



August 2008

Dear Customer,

In August 2005, following the publication of the Behar Committee recommendations, a series of statutes were enacted to regulate the overall activity of financial entities in the market. A substantial part of the new statutory provisions came into effect in February 2006.

Amongst other things, the new legislation regulated the contractual framework between the customer and the investment portfolio manager, and provided that the investment services provided by Altshuler Shaham Ltd., as investment portfolio manager, would henceforth be called “**investment marketing**”, as distinct from “investment counselling”. Investment marketing is defined by law as “*the provision of advice to others relating to the viability of investing, holding, buying or selling securities or financial assets, where the party providing the advice is connected to the financial asset*”.

Therefore, Altshuler Shaham Ltd., is a **marketing portfolio manager** and corporation affiliated to an institutional body (within the meaning of statute), i.e. Altshuler Shaham Mutual Fund Management Ltd., and Altshuler Shaham Provident Fund Ltd., and has a **connection** to the mutual funds that are managed by Altshuler Shaham Mutual Fund Ltd., and the provident funds that are managed by Altshuler Shaham Provident Funds Ltd.

The legislation further provides that: “... a portfolio manager, that is a corporation related to an institutional body or marketer and a portfolio manager that deals in investment marketing, **may** within the scope of their business in the marketing of investments or investment portfolio management, **prefer** a financial asset to which they have an affiliation, as against another, similar financial asset from the perspective of the suitability of that financial asset to which it has no affiliation for the customer provided they have complied with all the disclosure requirements to the customer.... the affiliation of a marketer or portfolio manager to a financial asset will not be regarded as a conflict of interest between it and the customer.”

As part of its investment portfolio management, the Company integrates mutual funds that are managed by the subsidiary, Altshuler Shaham Mutual Funds Management Ltd., that, as of the present, manages 27 mutual funds: Altshuler Shaham (4B) Sofa Equity, Altshuler Shaham (00) Shiklit stocks free, Altshuler Shaham (0B) bonds stocks free, Altshuler Shaham (4D) Global Equity (formerly: Global), Altshuler Shaham (4D) - Green Fund, Altshuler Shaham (0B) Corporate Bonds stocks free, Altshuler Shaham (2C) 25-75, Altshuler Shaham (00) Ksafim, Altshuler Shaham (0D) Global Bonds stocks free (formerly: Active Foreign Currency), Altshuler Shaham (6F) - Leveraged Fund, Altshuler Shaham (40) Yeter, Altshuler Shaham (4D) Japan, Altshuler Shaham (4D) Global Infrastructures, Altshuler Shaham (2B) 15-85, Altshuler Shaham (0B) Opportunity bonds stocks

free, Altshuler Shaham (5D) Extreme Green; Altshuler Shaham (00) Index-linked Government Bonds stocks free, Altshuler Shaham (4D) Global Foodstuff and Agriculture, Altshuler Shaham (2C) 30-70, Altshuler Shaham (0B) Portfolio without stocks, Altshuler Shaham (4D) Global E.T.F., Altshuler Shaham (0D) Brazil and Latin America Bonds, Altshuler Shaham (0D) Australia bonds, Altshuler Shaham (00) Medium CPI Linked, Altshuler Shaham (00) *Gilonim*, Altshuler Shaham (2B) Premium 20%. The funds are exempt funds; Altshuler Shaham (4D) Foreign Residents Green fund - Foreign Residents Liable Fund.

Management fees on the amount invested in the mutual fund units managed by us are charged separately according to the management fees detailed in the particular fund prospectus as published to the public and in the immediate reports. In no case will double management fees be charged.

The subsidiary, Altshuler Shaham Provident Fund Ltd., manages the provident funds and pension funds detailed below:

Funds operated in the First International Bank: Altshuler Shaham Yahalom (Provident); Altshuler Shaham Supplementary Training Funds; Altshuler Shaham Central Severance Pay Fund.

Funds operated in Bank Leumi le-Israel: Altshuler Shaham Leshem Provident; Altshuler Shaham Topaz Supplementary Training; Altshuler Shaham Hoshen Central Severance Pay Fund. The funds opened for activity during May 2005.

Funds operated in Bank Hapoalim: Altshuler Shaham Bazelet Provident; Altshuler Shaham Baraket - that operates as an equity fund; Altshuler Shaham Sapir Training; Altshuler Shaham Emerald (Provident).

Funds operated in the Mizrahi Bank: Hadar Provident Fund, Lahit Provident and Severance Pay Fund, Nirit Supplementary Training Fund and Eshkol Central Severance Pay Fund.

Pension Funds operated in Gemel Tiful Ltd.: Altshuler Shaham Pension General; Altshuler Shaham Comprehensive Pension.

In addition, Altshuler Shaham Ltd., has an affiliation to other financial assets, which results from managing some or all of their investment portfolio, as set out below:

The Tel Aviv Municipality Employee Personal Severance Pay Fund and the Tel Aviv Municipality Employee Provident Fund, the Consumer Co-operative Employee Supplementary Training Fund, Otzem Provident Fund of the AGASH Settlement General Employee Fund Ltd.; Hamchar - Pension Funds Management Company Ltd., Ramat Gan Municipality Clerk and Employee Provident Fund, Co-operative Society Ltd., and the Ramat Gan Municipality Clerk and Employee Pension Fund Management Company Ltd., and Veiser Pensions Funds Ltd.

We wish you and ourselves continuing successful and fruitful activity. Always at your service.

Altshuler Shaham Ltd.



August 2008

Dear Member,

In August 2005, following the publication of the Behar Committee recommendations, a series of statutes were enacted to regulate the overall activity of financial entities in the market. A substantial part of the new statutory provisions came into effect in February 2006.

Amongst other things, the new legislation regulated the contractual framework between the customer and a provident fund marketer, and provided that the investment services provided by Altshuler Shaham Provident Funds Ltd., would henceforth be called “**pension marketing**”, as distinct from “pension counselling” or “investment counselling”. Investment marketing is defined by law as *“the provision of advice to an individual relating to the viability of his or his relation’s savings, as a salaried or self-employed member, or as an insured person, by means of a pension product to which the party providing the counselling has an affiliation.*

The law also provides that *“the affiliation of a pension broker to a pension product, will not be regarded as a conflict of interest between him and the customer.....”*

Altshuler Shaham Provident Fund Ltd., manages the provident funds and pension funds detailed below:

Funds operated in the First International Bank: Altshuler Shaham Diamond (Provident); Altshuler Shaham Supplementary Training Funds; Altshuler Shaham Central Severance Pay Fund.

Funds operated in Bank Leumi le-Israel: Altshuler Shaham Leshem Provident; Altshuler Shaham Topaz Supplementary Training; Altshuler Shaham Choshen Central Severance Pay Fund.

Funds operated in Bank Hapoalim: Altshuler Shaham Bazelet Provident; Altshuler Shaham Baraket - that operates as an equity fund; Altshuler Shaham Sapir Supplementary Training; Altshuler Shaham Emerald (Provident).

Funds operated in the Mizrahi Bank: Hadar Provident Fund, Lahit Provident and Severance Pay Fund, Nirit Supplementary Training Fund and Eshkol Central Severance Pay Fund.

Pension Funds operated in Gemel Tiful Ltd.: Altshuler Shaham Pension General; Altshuler Shaham Comprehensive Pension.

In addition, Altshuler Shaham Ltd., has an affiliation to other financial assets, which results from managing some or all of their investment portfolio, as set out below:

The Tel Aviv Municipality Employee Personal Severance Pay Fund and the Tel Aviv Municipality Employee Provident Fund, the Consumer Co-operative Employee Supplementary Training Fund, Otzem Provident Fund of the AGASH Settlement General Employee Fund Ltd.; Hamchar - Pension Funds Management Company Ltd., Ramat Gan Municipality Clerk and Employee Provident Fund, Co-operative Society Ltd., and the Ramat Gan Municipality Clerk and Employee Pension Fund Management Company Ltd., and Veiser Pensions Funds Ltd.

The maximum management fees that Altshuler Shaham Pension Funds Ltd., is entitled to charge members of the funds is 2% per annum. A suitable report will be sent of any variation in the management funds.

We wish you and ourselves continuing successful and fruitful activity. Always at your service.

Altshuler Shaham Provident Funds Ltd.,