10 per futures contract (upon closing)
<u>Transfer of dual-listed shares</u> ⁽⁶⁾	
Commission to securities agent	\$50 per transaction
Commission to Fund's Banker	0.125 (maximum \$40 per transaction)

(1) As long as it is not otherwise said, the commission is paid to the Fund's banker.

(2) Most of the foreign securities held by the Fund are being purchased at the "Ask" price and sold at "Bid" price. The difference between these two prices is the margin generally retained by the market maker and is, from the Fund's point of view, similar to the payment of a commission by it. This margin could be sizeable where securities have a low tradability or where the share price is relatively low, and is not included in the rates set out above.

(3) During the year ending 30.9.2005 the Fund paid a commission to the foreign securities agent for purchases and sales of foreign securities at a rate of 0.09%.

(4) Every transaction in options is being executed in multiples of 100 underlying asset units. The option price is a price per one underlying asset unit. During the year ending 30.9.2005 no transactions in options were executed.

(5) The commission will be included in calculations of the redemption price of the Funds' units and not in the calculations of the Fund's unit price.

(6) The commission is payable on the transfer of the registration of dual-listed shares from Israel to abroad and vice-versa. This commission is not brought into account when calculating the buying and selling prices of the Fund's units.

6. LIST OF UNITS ISSUED AND REDEEMED

From the date of the Fund's operation until 30.9.2003, 218,064 units of US\$ 100 par value were issued and 185,950 units were redeemed. Details regarding issued and redeemed units, purchase rate and redemption price per unit of US\$ 100 par value each on the last trading day of each month commencing October 2003, are included in the following table:

Month	No. of issued units	Proceeds in NIS for units issued according to unit price	No. of redeemed units	Proceeds in NIS for units redeemed according to unit price	Purchase Rate ⁽¹⁾ in \$	Redemption price in \$
<u>2003-2004</u>						
Oct.	188	344,112	154	270,645	412.49	404.88
Nov.	167	308,333	21	38,216	424.01	416.18
Dec.	70	131,124	595	1,131,040	443.59	439.75
Jan.	437	857,271	5	9,793	446.54	442.56
Feb.	847	1,707,673	537	1,086,831	457.79	453.66
March	551	1,137,611	364	729,964	462.66	458.35
April	144	300,009	447	920,195	446.28	442.39
May	102	205,658	106	210,149	440.80	436.13
June	19	38,835	72	147,932	456.79	451.92
July	4	7,761	611	1,206,810	436.23	432.40
August	44	87,095	3	6,927	443.55	439.73
Sept.	0	0	76	154,053	456.93	455.29
	=====	=====	=====	=====		
Total	2,573	5,125,482	2,991	5,912,555		
<u>2004-2005</u>						
Oct.	5	9,721	12	23,612	445.08	443.68
Nov.	1,221	2,510,452	552	1,134,860	470.25	469.02
Dec.	21	43,649	17	34,415	480.20	478.97
Jan.	0	0	365	751,995	477.61	476.36
Feb.	143	308,054	16	34,899	504.12	502.80
March	863	1,863,232	19	40,389	484.24	482.68
April	66	132,675	32	67,599	459.76	458.24
May	176	369,583	484	1,005,299	483.17	481.66
June	12	27,000	88	189,891	498.78	497.24
July	30	70,673	478	1,125,704	523.31	521.66
August	0	0	23	53,457	510.91	509.39
Sept.	58	134,691	40	93,228	517.56	515.96 ⁽²⁾
	=====	=====	=====	=====		
Total	2,595	5,469,730	2,126	4,555,348		
<u>2005</u>						
Oct.	0	0	24	53,710	497.39	495.79
Nov. ⁽³⁾	88	211,109	6	14,148	506.97	505.36
	=====	=====	=====	=====		
Total	88	211,109	30	67,858		
Total from Fund's launch	<u>223,320</u>		<u>191,098</u>			

1. The unit price includes the premium, if charged, at that time.

2. The redemption price of the unit as calculated by the auditors and as published in the financial statements as of 30.9.2005 is 515.74.

3. The details are until 16.11.2005.

7. LIST OF ASSETS AS OF 16.11.2005: (unaudited)

<u>Security</u>	<u>Quantity</u>	<u>Price</u>	<u>Market value in NIS. on 16.11.2005</u>	<u>% of the value of the Fund's assets as of</u>	
				<u>16.11.2005</u>	<u>30.6.2005</u>
<u>Shares traded in the US</u>					
(1#) Price in US dollars trade currency					
<u>Non Israeli shares traded in the US</u>					
<u>Mortgage Banks and other Financing Institutes</u>					
Freddie Mac (FRE US)	17,170	61.08	4,965,800	6.43	3.92
<u>Insurance</u>					
American Int'l Group (AIG)	11,000	66.33	3,454,798	4.47	3.93
Everest RE Group Ltd (RE US)	3,690	106.38	1,858,687	2.41	2.11
MBIA INC (MBI US)	10,900	60.62	<u>3,128,689</u>	<u>4.05</u>	3.98
<u>Total Insurance</u>			<u>8,442,174</u>	<u>10.93</u>	<u>10.02</u>
<u>Computers and Computer Services</u>					
Intl Business Mach Corp (IBM)	10,300	86.54	4,220,599	5.47	2.42
<u>Telecommunication and Manufacturers of Telecommunication Equipment</u>					
Sprint Nextel Corp (S US)	4,000	24.27	459,673	0.60	
Cisco Systems Inc. (CSCO US)	25,000	17.27	2,044,928	2.65	2.94
Alltel Corp (AT US)	7,150	61.82	<u>2,092,931</u>	<u>2.71</u>	<u>2.74</u>
<u>Total Telecom and Manufacturers of Telecom Equipment</u>			<u>4,597,532</u>	<u>5.96</u>	<u>5.68</u>
<u>Financial Services</u>					
Lincoln Natl Corp (LNC US)	6,430	50.98	1,552,139	2.01	1.86
<u>Real Estate, Construction and Development</u>					
Beazer Homes USA Inc (BZH US)	7,380	62.67	2,189,959	2.84	2.60
<u>Construction Products</u>					
Pulte Homes Inc (PHM US)					4.67
Centex Corp (CTX US)	7,000	69.51	<u>2,303,908</u>	<u>2.98</u>	<u>3.48</u>
<u>Total Construction Products</u>			<u>2,303,908</u>	<u>2.98</u>	<u>8.15</u>
<u>Multimedia and Networks</u>					
Liberty Media Corp-A (L US)	30,000	7.78	1,105,149	1.43	3.14
Cablevision Sys NY (CVC US)	20,000	24.45	2,315,415	3.00	3.96
News Corp Inc-CL A (NWS/A US)	31,894	14.45	2,182,211	2.83	3.18
Discovery Holdings (DISCA US)	5,000	14.99	<u>355,006</u>	<u>0.46</u>	
<u>Total Multimedia and Networks</u>			<u>5,957,781</u>	<u>7.72</u>	<u>10.28</u>
<u>Investment and Holding Corporations</u>					
Weyerhaeuser Co (WY US)	4,700	64.42	1,433,634	1.86	1.84

<u>Security</u>	<u>Quantity</u>	<u>Price</u>	<u>Market value in NIS. on 16.11.2005</u>	<u>% of the value of the Fund's assets as of</u>	
				<u>16.11.2005</u>	<u>30.6.2005</u>
<u>Oil and Energy Corporations</u>					
Burlington Resources Inc (BR)	10,000	69.92	3,310,712	4.29	3.40
EOG Resources Inc (EOG US)	4,800	69.71	1,584,368	2.05	1.68
Kerr-McGee Corp (KMG US)	5,000	86.02	2,036,523	2.64	
Petroleo Brasileiro Adr (PBR)	1,015	64.28	308,931	0.40	0.33
Teekay Shipping Corp (TK US)	10,500	41.29	2,052,835	2.66	2.84
Anadarko Petroleum (APC US)	6,000	89.45	2,541,274	3.29	5.56
Pioneer Natural Resources Co	13,000	50.58	<u>3,113,451</u>	<u>4.03</u>	<u>3.37</u>
<u>Total Oil and Energy Corporations</u>			<u>14,948,094</u>	<u>19.36</u>	<u>17.18</u>
<u>Medicine and Medical Equipment</u>					
Glaxosmithkline PLC (GSK US)	3,300	51.84	810,025	1.05	
Pfizer Inc. (PFE US)	6,300	21.37	637,477	0.83	
Johnson & Johnson (JNJ US)	2,250	63.25	673,849	0.87	
Bristol Myers Squibb Co (BMY US)	12,100	21.85	1,251,862	1.62	1.86
Biosante Pharmaceuticals Inc	500	4.47	10,582	0.01	0.01
Sanofi-Aventis-ADR (SNY US)	2,030	39.96	<u>384,097</u>	<u>0.50</u>	
<u>Total Medicine and Medical Equipment</u>			<u>3,767,892</u>	<u>4.88</u>	<u>1.87</u>
<u>Biotechnology</u>					
Amgen Inc. (AMGN US)	1,000	81.41	385,500	0.50	
<u>Securities / Index Funds</u>					
SPDR Trust Series 1 (SPY)	2,500	123.49	1,461,812	1.89	
<u>Technology</u>					
Comcast Corp-CI A (CMCSA US)	14,000	26.10	1,730,500	2.24	2.64
<u>Transportation</u>					
OMI Corp (OMM US)					1.10
(1#) As per the representative currency of the US dollars as of 16.11.2005: 4.735000					
Total shares traded in the US			<u>57,957,324</u>	<u>75.07</u>	<u>69.56</u>
<u>Foreign Bonds without Coupon</u>					
(1#) Price in US dollars trade currency					
<u>Government Bonds</u>					
US T BILL 28/07/05					21.35
US T BILL 19.01.06	3,475,000	0.99	<u>16,344,853</u>	<u>21.15</u>	
(*1) As per the representative currency of the US dollars as of 16.11.2005: 4.735000					
<u>Total Foreign Bonds without Coupon</u>			<u>16,344,853</u>	<u>21.15</u>	<u>21.35</u>

<u>Security</u>	<u>Quantity</u>	<u>Price</u>	<u>Market value in NIS. on 16.11.2005</u>	<u>% of the value of the Fund's assets as of</u>	
				<u>16.11.2005</u>	<u>30.6.2005</u>
<u>Futures</u>					
(*2) Price in US dollars trade currency					
S&P 500 FUT 09.05 (SPU5)					
S&P 500 FUT 12.05 (SPZ5)	19	1,225.95			
(*2) As per the representative currency of the US dollars as of 16.11.2005: 4.735000					
<u>Total Futures</u>		=====	=====	=====	=====
<u>Non-negotiable Securities</u>					
@ Gibor Sabrina Convertible Bond 1	35,282	0.00			

<u>Security</u>	<u>Market value in NIS. on 16.11.2005</u>	<u>% of the value of the Fund's assets as of</u>	
		<u>16.11.2005</u>	<u>30.6.2005</u>
Total securities at market price	<u>74,302,177</u>	<u>96.22</u>	<u>90.91</u>
Cash in NIS	61,536	0.08	
Cash in foreign currency	2,858,461	3.70	9.02
Net accrued income	26,533	0.03	0.11
Payables	<u>(21,469)</u>	<u>(0.03)</u>	<u>(0.04)</u>
Net value of the Fund's Assets	<u>77,227,238</u>	<u>100.00</u>	<u>100.00</u>
Selling expenses	<u>(123,443)</u>	<u>(0.16)</u>	<u>(0.16)</u>
Net value of the Fund's Assets, less selling expenses	<u>77,103,795</u>		

() Negative values

@ Trade in this security on the stock exchange has been stopped, its value was determined according to the Fund Manager's assessment

8. COMPOSITION OF THE FUND'S ASSETS AND INTEREST THEREIN AS OF 16.11.2005

<u>Type of Investment</u>	<u>Market value</u>	<u>% of total Fund's assets</u>		
	<u>in NIS</u>			
	<u>16.11.2005</u>	<u>16.11.2005</u>	<u>30.6.2005</u>	<u>31.3.2005</u>
Shares traded in the US, incl. index funds	57,957,324	75.07	69.56	70.29
Foreign bonds without coupon	16,344,853	<u>21.15</u>	<u>21.35</u>	<u>21.61</u>
Non-negotiable securities				
	-----	-----	-----	-----
Total securities as per market value	<u>74,302,177</u>	<u>96.22</u>	<u>90.91</u>	<u>91.90</u>
Cash in NIS	61,536	0.08		
Cash in foreign currency	2,858,461	3.70	9.02	7.90
Net accrued income	26,533	<u>0.03</u>	0.11	0.24
Payables	<u>(21,469)</u>	<u>(0.03)</u>	(0.04)	(0.04)
Net value of the Fund's assets	<u>77,227,238</u>	<u>100.00*</u>	<u>100.00*</u>	<u>100.00*</u>
Selling expenses	(123,443)	(0.16)	(0.16)	(0.16)
* Net value of the Fund's assets, less selling expenses	<u>77,103,795</u>			

* Total net value of the Fund's assets less selling expenses as of 30.6.2005: NIS.74,182,548
as of 31.3.2005: NIS.69,395,335

As of 16.11.2005 the Fund holds no securities issued by parties interested in the Fund Manager and/or in the Fund's Trustee.

9. THE FUND'S INVESTMENT POLICY

- 9.1 According to the Fund Agreement, the Fund will invest at least 50% of the net value of its assets in foreign securities together with options traded abroad. The remaining assets of the Fund will be invested at the sole discretion of the Fund Manager, all within the framework of the maximum percentages of asset values that are held by the Fund as stipulated by the Law.

Maintenance of asset levels at rates other than those described above for a period of no more than two trading days shall not be considered as deviations from the percentages stipulated, as stated, provided that deviations, as aforesaid, will not exceed five times during a period of recent 12 months.

- 9.2 Subject to the aforesaid in Section 9.1 above and subject to the provisions of any law the Fund Manager may on behalf of the Fund, at his full discretion, from time to time, effect any transaction in any asset category permissible by the law, determine the amount of cash invested in fixed time deposits and execute any transaction permissible by the law.
- 9.3 The Fund Manager is authorized to change, from time to time, the investment policy without the consent of a meeting of the Fund's unit holders.

As required by Law, an immediate notice and announcement in the press will be given of any change in the Fund's investment policy.

- 9.4 Without derogating from the generalities in Subsection 9.2 above:

The Fund Manager may, from time to time, invest in options for the Fund (including options trading outside of Israel), within the framework of maximum rates thereof permitted from time to time by the law. As of the date of this Prospectus the value of options permitted to be held by the Fund excluding Call 1 Options on the TA-25 Portfolio is limited to the maximum rate of 10% of the Fund's net asset value calculated as above. Regarding the investment in options and future contracts, and the risks inherent therein see Section 10.2 of the Prospectus.

The Fund Manager may execute on behalf of the Fund, subject to provisions of the law, the following:

- a. Purchase, sale and writing of options and futures contracts.
- b. Short sales.
- c. Lending securities held by the Fund for the purpose of short sale transactions.

10. VARIOUS PROVISIONS REGARDING THE FUND'S INVESTMENTS AND ACTIVITIES**10.1 Permissible Investments**

The Fund Manager may buy and hold for the Fund securities, foreign securities, options and futures, foreign currency, cash and other assets of the categories and on the conditions defined in the Joint Investments Trust (Assets which may be bought for and held by a Fund and their maximum proportions) Regulations (Amendment) 5744-1984, a copy of which, as at the time of this Prospectus, is presented at the end of the Prospectus.

10.2 Provisions with Regards to Options and Futures Contracts

10.2.1 Explanation of Terms and Risks Involved in Investing in Options

For any given security a call option gives the owner of the option the right to buy that same security (the underlying asset of the option) in accordance with the terms designated in the option contract, at the price designated in the option's terms (the strike price) and at the date designated therein (the exercise date).

The exercise of the option when the price of the underlying security on the stock exchange is greater than the strike price may create a profit for the option owner amounting to the difference between the underlying security's price and the strike price net the option cost and the commission paid for the option.

For any given security a put option gives the owner of the option the right to sell the security in accordance with the terms designated in the option contract. The exercise of the option when the price of the underlying security on the stock exchange is less than the strike price may create a profit for the option owner amounting to the difference between the strike price and underlying security's price net the option cost and the commission paid for the option.

Call options (Call) on securities indices or on foreign stock exchange rates (the underlying asset of the option) give the option owner the right to receive on exercise the difference between the index or the exchange rate, in accordance with the circumstances, and the strike price if the index or the exchange rate is higher than the strike price.

Put options (Put) on securities indices or on foreign exchange rates (the underlying asset of the option) give the option owner the right to receive on exercise the difference between the index or the exchange rate, in accordance with the circumstances, and the strike price if the index or the exchange rate is lower than the strike price.

The price of the option is affected mainly by the changes in the price of the underlying asset (security, security index, or exchange rate). A change in the price of the underlying asset causes, regularly, a large change (in percentage), in the price of the option. Therefore, the movement on a percentage basis, in the price of the options is greater than the movement, on a percentage basis, in the price of the underlying asset.

Today, on the Tel Aviv Stock Exchange, one may purchase options on the TA-25 Index (a securities index), on the exchange rate of the United States Dollar and on the representative rate of exchange of the Euro and on the TA-Banking Index. Overseas one may purchase options on stocks, stock indices, and on other underlying assets.

The term of the options traded on the stock exchange for options on the TA-25 Index and the TA-Banking Index is limited to three months, and for options on the Dollar rate and the Euro rate it is limited to six months. In markets overseas, there are options with longer terms however they are still limited as to their term.

The purchaser of an option pays a premium (the option price) and a commission to the member of the option clearing system. In light of the short term of options, the use of options in place of a long-term investment is the underlying asset will likely result in an increase in the commissions paid by the Fund.

The Fund Manager may buy call options (Call) on behalf of the Fund instead of an investment in the underlying asset (security, security index, or exchange rate), in Israel or overseas, a transaction which results in profits when the underlying asset's price rises. The required investment is less than that required when purchasing the underlying asset. If the Manager's expectations are not realized and prices do not rise as much as expected, the options, purchased for the Fund, are likely not to be exercised which will result in a loss equal to the amount paid for the options. On the other hand, if the Manager's expectations are realized and the price of the underlying asset does rise above the strike price, the profits realized from the sale of exercise of the options will be reduced by the amount paid for them.

The Fund Manager may buy put options (Put) on behalf of the Fund in Israel or overseas, as an investment if the Manager expects the underlying asset's price to fall. If the Manager's expectations are realized and the price of the underlying asset does fall below the strike price, the profits realized by the Fund will be reduced by the amount paid for them. If the Manager's expectations are not realized and prices do not fall as much as expected, the options, price will reduce or will lapse without value, which will result in a loss to the Fund equal to the amount paid for the lapsed options.

On the Tel Aviv Stock Exchange, call options are traded on the TA-25 Portfolio (hereinafter (Call-1) Options) whose strike price is NIS 1. Holding these options is similar to holding the stocks which make up the TA-25 Portfolio in the proportion in which they contribute to the Index. A change in the TA-25 Index is reflected in the price of the option at almost the same rate as the change in the TA-25 Index.

As stated above, one who invests in options may lose their whole investment (the price and any commissions paid on purchase) if the option is not exercised or sold prior to expiration.

The risk to the writer of (Call-1) Options) arises from the obligations of the writer to sell the underlying asset at the exercise price, at the date of exercise, even when the asset's price on the stock exchange is higher than the exercise price, or to pay a sum whose amount is dependent on price movements of the shares traded on the stock exchange, from which the index shares is composed (when the underlying asset is a share index) or on interest rate movements (when the underlying asset is the interest rate) or on foreign currency movements (when the underlying asset is the foreign currency rate).

The risk to the writer of put options (Put) arises from the obligation of the writer to buy the underlying asset at the exercise price, at the date of exercise, even when its price on the stock exchange is below the exercise price or to pay a sum whose amount is dependent on the prices of the shares on the stock exchange as aforesaid.

It is possible to limit the risks involved in writing call options (Call), among others, under the following conditions:

- (1) The Fund holds the underlying asset of the option, in a quantity that is no less than the quantity as determined in the conditions of the option.

- (2) The Fund holds call options (Call) on the same underlying asset, with a lower or equal exercise price and for a term not earlier than that of the options written.
- (3) The base asset of the option was a securities index - the Fund held a basket index or partial basket index.

It is possible to limit the risks involved in writing put options (Put), among others, under the following conditions:

- (1) The Fund holds put options (Put) on the same underlying asset, with a higher or equal exercise price and for a term not earlier than that of the options written.
- (2) The underlying asset of said put options (Put) was the TA-25 Portfolio Option and the Fund Manager wrote (Call-1) Options for the Fund.

Options can be employed to protect the Fund's investment and/or to speculate in order to increase profits in the Fund. Options Trading, not for the purpose of protecting the Fund's investments, increases the Fund's risk.

10.2.2 **Explanation of Terms and Risks Relating to Futures Contracts**

On the Israeli Stock Exchange trading in futures takes place on the TA-25 Index, the representative rate of exchange of the US\$, the Euro rate, Shekel interest rates, and on the TA-Banking Index. Terms are subject to the conditions in the profiles relating to each of them, as published by the Tel Aviv Stock Exchange.

In addition, on stock exchanges overseas trade in futures takes place in currencies, interests, merchandizes and indexes.

In a future (buy and sell) trade, daily reconciliation, from the date of the transaction and onward, on each trading day, between the account of the purchaser and the account of the seller (writer) is performed by the clearing system. Each trading day the settlement price is set (hereinafter "settlement price"). When the settlement price is greater than the transaction price (on the date of the transaction), or the settlement price on the previous trading day, then the purchaser's account will be credited with the difference between the settlement price and the transaction price or the settlement price on the previous trading day, whichever is deemed appropriate and the seller's account will be debited with that difference.

When the settlement price is less than the transaction price (on the date of the transaction) or the settlement price on the previous trading day, then the purchaser's account will be debited with the difference between the settlement price and the transaction price or the settlement price on the previous trading day, whichever is deemed appropriate and the purchaser's account will be debited with that difference.

10.3 Limitations on the Fund’s Transactions

10.3.1 In accordance with the Law, the Fund Manager is required to obtain the advance authorization of the Board of Directors of the Fund Manager, or one of its committees, for any transaction of the type of transaction that the regulations determine to be a significant transaction for the Fund (due to its size relative to the size of the Fund, the risk involved therein, or the type of asset involved in the transaction) or transactions which are likely to cause conflict of interest between the holders of Units of the Fund and the interests of the Fund Manager, or an interested party thereof, or a company under the control of an interested party of the Fund Manager, or holders of Units of another fund that is managed by the Fund Manager.

The Joint Investments Trust Regulations (transactions which may involve a conflict of interest and significant transactions), 5755-1995, defines the categories of the above transactions.

The Trustee shall be entitled to determine additional types of significant transactions of the Fund and to determine transactions that are likely to cause a conflict of interest, as aforesaid, where the Fund Manager will be required to obtain the advance approval of the Board of Directors of the Fund Manager, or one of its committees.

As of the date of the Prospectus, the Trustee did not determine additional categories as aforesaid.

10.4 Pursuant to the provisions of the Banking (Licensing) Law, 5741-1981 (hereinafter: “the Banking Law”):

- (1) Means of control (as defined in the Banking Law) are not to be held by the Fund in:
 - (a) Israel Discount Bank Ltd., (hereinafter: “Discount Bank”).
 - (b) A banking corporation controlled by Discount Bank, so long as Discount Bank is a bank holding corporation (as defined in the Banking Law).

- (2)
 - (a) Funds managed by the Fund Manager and by the other affiliated institutional investors (as defined in the Banking Law) and which are numbered amongst the group of corporations to which the Fund Manager belongs, all of them jointly, are not to hold means of control of a banking corporation which is not mentioned in sub-section (1) above, at a rate exceeding 5% of any category of means of control.
 - (b) The share of each of the affiliated institutional investors held in the holding rate of the means of control permitted according to sub-section (2)(a) above, will be determined once every calendar quarter in accordance with the provisions of the Banking Law.

11. DETAILS CONCERNING THE TRUSTEE**11.1 The members of the board of directors of Investec Trust Company (Israel) Ltd.:**

<u>Name of Director</u>	<u>Address</u>	<u>Main Occupation</u>
Michal Ziv-Shochat	50/6, Brodetski St., Tel-Aviv	Attorney, serves as the Managing Director of the Trustee.
Zvi Streigold	13, Bart St., Ramat Aviv	Attorney, Chairman of the Board of Directors.
Yoseph Tzelnik	25, Wingate St., Ra'anana	Deputy to Managing Director, Manager of Private Banking Division and of Tel-Aviv branch of Ubank Ltd.
Yona Goshen-Gotstein	4, Yotam St., Jerusalem	Deputy to Managing Director, Manager of Headquarters Division of Ubank Ltd.

As of 3.1.2005, Michal Ziv-Shochat, Adv., serves as the managing director of the Trustee.

12. PARTICULARS CONCERNING THE FUND MANAGER

12.1 Directors of the Fund Manager

<u>Director's Name</u>	<u>Address</u>	<u>Education & Principal Occupation</u>
Linda Ben-Shoshan , Chairman	82, Yoseph St., Modyin	Masters of Business Administration from the Hebrew University, Jerusalem, and Bachelors of Economics and Sociology from the Hebrew University, Jerusalem. From March 2003 serves as Deputy Managing Director and Head of Customers Assets Division in Israel Discount Bank Ltd. Director of Kaha"l Employees Training Fund Ltd.; Discount Trust Ltd.; Nominees Co. of Smadar Ltd.; Nominees Co. of Raanan Ltd.; Harel Investments in Insurance Ltd. From September 1998 until March 2003 served as Managing Director of Discount Management of Compensation Funds Ltd.
Reuven Rashti	1A, Rachel St., Givatayim	Masters of Business Administration from Tel Aviv University, and Bachelors of Geography from Tel Aviv University; A licensed portfolio manager. Manager of the Securities Division of Israel Discount Bank Ltd.; Manager of the Employees' Compensations Fund of Discount Bank Ltd.; Serves as director of the Nominees Co. of Discount Bank Ltd., the Tel-Aviv Stock Exchange Clearing House Ltd., the Tel-Aviv Stock Exchange Mao"f Clearing House Ltd.
Shlomo Maoz	84, Habashor St., Shoham	Bachelors and Masters of Economics from the Economics Department of the London School of Economics and Bachelors in Economics from the Hebrew University, Jerusalem; An independent financial and economic consultant. Director of Rotem Ampert Negev Ltd., Dead Sea Works Ltd., Brom Compounds Ltd.; Director of Brom Dead Sea Ltd.; Director of Periklas Dead Sea Ltd., Axan International Trade Ltd., Hachsharat Ha'yishuv Be'Israel Ltd., Maariv Holdings Ltd., Hachsharat Ha'yishuv Insurance Holdings Ltd.; From November 2005 serves as an alternate Chairman of the Board of Hachsharat Ha'yishuv Insurance Company Ltd. Member of Investments Committee of the Nostro Hachsharat Ha'yishuv Insurance Company Ltd.
Yoram Shapira External director commencing 18.6.2002. His service was extended until 18.6.2008	4, Hachatzav St., Ramat-Efal	Masters of Industrial Management from Columbia University, USA, and Bachelors of Machinery Engineering from the Technion. Commencing 1995 serves as managerial and marketing consultant in the private sector. Between 1961 and 1995 served in senior positions at the Israel Aircraft Industry Ltd., including as the Company's Vice President and Head of Division. Between 1990 and 1995 served as the President of Commodore Aviation, which is engaged in aircraft repair and maintenance in Florida.
Nir Reshef External director commencing 5.4.2005	3, Shimon Ben- Zvi St., Givatayim	Bachelors of Economic and Sociology from Tel-Aviv University. Masters of Law from Tel-Aviv University. Investments Consultancy and Portfolio Management course from the college of Israeli Capital Market studies. Commencing November 2000 owns a private practice specializing in white collar felonies and commercial civil litigation in Reznik-Reshef, Law firm. Serves as Director of Robomatics Technologies Ltd.

The Board of Directors of the Fund Manager convenes whenever necessary, not less than once every three months. During the last fiscal year ending on 30.9.2005, 21 such meetings were held.

According to the Law, the number of directors of the Fund Manager who act as directors of another fund manager, provident fund, portfolio management company, investment advisory company, insurer or underwriting companies, shall not exceed one third of the total number of members of the Board of Directors of the Fund Manager. A director of the Fund Manager shall not serve as director in more than two additional investments management companies at the same time.

As of the date of this Prospectus, two out of five directors in the Fund Manager serve as directors in another investment company.

Immediately upon completion of the sale of shares and the transfer of control as specified in article 12.5, the Fund Manager shall act to appoint directors thus the Board of Directors will meet the requirements of any law.

Until appointment of directors as aforesaid, the Fund Manager shall act as specified in section 17(b)(2) of the Law, thus the number of directors serving as directors in more than one investment company who are present in a meeting will not exceed a third of the directors present in the meeting.

12.2 Fund Manager’s Investment Committee

Professor Aharon Ofer - Chairman of the Investment Committee of the Fund Manager. Ph.D., in Business Administration and Economics - Pennsylvania University, the Warton School of Business Studies, USA; Masters Degree in Economics- Pennsylvania University, the Warton School of Business Studies, USA; Bachelors Degree in Economics and Statistics - Hebrew University, Jerusalem. Member-Professor of the Faculty for Management of the Leon Recanati School of Business Administration - Tel Aviv University; Guest-Professor of the Business Administration School in the name of Kellogg, USA; Head of the Institute for Business Research in Israel, School of Business Administration of Tel-Aviv University; Member of the Board of Directors of Tamir-Fishman Venture 2 Ltd., of VISA CAL and of Clal Finances Batucha Investments Management Ltd., Clal Finances Management Ltd., Hadarim Assets Ltd., Academic Employees Compensation Fund of Tel-Aviv University. Member of the investments committee of the Israeli Cancer Association and Tel-Aviv University. Chairman of shares committee of Clal Finances Batucha Investments Management Ltd.

Sahul Zadka - Masters of Business Administration from the Hebrew University in Jerusalem. Bachelors of Economics and Political Sciences from the Hebrew University in Jerusalem. Managing Director of the Fund Manager. Until March 2004 Manager of Investments Division of Gmulot Ltd. Until August 2002 Deputy Managing Director of Modelim Capital Markets Ltd. and Managing Director of Modelim Mutual Funds Ltd. Until January 2001 Deputy Managing Director and Manager of investments Division in Ilanot Discount Ltd. During the years 1999-2000 Managing Director of Netivot Management Company Ltd.

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|---------------|--|
| Shlomo Maoz | - Member of the Board of Directors of the Fund Manager. |
| Yoram Shapira | - Member of the Board of Directors and external director of the Fund Manager. |
| Nir Reshef | - Member of the Board of Directors and external director of the Fund Manager. During the years 1991-1995 served as economist in the Trade Department of the Tel-Aviv Stock Exchange (managed the trade in the trading arenas). |

The Investment Committee convenes at least once every two weeks, and during the last fiscal year ending on 30.9.2005, 26 such meetings were held. The Committee's purpose is to direct the mode of operation of the Fund's investment policy, and to guide the general manager in its adherence to the investment policy.

The Fund's daily activities within the framework of the decisions of the Investment Committee are carried out by the manager of the Investment Division jointly with the managers of the department sections. In making decisions, the Investment Division is assisted by various sources.

In accordance with the law, the Investment Committee of the Fund Manager shall not consist of any member who serves as a member of the Investment Committee of another fund manager, or who serves as a member of the investment committee of a company managing a pension fund or of a company which is a pension fund, if the controlling party of the Fund Manager is not the controlling party of the company managing the pension fund or the controlling party of a company which is a pension fund.

12.3 **Managing Director of the Fund Manager**

Commencing 28.3.2004, Mr. Shaul Zadka serves as the Managing Director of Fund Manager.

12.4 **Holders of other positions in the Fund Manager**

Legal Advisor:	Ben-Naftali, Erez & Co. from 17, Yitzhak Sade St., Tel-Aviv
Fund's Accountant:	Somech Haikin, accountants, from 17, Ha'arba'a St., Tel-Aviv
Internal Auditor:	Shlomo Pitchon, accountant, from 160 Hertzal St., Tel-Aviv. Serves also as internal auditor of Discount Bank and of several subsidiaries of Discount Bank.

The law prescribes that the accountant of the Fund shall be appointed by the Trustee in consultation with the Fund Manager, and his appointment shall be brought before a general meeting of the unit holders.

12.4 **Holders of the Fund Manager**

The shareholder of the Fund Manager is Discount Bank, which holds 100% of the share capital and the voting power in the Fund Manager

Until 29.9.2005, I.D.B. Development Company Ltd. (hereinafter: "I.D.B. Development") held 22.5% of the share capital and the voting power in the Fund Manager, and Investments Discount Ltd. (hereinafter: "Discount Investments ") held 22.5% of the share capital and the voting power in the Fund Manager. On said date, Discount Bank purchased the Fund Manager's shares from I.D.B. Development and Discount Investments.

On 9.11.2005 a Memorandum of Understanding was signed between Discount Bank and Clal Insurance Business Holdings Ltd. (hereinafter: "Clal Insurance"), according to which

Discount Bank, which holds 100% of the Company's issued and repaid share capital, will sell its full holdings in the Company to Clal Insurance or a company under its control.

The completion of said transaction is subject to the signature of detailed agreements by Discount Bank, Clal Insurance and the Fund Manager, including agreements regarding the payments of distribution commissions to Discount Bank and receipt of various services from Discount Bank, as well as to the approvals of the authorized organs of each of the parties to the transaction and the Fund Manager, and approvals required by any law.

Discount Bank is a company whose shares are listed for trade on the Stock Exchange and whose principal holder is the State of Israel (approx. 60%), while the remainder is held by the public.

On 1.2.2005 an agreement for the sale of the State's shares in Discount Bank was signed between M.I. Assets Ltd. ("Assets") and the Israeli Government ("the Government") on one hand, and a corporation which, at the best knowledge of Assets and the Government is controlled by the Bronfman family and others, and a corporation which, at the best knowledge of Assets and the Government, is controlled by Mr. Rubin Sherohen. The completion of the transaction is subject to prerequisites which were determined, including various regulatory approvals in Israel and overseas.

On 10.8.2005 three laws were published, intending to provide a comprehensive reform in the capital market. One of the three laws is the Law to Increase the Competition and Decrease the Centralization and the Conflict of Interests in the Israeli Capital Market (Legislation Amendments), 7567-2005.

The legislation which was approved has wide implications which may affect the Fund.

Said law forbids a bank corporation to hold any control means in a mutual fund manager, as well as to hold more than 10% of any kind of control means in a corporation controlling a fund manager and in a corporation holding more than 25% in a fund manager.

Discount Bank is obliged to transfer its holdings in the Fund Manager within 8 years from the date in which said law has entered into force.

13. MAIN TRUSTEESHIP FUNCTIONS

The Law stipulates amongst other things that:

- 13.1 The Trustee and the Fund Manager shall carry out their functions and exercise their powers having regard to the interest of the Fund Unit holders only. To fulfill these functions and exercise their powers they will act with caution, faith and diligence, and shall take all reasonable measures to protect the assets of the Fund and all the rights arising from such assets.
- 13.2 The Trustee shall oversee the observance by the Fund Manager of the provisions of the law, of the Fund Agreement and of the obligations according to this Prospectus.

14. LIMITATIONS ON THE TRUSTEE, FUND MANAGER, AND PERSONS HOLDING OFFICE RELATED TO THE PURCHASE AND SALE OF SECURITIES

The Law stipulates amongst other things that:

- 14.1 The Fund Manager and the Trustee shall not be permitted to hold Units in the Fund.
- 14.2 The Fund Manager, the Trustee, or any entity having control of either of them, an individual who holds 10 % or more of the share capital issued by either one of them, or a company that is under the control of any of those detailed above, as well as a director, employee or worker of the Fund Manager or the Trustee, company in the control of either of them or company in which either of them is an interested party or is employed by it, shall not sell to the Fund securities, foreign securities or options listed for trading on the stock exchange, or regulated market in Israel or abroad, that are held for their own account, and shall not purchase on their own account such securities from the Fund, all in a transaction, or a transaction not within the regulated market, aforesaid.
- 14.3 Any director of the Fund Manager or a member of its Investment Committee, shall not purchase or sell a security that is listed on the stock exchange, except in the course of trading therein, and according to a written instruction submitted at least one day before the execution of such transaction, and any such instructions shall be submitted through only one stock exchange member; and if such stock exchange member has more than one branch, such instruction will be given at one branch only in which his securities deposit account is maintained.

The Minister of Finance may determine by Regulations additional conditions under which a director of the Fund Manager or member of the Investment Committee may buy and sell securities traded on a stock exchange including by way of a undisclosed trust.

- 14.4 An employee of the Fund Manager shall not purchase securities, except of those types and under the terms to be prescribed in regulations by the Minister of Finance generally or for an employee of a fund manager holding such position as the Minister of Finance prescribes, including by way of a concealed trust and he will be obliged to give notice to the Trustee of one of the funds managed by the Fund Manager, within 7 days after his employment commences, securities held either by himself or his spouse and also give notice to the Trustee within 7 days of each security that he purchased or sold otherwise than through a concealed trust.

The provisions of this sub-section will similarly apply to a member of an Investment Committee and to an employee of the Fund Manager and who participates in decision-making pertaining to certain securities.

14.5 Subject to all provisions in the Law;

14.5.1 The Fund Manager shall be authorized to execute transactions between trust funds for which it, or the Trustee, serve as fund manager or trustee, respectively, and as it sees fit, to enter into agreements or transactions with Unit holders in the Fund, or with a corporation or entity whose securities, or its investments therein, constitute part of the Fund's assets. The Fund Manager shall also be authorized to execute transactions for the Fund with any corporation in which the Fund Manager or Trustee is an interested party as well as transactions in securities issued by the said corporation. The Fund Manager is also permitted to be interested in any agreement or transaction related to any corporation, as stated and to all other corporations and entities from which the Fund's assets were purchased, or to whom they were sold or issued.

The Fund Manager will not be obliged to report to the Trustee or Unit holders regarding every such transaction as above, or every revenue, income or benefit to be derived by it from any such transaction. In no circumstance, and notwithstanding the existence of any other provision in this Section, as described above, shall any of the aforementioned transactions or acts be executed where as a result, assets which do not conform with the investment policy as detailed in Section 9 above, would be included in the Fund's assets. Also no transaction shall be effected on behalf of the Fund which would result in the Fund Manager receiving any benefit beyond its remuneration and premiums, as specified in the Prospectus.

14.5.2 The Trustee shall be entitled, as it sees fit, to enter into agreements or transactions with Unit holders in the Fund or with a corporation in which the Trustee or Fund Manager is an interested party, with a corporation that is an interested party in the Trustee or Fund Manager, or with a corporation from which the assets of the Fund were purchased, or to which they were sold or issued. The Trustee is also entitled to be interested in any agreement or transaction related to any corporation, as stated.

The Trustee shall not be obliged to report to the Fund Manager or Unit holders with respect to every such act, or with regard to all revenue, income, or benefit which it may derive from any such act.

15. AMENDMENTS TO THE FUND AGREEMENT

15.1 The Fund Manager and the Trustee shall be entitled, pursuant to the provisions of a further agreement, and without the stated permission of a meeting of Unit holders, to vary, amend, contract and expand the provisions of the Fund Agreement in such manner and to such extent as shall appear to them to be fitting and helpful for implementing the provisions thereof and for efficiently managing the Fund, provided that the Trustee shall be convinced that any such variation, amendment, contraction or expansion shall not impair the rights of the Unit holders. In the event that the Trustee is not convinced as aforesaid with regard to any such variation, amendment, contraction or expansion, the effect thereof shall be that such variation, amendment, contraction or expansion shall not be valid unless approved by a resolution adopted at a meeting of Unit holders.

Any other variation, amendment, contraction or expansion, in respect of the provisions of the Fund Agreement, which are not specified above, may be effected without restriction and subject solely to the provisions of the Law, provided that such shall be approved by a resolution adopted by a meeting of Unit holders as prescribed in the Fund Agreement. Particulars of a general meeting of the Fund’s Unit holders are described in Section 27 below.

- 15.2 Notice shall be provided by an immediate report and by newspaper notice regarding any variation in the Fund Agreement as stipulated by the Law.

16. REMUNERATION AND EXPENSES PAYABLE TO THE TRUSTEE AND THE FUND MANAGER OUT OF THE FUND ASSETS

16.1 Remuneration of the Trustee

The Trustee receives from the Fund’s assets an annual remuneration in an amount equivalent to 0.05% of the annual value of the Fund’s total assets, as such shall be calculated for the purpose of determining the Unit price as prescribed in the Prospectus. For this purpose, the Trustee’s remuneration is calculated and deducted once every day, by multiplying the value of the Fund’s assets – on that day – by the daily proportionate part of the aforesaid 0.05%. The Trustee’s remuneration shall be payable once every week, unless otherwise agreed between the Fund Manager and the Trustee. In consideration for this remuneration, the Trustee shall defray all the expenses associated with auditing the accounts of the Fund, including auditors’ fees, as well as all payments, expenses, and fees involved in the holding or depositing of the Fund’s assets, if any. As at the date of this Prospectus, there are no such payments for holding or depositing the Fund’s assets.

16.2 Remuneration of the Fund Manager

The Fund Manager receives the “premium” specified herein in Section 2.6.2. (except in those circumstances where it waives receipt of such premiums in whole or in part) as well as an annual remuneration from the Fund’s assets an amount equivalent to 2.5% (two percent) of the annual value of the Fund’s total assets as such shall be calculated for the purpose of determining the Unite Price, as prescribed in this Prospectus. For this purpose, the remuneration of the Fund Manager is calculated and deducted once every day, by multiplying the value of the Fund’s assets on that day by the daily proportionate part of the aforesaid 2.5%. The Fund Manager’s remuneration shall be payable once every week unless otherwise agreed between the Fund Manager and the Trustee. In consideration for this remuneration, the Fund Manager shall defray all the expenses associated with the normal administration of the Fund, other than such expenses as shall devolved on the Trustee, as specified above.

16.3 Amending the Remuneration of the Trustee and the Fund Manager

Pursuant to the Fund Agreement, it shall be possible to increase the remuneration of the Fund Manager up to a maximum rate of 5% annually and the remuneration of the Trustee up to a maximum rate of 0.09% annually, all from the annual value of the Fund’s assets. The Fund Manager shall publish a newspaper notice in respect of any variation in the remuneration of the Fund Manager and/or of the Trustee within the aforesaid framework, as required by law.

16.4 Expenses Otherwise than in the Ordinary Course of the Fund's Management

The Fund Manager is entitled with the permission of the Trustee, and the Trustee is entitled through the Fund Manager, to defray out of the Fund assets expenses they incurred for the purpose of fulfilling their responsibilities, otherwise than in the ordinary course of the Fund's management, provided the expenses are reasonable amounts.

17. PAYMENTS RECEIVED BY THE FUND MANAGER, THE TRUSTEE, THE FUND'S BANKER AND FOREIGN SECURITIES AGENT OUT OF THE FUND'S ASSETS AND FROM THE CONSIDERATION PAID FOR THE UNITS

17.1 Payments to the Fund Manager

The payments received by the Fund Manager as management fees, from 1.10.2003 until 16.11.2005:

On the aforesaid dates the Fund Manager received management fees at a rate of 2.5% of the value of the total of the Fund's assets.

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	1,586,850
1.10.2004-30.9.2005	1,736,830
1.10.2005-16.11.2005	239,286

The premium remained with the Fund Manager after paying commissions to distributors for distributing new units:

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	1,107
1.10.2004-30.9.2005	---
1.10.2005-16.11.2005	---

17.2 Payments to the Trustee:

The payments received by the Fund's Trustee as trust fees, from 1.10.2003 until 16.11.2005:

From 1.10.2003 until 30.6.2005 the Trustee received remuneration at an annual rate of 0.09% of the value of the total of the Fund's assets, and from 1.7.2005 until 15.11.2005 at a rate of 0.05% of the aforesaid value.

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	57,125
1.10.2004-30.9.2005	54,978
1.10.2005-16.11.2005	4,785

17.3 Payments to the Fund Banker and the Foreign Securities Agent

The Fund paid to the Fund Banker, Israel Discount Bank Ltd., commissions for buying and selling the Fund assets at the rates set out in section 5.5 above out of the proceeds of each transaction.

From 1.10.2003 until 16.11.2005, commissions in the following amounts were paid:

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	114,416
1.10.2004-30.9.2005	131,037
1.10.2005-16.11.2005	1,406

The Fund paid to foreign securities agents abroad commissions for buying and selling the Fund assets at the rates set out in section 5.5 above out of the proceeds of each transaction.

From 1.10.2003 until 16.11.2005, commissions in the following amounts were paid:

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	121,669
1.10.2004-30.9.2005	90,971
1.10.2005-16.11.2005	350

The Fund's banker received commissions for distributing new units as set forth:

<u>Period</u>	<u>Amount in NIS</u>
1.10.2003-30.9.2004	13,132
1.10.2004-30.9.2005	---
1.10.2005-16.11.2005	---

18. HOLDING OF UNITS IN THE FUND BY RELATED PARTIES

To the best knowledge of the Fund Manager, on 16.11.2005 no parties related to the Fund Manager or the Trustee held any Participation Units in the Fund.

19. DISTRIBUTION OF CASH FROM THE FUND'S ASSETS OR BONUS UNITS TO THE UNIT HOLDER

- 19.1 "Fund's Revenues" – meaning the Fund's income as shall be calculated in accordance with the accepted accounting principles and reporting directives which apply to the Fund, in respect of editing its financial statements.
- 19.2 The Fund Manager, at its own discretion, shall determine from time to time whether to distribute the Fund's revenues, when such revenues exist, and in the event it decides to distribute revenues it shall determine the manner of distribution, the number of distributions, including midpoint distribution, if such distributions are determined, their dates and rates. The revenues shall be distributed to the unit holders, relative to the number of units registered in their names at the relevant date for participating in the distribution.
- 19.3 Section 58(b) of the Law determines that a fund manager is entitled to issue, to the unit holders only, units at no cost, relative to the number of units held by each unit holder at the date decided by the Fund Manager (hereinafter: "Bonus Units").
- 19.4 There will be no distribution of fractional Bonus Units.

20. THE FUND'S FINANCIAL YEAR

The Fund's financial year shall end on September 30. The Fund Manager shall be authorized from time to time, to change the date on which the financial year shall end.

21. REGULATIONS CONCERNING TAXATION

21.1 The Income Tax Ordinance, New Version (hereinafter: "the Ordinance") determines that a mutual fund shall be classified as one of the two categories concerning taxation – an Indebted fund and an Exempt fund. Following the signatures page of this Prospectus, an appendix is attached regarding the taxation of a mutual fund and an investor in a mutual fund.

21.2 The Fund Manager decided to classify the present fund as a "**Indebted Fund**". In accordance with the provisions of the Tax Reform Law, a decision regarding classification of the Fund as aforesaid is irrevocable and can not be amended during the whole life of the Fund.

As mentioned in Section 2 of the Prospectus, the Fund's units are being offered to foreign residents only, as they are defined in the Income Tax Ordinance (New Version). Therefore, the following is subject to tax exemption or to special tax rate, in accordance with the tax rate which would have applied to income received by a foreign resident.

21.3 An Indebted Mutual Fund to Foreign Residents

Without derogating from the aforesaid and in accordance with the Income Tax Regulations (Exemption from Tax on Certain Income of a Foreign Residents' Fund) 5763– 2003, a capital gain in a foreign residents' fund will be exempt from tax on any the following:

- a. Selling foreign securities listed on the stock exchange in Israel, if purchased following their registration for trade on the stock exchange;
- b. Selling a future transaction traded on the stock exchange in Israel;
- c. Selling a foreign security.

The income of a mutual fund to foreign residents from interest and rate differences of a foreign currency deposit, paid by the State or by a bank corporation, will be exempt from tax.

In addition to the aforesaid, the income of a foreign residents' fund from dividend, interest and rate differences of foreign securities will be exempt from tax.

21.4 The foregoing description refers to the legislation provisions in force as of the date of the Prospectus, and does not purport to be an authorized interpretation or an exhaustive description of the provisions of the aforesaid tax laws, and it is no substitute for professional advice on the subject. Accordingly the Fund Manager and the Trustee accept no responsibility to buyers of the units regarding the effectual tax for unit buyers.

22. **REDEMPTION OF UNITS**

Redemption Notice

22.1 The owner of a Unit who wishes to redeem it, shall be entitled to do so by giving written notice (hereinafter "the redemption application ") to the distributor who holds the Unit for the Unit owner. A distributor who has received a redemption application shall submit it to the Fund Manager through the stock exchange clearing system. In accordance with the Law, the distributor must submit to the Fund Manager, through the stock exchange clearing system, all redemption applications submitted to the distributor, and the distributor is not permitted to offset against the application, any order for Units submitted to him.

Upon issuance of an announcement of the winding up of the Fund, the right of a Unit owner to demand redemption shall terminate, from the date the winding up commences, and the provisions specified in Section 26 shall apply.

22.2 If a redemption application is received by the distributor on any trading day before the time specified in Section 2.10.2. above, it shall be transferred by him to the stock exchange clearing system on that day, until the designated time or within the period of time prescribed by the Minister of Finance (as at the date of the Prospectus, no such period of time had been fixed). If a redemption application is received by the distributor on that day, after the designated time, or on a non-trading day, the said distributor shall transfer it to the stock exchange clearing system before the designated time, on the first subsequent trading day. A redemption application received in the stock exchange clearing system on any trading day shall be transferred by the clearing system to the Fund Manager on that day.

22.3 If a redemption application is received by the Fund Manager prior to the time specified in the Section 2.10.3. above, on a trading day, the redemption application shall be deemed as being submitted on the same trading day. If a redemption application is received by the Fund Manager after the time designated, on any trading day, or on a non-trading day, the redemption application shall be deemed as submitted on the first subsequent trading day. The day on which the redemption application is deemed as submitted to the Fund Manager shall be termed hereafter – the date of the application .

22.4 In the event that the redemption application is submitted to the distributor prior to the designated time on any trading day, but is not received by the Fund Manager until the designated time on that day, the Unit holder applying for redemption is entitled to cancel his application, in a notice to be submitted to the distributor prior to the designated time on the first subsequent trading day, provided that the notice of cancellation is received by the Fund Manager before the designated time on the said day.

22.5 The Fund Manager, with the consent of the Trustee and Chairman of the Securities Authority, is authorized to delay the redemption of Units, in the circumstances and under the conditions stipulated in the law.

22.6 The Redemption Price and the Date for Payment Thereof

The redemption price of each Unit shall be determined for each trading day according to the procedure detailed in sections 4 and 5 above.

22.7 Inasmuch as each Unit for whom the Fund Manager has received a redemption application, the Fund Manager, through the clearing system, shall transfer to the distributor who transferred the redemption application the sum equal to the redemption price for that day of the application. The distributor who through the redemption application is responsible for transferring to each Unit Holder that redeems a sum equal to the redemption price multiplied by the number of units in the redemption application, and this shall occur by the transfer of credit to the account of the unit holder with value the date of the application.

23. REGISTER FOR THE UNIT HOLDERS OF THE FUND

23.1 The Fund Manager shall maintain a register for the Unit holders of the Fund, that will include the following details:

The name and address of whoever has Units in the Fund registered in his name with the Fund Manager, and all other identifying information, as the Fund Manager sees fit (hereinafter “the registered holders”) the number of Units registered in the name of the registered holders, and any change in quantity.

23.2 Subject to the provisions of the Law, the Fund Manager and the Trustee shall recognize, for all purposes, the registered holders of Units in the Fund as the sole persons having title thereto and they are not obliged to recognize or consider or act according to any notice that rebuts or contradicts such right of the registered holders of the Unit, unless and to the extent ordered otherwise by an authorized Court of Law.

23.3 In a case where a Unit is registered in the aforementioned register in the name of more than one registered holder, the Fund Manager and the Trustee shall be authorized to act towards each of the holders, registered as stated above, as though he were the only registered holder of said Unit. In particular, and without derogating from the generality of that stated above, any notice that will be given and any payment that will be made by the Fund Manager or the Trustee in connection with Units in the Fund to one of the aforementioned registered holders, shall be deemed for all purposes to have been given or paid to all registered holders of such Units in the Fund and any receipt received from one of the aforementioned registered holders, for any payment, as stated above, shall be considered adequate receipt and shall bind all of the remaining registered holders of the said Unit.

23.4 In the case where a Unit is registered as aforementioned in the name of more than one registered holder, and one or more of the registered holders dies, the Fund Manager and the Trustee shall be authorized to act as though each of the remaining registered holders of the said Unit is, and continues to be, the sole registered holder, and as though the deceased was never registered as a holder thereof, subject to the right of the heirs of the deceased holder to be registered as holder thereof by law.

24. TRANSFER OF UNITS FROM REGISTERED HOLDERS TO DISTRIBUTORS AND VICE VERSA

The Fund Manager shall list in the register of Unit holders specified in Section 23 above, the transfer of Units in the Fund from registered holders to the distributor for credit of the holders' account with the distributor, and similarly the transfer of Units from the distributor to whomever a Unit is held by the distributor.

In each instance of the transfer of a Fund's Unit in its entirety, the recipient is transferee to be registered in the aforementioned register, as specified in Section 23 above, as registered holders of said units, if a transfer deed in the form customary for share transfers completed, and signed both by the transferor and by the transferee, shall be submitted to the Fund Manager together with evidence, if so demanded by the Fund Manager, proving the transferor's title to and right to transfer to the Units as well as with a payment not exceeding the Fund Manager's reasonable expenses associated with the said transfer, as such expenses shall be determined from time to time by the Fund Manager. After receipt of all the forms, evidence and payment of expenses, as described above, the Fund Manager shall see to the transferee being registered in the Registry, specified in Section 23 above, as the registered holder of the Units specified in the said transfer deed which shall be retained by the Fund Manager.

The transferee of Units in the Fund shall not be considered or recognized by the Fund Manager and the Trustee as the registered holder thereof as long as he has not been registered in the aforementioned register, as specified in Section 23 above, as the registered holder of the Units transferred to him. The transfer of a Unit in a manner different than that described in this Section shall not entitle the transferee to be registered in the registry specified in Section 23 above as the registered holders of the said Unit no such transfer shall be recognized by or be binding upon the Fund Manager or the Trustee

25. THE PERIOD OF THE FUND'S EXISTENCE

The Fund has been created for an unlimited period that shall continue until the winding up of the Fund.

26. WINDING UP OF THE FUND

26.1 The Fund shall be wound up in each of the following cases:

- 1) The Fund Manager's decision to wind up the Fund.
- 2) Upon the winding up of the Fund Manager.
- 3) In the circumstances prescribed by the Law.

26.2 The Fund Manager shall act as the liquidator of the Fund. However, in case the court gives order upon the request of the Securities Authority in accordance with Section 104(A) of the Law, the court shall appoint the Trustee as liquidator, unless the court finds reasons justifying the appointment of another liquidator to the Fund.

26.3 The Law provides that notice of the winding-up of the Fund is to be given to the Unit Holders by publication in the press not earlier than 60 days nor later than 30 days before the commencement of the winding-up, and the liquidator of the Fund will send the notice to those holding units through the Fund Manager and notify the Distributor that he must send the notice to the holders. A Distributor who receives such a notice will send it immediately after it is received to all those who hold units through it, according to their addresses for the time being known to him.

The notice shall include, among other things, the ground for winding-up, the date of commencement thereof, the name of the liquidator, his remuneration and where the records of the Fund shall be held after it has been wound up.

26.4 Upon the commencement of the winding up of the Fund, the realization of its assets will commence and they will be converted into cash. The said realization shall be implemented in such manner and within such period, after the commencement of the winding-up, as the Fund liquidator will consider to be expedient for protecting the rights of the Unit holders provided that the realization of the assets will be completed before 6 months will have expired from the date of the commencement of the winding-up, (hereinafter: "the realization period"). The cash proceeds received by virtue of the realization of the Fund's assets following the winding-up net of the expenses incurred in the winding up, and other expenses and liabilities of the Fund then existing, shall be distributed among the Unit holders, proportionately to the number of their respective Units.

If an unrealizable asset remains after the end of the realization period for reasons not dependent on the liquidator, or there existed on such date a debt balance to the credit of the Fund, the liquidator will proceed to realize them speedily and distribute the cash received as quickly as possible amongst those holding units on the date of the commencement of the winding-up, according to the number of units held by them on such day.

27. GENERAL MEETINGS OF UNIT HOLDERS

27.1 The Convening of a General Meeting

The Fund Manager shall be entitled at any time to call a Meeting of Unit holders, and according to the provisions in the law it is required to call a meeting if so requested by the Trustee or by five Unit holders at least who hold no less than 10% of the Units in the Fund.

27.2 Notification of the General Meeting

Notice of every general meeting of the Fund Unit holders shall be given to Unit holders by publication in a newspaper. Notice of convening a general meeting of the Fund's Unit holders shall be given not less than 7 days at least and not more than 14 days, before the date the meeting is to take place, when the general meeting is convened in order to discuss the merger of the Fund with another mutual fund managed by the Fund Manager, spinning off the Fund into several other mutual funds that are managed thereby, or converting the Fund from an open-ended fund to a closed-ended fund. In any other case, notice shall be given at least 7 days prior to the date of the general meeting.

Subject to the provisions in the Law regarding special details to be included in the notice, it shall specify the date and place of the meeting, and shall include, on a general basis, the subjects on the agenda.

27.3 Procedures for the General Meeting

The Law stipulates the quorum and majority required to adopt resolutions at general meetings of Unit holders, where several specific matters detailed in the Law are discussed, including merger of the Fund with another mutual fund managed by the Fund Manager, spinning off the Fund into other mutual funds of the Fund Manager, and converting the Fund from an open-ended to a closed-ended fund.

Adopting resolutions on matters that are not stipulated otherwise by the Law, as aforesaid, which are discussed at general meetings of the Unit holders, requires a majority of not less than 75% of the Units whose holders participated in and voted at the meeting.

Subject to the aforesaid, the provisions of the Companies Law, 5799-1999 shall apply to every general meeting of the Unit holders in the Fund, in all that pertains to general

meetings, mutatis mutandis. Accordingly, passing resolutions for business in respect of which the law has not prescribed otherwise, as stated above, and which are discussed at general meetings of the unit holders, require a majority of more than 50% of the units whose owners attend and vote at the meetings.

Each unit shall confer upon its holders one vote at the general meeting of Unit holders in the Fund.

Units that are held by the controlling entity of the Fund Manager, a company controlled by said controlling entity, as stated, a director of the Fund Manager, a member of a committee of the Board of Directors who is not a director, and an employee of the Fund Manager, shall not confer voting rights at a general meeting of Unit holders in the Fund. The Trustee shall participate in general meetings of the Fund’s Unit holders, yet will not have voting rights at said meetings.

28. FINANCIAL STATEMENTS

Following are the audited financial statements of the Fund as of September 30, 2005 and of September 30, 2004.

Financial Statements as at September 30, 2005

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Auditors' Report to the Unit Holders of "Ilanot (L) Ilan" Mutual Fund for Foreign Residents

We have audited the accompanying Statements of Condition of "Ilanot (L) Ilan" Mutual Fund for Foreign Residents (hereinafter - "the Fund") as at September 30, 2005 and as at September 30, 2004, the List of the Fund's Assets as at September 30, 2005 and the related statements of Profit and Loss and of Movement in the Fund's Units and Changes in their Worth for each of the years ended September 30, 2005 and September 30, 2004. These financial statements are the responsibility of the Fund Manager and the Trustee, as is stipulated in their regard in the Joint Investments Trusts Law – 1994 and the Regulations thereunder. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) – 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund Manager and the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audit provides a fair basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in conformity with generally accepted accounting principles and the provisions of the Fund Agreement, in all material respects, the financial position of the Fund as at September 30, 2005 and at September 30, 2004 the results of its operations and the movement in the units and changes in their worth for the years then ended.

We consent to the inclusion of our above opinion in the prospectus of the Fund which is to be published in January 2006.

Somekh Chaikin
Certified Public Accountants (Isr.)

December 15, 2005

Statements of Condition of the Fund at September 30,

	<u>2005</u>	<u>2004</u>
	NIS	NIS
<u>Assets</u>		
Securities		
Foreign securities traded on exchanges abroad	72,279,807	54,378,696
Debentures convertible into shares listed on the local exchange	353	353
	<u>72,280,160</u>	<u>54,379,049</u>
Other Assets		
Cash – in U.S. dollars	2,486,891	9,517,900
– in Israeli currency	40,547	34,758
U.S. dollar deposit abroad (Note 3)	1,577,980	908,684
Income receivable	37,629	98,794
	<u>4,143,047</u>	<u>10,560,136</u>
Total assets	<u>76,423,207</u>	<u>64,939,185</u>
<u>Forward Contracts (Note 3)</u>		
<u>Liability</u>		
Fund Manager’s and Trustee’s remuneration payable	31,689	22,952
Net value of the Fund’s assets	76,391,518	64,916,233
Less/ - expenses of selling the securities	(119,224)	(117,322)
Net value of the Fund’s assets ,less expenses of selling the securities	<u>76,272,294</u>	<u>64,798,911</u>
<u>Units’ Worth</u>		
Par value of units outstanding:		
32,163.61 registered units of a par value of US\$100 each (September 30, 2004– 31,695.61 registered units)	14,778,828	14,206,057
Unappropriated surplus	61,483,466	50,592,854
Total units’ worth	<u>76,272,294</u>	<u>64,798,911</u>
Unit redemption price	<u>515.74%</u>	<u>456.14%</u>

The accompanying notes are an integral part of the financial statements.

Date of approval of financial statements: December 15, 2005

Manager –
Ilanot Discount Ltd.

Trustee –
UBank Trust Company Ltd.

Statements of Profit and Loss for the Year Ended September 30,

	<u>2005</u>	<u>2004</u>
	NIS	NIS
Income		
Income (loss) from foreign investments:		
From realization and changes in value of:		
Foreign shares	8,999,373	13,373,550
Forward contracts	2,309,292	(473,245)
Bonds	878,554	-
Options	311,984	165,810
Dividends from shares	495,450	1,098,382
Total income, net, from foreign investments	<u>12,994,653</u>	<u>14,164,497</u>
Income (loss) from local investments:		
Interest from bank deposits	235,204	12,403
Exchange rate differences	(764,859)	(48,483)
Total loss net, from local investments	<u>(529,655)</u>	<u>(36,080)</u>
Total income, net	<u>12,464,998</u>	<u>14,128,417</u>
Less - Expenses		
The Fund Manager's remuneration	1,736,830	1,586,850
The Trustee's remuneration	54,978	57,125
Taxes on income (Note 4)	114,189	239,933
	<u>1,905,997</u>	<u>1,883,908</u>
Net profit for the year	<u>10,559,001</u>	<u>12,244,509</u>

The accompanying notes are an integral part of the financial statements.

Statements of Movement in the Fund's Units and the Changes in Their Worth

	<u>Par value of outstanding units</u>	<u>Unappropriated surplus</u>	<u>Total units' worth</u>
	NIS	NIS	NIS
Balance at October 1, 2003	#14,261,654	39,079,821	53,341,475
Net profit for the year		12,244,509	12,244,509
Receipts upon the issuance of 2,573 units	1,151,463	*3,974,019	5,125,482
Payments upon the redemption of 2,915 units	(1,337,701)	*(4,574,854)	(5,912,555)
Adjustment of the par value of the units to the Representative rate of the dollar at statement date	<u>130,641</u>	<u>(130,641)</u>	<u>-</u>
Balance at September 30, 2004	#14,206,057	50,592,854	64,798,911
Net profit for the year		10,559,001	10,559,001
Receipts upon the issuance of 2,595 units	1,133,808	* 4,335,922	5,469,730
Payments upon the redemption of 2,127 units	(942,370)	* (3,612,978)	(4,555,348)
Adjustment of the par value of the units to the Representative rate of the dollar at statement date	<u>391,333</u>	<u>(391,333)</u>	<u>-</u>
Balance at September 30, 2005	<u>#14,788,828</u>	<u>61,483,466</u>	<u>76,272,294</u>

* Excess of receipts upon the issuance of units or payments upon the redemption of units above their par value.

September 30, 2005 – represents 32,163.61 units, \$ 100 par value each; September 30, 2004 – 31,695.61 units, \$100 par value each; September 30, 2003 – 32,113.61 units, \$100 par value each.

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements for the year ended September 30, 2005

Note 1 - General

- A. "Ilanot (L) Ilan" Mutual Fund for Foreign Residents (hereinafter - "the Fund") operates in accordance with the Joint Investments Trust Law - 1994 and the Fund agreement between the Fund Manager - Ilanot Discount Ltd. and the trustee - Investec Trust Company (Israel) Ltd.
- B. On September 29, 2005 Israel Discount Bank Ltd. purchased the holdings of I.D.B. Development Ltd and of Discount Investment Company Ltd. in the Fund Manager, thus becoming the sole holder of its issued and paid up share capital and of the voting rights therein.
- C. On November 9, 2005 the Fund Manager was notified that a memorandum of understanding had been signed between Israel Discount Bank Ltd. (hereinafter "Discount Bank") and Clal Insurance Business Holdings Ltd. (hereinafter "Clal Insurance") according to which Discount Bank, which holds 100% of the issued and paid-up capital of the Fund Manager, will sell its full holdings in the Fund Manager to Clal Insurance or to a company under its control.

The completion of said transaction is subject to the signature of detailed agreements by Discount Bank, Clal Insurance and the Fund Manager, including agreements regarding the payments of distribution commissions to Discount Bank and receipt of various services from Discount Bank, as well as the approvals of the authorized organs of each of the parties to the transaction and the Fund Manager, and approvals required by any Law.

Note 2 - Accounting Principles

- A. The financial statements of the Fund are presented in "reported amounts" as defined in Accounting Standards Nos. 12 and 17 of the Israel Accounting Standards Board. Since all the assets, liabilities and units of the Fund are monetary items, the "reported amounts" are identical to their historical values.
- B. In the Statement of Condition, securities held by the Fund are presented as follows:

Securities listed on foreign exchanges – according to their price on the last day of the reported year on which trading was carried on (2005 - September 30; 2004 – September 30).

Securities traded on organized markets overseas – according to the average of the buying/selling price on the last day of the reported year on which trading was carried on (2005 – September 30; 2004 – September 30).

Israeli security which is not traded on the exchange - in accordance with the Fund Manager's evaluation.

Notes to the Financial Statements for the year ended September 30, 2005

Note 2 - Accounting Principles (cont'd)

- C. Balances in foreign currency are translated into New Israeli Shekels on the basis of the representative rate published by the Bank of Israel at the date of the financial statements.
- D. The total units' worth constitutes the redemption proceeds of all the units.
- E. The change during the reported year in the value of securities held by the Fund is transferred to the Statement of Profit and Loss. Profits and losses from forward contracts are cleared and recorded on a daily basis, according to the contracts' prices on the foreign exchange.
- F. That portion of the price of the units issued or redeemed during the reported year, which relates to the accumulated earnings at the date of the unit's issuance or of its redemption, respectively, is charged to the unappropriated surplus in the Statement of Movement in the Fund's Units and the Changes in Their Worth.

Note 3 - Forward Contracts

The Fund has forward contracts, purchased Long, on the S&P index, which are traded on the Chicago Mercantile Exchange.

The amount of the commitment as at the date of the financial statements, based on the market price of the forward contracts at that same date, is as follows:

Base asset	Expiration date	Market price for one index unit, as at September 30, 2005	Number of contracts	Exposure
		\$		\$
S & P 500	12/05	1,234.30	# 14	4,320,050

Each contract is for 250 Index Units of the Base Asset.

Since the contracts are cleared on a daily basis, these contracts have no balance in the Fund's Statement of Condition.

The Fund has deposited NIS 1,577,980 in foreign currency as collateral with reference to the Forward Contracts commitments.

Notes to the Financial Statements for the year ended September 30, 2005

Note 4 - Income Tax

- A.** (1) The Fund is classified as a "Liable Mutual Fund" as defined in the Ordinance.

A "Liable Mutual Fund" is liable for taxes at rates similar to the rates relating to individuals.

- (2) The Fund is considered a "Fund for Foreign Residents" as defined in Paragraph 105-K of the Ordinance. In accordance with Income Tax Regulation (Exemption of tax on certain incomes of a Liable Mutual Fund for Foreign Residents) - 2003, capital gains of a Fund for Foreign Residents from the sale of securities and from the sale of futures traded on the exchange in Israel and capital gains on the sale of foreign securities are exempt of tax. Similarly, the income of a Fund for Foreign Residents from interest and exchange rate differences paid by the Israel Government or by a bank, and the dividend, interest and exchange rate differences income of a Fund for Foreign Residents from foreign securities is exempt from taxes.

- B.** On August 10, 2009 the Law for the Amendment of the Income Tax Ordinance (No. 147) - 2005 (hereinafter – “the Law”) was published, effective January 1, 2006. The law stipulates, inter alia, that beginning January 1, 2006 (hereinafter – “the commencement date”), the following instructions will be in effect:

As of the commencement date the definition of the term “exchange” will be broadened so as to include all local and foreign exchanges and all local and foreign organized markets, unless such exchange or market is specifically excluded.

Income produced by a “Liable Mutual Fund”, with regard to which no special tax rate is stipulated for an individual who received such income, is taxable at the maximum tax rate set down in Paragraph 121 of the Income Tax Ordinance (which will be reduced gradually from the 49% rate currently in effect, to 44% in the year 2010).

- C. Taxes on income**

	For the year ended September 30	
	2005	2004
	NIS	NIS
Taxes on income	114,189	239,333

- D.** The Fund has received final tax assessments for the periods ended September 30, 1992 (1992 tax year). In addition, pursuant to the Income Tax Ordinance and subject to its provisions, the assessments up to September 30, 1998 (1998 tax year), can be considered as final.

Notes to the Financial Statements for the year ended September 30, 2005

Note 5 - Related Parties

A. Parties considered as related parties of the Fund are the Fund Manager, the Trustee and their interested parties.

B. Balances with related parties of the Fund are as follows:

	<u>September 30 2005</u>	<u>September 30 2004</u>
	NIS	NIS
Cash – in U.S. dollars	2,486,891	9,517,900
– in Israeli currency	40,547	34,758
Fund Manager's and Trustee's remuneration payable	31,689	22,952

C. Securities held by the Fund which were issued by related parties are noted as such in the list of the Fund's assets which is included in the financial statements, not including companies which are interested parties in the Fund Manager by virtue of the State of Israel's holdings therein.

D. The Fund paid the following amounts to related parties:

- (1) Remuneration to the Fund Manager and the Trustee, at the annual rate of 2.5% and 0.05%, respectively, of the total value of the assets of the Fund which enter into the computation of the unit price, as detailed in the financial statements. Until June 30, 2005, the annual rate of the Trustee's remuneration was 0.09%.
- (2) Commissions on transactions in securities to the Fund's bank and to another bank which are related parties, in the amount of NIS 131,037 (prior year – NIS 114,416).

E. The Fund received interest from the Fund's bank and from another bank which are related parties, in the amount of NIS 235,204 (prior year –NIS 12,403).

Note 5 - Other Data

The following is data relating to the consumer Price Index, to the representative rate of the U.S. Dollar and to the redemption price of the Fund's units during the reported year:

	<u>September 30 2005</u>	<u>September 30 2004</u>	<u>% change for the year ended</u>	
			<u>September 30 2005</u>	<u>September 30 2004</u>
The Consumer Price Index - in points (based on the index published for the month)	102.5	100.6	1.89	0.80
The representative rate of the U.S. dollar - in NIS	4.598	4.482	2.59	0.92
The redemption price of the Fund's units, as a percentage, in terms of NIS	2,371.37	2,044.42	15.99	23.08
The redemption price of the Fund's units, as a percentage, in terms of U.S. dollars	515.74	456.14	13.07	21.96

List of the Fund's Assets as at September 30, 2005

	Number of shares	Market price on September 30 2005 \$	Market value at September 30 2005 NIS	Percent of net value of the Fund's assets
<u>FOREIGN SECURITIES TRADED ON EXCHANGES ABROAD *</u>				
Foreign shares traded on the New York Stock Exchange				
<u>Banking, finance & Insurance</u>				
Freddie Mac	17,170	56.46	4,457,385	5.83
American Int'l Group	11,000	61.96	3,133,813	4.10
Everest RE Group Ltd.	3,690	97.90	1,661,032	2.18
MBIA Inc.	10,900	60.62	3,038,165	3.98
			12,290,395	16.09
<u>Commerce, Services, Hotels & Computers</u>				
Int'l Business	10,300	80.22	3,799,171	4.98
Lincoln Nat'l	6,430	52.02	1,537,979	2.01
			5,337,150	6.99
<u>Industrial Companies</u>				
Centex Corp.	7,000	64.58	2,078,572	2.72
<u>Oil Companies & Energy</u>				
Burlington Resources	10,000	81.32	3,739,094	4.89
EOG Resources Inc.	4,800	74.90	1,653,073	2.16
Kerr-Mcgee Corp.	5,000	97.11	2,232,559	2.92
Petroleo Brasileiro	1,015	71.49	333,642	0.44
Teekay Shipping	10,500	43.05	2,078,411	2.72
Anadarko Petroleum	6,000	95.75	2,641,551	3.46
Pioneer Natural Resources	13,000	54.92	3,282,788	4.30
			15,961,118	20.89
<u>Communication</u>				
Sprint Nextel Corp.	4,000	23.78	437,362	0.57
Alltel Corp.	7,150	65.11	2,140,537	2.80
Liberty Media Corp - A	30,000	8.05	1,110,417	1.46
Cable Vision Sys. NY	20,000	30.67	2,820,413	3.69
News Corp Ltd.	31,894	15.59	2,286,252	2.99
			8,794,981	11.51
<u>Medicine</u>				
Glaxo SmithKLine Plc.	3,300	51.28	778,092	1.02
Pfizer Inc.	6,300	24.97	723,316	0.94
Bristol Myers Squibb	12,100	24.06	1,338,597	1.75
Biosante Pharma	500	3.35	7,702	0.01
Johnson & Johnson	2,250	63.28	654,663	0.86
Sanofi - Aventis - ADR	2,030	41.55	387,825	0.51
			3,890,195	5.09
<u>Real Estate & Agriculture</u>				
Breazer Homes USA Inc.	7,380	58.67	1,990,863	2.61
<u>Investments & Holdings Companies</u>				
Weyerhaeuser Co.	4,700	68.75	1,485,729	1.95
Total foreign shares traded on the New York Stock Exchange			51,892,003	67.85

List of the Fund's Assets as at September 30, 2005

	Number	Market price on September 30 2005 \$	Market value at September 30 2005 NIS	Percent of net value of the Fund's assets
<u>FOREIGN SECURITIES TRADED ON EXCHANGES ABROAD</u> (cont'd)*				
Foreign shares traded on the "NASDAQ"				
<u>Technology</u>				
Comcast Corp - CLA	14,000	29.325	1,887,709	2.47
<u>Miscellaneous</u>				
Discovery Holdings	5,000	14.445	332,091	0.43
<u>Communication</u>				
Cisco Systems	25,000	17.905	2,058,180	2.70
<u>Medicine</u>				
Amgen Inc	1,000	79.630	366,139	0.48
Total foreign shares traded on the Nasdaq			4,644,119	6.08
	<u>Par Value</u> \$	<u>Market price on September 30 2005</u> %	<u>Market value at September 30 2005</u> NIS	<u>Percent of net value of the Fund's assets</u>
Bond				
US T. Bill 19.1.06	3,475,000	98.9275	15,806,685	20.69
Total foreign securities traded on exchanges abroad			72,279,807	94.62
	<u>Par Value</u> NIS	<u>Market price on September 30 2005</u> %	<u>Market value at September 30 2005</u> NIS	<u>Percent of net value of the Fund's assets</u>
<u>DEBENTURES CONVERTIBLE INTO SHARES</u>				
<u>Textile and clothing</u>				
4.56% Gibor Sabrina Series 1**	35,282	***1.00	353	0.00

List of the Fund's Assets as at September 30, 2005

	Market value at September 30 2005 NIS	Percent of net value of the Fund's assets
Total securities according to their market value	<u>72,280,160</u>	<u>94.62</u>
<u>OTHER ASSETS, NET</u>		
Cash - in U.S. Dollars	2,486,891	3.26
Cash - in Israeli currency	40,547	0.05
U.S. dollars deposit abroad	1,577,980	2.06
Other assets, net of liability	<u>5,940</u>	<u>0.01</u>
	<u>4,111,358</u>	<u>5.38</u>
Net value of the Fund's assets	76,391,518	<u>100.00</u>
Less/ - expenses of selling the securities	<u>(119,224)</u>	
Net value of the Fund's assets, less expenses of selling the securities	<u><u>76,272,294</u></u>	

* These securities are traded in U.S. dollars. Their market value is presented in New Israel Shekels according to their market price on September 30, 2005, stated in dollars at the representative rate of the U.S. dollar at the date of the financial statements.

** Company which is a related party of the Fund Manager.

***On December 4, 1997 the trading in this security ceased. In accordance with the Fund Manager's evaluation, the value of this security was set at NIS 1 for every NIS 100 par value of debentures convertible into shares.

29. INSPECTION OF THE FUND AGREEMENT

A copy of the Fund Agreement, if and as amended, shall be available for the inspection of Unit holders at the registered office of the Trustee and at the registered office of the Fund Manager.

Each Unit holder shall have the right to receive a copy of the Fund agreement, and of any variation effected therein as aforesaid, upon submitted a written request against payment of an amount equal to the payment for the time being charged by the Registrar of Companies for certified copies of documents registered with it of a similar nature.

Copies of any report, opinion or permit as are contained or referred to in the Prospectus shall be available for inspection at the office of the Fund Manager during normal working hours..

30. PUBLICATION OF PRICES

Pursuant to the regulations enacted under the Law, the Fund Manager shall publish the prices of a Unit, plus the maximum premium according to the Prospectus, and the redemption price of Units in the Fund, for every trading day, in the daily stock exchange list that is published immediately after the Fund Manager has the necessary information to determine the prices for that trading day.

31. APPLICABLE LAW

Israeli Law shall govern and apply to anything affecting the Fund agreement, this Prospectus and the Units offered pursuant hereto.

SIGNATURES OF THE DIRECTORS
ILANOT DISCOUNT LTD.**Director's Name****Signature**

Linda Ben-Shushan, Chairman

Reuven Rashti

Shlomo Maoz

Yoram Shapira, External Director

Nir Reshef, External Director

Fund Manager:

Ilanot Discount Ltd.

Trustee::

Ubank Trust Company Ltd.

בן-נפתלי, ארז ושות'
עורכי דין
BEN-NAFTALI, EREZ & CO.
ADVOCATES

ABRAHAM	BEN-NAFTALI,	LL.M.	LL.M.	בן-נפתלי,	אברהם
ZIV	EREZ,	LL.B.	LL.B.	ארז,	זיו
DORIT	ZEHAVI,	LL.B.	LL.B.	זהבי,	דורית
SAHAR	FIGELMAN,	LL.B.	LL.B.	פיגלמן,	שחר
RONEN	TSIONI,	LL.B.	LL.B.	ציוני,	רון
TAMAR	BEN-NAFTALI,	LL.B.	LL.B.	בן-נפתלי	תמר
AMIR	BEN-NAFTALI	(1944-2004)	(1944-2004)	בן-נפתלי	עמיר

17 ITZHAK SADEH STREET
67775 TEL-AVIV, ISRAEL
TEL. 03-5652000
FACSIMILE 03-6252470

TEL AVIV, 29.12.2005, תל אביב,
דואר אלקטרוני: E-mail: bnaftali@netvision.net.il

17 רח' יצחק שדה
67775 תל אביב
03-5652000 טל.
03-6252470 פקסימיליה

Ilanot Discount Ltd.,
14, Echad Ha'am Street
Tel Aviv

Dear Sirs,

RE: Translation of "Ilanot (I) Ilan" Mutual Fund for Foreign Residents Prospectus to be published on January 1st, 2006

I hereby certify that our firm has sufficient skills required for translating a Hebrew script to English, and that the translation of the aforesaid prospectus, which was prepared by our firm, is a true translation of the Hebrew text provided to us.

The financial statements included in the Prospectus have not been examined by our firm.

We hereby agree that this certification may be included in the English version of the above Prospectus.

The Hebrew text of said Prospectus shall be the sole binding version thereof.

Yours faithfully

Abraham Ben-Naftali, Adv. & Notary
Ben-Naftali, Erez & Co.

Addendum Concerning Taxation of Mutual Fund and Investor in Mutual Fund

In accordance with the Income Tax Ordinance (New Version) (hereinafter: "the Ordinance") and the Law Amending the Income Tax Ordinance (147). 5765-2005 (hereinafter: "Amendment 147"), commencing on 1.1.2006 a mutual fund shall be classified in one of the two categories Indebted/Exempt, and the category of a Mixed fund shall be cancelled.

Following is a general and insufficient clarification of the tax liability of the fund in each category, as well as of the tax liability of unit holder. The following clarification refers to an **individual investor** only, to whom the Adjustments following Inflation Law does not apply, and whose occupation is not in securities and/or the securities are not registered in his accounting books.

The Main Changes in respect of Taxation of Mutual Funds

In accordance with Amendment 147 of the Income Tax Ordinance, commencing on 1.1.2005 the tax rates regarding interest and capital gain from ltraded foreign securities was reduced to 15% instead of 35%, and regarding dividend from foreign securities to 25% instead of 35%.

As aforesaid, on 1.1.2006 Amendment 147 entered into force, and the following changes shall occur:

- a. The tax rate applying to an individual regarding nominal interest and dividend (from Israeli and foreign securities) shall be 20% and the tax rate of 15% shall apply to nominal fields of investments.
- b. A nominal capital gain from selling traded and non-traded securities by an individual shall be indebted with a tax rate of 20-%. A capital gain from exercising bonds, traded securities and short term loans which are listed for trade in a stock exchange and are not linked to the index shall be indebted with a tax rate of 15%.

Following are the characteristics of the two aforementioned categories, in respect of the tax applying to mutual funds and to the investors therein

An Indebted Mutual Fund

1. The fund is indebted with full tax payment in respect of gains it shall obtain from selling securities held therein, as well as from interest and dividend, in accordance with the tax rates applying to an individual (unless otherwise is specifically determined).
2. The investor is exempt from tax payment at the date of redemption of the unit he holds, even when he redeemed them with profit.
3. A loss caused to the investor upon redemption of units he holds can not be offset against profits.
4. Profits distributed by the fund manager to the unit holder shall be tax exempt.

An Exempt Mutual Fund

1. The fund is exempt from tax payment regarding capital gains including interest and dividend on all the profits and revenues it shall have from any kind of securities and deposits it holds, except as detailed in article 2 herein.
2. A capital gain from foreign security, in a fund that until 31.12.2005 was a mixed fund, where its purchase took place prior to 1.1.2005, shall be indebted upon its sale with a tax rate of 19% regarding the actual gain part until 1.1.2005.

3. The investor shall be indebted, upon redemption of the units he holds, with a tax payment at a rate of 20% of the actual profit accumulated on the units he had redeemed.
4. A capital loss caused to the investor upon redemption of units he holds shall reduce the amount of tax he is indebted with regarding profits from selling Israeli and foreign securities or from redemption of units in Exempt mutual funds.
5. Losses offset which was not made by a stock exchange member is subject to submission of an annual report to the Income Tax Authorities (for a full use of the losses).
6. Profits distributed by the fund manager shall be indebted with tax rate of 20%.

Taxation of an Investor in a Mutual Fund who is not an Individual

As a result of the amendment, tax rates and tax provisions different than the aforesaid shall apply to an investor who is not an individual.

The foregoing description does not purport to be a comprehensive description or an authorized interpretation or of the provisions of the tax laws in Israel and abroad, and does not substitute a professional advice on the subject. Accordingly the Fund Manager and the Trustee accept no responsibility toward buyers of the units with regard to the aforesaid description and interpretation.

**JOINT INVESTMENT TRUST REGULATIONS
(ASSETS WHICH MAY BE BOUGHT FOR AND HELD BY A FUND
AND THEIR MAXIMUM PROPORTIONS) 5755-1994**

By my powers under sections 59, 62(a) and 131(a) of the of the Joint Investment Trusts Law 5754-1994, at the proposal of the Authority and with approval by the Knesset Finance Committee, I make these regulations:

CHAPTER ONE: INTERPRETATION

Definitions

(Amendments: 7559-1999, 7563-2003)

I. In these regulations -

"Rating company" - a company whose business is to rate debentures traded on a Stock Exchange or on a regulated market, according to the repayment ability of whoever issued them;

"trading day" -

- (1) in respect of a fund, in which under its investment policy the maximum proportion of foreign securities - including options traded abroad - (hereafter: foreign securities) shall not exceed 10% of the net value of its assets - a day on which trading takes place on an Exchange in Israel;
- (2) in respect of any other fund - each of the days from Monday through Thursday on which trading takes place on an Exchange in Israel and on Exchanges and organized markets abroad on which the foreign securities held by the fund were acquired, including any of the aforesaid days on which trading does not take place on an Exchange and organized market abroad, if the value of the foreign securities acquired on them and held by the fund does not exceed 10% of the net value of the fund's assets.

"Issue price" of a security - its price under the conditions of its issue;

"Market maker of a security" - a person who undertook to publish, during each day on which there is trading on the stock exchange or the regulated market on which the foreign security is traded according to rules determined by those entitled by law to publish them in the state where the foreign security is traded, a price at which he undertakes to buy the security and a price at which he undertakes to sell it.

"Fixed term deposit" - a deposit with a banking corporation, which - according to the terms of deposit - is for a predetermined period of time of more than one day;

"Value of unit or share in fund", **"value of foreign currency"**, **"value of security"**, **"Value of foreign security"** . **"Value of fund's assets"**, **"Value of deposit"** - within their meanings in Joint Investment Trust Regulations (Buying and Selling Prices of Fund Assets and Value of Fund Assets) 5755-1994;

"Banking corporation" - within its meaning in the Banking Law;

"Exchange By-Laws" - by-laws said in section 46 of the Securities Law.

CHAPTER TWO: ASSETS WHICH MAY BE HELD BY A FUND

Assets in an open fund

2. A Fund Manager may buy assets of the categories and under the conditions specified below and hold them in an open fund under his management:

- (1) a security traded on an Exchange in Israel;
- (2) a foreign security traded on an Exchange or organized market, provided that -
 - (A) If it is traded on a regulated market –
 - (1) If it is not a security issued by a state – it was offered to the public according to a prospectus which was approved by those entitled to approve it in the state where the security was listed for trade;
 - (2) On fifty-five out of the sixty trading days preceding the day on which it was purchased – prices of the foreign security were published on an international distribution system for information concerning securities (hereinafter: "Information System"), and as regards a foreign security in respect of which sixty trading days have not yet passed from the time it first began to be traded – prices of the foreign security were published on at least 90% of the trading days from the date trading therein commenced; In this respect, "prices of securities" means the buying price and the selling price of the security, published recently by an Information System before the end of the trading day at the market on which the security is traded, consisting of the security's buying and selling prices on that trading day, which were provided to the Information System by two market makers or by two traders of securities, at least;
 - (3) If it is a bond – the number of the bonds listed for trade, which constitute part of the series of the bond, is at least 500 million.
 - (A1) The foreign security that was purchased is deposited for custody in a manner that maintains the Fund's right for the security, to the satisfaction of the Fund Manager.
 - (B) If it is a bond - it has been rated by a rating company with a BBB rating or higher and, if the date of maturity of the bond is not later than one year after the date of its issue, it has been rated by a rating company with an A-3 rating or higher.
 - (C) Where the rating of a bond has been altered during the course of its being held by the fund in a manner where its rating is lower than a BBB rating, or lower than an A-3 rating if the date of maturity of the bond is not later than one year after the date of its issue, the fund manager may continue to hold it in the fund, but may not continue to buy such bond for the fund.
 - (D) The provisions of the above sections (B) and (C) will not apply to a foreign security which is a bond issued by the State of Israel or by a company incorporated in Israel.
- (3) a security or a foreign security that has not yet begun to be traded, on condition that it is acquired after its registration for trade on an Exchange or organized market was approved, at a price that is not above its issue price;
- (4) a security not traded on an Exchange, which is convertible into a security traded on an Exchange in Israel and which meets the following conditions:
 - (a) it is convertible on eve-' trading day during its conversion period on its conditions. except for days enumerated in the security's issue terms, on condition that the number of such days is not greater than thirty during a twelve month period;
 - (b) the price to be paid for it is not greater than one of the following, as the case may be:
 - (1) its issue price;
 - (2) its value at the time of its acquisition;

- (5) a security traded on an Exchange in Israel, in respect of which - under the Exchange By-Laws - its holder must not perform any transaction or act during a certain period, all as the By-Laws prescribe;
- (6) units of a closed fund, the Manager of which is a company registered in Israel, and units or shares of a foreign fund, on condition that it meets all the following conditions:
 - (1) the fund, units or shares of which are held, and the fund that holds them are not managed by the same Fund Manager;
 - (2) the two Fund Managers have no common controlling member;
 - (3) the two Fund Managers have no constant business relationship;
- (7) foreign currency;
- (8) a current account deposit;
- (9) a fixed term deposit, for a period of not more than 14 days;
- (10) a security or a foreign security removed from registration for trading on an Exchange or on an organized market, on condition that it was acquired when it was traded on an Exchange or on an organized market; for this purpose, a fixed period of time during which trading in the security was resumed after its removal shall not be deemed a period during which it is traded.

Assets in a closed fund

3. A Fund Manager may hold - in a closed fund under his management - assets of the categories and on the conditions specified in regulation 2, and also a fixed term deposit with a banking corporation in Israel for a period of more than 14 days.

Restriction on assets in a fund

4. Notwithstanding the provisions of regulations 2 and 3, in a fund under his management a Fund Manager shall not hold any security issued by the Fund Manager or the Trustee.

CHAPTER THREE: MAXIMUM PROPORTIONS OF ASSETS

Maximum proportion of securities of a body corporate or a state

- 5.(a) The value of securities and of foreign securities issued by one body corporate, which are held by a fund, shall not exceed 10% of the net value of the fund's assets.
- (b) The value of debentures issued by a state that is not the State of Israel, which are held by a fund -
 - (1) shall not be limited if the debentures are rated by a rating company at rate AA or higher, and if the due date of the debentures is not later than one year after their issue date - if they are rated at rate A-1 or higher;
 - (2) shall not exceed 40% of the net value of the fund's assets, if the debentures are rated by a rating company at rate A or lower, and if the due date of the debentures is not later than one year after their issue date - if are rated at rate A-2 or lower;
 - (3) if the ratings of debentures were changed while they were held by a fund, so that their rate is lower than AA or lower than A-3, if the due date of the debentures is not later than one year after their issue date, then the Fund Manager shall not have to sell the debentures; however, he shall not be allowed to continue to buy them for the fund.

Maximum proportion of the value registered for trade

6. (a) The value of a security, other than a security issued by the State, or of a foreign security held by a fund shall not exceed 5% of the quantity of that security or of that foreign security registered for trade, multiplied by its value at the end of the trading day (in this regulation: value registered for trade).
- (a) The value of a security issued by the State held by a fund shall not exceed 7.5% of the value registered for trade of that security.
- (b) The value of a security, other than a security issued by the State, or of a foreign security held by funds managed by one Fund Manager shall not exceed 15% of the value registered for trade of that security.
- (b1) The value of a security issued by the State held by funds managed by one Fund Manager shall not exceed 18% of the value registered for trade of that security.
- (c) For purposes of this regulation, securities or foreign securities of different series shall be deemed different securities.

Maximum proportion of assets that are not traded

8. The value of the assets said in paragraphs (3) to (5) of regulation 2, which are held by a fund, shall not exceed 5 % of the net value of the fund's assets, and the value of fixed term deposits said in paragraph (9) of regulation 2 shall not exceed 5 % of the net value of the fund's assets.

Maximum proportion of fund units

- 9.(a) The value of units or shares of a fund held by a fund shall not exceed 5 % of the net value of the fund's assets.
- (b) The value of units or shares of funds held by a fund shall not exceed 15% of the net value of the fund's assets.

10. Repealed

Maximum proportion of fixed term deposits

11. The value of fixed term deposits shall not exceed 45 % of the net value of a closed fund's assets.

Exception

12. Notwithstanding the provisions of this Chapter, holding in excess of the proportion prescribed there for every type of assets during a period of not more than two trading days shall not be deemed a digression from that proportion.

CHAPTER FOUR: MISCELLANEOUS PROVISIONS**A fund, the price of whose units is calculated twice a day**

13. Notwithstanding the provisions of these regulations, if the unit and redemption prices of an open fund are calculated twice on each trading day, then the value of foreign securities held by it - including options traded abroad - shall not exceed 10% of the net value of its assets.

Repeal

14. The following are repealed:
 - (1) Joint Investment Trust Regulations (Acquisition of Foreign Securities) 5749-1989;
 - (2) Joint Investment Trust Regulations (Holding Foreign Currency) 5741-1980.

Effect

15. These regulations go into effect on March 31, 1995.

JOINT INVESTMENT TRUST REGULATIONS (ACQUISITION AND SALE PRICES OF FUND ASSETS AND VALUE OF A FUND'S ASSETS) 5755-1994

By my powers under sections 43(b), 46(d) and (e), 50(b), 56(b) and 131(a) of the Joint Investment Trusts Law 5754-1994 (hereafter: the Law), at the proposal of the Authority and with approval by the Knesset Finance Committee, I make these regulations:

CHAPTER ONE: INTERPRETATION

Definitions

(Amendments: 7559-1999, 7563-2003)

1. In these regulations -

"trading day" -

- (1) in respect of a fund, in which under its investment policy the maximum value of foreign securities - including options traded abroad - (hereafter: foreign securities) shall not exceed 10% of the net value of its assets - a day on which trading takes place on an Exchange in Israel;
- (2) in respect of any other fund - each of the days from Monday: through Thursday on which trading takes place on an Exchange in Israel and on Exchanges and organized markets abroad on which the foreign securities held by the fund were acquired, including any of the aforesaid days on which trading does not take place on an Exchange and organized market abroad, if the value of the foreign securities acquired on them and held by the fund does not exceed 10% of the net value of the fund's assets.

"Issue price" of a security - its price under the conditions of its issue;

"Mean price" of a foreign security means – the average of the buying price and the selling price which were published in the international distribution system of information about securities (hereinafter: "Information System") at the end of the trading day, based on prices collected by it from two market makers or from two traders of securities at least;

"Closing price" of a foreign security in respect of any day means – the price at which the last transaction was executed in the security on a stock exchange on that day;

"Opening trading" according to the meaning thereof under the Stock Exchange Regulations;

"Market maker of a security" – a person who undertook to publish, during each day on which there is trading on the stock exchange or the regulated market on which the foreign security is traded according to rules determined by those entitled by law to publish them in the state where the foreign security is traded, a price at which he undertakes to buy the security and a price at which he undertakes to sell it

"Fixed term deposit" - a deposit with a banking corporation, which - according to the terms of deposit - is for a predetermined period of time of more than one day;

"Representative rate" for any day - the new shekel foreign Exchange rate published by the Bank of Israel on that day, and if it published no rate on that day - the last rate published by it before that day;

"banking corporation" - within its meaning in the Banking Law;

"Exchange By-Laws" - by-laws as said in section 46 of the Securities Law.

CHAPTER TWO: TIMES FOR CALCULATION OF ACQUISITION AND SALE PRICES OF A FUND'S ASSETS

Times for calculation

2. (a) The manager of an open fund shall calculate the acquisition and sale prices of the fund's assets in respect of each trading day, as of the end of that day's trading.
- (b) If the unit and redemption prices of an open fund's units are calculated twice on each trading day, then the Fund Manager shall calculate the acquisition and sale prices of its assets also at the end of the opening trade.

CHAPTER THREE: ACQUISITION AND SALE PRICES OF A FUND'S ASSETS

Acquisition and sale prices

3. (a) The acquisition price of an open fund's assets at the time of calculation, as said in regulation 2, is the net value of its assets at that time, with the addition of acquisition expenses.
- (b) The sale price of an open fund's assets at the time of calculation, as said in regulation 2, is the net value of its assets at that time, less selling expenses.
- (c) The sale price of a closed fund's assets is the net value of its assets at the end of the trading day, less selling expenses.
- (d) For purposes of this regulation, "acquisition expenses" and "selling expenses" - the expenses that would have been involved in the acquisition or sale of the fund's assets, if they had been acquired or sold on the day on which the acquisition and sale prices of the fund's assets are being calculated.

CHAPTER FOUR: VALUE OF A FUND'S ASSETS AND OBLIGATIONS

Securities traded in Israel

4. (a) The value of a security traded on an Exchange in Israel is its determining price at the end of a trading day (hereafter: determining price), as defined in the Exchange By-Laws, and its value at the end of opening trading is the price set for it in opening trading on that day.
- (b) If on any trading day no price was set for a security in trading on the Exchange, then its value shall be the last price determined for it; however, the Fund Manager's Board of Directors may - with the Trustee's approval - prescribe rules for determining a different value from that said in this sub regulation, if unusual events make that necessary.
- (c) If no transaction took place on the Exchange in a certain security on three successive trading days, or if - in respect of a security traded on the Exchange once a week - no transaction took place in it on the weekly trading day, then its value shall be determined according to rules made by the Fund Manager's Board of Directors with the Trustee's approval.

Foreign securities

5. (a) The value, on any trading day, of a security traded on an Exchange is its closing price on the Exchange where it was acquired; if that security had no aforesaid closing price, then its value shall be its average price on that day.
- (b) The value for any trading day of a foreign security traded on an organized market is its average price on that day.
- (c) Notwithstanding the provisions of sub regulations (a) and (b), the value of a foreign security on any trading day is its closing price or its average price, as the case may be, on the preceding trading day, if one of the following applies:

- (1) it is held by a fund, in which according to its investment policy the value of foreign securities held by it shall not exceed 10% of the net value of its assets, on condition that it is not a security traded on an Exchange or an organized market on which trading on any day is concluded before trading on that same day is concluded on an Exchange in Israel;
 - (2) it is held by a fund, in which according to its investment policy the value of foreign securities held by it may exceed 10% of the net value of its assets, and no trading took place on that day on the Exchange abroad or on the organized market abroad on which it was acquired.
- (d) If the value of a foreign security that is a debenture, as determined by trading, does not take into account the interest accrued on it - but not yet paid - under the terms of the debenture, then its value shall be as said in sub regulation (a) or (b), as the case may be, with the addition of the said interest.
 - (e) If a foreign security does not have a price, according to which its value can be determined as said in this regulation, then its value shall be determined according to rules made by the Fund Manager's Board of Directors with the Trustee's approval.

Security in which trading has not yet begun

- 6.(a) The value of a security in which trading has not yet begun is its issue price.
- (b) Notwithstanding the provisions of sub regulation (a), if more than three trading days have passed since the issue of the security or of the option, within its meaning in section 64(b) of the Law, and it has not yet begun to be traded, then its value shall be determined according to rules made by the Fund Manager's Board of Directors and approved by the Trustee.

Convertible security that is not traded

7. The value on any trading day of a security that is not traded on an Exchange and which is convertible into a security that is traded on an Exchange in Israel shall be -
 - (1) the price on that day of the security into which it can be converted, less the conversion supplement; for this purpose, "conversion supplement" - the amount of money to be paid at conversion;
 - (2) if the convertible security is a debenture, then its value shall be as said in paragraph (1), or the face value of the debenture, with the addition of interest and linkage differentials or exchange rate differentials accrued on it under its issue terms - but not paid - until that day, whichever is the greater amount.

Debenture before redemption

8. The value of a debenture, of which trading has been stopped because of redemption, shall be the last price determined for it on its last trading day, unless the Fund Manager's Board of Directors with approval by the Trustee determined another value.

Value of security of which trading has been stopped

9. The value of a security or of a foreign security, when three trading days elapsed since trading in it was stopped, shall be determined according to rules made by the Fund Manager's Board of Directors and approved by the Trustee; the rules shall also address the circumstances under which trading was stopped and information about the body corporate that issued the security or foreign security.

Option

10. (a) The value of, an option traded on an Exchange in Israel is its determining price for that day; if no transactions were carried out with that option on any day, then its value for that day shall be set in accordance with rules prescribed by the Fund Manager's Board of Directors and approved by the Trustee; however, the value of the option on the last day on which it is traded shall be the amount to be paid to its holder when it lapses.

- (b) The value on any trading day of an option traded on an Exchange abroad is its average price on that day or on the trading day that preceded that day, as the case may be, according to the provisions of regulation 5(b) or (c).

Unit or share of a fund

- 11. (a) The value of a unit of a closed fund traded on an Exchange in Israel and held by a fund is as specified in regulation 4.
- (b) The value for any trading day of a unit or share of a foreign fund, which is an open fund and which is held by a fund, is the value of the unit, as defined in section 50(a)(2) of the Law -
 - (1) for that day, if it is held by a fund in which according to its investment policy the value of foreign securities held by it may be more than 10% of the net value of the fund's assets;
 - (2) for the preceding trading day, if it is held by a fund in which according to its investment policy the value of foreign securities held by it shall not be more than 10% of the net value of the fund's assets.
- (c) The value of a unit or share of a foreign fund which is a closed fund and which is held by a fund is as said in regulation 5.

Fixed term deposit

- 12. The value for any trading day of a fixed term deposit is the amount deposited, together with amounts accrued on it under the terms of the deposit, if the deposit were withdrawn on that day.

New shekel value

- 13. (a) The new shekel value of a foreign security, of an option traded on an Exchange abroad, of a security traded on an Exchange in Israel in foreign currency, and of a unit or share of a foreign fund shall be calculated by multiplying their value under these regulations by the representative exchange rate of the currency in which they are traded.
- (b) The new shekel value of foreign currency balances is the amount found by multiplying them by the representative exchange rate of that foreign currency.

Obligation in respect of foreign security sold short or in respect of option

- 14. The value, for any trading day, of an obligation in respect of a security which the Fund Manager sold short for the fund, or in respect of an option which the Fund Manager created for the fund, is the value for that trading day of the security or of the option, as the case may be; however, the value of an undertaking in respect of an option which the Fund Manager created for the fund on the last day on which it is traded shall be equal to the amount to be paid to the holder when it lapses.

CHAPTER FIVE: TRANSFERRING THE PRICE OF A UNIT TO A THE FUND AND THE REDEMPTION PRICE TO THE DISTRIBUTOR AND UNIT HOLDER

Days on which unit sale or redemption amounts are to be transferred

- 15. (a) The day for the transfer of an amount said in section 45 of the Law or of an amount said in section 46(b) of the Law, in respect of a unit in an open fund that was sold or redeemed, as the case may be, shall be as follows:
 - (1) in a fund in which according to its investment policy the value of foreign securities held by it shall not be more than 10% of the net value of the fund's assets - the day on which the distributor must - under section 46(c)(1) of the Law - transmit to the clearing house the order or instruction for acquisition or redemption of the units, as the case may be;

- (2) in a fund in which according to its investment policy the value of foreign securities held by it shall be more than 10% of the net value of the fund's assets - the first trading day after the day said in paragraph (1).
- (b) For this purpose, the day on which the fund's account is credited with the amount said in section 45 of the Law for a unit sold, or on which the distributor's and the unit holder's accounts are credited with the amount said in section 46(b) of the Law for a unit redeemed, as the case may be, shall be deemed the day on which the said amount has been transferred.

Effect

- 16. These regulations shall go into effect on March 31, 1995.

JOINT INVESTMENT TRUST REGULATIONS (OPTIONS, FUTURES CONTRACTS AND SHORT SALES) 5761-2001

By my authority under sections 59, 62, 63, 64, 79 and 131 (a) of the Joint Investment Trusts Law 5754-1994 (hereafter: the Law), on a proposal by the Authority and with approval by the Knesset Finance Committee I make these regulations:

Definitions

1. In these regulations -

"option", "futures contract", "realization price", "base asset" - within their meaning in section 64(b) of the Law; "sale option" - an undertaking, which gives its holder the right to sell the base asset at the realization price, or to receive the difference between the value of the base asset and the realization price, on conditions and at times set in the conditions of the option; "purchase option" - an undertaking, which gives its holder the right to buy securities from the offerer at the realization price, on conditions and at times set when it was issued; "acquisition option" - an undertaking, which gives its holder the right to acquire the base asset at the realization price, or to receive the difference between the value of the base asset and the realization price, on conditions and at times set in the conditions of the option; "Portfolio Tel Aviv 25 option" - a purchase option, of which the Tel Aviv 25 Index is the base asset and its realization price is NS 1; "Investment Committee" - within its meaning in section 20 of the Law; "trading day" -

(1) in respect of a Fund in which - in accordance with its investment policy - the value of foreign securities, including options traded abroad (hereafter: foreign securities), held by it does not exceed 10% of the net value of its assets - a day on which trading takes place on an Exchange in Israel;

(2) in respect of any other Fund - each of the days from Monday through Thursday on which trading takes place on an Exchange in Israel and on Exchanges and organized markets abroad on which foreign securities held by the Fund had been purchased, including any of the said days on which no trading took place on an Exchange or on an organized market abroad, if the value of the securities acquired on them and held by the Fund does not exceed 10% of the net value of the Fund's assets;

"option certificate" - a security that gives its holder the right to acquire securities issued by the offerer for an amount of money that must be paid at the time of the acquisition, at a time and on conditions prescribed in the prospectus;

"Tel Aviv 25 Index", "Tel Aviv 100 Index" - as defined in the Exchange by-laws;

"base asset of an option certificate". "base asset of an acquisition option" securities, which can be bought by a tight inherent in the option certificate or in the acquisition option, as the case may be, in the quantity set in their issue conditions; "Options Fund" - a Fund, the Fund agreement of which prescribes that it is an Options Fund;

"value of option", "value of security" - within their meaning in the Joint Investment Trust Regulations (Acquisition and Sale Prices of a Fund's Assets and Value of a Fund's Assets) 5755-1994;

"Stock exchange by-laws" - by-laws as said in section 46 of the Securities Law 5728-1968;

"the last trading period" - the last three months before the date of acquisition, creation, lending or short sale, as the case may be, of the security or of the foreign security, option or futures contract, or the period that began - in respect of each of them - on the day on which it began to be traded, whichever is the shorter period;

Option and contract

2. A Fund Manager may buy and create for the Fund which he manages options and futures contracts, on condition that the following two conditions are met:

- (1) the option and futures contract is traded on an exchange in Israel or on Exchange abroad;
- (2) if the option or the futures contract is traded abroad - on at least 90% of the days in the last trading period, on which trading took place on the Exchange where they are traded, buy and sell prices for them were published as of the end of the trading day; for this purpose, "buy and sell prices for them published as of the end of the trading day" - buy and sell prices published on behalf of the Exchange on which the option or the futures contract is traded, or published by an international distribution system of information about options and futures contracts, on condition that the buy and sell prices published by the said distribution system are not the buy and sell prices of a single market maker; for this purpose, "price of a market maker" - the price at the end of the trading day, at which the market maker of the foreign security undertakes to buy it and a said price at which he undertakes to sell it.

Maximum value of options for a security issued by a body corporate 3. The total value of the assets specified in paragraphs (1) and (2)

below, for which the base asset is a security issued by a certain body corporate, shall not exceed 3% of the net value of the Fund's assets:

- (1) acquisition options, option certificates and purchase options held by the Fund and sale options created by the Fund Manager for the Fund;
- (2) sale options held by the Fund and acquisition options created by the Fund Manager for the Fund.

Maximum value of options

4. The value of options held by a Fund shall not exceed 10% of the net value of the Fund's assets, and in an Options Fund - 30% of the said value; the value of options, together with the value of option certificates and the value of purchase options held by the Fund shall not exceed 20% of the net value of the Fund's assets, and in an Options Fund - 40% of the said value; for purpose of the provisions of this regulation, Portfolio Tel Aviv 25 options shall not be taken into account.

Sale of securities

5. (a) A Fund Manager may, for the Fund he manages, sell short a security or a foreign security traded on an Exchange or on an organized market, on condition that - if it is not a security included in the Tel Aviv 100 Index and is not a short term loan or debenture issued by the State - transactions with it were carried out on an Exchange or on an organized market on at least 90% of the days during the last trading period, on which trading took place on the Exchange or on the organized market.

- (b) The value of the security or of the foreign security issued by a certain body corporate, which the Fund Manager sold short for the Fund shall not, at any time, be greater than one half per cent of the value registered for trading of that security, and the value of all the securities and foreign securities issued by a certain body corporate, which the Fund Manager sold short for the Fund shall not, at any time, be greater than 3% of the net value of the Fund's assets.

Pledging securities

6. A Fund Manager may pledge some of the Fund's assets in order to create options, to buy or create futures contracts or to sell securities short for the Fund he manages.

Restriction on the amount of sureties

7. (a) A Fund Manager shall create options, purchase or create futures contracts and sell securities short in such a manner, so that the value of all the sureties required for them if they were required in cash alone - shall not at any time exceed 20% of the net value of the Fund's assets, and in an Option Fund 40% of the net value of the Fund's assets (hereafter: the permitted proportion); for this purpose, "sureties" - assets which whoever creates an option, buys or creates a futures contract or sells a security short is required to provide as surety for the performance of the obligation that stems from the said creation, purchase or sale.
- (b) If the value of the sureties exceeds the permitted proportion, that shall not be deemed a violation of the provisions of subregulation (a), on condition that the following two conditions are met:
- (1) the value of the required sureties was reduced to the permitted proportion by the end of the second day on which prices are calculated after the day on which the value exceeded the permitted proportion;
 - (2) the value of the required sureties did not exceed the permitted proportion more than five times during a period of twelve months.

Lending securities

8. A Fund Manager may lend a security or a foreign security out of the assets of the Fund he manages, on condition that the following conditions are met:

- (a) if the security is traded in Israel and is not included in the Tel

Aviv 100 Index or is not a short term loan or a debenture issued by the State, or if it is a foreign security - transactions with it were carried out on the Exchange on which it is traded or on the organized market on which it is traded on at least 90% of the days on which securities trading took place there; if the security is traded in Israel, it is lent to a member of the Tel Aviv Stock Exchange, and if it is a foreign security it is lent through a person with whom the foreign securities in the Fund's assets are deposited;

(b)

(c) the Fund Manager holds the undertaking of the

Exchange

member to whom the security was lent, or the undertaking of the person through whom the foreign security was lent, that he will act as follows:

- (1) return to the Fund the security or the foreign security that was lent, in the quantity lent and at the end of the loan

- period, or - if it was so agreed between the parties - return it to the Fund on the Fund Manager's demand before the end of the loan period;
- (2) to give the Fund every right or benefit to which the Fund would have been entitled, if the security or the foreign security had not been lent, at the time at which it would have been entitled to them.
- (d) The Fund Manager shall transmit to the Fund any consideration paid for lending the security or the foreign security.,

Return of securities and of foreign securities before the end of the loan period

9. The value of all securities and foreign securities that were lent and for which the Fund Manager does not hold undertakings that they be returned to the Fund before the end of the loan period immediately after receipt of the Fund manager's demand for their return shall not - at time at which any lending transaction is carried out - exceed 10% of the net value of the Fund's assets; for this purpose, "immediately" - not later than the first day after receipt of the Fund Manager's demand, on which trading is conducted on the exchange or on the organized market on which they are traded.

Instructions from the Investment Committee

10. (a) A Fund manager shall buy and shall create options or futures contracts and he shall sell securities short for the Fund which he manages, and he shall lend securities from the assets of the Fund which he manages, only in accordance with instructions from the Investment Committee on the following matters:
- (1) the maximum proportion of options to be held by the Fund;
- (2) the base assets of the options and of the futures contracts, which the Fund Manager shall buy or create for the Fund;
- (3) the maximum proportion of sureties, which the Fund Manager shall be allowed to provide in respect of options which he creates, future contracts which he buys or creates and securities which he sells short for the Fund;
- (4) the categories of securities, which the Fund manager may lend out of the Fund's assets, their maximum proportions and the consideration for lending them;
- (5) the categories of securities, which the Fund manager may sell short, and their maximum proportion.
- (b) For purposes of this regulation, "maximum proportion" - the value of the options, the value of the sureties or the value of the securities, as the case may be, as a proportion of the net value of the Fund's assets
- (c) The Investment Committee shall, at each of its meetings, monitor the manner in which its directions were implemented by the General Manager of the Fund Manager, and it shall discuss the possible effect of options and future contracts, which the Fund Manager will buy and create and of securities which he will sell short, on the returns of the Fund and on the fluctuations of its unit and redemption prices.

- (d) The Investment Committee shall prescribe in writing which data the Fund Manager must present to it in connection with the options held by the Fund, the futures contracts which the Fund Manager bought or created for the Fund, the securities that were sold short and the securities from the Fund's assets that were lent out, and the General Manager shall present them to the Committee at each of its meetings.

Repeal

11. Joint Investment Trust Fund Regulations (Options, Option Certificates, Futures Contracts and Short Sales) 5755-1995 are repealed.

Effect

12. These regulations shall go into effect thirty days after their publication.

_____, 2000

Avraham (Beiga) Shohat
Minister of Finance