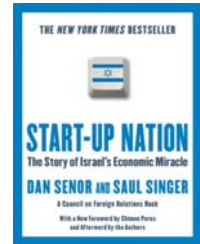


## Market Observations August 2017



### ISRAEL PERSPECTIVE II

*A mission to Israel in May 2017 was sponsored by American Friends of Tel Aviv University. The mission provided a unique view of Israel both ancient and modern through the prism of Tel Aviv University and its accomplished alumni. Access was provided to top government officials, military leaders and university scholars. Timothy A. Schlindwein, Managing Principal of Schlindwein Associates, returned for his second mission after five years. His observations and photos follow.*

### Antiquity & Modernity

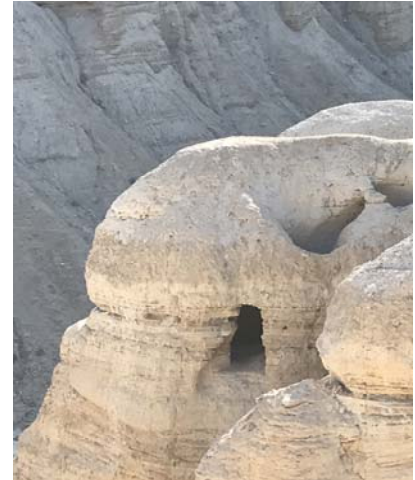
From the scrolls of the Dead Sea to the high-rises of Tel Aviv, Israel is a rich mixture of old and new, and both continue to evolve. Scholars from around the world come to explore its antiquities. Important discoveries await the patient hand. Modern development abounds as well with construction laboring to keep pace with population growth and commercial need. While the challenge of balancing posterity with progress is ever-present, advocates for both appear to have voice in the discussion and decision-making. An example of such balance in an historic district of Tel Aviv is the planned construction of a Ritz-Carlton hotel that will preserve landmark structures as its base.

Israel's reputation as a "start-up" nation is well documented. Creative activity moves at a fast and expansive pace. The fruits of successful innovation are clear whether the result is a new company or a new product highly valued by existing companies. Seekers of knowledge come from all over the world to learn at world-class institutions such as Tel Aviv University. An essential feature of Israeli culture is that a failed idea is not the end of opportunity for its creator. Instead, failure likely is reserved for those who do not try.

### Applied Innovation

The lively Carmel Market in Tel Aviv has something for everyone and in great abundance. One can look at the locally grown produce and see the convergence of applied Israeli innovation. Israel is a leader in optimizing food production from scarce resources. And with vital water resources challenged, its response has been to address both water demand (growing more with less) and water supply (bringing more from the sea). Israel is a leader in food safety, a growing concern around the world. Particularly in developing economies, traditional food growing areas are increasingly exposed to often ill-regulated industrial expansion and its by-products. When a trip to the Carmel Market is not convenient, even a Midwestern U.S. grocery can oblige with fresh Clementines imported from Jaffa.

Other Israeli residents with appetites for produce are fruit bats. They are the subject of innovative studies being conducted by researchers at Tel Aviv University. Their endeavors are within the relatively new field of NeuroEcology. Through advanced technology and miniaturized sensors, they are tapping into the bat's "sixth sense" to gain insights into a range of processes with human applications. These include navigation, perception, socialization and decision-making. For reference, a visit to an obscure cave in the Israeli countryside found hundreds of fruit bat dwellers with no attraction to human hair.



**Qumran Antiquity**



**Tel Aviv Modernity**



**Carmel Market Abundance**

## Market Observations August 2017

### ISRAEL PERSPECTIVE II

#### External Challenges

Standing on Mt. Bental in the Golan, the Syrian border is a stone's throw to the east and Lebanon is a bit more distant but visible to the north. Standing there as well are unarmed but vigilant UN observers operating under the same rules of engagement since 1974. Two examples of the close proximity of war are errant rockets flying overhead into Israel with some regularity and thousands of Syrian refugees huddling along the fenced border with Israel. Having left all behind, the refugees see this as the safest place for them now. Israel responds with humanitarian aid, even breaching its own border to bring across those in need of medical care for significant health issues.

The external challenges facing Israel include living with the failed states of Syria and Iraq close at hand. These states failed having lost control of their own sovereign borders. Territories of the future seem likely to be defined by ancient relationships rather than the dictates of today's foreign powers. Israel's own alliances present both challenges and opportunities whether with the U.S., Russia, China, Egypt, Jordan or Saudi Arabia.

#### Internal Challenges

To visit Old Jerusalem is to see and feel the tension of disparate cultures working and living in close proximity. External challenges often grab headlines, but unresolved Israeli-Palestinian issues are ever-present. A two-state solution is challenging to some when the very borders of Israel are defined beyond current lines in several books of the Bible. At stake in this resolution is Israel's founding vision of being both Jewish and democratic.

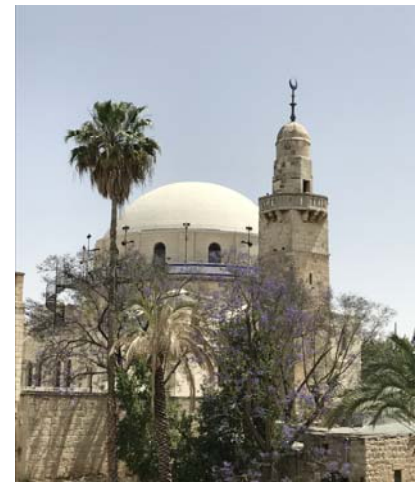
Israeli politics are second to none in diversity and fervor of opinion. As in other countries around the Mediterranean Sea as well as in western democracies, the politics of change are present in Israel, from the Golan to the Knesset. Wisdom and optimism come from the words of a retiring Druze mayor whose village has been under Israeli control for fifty years. Quality of life has been far better for his citizens there than for his extended family in Damascus. The direction taken and compromises made by current Israeli leadership provoke another question vital to the country's future, "Is Israel the nation-state of all Jewish people?". The door has been opened for more moderate, mainstream politicians including one popular figure with a well-known journalism and media background.

#### Investment Implications

The benefits of globalization are a matter of ongoing discussion in the U.S. Globalization is more than the movement of physical goods. Globalization is traveling from the U.S. to sit in an Israeli classroom and hear a Chinese scholar present on the role of 17<sup>th</sup> century French Jesuits in his own homeland. Globalization is the possibility of enhancing portfolio returns by reaching outside of one's home country. To do so, however, one must have a clear understanding not only of return potential but also of associated risk characteristics. Portfolios then can be appropriately diversified among global opportunities.



**Syria Observation**



**Jerusalem Neighbors**



**Political Voices**