

OVERALL ASSET ALLOCATION: BUY		
	<u>Israeli Healthcare Tech Private Equity</u>	<u>NVIDIA Corporation</u>
Recommendation	BUY	BUY
Investment Size	USD 50 million (10% of the Target Fund Size)	USD 45 million (50,000 shares)
Proportion to Existing Portfolio	5%	4.5%
Investment Horizon	2 – 3 years	5 – 7 years
Internal Rate of Return	20 – 25% (Hurdle Rate: 8%)	12 – 15%
Risk Profile	High	Medium

Investment Strategy

Active Management Approach --- Israeli Healthcare Tech Private Equity

Tactics	<p><u>In-depth Research</u></p> <p>The fund managers will conduct extensive research and analysis of the Israeli healthcare technology sector. They will identify potential investment opportunities by evaluating the growth potential, competitive landscape, technological advancements, and regulatory environment.</p> <p><u>Selective Investment</u></p> <p>The managers will carefully select specific companies within the Israeli healthcare tech sector that demonstrate strong growth prospects, innovative technologies, and solid management teams. They will consider factors such as market share, product pipeline, competitive advantage, and financial performance.</p> <p><u>Active Monitoring</u></p> <p>Once investments are made, the managers will actively monitor the portfolio companies. They will keep a close eye on their financial performance, market dynamics, regulatory changes, and any other relevant factors. This monitoring allows them to make timely adjustments to the portfolio as needed.</p>
Rationale	<p>The active management approach is employed to potentially generate higher returns than the market or benchmark. By conducting thorough research and selecting promising companies, the fund managers aim to capitalize on investment opportunities within the Israeli healthcare tech sector. Active monitoring helps in adapting to changing market conditions and optimizing the portfolio for better performance.</p>

Bottom-up Approach --- NVIDIA Corporation

Tactics	<p><u>Company Analysis</u></p> <p>The fund managers will analyze NVIDIA Corporation's financial statements, competitive positioning, product portfolio, management team, and other company-specific factors. They will evaluate the company's growth potential, profitability, market share, and competitive advantage within the semiconductor industry.</p> <p><u>Industry Analysis</u></p> <p>The managers will also consider the broader semiconductor industry dynamics, such as technological advancements, demand trends, and competitive landscape. This analysis will provide insights into the industry's growth prospects and the potential impact on NVIDIA's performance.</p> <p><u>Risk Assessment</u></p> <p>The managers will assess the risks associated with investing in NVIDIA, including market competition, regulatory changes, technological disruptions, and macroeconomic factors. They will evaluate the company's ability to navigate and mitigate these risks successfully.</p>
Rationale	<p>The bottom-up approach allows for a detailed evaluation of individual companies and their potential for growth and profitability. By focusing on NVIDIA's specific strengths, weaknesses, and industry dynamics, the fund managers aim to make informed investment decisions. This approach emphasizes the fundamental analysis of the company's financial health, competitive position, and long-term prospects, which can provide a more accurate assessment of its investment potential.</p>

RECOMMENDATION: BUY

Fund	Israeli Healthcare Tech Private Equity Fund
Instrument	Series B to C Equities in 5 to 10 target companies
Investment Period	5 years, with GP's discretion to extend 2 more years
Target Fund Size	USD 500 million
Minimum Investment Size	USD 5 million
Management Fee	2/20
Hurdle Rate	8%
Risk Profile	High

Investment Recommendation
Investment Appeal

<u>Appeal</u>	<u>Rationale</u>	<u>Significance</u>
Characteristics of the Private Equity	Enable the capture of alpha and generate returns amidst an economic downturn	☆☆
Long Investment Horizon (5 years)	Mitigate the impact of volatility during an impending recession	☆☆
Positive Industry Outlook	Provide substantial growth potential	☆☆☆
Hurdle Rate (8%)	Achieve potential outperformance compared to other investment opportunities, especially in a downturn	☆☆
GP previous performance of 2x ROIC		
Management Fee (2/20)	Align with industry standard	☆

Potential Upside Risk

<u>Upside Risk</u>	<u>Rationale</u>	<u>Significance</u>
Technological Risk	Led by unexpected revolutionary industrial breakthrough	☆
Successful Portfolio Companies	Fail to fully capture equity value owing to an overheated market environment	☆☆

Potential Downside Risk

<u>Downside Risk</u>	<u>Rationale</u>	<u>Significance</u>
Country Risk	Owing to the ongoing Israeli-Palestinian crisis	☆
Operation Risk*	Incapacity to manage the additional USD 500 million PE fund (Current AUM: USD 617 million)	☆☆
Liquidity Risk	Limit the ability to rebalance or take advantage of new investment opportunities in the existing portfolio	☆

* Source: Annual Report 2022 The Citizens of Israel Fund

Industry Analysis --- Israeli Healthcare Technology

Current Trend / Key Development	<p>The Israeli healthcare sector is witnessing key developments and trends. Digital health innovation, AI, and machine learning are driving advancements in telemedicine and personalized healthcare. Precision medicine and genomics are shaping personalized approaches to treatment. Israel is a leader in medical cannabis research. Biotech and pharmaceutical advancements focus on novel drug delivery systems and innovative therapies. These developments reflect Israel's commitment to innovation, technology, and personalized healthcare, positioning it as a global hub for healthcare innovation.</p>
Key Development / Growth Driver	<p><u>Innovation & Technological Advancement</u></p> <p>The country's focus on research and development has led to groundbreaking discoveries and advancements in healthcare technologies. For instance, Pitango Venture Capital, one of Israel's leading venture capital firms, has invested in companies like Medial EarlySign. Medial EarlySign leverages machine learning algorithms to identify individuals at high risk for diseases such as cancer, enabling early intervention and improved patient outcomes.</p> <p style="text-align: right;"><i>Source: Pitango Venture Capital</i></p> <p><u>Government Support</u></p> <p>The Israeli government provides grants, funding, and accelerators to support the healthcare sector. The Magnet Program, operated by the Israel Innovation Authority, offers substantial financial support through grants ranging from hundreds of thousands to millions of dollars. These grants help companies accelerate their R&D efforts and bring innovative healthcare solutions to the market.</p> <p style="text-align: right;"><i>Source: Israel Innovation Authority</i></p>

Country Risk Analysis --- Israel

Country Risk Score

Elevated (2.3 out of 10)

Evaluation

The country has low legal, economic, tax, and operational risks, but the ongoing Israeli-Palestinian crisis heightens political and security risks, resulting in an elevated risk rating. However, historical stability, a diversified economy, strong legal frameworks, and investor protections mitigate these risks. Government stability and policy continuity foster a favorable investment environment. Implementing risk mitigation measures and thorough due diligence enable investors to compensate for political and security risks and leverage the country's overall low-risk profile.

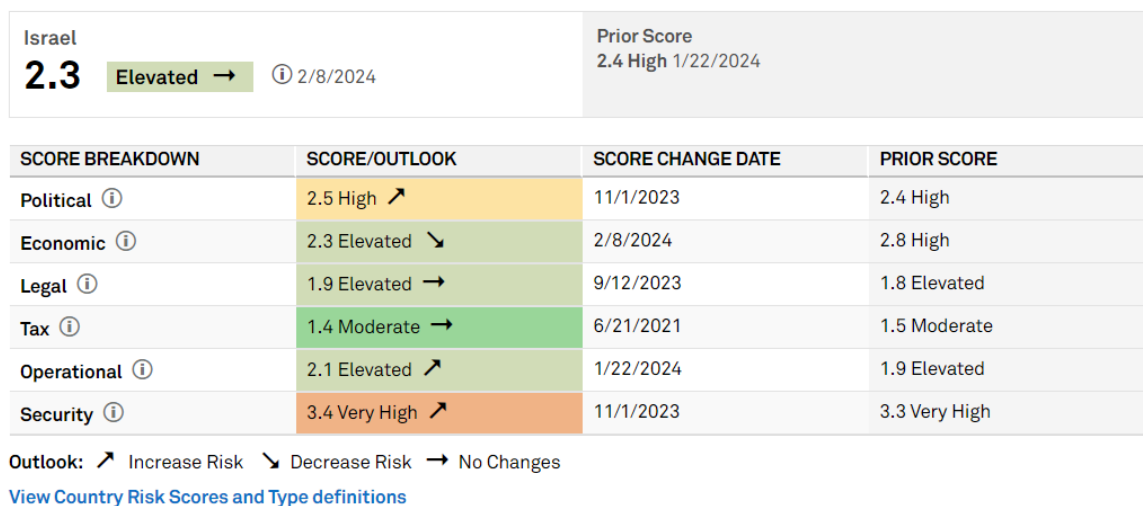
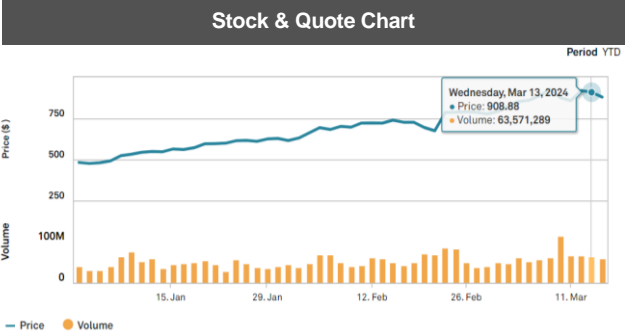


Figure 1. Country Risk Score
 Source: S&P Capital IQ Pro

NASDAQGS:NVDA (MI Key: 4094286; SPCIQ Key: 32307)

RECOMMENDATION: BUY	
Company Name	NVIDIA Corporation
Primary Industry	TMT --- Semiconductor
Target Price	USD 995.00
Closing Price (USD as of Mar 13)	USD 908.88
Market Cap (USD million)	USD 2.2 trillion
52-week Price Range (USD)	USD 233.6 – 974.00
BVPS (USD)	17.44



Source: S&P Capital IQ Pro

Company Profile

Background

NVIDIA Corporation is a global technology company based in Santa Clara, California. It provides graphics, computer, and networking solutions for gaming, professional visualization, data center, and automotive markets. The company's offerings include GPUs for gaming, enterprise workstations, and cloud-based computing, as well as platforms for autonomous driving and robotics. NVIDIA serves a wide range of customers, including OEMs, system integrators, cloud service providers, and automotive manufacturers.

Key Development / Growth Driver

Business Segmentation (as of FY 2023 Revenue Segmentation)

- Data Centre (56%)
- Gaming (33%)
- Professional Visualization (6%)
- Automotive (3%)
- Original Equipment Manufacturer (2%)

Benefits from AI spillover

NVIDIA has established itself as a leader in semiconductor production, known for setting the gold standard in the industry. A key development and growth driver for NVIDIA is their relentless pursuit of cutting-edge GPU architectures. By continuously pushing the boundaries of performance and efficiency, NVIDIA's GPUs have become indispensable for AI, machine learning, and high-performance computing applications. This technological prowess, coupled with their strong partnerships and expanding market reach, positions NVIDIA as a standout player in the semiconductor industry, poised for sustained growth and equity value appreciation.

Source: Reuters

Industry Trend

As AI gains traction in various sectors such as the workplace and entertainment, the semiconductor market is expected to witness a surge in demand. McKinsey and Co's projections indicate a substantial market value increase for the industry in the upcoming decade.

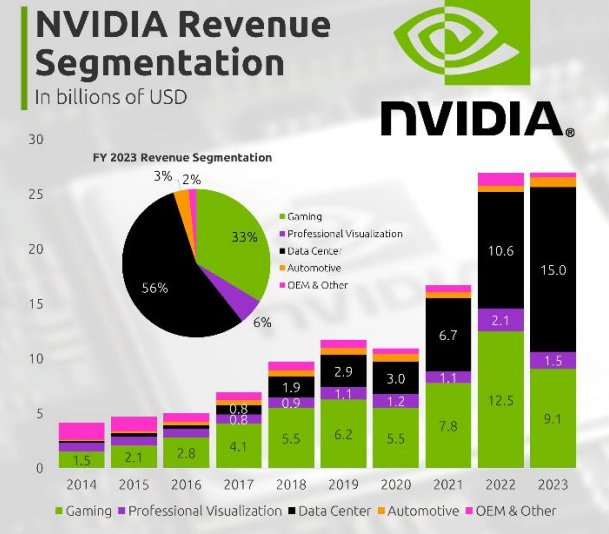


Figure 2. NVIDIA Revenue Segmentation
Source: NVIDIA

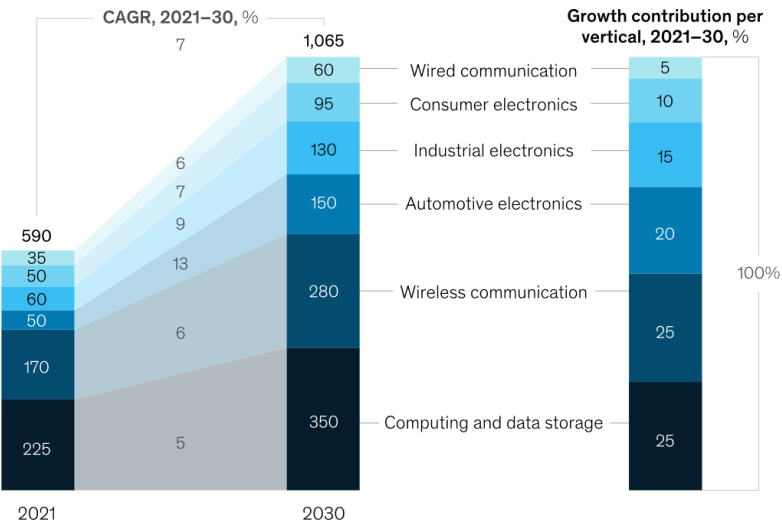


Figure 3. Global Semiconductor Market Value by vertical, indicative, in USD billion
Source: McKinsey & Company

Investment Opportunity & Risk Outlook

Investment Appeal

<u>Appeal</u>	<u>Rationale</u>	<u>Significance</u>
Positive Industry Outlook	Provide massive growth potential to NVIDIA due to the growing demand for semiconductors	☆☆☆
NVDA's Strong Financial Performance	Demonstrated by substantial revenue growth, profitability, and cash flow generation	☆☆☆
NVDA's Technological Edge	Provide a competitive advantage by its advanced technology, R&D, and extensive intellectual property portfolio	☆☆☆
NVDA's Management / Segmentation	Contribute to operational efficiency, market penetration, and growth opportunities	☆☆☆

Potential Upside Risk

<u>Upside Risk</u>	<u>Rationale</u>	<u>Significance</u>
Disruptive Advancement in AI	NVIDIA further development in comparable or superior product	☆☆
Competition Risk	Intense competition and overheated market	☆☆

Potential Downside Risk

<u>Downside Risk</u>	<u>Rationale</u>	<u>Significance</u>
Market risk	Economic instability and market volatility may negatively impact investments	☆☆
Regulatory risk	Restrict business growth and profitability owing to protectionism, e.g., trade barriers	☆
ESG Risk	Failure to address ESG concerns may damage reputation and investor confidence	☆

Financial Highlight

Significant Growth & Strong Performance

Revenue Surge

The substantial increase in total revenue demonstrates robust demand for NVIDIA's products and services. This suggests that the company's offerings are well received by the market and that they have a competitive edge in their industry.

Profitability Boost

The significant growth in EBITDA, EBIT, and net income highlights NVIDIA's ability to effectively manage costs and generate higher profits. This indicates efficient operations and effective revenue management strategies.

Asset Expansion

The considerable growth in total assets indicates that NVIDIA is investing in its business, potentially expanding its product portfolio or acquiring assets to support future growth. This expansion demonstrates confidence in their growth prospects and the ability to seize opportunities in the market.

Strong Return Metrics

The impressive return on assets (ROA) and return on equity (ROE) percentages signify efficient utilization of assets and shareholder equity. Higher ROA and ROE indicate that NVIDIA is generating substantial returns relative to the resources invested, reflecting strong financial performance.

Period Ended ①	1/29/2023	1/28/2024
Total Revenue (\$000) ①	26,974,000	60,922,000
EBITDA (\$000) ①	7,121,000	34,480,000
EBIT (\$000) ①	5,577,000	32,972,000
Net Income (\$000) ①	4,368,000	29,760,000
Capital Expenditure (\$000) ①	(1,833,000)	(1,069,000)
Total Assets (\$000) ①	41,182,000	65,728,000
Total Liabilities (\$000) ①	19,081,000	22,750,000
Total Equity (\$000) ①	22,101,000	42,978,000
Cash & Short Term Investments (\$000) ①	13,296,000	25,984,000
Net Debt (\$000) ①	(1,265,000)	(14,928,000)
Book Value per Share (\$) ①	8.96	17.44
Return on Assets (%) ①	8.17	38.55
Return on Equity (%) ①	17.93	91.46

Figure 4. NVIDIA Financial Highlight
Source: S&P Capital IQ Pro

Environmental, Social & Governance Analytics

Environmental	NVIDIA's weak performance in environmental score, especially in biodiversity and water management, may be attributed to a lack of comprehensive strategies and practices specifically tailored to address these environmental aspects within its operations and supply chain.
Social	NVIDIA's social performance, particularly in the area of human rights, receives a low score, indicating unsatisfactory practices and policies. The company may need to enhance its focus on human rights issues and implement more robust measures to address concerns in this area.
Governance	NVIDIA's governance performance falls below satisfactory levels, particularly in tax strategy and risk & crisis management. The company should prioritize developing a more transparent and effective tax strategy while strengthening its risk management practices to enhance governance standards.

S&P Global ESG Score		60 / 100
^	Environmental Score	58 / 100
	Biodiversity	0
	Climate Strategy	66
	Emissions	59
	Environmental Policy & Management Systems	65
	Product Stewardship	69
	Resource Efficiency and Circularity	90
	Waste	45
	Water	29
^	Social Score	61 / 100
	Customer Relationship Management	40
	Human Capital Development	47
	Human Rights	39
	Labor Practice Indicators	75
	Occupational Health & Safety	61
	Privacy Protection	52
	Talent Attraction & Retention	72
^	Governance & Economic Score	61 / 100
	Business Ethics	66
	Corporate Governance	71
	Information Security/ Cybersecurity & System Availability	62
	Innovation Management	81
	Materiality	46
	Policy Influence	49
	Product Quality & Recall Management	90
	Risk & Crisis Management	35
	Supply Chain Management	61
	Tax Strategy	0
	Transparency & Reporting	50
	Methodology Year	2023

Figure 5. S&P Global ESG Score - NVIDIA 2023
Source: S&P Capital IQ Pro