

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERALL PERFORMANCE

The on-again/off-again trade war with China whipsawed equity markets throughout the third quarter. After a June trade war truce, the Trump administration escalated matters with a surprise imposition of new tariffs on an additional \$300 billion on Chinese imports. Trump also tweeted threats that tariffs could go “well beyond” 25%. In late August, via Twitter, Trump “ordered” U.S. companies to find alternative sources of supply outside of China, sinking the S&P 500 Index by more than 2%. Then in early September, news of a potential October return to the negotiating table by top officials from both sides, followed by a delay of tariff increases, lifted broader equity indices back to near all-time highs.

Senvest Capital (“Senvest” or the “Company”) recorded net income attributable to common shareholders of \$21.1 million or \$7.86 per basic and diluted common share for the period ended September 30, 2019. This compares to net income attributable to common shareholders of \$2.5 million or \$0.92 per basic and diluted common share for September 30, 2018. For the quarter, the US dollar strengthened against the Canadian dollar and the result was a currency translation gain of about \$8.0 million from the net income attributable to common shareholders. This amount is not reported in the Company’s statement of income rather it’s reflected in its statement of comprehensive income. As a result, the comprehensive income attributable to common shareholders was \$29.1 million for the quarter.

The Company’s income from equity investments was the biggest contributor to the results. The net change in equity investments and other holdings including securities sold short and derivative liabilities totalled \$62.0 million in the current quarter versus \$14.8 million in September 2018.

Some of the largest holdings as at September 30, 2019 were, Marriot Vacations (VAC), Tower Semiconductors (TSEM), Radware (RDWR), Paramount Resources (POU), Capri Holdings (CPRI), Intercept Pharmaceuticals (ICPT), and Seven Generations Energy (VII). (When the Company refers to its portfolio of holdings, the reference is to its aggregate portfolio including those in the funds that are consolidated into the accounts of the Company).

Analog semiconductor foundry Tower Semiconductor (“TSEM”) provided the largest gain in the quarter. TSEM’s stock price gained +22% as it played catch-up to semiconductor stocks in general which, as a group, reached all-time highs during the quarter, as evidenced by the stock price performance of SMH, an exchange-traded fund comprised of the largest and most liquid companies listed in the U.S. which are active in the semiconductor sector. TSEM, in contrast, remains about 40% below its 2017 high. The company reported Q2 financial results that beat analyst expectations for earnings and provided better-than-street guidance for Q3. TSEM also announced a capacity expansion plan at a Japanese facility to fulfill increased customer demand. This year, the company has faced revenue headwinds from a revised production agreement with JV partner Panasonic and planned revenue reduction at a fab acquired in 2016 from Maxim as required under the terms of its acquisition. TSEM has largely offset these headwinds with organic growth from other customers, and we expect TSEM to overcome these declines sometime next year. The company operates in a number of markets with strong secular growth, including 5G wireless communications, data centers, and sensors—in particular for autonomous driving, which can support growth in the years ahead.

Residential mortgage originator and servicer PennyMac Financial Services (“PFSI”) surged +37% in Q3. The company benefited from a boom in refinance activity due to the decline in mortgage interest rates. Q2 financial results reflected this benefit with EPS handily beating consensus expectations. PFSI continued to show its ability to effectively hedge interest rate risk on its mortgage servicing rights (“MSRs”), the largest asset on its balance sheet subject to quarterly marks based largely on changes in interest rates, and to scale quickly and profitably in response to changes in market demand. We also found management’s commentary to be among the most bullish in the company’s history. Management described the company’s prospects in the near term: “Given the present market environment, we anticipate exceptional performance for PennyMac Financial to persist throughout the second half of this year, while the continued growth of our servicing portfolio is expected to drive long-term earnings performance.” Timeshare operator Marriott Vacations (“VAC”), our biggest holding is the exclusive worldwide developer, marketer, seller and manager of timeshare resorts under the brand names Marriott and Ritz-Carlton Destination Club. VAC held on to its first half gains and has remained our best performing stock through the first nine months of the year.

Digital coupon and media company Quotient Technology (“QUOT”) fell -27%. The company reported Q3 financial results that fell short of consensus expectations and cut guidance for the second half of the year. The company has seen further digital coupon spending declines from its three large customers along with weakness in legacy non-core business lines. Despite the pressure on its digital coupon business, the digital media business showed strong organic growth in excess of 50% year over year. In a positive development, the company’s founder and executive Chairman Steve Boal took back the reins from the CEO who was ousted. While the cut in guidance is disappointing the return of Boal is a positive development. Biopharmaceutical company Intercept Pharmaceuticals (“ICPT”) was discussed in last quarter’s letter and was one of the largest decliners in the current quarter with a stock price decline of -16%. Our thesis remains unchanged from what was discussed in the second quarter letter.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of 3.5% net of fees in the quarter. With most of the long portfolio invested in small and mid-cap stocks, the fund outperformed its most relevant benchmark, the Russell 2000 for the quarter but is trailing it for the 2019 year as a whole. The fund also underperformed the S&P 500 index for the first three quarters of this year, but does not consider this index as a benchmark. The Senvest Technology Partners Fund was initiated in 2003 to focus on investing in Israel related companies. Effective January 1, 2019, the Israel Fund broadened its geographic investment mandate to focus on global technology investments. To better reflect the evolving global complexion of its technology investments, the Israel Fund underwent a name change to Senvest Technology Partners. After investing in Israel-related technology for 15 years, its holdings extend across the global technology universe. The Technology Fund will maintain the same investment philosophy and continue to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of 3.95% net of fees for the quarter (monthly results of both funds can be found on the Company’s website). The two funds had approximately \$1.5 billion of net assets under management at September 30, 2019. Both of these funds are consolidated into the accounts of the Company.

The Company has a portfolio of real estate investments as at September 30, 2019. One part of this amount represents investments in different US REITs and partnerships. These REITs and partnerships are not publicly traded and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and partnerships and the distribution to its holders. Also, there are minority interests in private entities whose main assets are real estate properties. As described above for the REITs and partnerships, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company also has investment properties in lands and buildings. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties were remeasured at fair value, using the fair value model. The fair value is based on external valuations from third party valuers. Gains or losses arising from changes in fair value of investment properties will be included in the Company's net profit or loss. The Company acquired a majority of these properties pursuant to a business combination. The Company (the acquirer) purchased 100% of the voting and equity interests of Bogas Costa Del Sol SL, Globalbox Arganda SL, Globalbox Rivas SL and Coldstream SL (the acquirees) on January 16, 2017. The transaction was accounted for under the purchase method. The net assets of the acquired companies were valued at fair value and there was no resulting goodwill on the purchase. There was no contingent consideration nor any non-controlling interests that arose due to the transaction. In April 2018 all the aforementioned companies were merged into one legal entity called Coldstream SL.

The Company consolidates the Senvest Management LLC (SML) entity that serves as the investment manager of Senvest Partners and Senvest Technology Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Corporation. Most of the equity of Senvest Management LLC reflects its investment in the underlying funds. On April 1 2019 SML redeemed a net amount of \$90.5 million of its equity in the underlying funds and the executive invested this same amount back in the funds under his own personal name. As such there was a reallocation on the Company's balance sheet out of Non-controlling interest and into Liability for redeemable units. There was no cash withdrawal out of the funds just a transfer of ownership of the investment in the funds from SML to the executive owner of SML. Even though the total equity of the Company was reduced due to this transfer, the total equity attributable to common shareholders remained unchanged. This non-controlling interest was \$18.4 million as at September 30, 2019 from \$104.8 million as at December 31, 2018.

At the end of September 30, 2019, Senvest had total consolidated assets of \$2,567.9 million versus \$2,757.0 million at the end of 2018. Equity investments and other holdings decreased to \$2,080.7 million from \$2,155.2 million in December 2018. The Company purchased \$1,100.2 million of investment holdings in the period and sold \$1,317.9 million of such holdings. The Company's liabilities decreased to \$1,696.6 million this quarter versus \$1,787.5 million in 2018. The main contributor to this reduction was a decrease in securities sold short and derivative liabilities. The proceeds of securities sold short were \$2,424.4 million and the amount of shorts covered was \$2,111.4 million in the period. Overall the trading figures were less than the corresponding amounts for the prior year. However as a whole, the 2019 year has been more volatile than the prior year.

#### Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

#### Presentation currency

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average

rate for the period. All resulting changes are recognized in other comprehensive income (loss) as currency translation differences. Equity items are translated using the historical rate

## Risks

### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Company's overall risk management program seeks to maximize the returns derived for the level of risk to which the Company is exposed and seeks to minimize potential adverse effects on the Company's financial performance. Managing these risks is carried out by management under policies approved by the Board.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

### Market risk

#### Fair value and cash flow interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at September 30, 2019, the Company had listed sufficient equity securities that it can sell to reduce its floating rate debt to zero.

### Currency risks

Currency risk refers to the risk that values of monetary financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company's functional currency is the US dollar. The Company has foreign currency exposure to the Canadian dollar, the British pound sterling, the Euro, the Swedish krone, and the Israeli shekel.

### Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the securities sold short are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the US dollar, the price, initially expressed in a foreign currency and then converted into US dollars, will also fluctuate because of changes in foreign exchange rates.

Securities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements. In addition, the Company has entered into derivative financial instruments, which have a notional value greater than their fair value, which is recorded in the financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the financial statements.

The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivatives is open ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the securities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and derivatives, securities sold short and derivative liabilities as at September 30, 2019 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity investments and other holdings			
Listed equity securities and derivatives	1,851,044	2,406,357	1,295,731
Securities sold short and derivative liabilities	(456,160)	(593,008)	(319,312)
Pre-tax impact on net earnings		418,465	(418,465)

#### Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company's largest assets are equity investments and other holdings. Most of these assets are made up of equities in public holdings which can be liquidated in a relatively short time. Due to its large holding of liquid assets, the Company believes that it has sufficient resources to meet its obligations.

All financial liabilities other than securities sold short and derivative liabilities, liability for redeemable units and some other payables as at the consolidated statement of financial position date mature or are expected to be repaid within one year. The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

#### Credit risk

Credit risk is the risk that a counterparty will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is executed only once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Company is also exposed to counterparty credit risk on its cash and cash equivalents, restricted short-term investment and due from brokers.

From time to time, the Company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities, equity indices and currencies, equity swaps, foreign currency forward contracts, and foreign currency futures contracts. These derivative instruments are marked to market. There is deemed to be no credit risk for futures and certain options that are traded on exchanges. The warrant contracts and certain options that are not traded on an exchange allow the company to purchase underlying equities at a fixed price. Equity swaps represent future cash flows that are agreed to be exchanged between the Company and counterparties at set dates in the future. Foreign currency forward contracts are contracts to buy or sell foreign currencies at a specified price at a future point in time.

### Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of its business. The Company considers its capital to be its total shareholders equity. The Company manages its capital structure in light of changes in economic conditions. To maintain or adjust its capital structure, the Company initiates normal course issuer bids or adjusts the amount of dividends paid. The Company monitors capital on the basis of its net liabilities-to-capital ratio, which is as follows (in millions):

	September 30, 2019	December 31, 2018
Total net liabilities	\$1,375.9	\$1,429.8
Total equity	\$ 871.3	\$969.4
Net liabilities to capital ratio	1.58	1.47

The Company's goal is to maintain its net liabilities to capital ratio below 2.0 in order to limit the amount of risk. The Company defines its net liabilities to equal its total liabilities less its due from brokers. The Company believes that limiting its net liabilities to capital ratio in this manner is the best way to control risk. The Company's net liabilities to capital ratio was at 1.58 at the end of September 2019 from 1.47 at the end of 2018.

### Investment Risk

To the extent not discussed above, the Company is subject to additional risks with respect to the investments made.

The value of the Company's portfolio may decrease as well as increase, due to a variety of factors, including general economic conditions, and market factors. Additionally, investment decisions made by the Company may not always be profitable or prove to have been correct. Investment strategies, at any given time, may incur significant losses. Losses can occur for a number of reasons, including but not limited to, an overall decline in the underlying market, a lack of liquidity in the underlying markets, excessive volatility in a particular market, government intervention or monetary and/or fiscal policies of a specific region or country. The profitability of a significant portion of the Company's investments also depends to a great extent upon the Company's ability to correctly assess the future course of the price movements of securities and other investments. There can be no assurance that the Company will be able to accurately predict these price movements.

The Company's investment strategy is speculative and involves risk. The Company trades in options and other derivatives, as well as using short sales and utilizing leverage. The portfolio may not be diversified among a wide range of issuers or industries. In addition, the Company may take concentrated positions in its high conviction ideas, invest in high yield securities or invest in foreign markets outside the US and

Canada. Accordingly, the investment portfolio may be subject to more rapid change in value than would be the case if the Company were required to maintain a wide diversification in the portfolios among industries, areas, types of securities and issuers.

The Company may make investments in the securities of high growth companies. More specifically, the Company may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$2 billion US. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strengths of larger corporations. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations and exiting investments in such securities at appropriate prices may be difficult, or subject to substantial delay. Furthermore, some of the portfolio may be invested in technology, technology-related markets and biotech. These types of companies may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Also, these companies could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The Company tries to manage the above risks by monitoring its leverage, actively following its investee companies and trying to react to market conditions. At the same time the Company expects its portfolio to exhibit a higher degree of volatility than portfolios that invest in larger more stable companies and that invest within more defined limits. As at September 30, 2019, approximately 86% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as percentage of its total investments; however, it does not have a fixed number that this percentage cannot fall below.

#### Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Consolidation of entities in which the company holds less than 50% of the voting rights.

Management considers that the company has de facto control of Senvest Management LLC (SML), RIMA Senvest Master Fund GP LLC, and Senvest Technology Partners GP LLC., three legal entities wholly owned by an executive of the Company, because of the Company's board representation and the contractual terms of the investment advisory agreement. SML is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP LLC is the General Partner of Senvest Master Fund LP and Senvest Technology Partners GP LLC is the General Partner of Senvest Technology Partners Master Fund LP.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Technology Partners Master Fund LP and Senvest Cyprus Recovery Investment Partners LP even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entity, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

#### Fair value estimates of investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent valuers located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### Fair value estimates of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the balance sheet date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange. The financial assets classified as Level 1 were approximately 86% of the total financial assets.

#### Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or valuation techniques that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial assets classified as Level 2 were approximately 5% of the total financial assets.

### Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist mainly of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The financial assets classified as Level 3 were approximately 9% of the total fair value of financial assets.

Level 3 valuations are reviewed by the Company's Chief Financial Officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. On an annual basis, close to the year-end date, the Company obtains independent, third party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The annual valuations of the significant level 3 holdings are carried out externally. The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at September 30 2019, Level 3 instruments are in various entities and industries. The real estate investments are made up of investments in private real estate companies, and in real estate income trusts and partnerships. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuers or on recent transactions. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts and partnerships, the company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

### Liability for redeemable units

Liability for redeemable units represents the units in the consolidated funds that are not owned by the Company. Units may be redeemed as of the end of any calendar quarter; provided, however, that redemptions made within the first 24 months will be subject to a redemption fee which is payable to the funds. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Fund LP has units that can be redeemed twice annually with an 120 day notice period. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at redemption amount. At the individual fund level, this item is not shown as a liability but as part of shareholders equity. It is deemed to be a liability only for the consolidated financial statements as they are prepared from the point of view of the parent company.

### Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

## QUARTERLY RESULTS

(In thousands except for earnings(loss) per share information)

Year	Total revenue and investment gains(losses)	Net income(loss)-Common shareholders	Earnings (loss) Per share
2019-3	76,376	21,091	7.86
2019-2	(169,458)	(56,556)	(21.04)
2019-1	164,672	54,751	20.36
2018-4	(428,534)	(152,197)	(56.19)
2018-3	21,225	2,478	0.92
2018-2	67,359	19,337	7.10
2018-1	23,331	(9,704)	(3.55)
2017-4	2,234	491	0.29

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. The profit has fluctuated a significant amount quarter to quarter. The highest earning quarter showed a profit of over \$50 million and the least profitable quarter had a loss of over \$150 million. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. However, we expect the volatility and choppiness of the markets to result in wide profit swings from year to year and from quarter to quarter. Reference is made to the section on Investment risk above.

The Company maintains accounts with several major financial institutions in the U.S. who function as the Company's main prime brokers. The Company has assets with the prime brokers pledged as collateral for leverage. Although the prime brokers are large financial institutions, there is no guarantee that any financial institution will not become insolvent. In addition, there may be practical or time problems associated with enforcing the Company's rights to its assets in the case of such insolvency.

While both the U.S. Bankruptcy Code and the Securities Investor Protection Act seek to protect customer property in the event of a failure, insolvency or liquidation of a broker dealer, there is no certainty that, in the event of a failure of a broker dealer that has custody of the Company's assets, the company would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both. As a significant majority of the Company's assets are in custody with four prime brokers, such losses could be significant.

On August 14, 2019, Senvest commenced a new normal course issuer bid to purchase a maximum of 60,000 of its own common shares until August 13, 2020. There were 24,000 shares repurchased during the year. The number of common shares outstanding as at September 30, 2019 was 2,664,624 and as at November 12, 2019 was 2,660,624. There were no stock options outstanding as at September 30, 2019 and none have been issued since 2005.

The Company has financing with a bank, composed of a credit facility and a guarantee facility. A first ranking movable hypothec in the amount of \$30 million on all of its assets has been granted as collateral for both of the facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. During the period, the Company met the requirements of all the covenants. The Company also has margin facilities with brokers.

## New Accounting standards adopted in 2019

IFRS 16, 'Leases', was published in January 2016 by the IASB. This standard replaces the current guidance in IAS 17, Leases, and three related interpretations, and require lessees to recognize an asset and a lease liability reflecting a "right-of-use asset" and future lease payments, respectively, for virtually all lease contracts. The standard applies to the Company's annual periods beginning on January 1, 2019. The Company adopted IFRS 16 on a modified retrospective basis whereby the adjustments are recorded on January 1, 2019 without adjustments to prior periods. Starting from that date, lease expense is substituted by amortization of the Operating lease right-of-use asset and interest expense on the Operating lease liability and the principal payments of the Operating lease liability is presented as financing cash outflows.

## Related party transactions

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled \$18.4 million as at September 30, 2019 from \$104.8 million as at December 31, 2018.

## Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2018 annual report. The accounts of Senvest Partners, Senvest Technology Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

## **FORWARD LOOKING STATEMENTS**

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "likely", "think" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those Risk Factors listed in the Company's annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of November 12, 2019 and will not be updated or revised except as required by applicable securities law.

## **OTHER FINANCIAL INFORMATION**

There is additional financial information about the Company on Sedar at <http://www.sedar.com/> the Company's website at [www.senvest.com](http://www.senvest.com), as well the Company's or Senvest Management's U.S. SEC section 13 and other filings on [www.sec.gov](http://www.sec.gov).

## **INTERNAL CONTROLS**

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

*(Signed)*

Victor Mashaal  
**Chairman of the Board and President**

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November 12, 2019

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended September 30, 2019, and should be read in conjunction with the 2018 annual filings. Readers are also requested to visit the SEDAR website at [www.sedar.com](http://www.sedar.com) for additional information. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control may ultimately prove to be incorrect.)