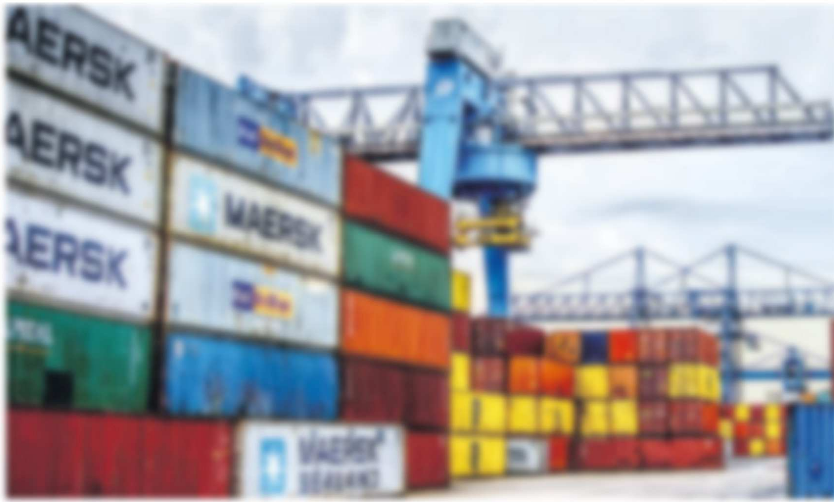

THE SPUDY COLUMN

Investing in Israel

Private equity investments are an interesting asset class, especially for investors with long-term investment horizons, such as family portfolios. Such investments provide a better risk-return profile for the portfolio and generate higher average returns than shares, while displaying lower volatility. Through direct participation in innovative startups, investors may take part in the development of interesting fields such as medicine technology or digitization. In recent years, Israel has developed into an incubator for young and innovative companies with enormous potential in these exciting areas.

This success is no accident. In Israel, many university graduates prefer to grow their own ideas in their own companies, make their own decisions and assume responsibility rather than seeking a position in a large company and join an existing hierarchy. The formation of startups is also aided by the connections formed by young people with their peers during compulsory military service. Strong peer networks of young people with similar interests facilitate the founding of new companies. And, of course, Israel's exemplary investment in research and development also plays a role.

www.spudy.com

As a result, international investors are increasingly focusing on Israel's innovative potential. One recent example is the German automotive supplier Continental's takeover of the Israeli company Argus. Last year, Continental purchased the Israeli cybersecurity startup for an estimated price of over €300 million, with the aim of developing technologies for use in self-driving cars. For private equity investors who get in on the ground floor, such trajectories can prove especially lucrative.

At the same time, however, investors must accept that their capital will have limited fungibility. The investment risk is also higher, and in a worst-case scenario an entire investment could be lost. In many cases, potential investors also face an information gap when it comes to decision-making. For this reason, potential investors should remember that success in this area requires professional and systematic selection of investment options, as well as market knowledge and experience. Most importantly, they require independent advice and investment management, to include not only investment controlling but careful attention to tax and legal aspects. ▪

Jens Spudy is executive partner of Spudy Family Office