

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

ISRAEL

Middle East

Dialogue | Trust | Partnership

office@lordwaverley.com

www.lordwaverley.com

WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Tel Aviv / Gush Dan	Israel's commercial, financial and high-tech capital; home to most VC funds, unicorns and multinational R&D centers	Fintech, cybersecurity, software, venture capital
Herzliya / Netanya coastal tech corridor	Dense concentration of multinational R&D centers (Microsoft, Google, Intel, Apple) and the Herzliya Pituach business district	R&D centers, semiconductors, AI
Haifa	Northern tech and port hub, home to major Technion-linked R&D and Israel's largest container port; nearest major city to the Lebanese front	Port logistics, chemicals, biotech, IT
Beersheba / Negev	Government-designated cyber hub anchored by the IDF's relocated technology units and Ben-Gurion University	Cybersecurity, defense technology, advanced agriculture
Haifa and Ashkelon offshore gas fields (Leviathan, Tamar, Karish)	Mediterranean gas infrastructure underpinning domestic energy and export pipelines to Egypt and Jordan	Natural gas production and export
Jerusalem	Capital and seat of government; growing biotech and life-sciences cluster alongside its traditional tourism and religious-site economy	Biotech, tourism, public administration
Northern border region (Galilee, Golan Heights-adjacent communities)	Communities displaced or disrupted during the Hezbollah conflict; reconstruction and resettlement still underway	Agriculture, reconstruction, local infrastructure

INVESTOR ENTRY ROUTES

- Israel Innovation Authority grants and R&D co-funding programs for technology ventures
- Direct equity investment and M&A in Israel's deep venture-capital and startup ecosystem, where international funds account for roughly 69% of active investors
- Encouragement of Capital Investments Law tax incentives for qualifying industrial and technology enterprises
- Free trade agreements with the US, EU, UK, and a widening set of partners including UAE, Bahrain and Morocco under the Abraham Accords framework
- Public-private partnerships in gas-export and energy infrastructure (Leviathan, Tamar, Karish fields)
- OECD membership and associated regulatory and governance standards

MARKET-ENTRY OBSERVATION

Israel's economy has shown marked resilience through more than two years of multi-front conflict. Moody's reaffirmed Israel's Baa1 sovereign rating with a stable outlook in July 2026, forecasting growth of roughly 3.7% in 2026 and 5% in 2027 if ceasefires with Hamas, Hezbollah and Iran hold, following weak first-quarter 2026 results and 2.9% growth in 2025. Inflation has eased to around 2%,

helped by a shekel that has strengthened to roughly a 30-year high against the dollar. Direct foreign investment reached a record \$26.2 billion in 2025 (OECD data), up 78% from 2024, though the Finance Ministry's own analysis cautions the total is concentrated in a handful of mega-deals - Google's \$32 billion acquisition of Wiz alone contributed an estimated \$16.8 billion - rather than broad-based investment growth; deal count actually fell 4% even as deal value rose. Software and IT accounted for roughly 90% of 2025 deal value, and the United States supplied nearly 90% of inbound investment while European investment, particularly from the UK, fell sharply.

Israeli tech startups raised about \$7.6 billion in the first half of 2026, up 52% year-on-year, led by cybersecurity (\$2.57 billion) and a fast-growing cluster of defense-tech, quantum and AI-centered "CoreAI" companies; foreign investors made up 69% of active VC participants, suggesting international confidence has not materially eroded despite the conflict backdrop. The principal offset to this resilience is fiscal: defense and security spending runs at roughly 6% of GDP annually, driving a central-government deficit Moody's projects at 5.3% of GDP in 2026, with debt-to-GDP stabilizing near 70%. Politically, the Knesset completed its first full four-year term since 1988 and dissolved on July 17, 2026, triggering a general election scheduled for October 27, 2026 - just over two weeks from this briefing's publication - with Netanyahu's Likud facing a fragmented right-wing field, a damaged security reputation since the October 2023 Hamas attack, and an ongoing corruption trial in which his own testimony concluded after 98 hearings.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Imminent, closely contested general election	A general election on October 27, 2026 could reshape the governing coalition, economic policy priorities, and the trajectory of ceasefire negotiations	Monitor the election outcome and coalition-formation process before committing to policy-sensitive investments
Fragile, contested ceasefires	Hamas, Hezbollah and Iran ceasefires are each described by Moody's and independent monitors as fragile, with hundreds of reported strikes and casualties since the October 2025 Gaza ceasefire took effect	Monitor ceasefire durability and geography-specific security conditions, particularly near the Lebanese and Gaza-adjacent areas
High and rising defense spending	Security spending of roughly 6% of GDP annually is driving a central-government deficit projected at 5.3% of GDP in 2026	Monitor fiscal consolidation progress and credit-rating agency commentary
West Bank de facto annexation and settler violence	Independent monitors report a sharp rise in settlement expansion and settler-violence investigations since 2023, drawing EU business-advisory warnings tied to certain settlement areas	Avoid West Bank-linked supply chains or real estate without specific compliance review
Investment concentration risk	Israel's 2025 record FDI figure was driven overwhelmingly by a small number of mega-acquisitions (chiefly Google-Wiz), with underlying deal volume declining	Distinguish headline investment figures from broad-based investment-climate indicators when assessing sector depth
Netanyahu corruption trial	The sitting prime minister's own testimony concluded in 2026 after 98 hearings in a trial that could, if it results in conviction, affect political stability	Monitor trial developments as a political-risk signal rather than a direct commercial barrier
International Stabilization Force uncertainty in Gaza	Plans for an international force to help govern and stabilize postwar Gaza have stalled amid troop-pledge shortfalls, complicated further by the separate Iran conflict	Treat Gaza-adjacent reconstruction and investment opportunities as contingent on stabilization-force progress

INVESTOR RISK NOTE

Israel combines a genuinely resilient, innovation-driven economy - record foreign investment, a strong credit rating, and a tech sector still attracting substantial international capital - with an unusually dense cluster of near-term political and security uncertainties: an election just over two weeks away, fragile multi-front ceasefires, high defense-driven deficits, and a contested West Bank annexation process drawing international scrutiny. The underlying economic engine remains strong, but near-term volatility around the election and ceasefire durability warrants active monitoring.

MARKET ACCESS

Israel's free trade agreements with the United States, the European Union and the United Kingdom, together with widening Abraham Accords ties to the UAE, Bahrain and Morocco, give exporters broad preferential access to major markets. OECD membership anchors Israel within established international regulatory and governance frameworks. The domestic market is modest in size (about 9.8 million

people) but highly globally integrated, particularly in technology, where Israeli firms compete and partner directly with leading US and European companies.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Prime Minister Benjamin Netanyahu	Incumbent prime minister facing an October 27, 2026 general election, a fragmented right-wing coalition, and an ongoing corruption trial	Central to political-risk monitoring; not a direct commercial engagement channel
Israel Innovation Authority	Central government body for R&D grants, incentives and technology-sector investment facilitation	Primary entry point for technology and R&D-linked investment
Bank of Israel	Central bank managing monetary policy and the strengthening shekel	Relevant to currency and macro-financial planning
Ministry of Finance (Chief Economist's Department)	Publishes investment-flow analysis and fiscal policy; flagged the concentration of 2025's record FDI in a small number of mega-deals	Relevant source for data-driven investment-climate assessment
Opposition leaders (Bennett-Lapid "Together" list, Gantz's Blue and White, Golan's Democrats)	Potential coalition partners or successors depending on the October 2026 election outcome	Relevant to political-risk and policy-continuity monitoring
Finance Minister Bezalel Smotrich	Religious Zionist Party leader driving West Bank settlement expansion and broader annexation-adjacent policy	Relevant to compliance and reputational-risk assessment for West Bank-linked activity
NewMed Energy / Chevron (Leviathan, Tamar, Karish operators)	Lead operators of Israel's offshore gas fields underpinning domestic energy and regional export agreements	Primary counterparties for energy-sector investment or supply agreements

CURRENT INTERNATIONAL BUSINESS CHANNELS

Engagement channels run through the Israel Innovation Authority for technology and R&D ventures, Invest in Israel (Ministry of Economy) for broader foreign direct investment facilitation, the Tel Aviv Stock Exchange for public-market access, and Israel's extensive network of bilateral chambers of commerce, particularly with the US, EU and UK.

INVESTOR PROFILE BEST SUITED

Suited to investors comfortable with Israel's distinctive risk-reward profile: a world-class, resilient technology and innovation ecosystem with a demonstrated record of attracting capital even through sustained conflict, paired with genuine near-term political and security uncertainty around the October 2026 election and multiple fragile ceasefires. Less suited to investors requiring full political and security predictability, or those with compliance exposure to West Bank-linked supply chains or real estate.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Engage the Israel Innovation Authority or Invest in Israel

Approach the relevant government body for sector-specific incentive structuring and introductions.

STEP 2: Monitor the October 27, 2026 election

Track the election outcome and subsequent coalition-formation process for policy-continuity signals.

STEP 3: Assess ceasefire-durability and geography-specific risk

Evaluate Gaza, Lebanon and Iran ceasefire developments, with particular attention to northern-border and Gaza-adjacent locations.

STEP 4: Conduct West Bank supply-chain compliance review

Screen any West Bank-linked sourcing, real estate or operations against evolving EU and international guidance.

STEP 5: Distinguish headline from underlying investment data

Evaluate sector-specific deal volume rather than aggregate FDI figures, given 2025's mega-deal concentration.

WAVERLEY'S ROLE

- Investment facilitation and introductions to the Israel Innovation Authority and Invest in Israel
- Political-risk monitoring through the October 2026 election and subsequent coalition formation
- Ceasefire-durability and geography-specific security risk advisory across Gaza, Lebanon and Iran fronts

- West Bank supply-chain and compliance review coordination

INVESTOR CALL TO ACTION

Investors should request an updated political-risk briefing from Waverley following the October 27, 2026 election before finalizing policy-sensitive commitments.

Investors with West Bank-linked exposure should commission a compliance review against evolving EU and international guidance before proceeding.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Near-term opportunities remain concentrated in cybersecurity, AI and defense-technology venture investment, offshore gas-linked energy infrastructure, and life sciences, alongside selective M&A opportunities as international acquirers continue to target Israeli technology assets. Reconstruction and resettlement financing in northern border communities may offer a longer-horizon opportunity contingent on ceasefire durability.

POSITIONING

Waverley views Israel as a structurally resilient, innovation-driven economy that has continued to attract substantial international capital through more than two years of multi-front conflict, underpinned by a stable Baa1 credit rating and a world-leading technology sector.

That resilience currently sits alongside an unusually compressed set of near-term uncertainties - a general election on October 27, 2026, fragile ceasefires on three fronts, and a contested West Bank annexation process - that warrant active monitoring even as the underlying investment case remains sound for investors with appropriate risk tolerance.

SELECTED SOURCES

- Moody's Investors Service, reported via Ynetnews, "Moody's Keeps Israel's Credit Rating Unchanged at Baa1 with Stable Outlook," July 2026
- Globes, "Inward Investment in Israel Reaches Record," citing Israeli Finance Ministry Chief Economist's Department and OECD data, September 2026
- Jewish News, "Israeli Tech Funding Jumps 52% Despite Geopolitical Turmoil," citing IVC and LeumiTech H1 2026 data
- Wikipedia, "2026 Israeli Legislative Election"
- The National, "How Netanyahu's Government Carried Out De Facto Annexation of the West Bank," citing Peace Now and Kerem Navot, July 2026