

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERALL PERFORMANCE

Equity markets posted strong gains in the third quarter of 2020 "...capping the best two-quarter performance since 2009 (Wall Street Journal 9/30/2020)." The quarter ended on a rocky note, however, with a pullback in equity markets in September that included an intra-month technical correction (a decline of more than -10%) in the tech-heavy Nasdaq "...just three sessions after hitting a record, the speediest-ever such fall (WSJ 9/30/2020)." The rocky performance likely stemmed from the ongoing tension and uncertainty around any number of topics including fiscal stimulus negotiations, the 2020 elections, and rising covid infection rates offset by positive news of vaccine developments and therapies for COVID-19 treatment. Senvest Capital ("Senvest" or the "Company") similarly posted a positive performance in the third quarter of 2020, despite giving back some of the gains in September. The financial markets were resilient in the third quarter of 2020, despite the persistent risks of the coronavirus (COVID-19) pandemic. Though fewer businesses opened and social distancing restrictions still applied, consumer spending still increased. The stock market third quarter rally underlined continued optimism that a vaccine may be available in the near future. But we are also focused on the increasing risk around the lack of additional fiscal stimulus by the U.S. government. The stalemate in stimulus talks has created volatility across financial markets. We expect volatility to continue for the remainder of the year, and we will try and navigating the situation as best as we can.

In Asia, particularly in China, a recovery has firmly taken hold with Q3 GDP tracking in line at 5% year over year with strength in manufacturing driving export growth and an improvement in retail sales. Like the U.S. and other nations, China's stimulus package helped support the economy through COVID-19 and the economy appears poised to resume its year over year growth. Despite the economic improvement in the region, we have been closely monitoring recent rulings by the Department of Commerce to ban shipments of components to Huawei and requiring licenses to ship equipment to Chinese semiconductor manufacturer Semiconductor Manufacturing International Corporation (SMIC). While supply chains have spent the past year adjusting to life without Huawei, the news of SMIC's license requirement came as a surprise. Given that SMIC represents around seven percent of annual wafer equipment spend, semi cap equipment companies felt the pressure of a potentially restricted market. While there has been little indication that companies will ultimately be restricted to selling into SMIC, this is an area that requires further monitoring.

Operationally we continue to function quite well during the current environment and the stay at home conditions. Over the past few years, we have planned and tested our systems for remote work-from-home scenarios. We moved our technology infrastructure to the cloud almost two years ago and thus far have had no significant issues with our systems operating from home.

Senvest recorded net income attributable to common shareholders of \$28.9 million or \$10.83 per basic and diluted common share for the period ended September 30, 2020. This compares to 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. Although, as previously mentioned, the Company was profitable in the third quarter, it was still in a loss position for the year. For the quarter, the US dollar weakened against the Canadian dollar and the result was a currency translation loss of about \$16.7 million. 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 \$12.2 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 \$116.1 million in the current quarter versus \$62.0 million in September 2019.

Some of the largest holdings as at September 30, 2020 were, Ebay (EBAY), Tower Semiconductors (TSEM), Marriot Vacations (VAC), Essent (ESNT), and Radware (RDWR), (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.)

The investment in EBAY we view as a company undergoing transformation and an upward inflection in growth. The stock trades at an attractive valuation that in our opinion reflects the legacy "status-quo" without giving benefit for the meaningful change underway and built-in, near-term growth.

EBAY has long been considered a laggard remnant of the "dot-com" era, despite operating the second largest e-commerce marketplace globally. Prior management made significant missteps over many years since then. Two activist investors came along in early 2019 and succeeded in gaining board representation and catalyzing EBAY's transformation including a re-focus on the core e-commerce operations, the sale of non-core assets and the buyback of stock with sale proceeds and free cash flow. To cap off these recent changes, the company hired a new CEO, Jamie Iannone, previously a senior EBAY executive who returned to the company after a successful run at Walmart.

We believe EBAY suffers from market misperception about the nature and quality of its business. It no longer operates as an on-line garage sale as 80% of the items sold are new and delivered within three days. The company has 190M annual active buyers who transact with more than 225,000 sellers with ~1.5B concurrent listings. Approximately 75% of its web traffic comes organically, implying a sticky and loyal customer base. The scale of such a marketplace would be exceedingly difficult to replicate.

While EBAY has ceded e-commerce market share over the years, we think that several factors position it to turn the tide. The covid-induced, stay-at-home economy has boosted EBAY as consumers have limited brick and mortar retail options. As a result, EBAY has experienced rapid new customer growth that provides the potential for future revenue growth as these new customers should continue to engage with EBAY.

Even before the stay-at-home spark in ecommerce revenue, EBAY had two burgeoning revenue lines that we think ensure built-in revenue growth in the near term – promoted listings and managed payments. Taking a page from AMZN, EBAY introduced promoted listings a few years ago in which sellers pay to promote products on EBAY's marketplace. This high margin revenue stream has grown to a roughly \$600mm annualized business, with revenue growth accelerating as it gains traction with sellers and with room for further penetration.

EBAY historically used PayPal as its exclusive payments provider. Over a year ago it announced a switch to an in-house, private label payments solution powered by European payments leader Adyen ("ADYEN") with a slow phase out of PayPal that recently ended. The new managed payments platform offers sellers a lower fee structure while at the same time generates higher revenue and profits for EBAY. The company has stated its expectation that managed payments will roll out completely by the end of 2022 at which time it should have boosted revenues by \$2 billion and operating profits by \$500 million. We believe this is a conservative roll out and that managed payments will ramp faster.

Even with the positive trends and success in achieving its divestiture goals, the growth in new customers and revenue gains from managed payments and promoted listings, plenty of wall street skepticism exists. Almost two-thirds of the sell side firms covering the stock have a hold or sell rating, a contrarian indicator we like to see. Eight of these sell side firms write that they “remain on the sidelines,” one of our favorite word-screening phrases. The skepticism on the stock certainly seems reflected in its valuation. We also note that while EBAY’s per share stock price had hit record levels prior to its recent decline, this is also due to the reduced share count from stock buybacks. The company’s market cap and enterprise value are flat over the last few years, showing no benefit as a whole from all the initiatives underway to transform the company.

As EBAY continues to grow, investors should begin to appreciate the trajectory of the core business and valuation multiples could re-rate higher. We believe that EBAY can grow EPS to about \$6/share in 2022, based on stock buybacks and revenue and earnings growth, up from 2020 estimates of \$3.34/share. With a better growth profile, we would apply a 20x P/E multiple which would result in a stock price, more than double its current level.

Vacation ownership company Marriot Vacations Worldwide (“VAC”), the Company’s third largest position, provided the largest gain in the quarter, with a stock price increase of about 10.4%. The company reported Q2 financial results which showed sequential improvement from Q1. Occupancy recovered from single digits at the depths of Covid-19 lockdowns in April and May to >60% in most resort locations by the end of June. Orlando, a critical timeshare market recovered to 30% occupancy by June and 40% by September. VAC began re-opening sales centers, starting with eight in June and an additional 34 in July and, with the exception of Hawaii, all sales centers re-opened by the end of September. VAC also completed a \$375M timeshare securitization at a blended interest rate of 2.53%, the second-best execution of a securitization in the company’s history. This is encouraging and shows the confidence ABS investors have in the resilience of the timeshare customer even through a global pandemic. As of September 30, the company reported 2H2020 bookings excluding Hawaii at only 11% below 2H2019. The company’s update seems to support our thesis: when local governments have re-opened markets for travel, leisure demand has been robust which bodes well for future timeshare sales. At a virtual investment conference in September, management commented that it expects to generate positive free cash flow in H2 2020, even if its Hawaii operations remain closed. We note that quarantine restrictions for travelers to Hawaii were lifted October 15, with travelers able to visit Hawaii without quarantining on arrival if they present a negative Covid test result taken within 72 hours of departure. Many airlines have started to offer such tests, including rapid tests at airports, in partnership with testing providers approved by Hawaii authorities. Covid testing in conjunction with airline travel may proliferate and help to boost leisure travel by air, which should further support the resurgence of vacation ownership resort occupancy.

Residential mortgage originator and servicer Pennymac Financial Services (“PFSI”) was our second best performer in the quarter with a stock appreciation of over 39%. In early August, PFSI reported its most profitable quarter in the company’s seven-year history as a public company as PFSI took advantage of a robust mortgage origination environment driven by record low mortgage rates to generate a 58% ROE in the quarter. The \$4.39 in earnings from Q2 almost matched full year 2019 earnings of \$4.91 in a single quarter. Further, at the Barclays Financial Services Conference on September 15th the company disclosed that Q3 earnings are expected to exceed the record earnings from Q2 with strength likely to continue well into 2021. PFSI’s excellent track record of 25% annual book value per share growth since its IPO has finally begun to be recognized by the market. The environment for PFSI to originate mortgages and grow its servicing portfolio offers strong tailwinds and we expect multiple quarters of robust performance ahead for the company. Still we used the opportunity to sell more than half our position on strength. We have maintained PFSI as a core holding, albeit at a reduced position size due to price appreciation and the change in risk-reward. As an aside we have disposed of most of our holdings in the

affiliated mortgage REIT that PFSI manages, Pennymac Mortgage Trust (“PMT”) which has also been a strong performer for the year as whole.

Home services plan provider Frontdoor (“FTDR”), a top ten holding, provided the biggest loss in the quarter, with a stock price decline of -12.2%. Investors had a lot of questions about how FTDR’s business would perform through Covid-19 given above-average use of home systems and appliances with stay-at-home restrictions and potential customer trepidation in having a home services professional enter their home. Despite various cross currents, the company reported Q2 EBITDA of \$100M, in-line with consensus, and full year revenue was raised to \$1.46B at the midpoint (7% year over year growth), above consensus of \$1.45B. Admittedly, FTDR experienced challenges handling the significant increase in in-bound service requests, as an external call-center partner in the Philippines saw a large decline in available workforce due to the pandemic. This disruption may be temporary as the company expects service levels to improve in the third quarter.

On the positive side, FTDR’s acquisition of augmented-reality startup Stroom in December 2019, helped the company add value to both its contractors and customers during Covid-19. FTDR acquired Stroom with the goal of providing its contractors with access to their customers through a mobile device, helping contractors diagnose potential appliance and systems problems in advance and enable quicker job turnaround times and minimizing the number of visits. Getting the job done faster in fewer trips saves both the contractor and the customer time and money. Stroom proved to be a valuable service during COVID, as contractors were able to help customers even during shelter-in-place restrictions. FTDR was also successful in licensing Stroom to home improvement retailer Lowe’s, who launched the service under its “Lowe’s for Pros” initiative in June.

FTDR also continued to make progress with its on-demand service offering Candu. The company expanded to Houston, Memphis, Denver and Dallas-Fort Worth, in addition to the Atlanta launch market and has added HVAC, plumbing, electrical and garage door repairs to its core appliance repair service. FTDR also made a small talent acquisition from competitor Porch.com to help strengthen the company’s on-demand capabilities. While the stock underperformed during the quarter, we remain encouraged by the performance of the underlying business

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of 8.54% net of fees in the quarter and a return of (28.36%) for the year to date. 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 trails it for the year to date. The fund also trails the S&P 500 index for the year to date, but does not consider this index as a benchmark. In 2019 the fund initiated an institutional share class which requires a minimum investment of \$75 million US, and includes a longer duration element, which should further enhance the stability of its capital base and its ability to make long-term investments to help generate returns for the benefit of all of our partners. Senvest’s internal capital is subject to the same liquidity provisions of the institutional share class.

The Senvest Technology Partners Fund (prior name Senvest Israel Partners) 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 0.5% net of fees for the quarter and 7.96% for the year to date (monthly results of both funds can be found on the Company’s website). Both of these funds are consolidated into the accounts of the Company.

On December 20, 2019, the Company entered into an equity financing commitment. Per the equity financing commitment letter and the Stock Purchase Agreement (the “Purchase Agreement”), the Company agreed and committed to contribute, directly or indirectly, an aggregate amount of cash equal to Canadian \$50,000,000 to fund a portion, along with other committed capital providers, of the following amounts at closing: (a) the obligations under the Purchase Agreement to pay the aggregate purchase price and (b) the payment of any fees and expenses in connection with the closing and the debt financing, pursuant to and in accordance with the Purchase Agreement. In addition, per the equity financing commitment letter, the parties have agreed that the Investors shall not be obligated to contribute, purchase equity or debt, or otherwise provide funds in any amount in excess of its commitment. This investment closed in the second quarter of 2020.

The Company has a portfolio of real estate investments as at September 30, 2020. 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. This non-controlling interest was \$20.5 million as at September 30, 2020 from \$23.2 million as at December 31, 2019.

At the end of September 30, 2020, Senvest had total consolidated assets of \$2,943.9 million versus \$2,885.0 million at the end of 2019. Equity investments and other holdings totalled \$2,722.8 million from \$2,539.1 million in December 2019. The Company purchased \$2,486.3 million of investment holdings in the period and sold \$1,939.5 million of such holdings. The Company’s liabilities increased to \$2,132.9 million this quarter versus \$1,942.3 million in 2019. The main differences between the periods was an increase in due to brokers and a decrease in liability for redeemable units. There was also a reduction in securities sold short and derivative liabilities of \$193.9 from last December. The proceeds of securities sold short were \$2,465.6 million and the amount of shorts covered was \$2,657.8 million in the quarter. Overall the trading figures were more than the corresponding amounts for the prior year’s period.

## 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, 2020, 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, 2020 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	2,495,859	3,244,616	1,747,101
Listed equity securities and derivatives			
Securities sold short and derivative liabilities	(314,003)	(408,204)	(219,802)
Pre-tax impact on net earnings		654,557	(654,557)

#### 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, 2020	December 31, 2019
Total net liabilities	\$2,084.4	\$1,758.5
Total equity	\$811	\$942.7
Net liabilities to capital ratio	2.57	1.87

In the past the Company's goal has been 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 as its total liabilities less its due from brokers. However, the Company is cognizant of the fact that the largest liability on its financial statements, the "Liability for redeemable units" is considered "equity" and not a liability in the individual financial statements of the underlying funds that it consolidates. As a result the debt to equity ratio of the individual funds is lower than that of the parent company. The Company has debated if due to this accounting difference it has been too conservative in limiting its net liabilities to capital ratio at 2.0 or if a higher ratio is more appropriate (the Company is leaning toward the latter view). The net liabilities to capital ratio was at 2.57 at the end of September 2020. The increase in the ratio

from December 2019 has been primarily due to the reduction in value of the Company's portfolio as a result of the ongoing pandemic. The Company will communicate its thoughts to shareholders in subsequent letters.

#### 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, 2020, approximately 89% 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.

#### Climate Change Risk

Climate change risk refer to the physical risks and transition-related risks related to the changes in climate patterns that may have a significant impact on communities and the economy. While the direct exposure of the Corporation's operations to climate change risk is relatively low, as an investor in equities and other assets, the Corporation could indirectly be impacted by this risk through its portfolio investments.

The Corporation's portfolio investments face the potential direct impact of more frequent and more intense extreme weather events, as well as the potential indirect impact of any related supply chain disruptions. The exposure of the Corporation's portfolio investments to climate change risk also arises from the movement toward a low-emission economy, which may result in increased reputational, market, regulatory, policy, legal and technology-related risks. Existing portfolio investments in carbon-intensive industries and in other markets which are dependent on such industries may be more exposed to such transitional risks as a result of significant changes in customer perceptions and preferences, the increasing cost of carbon emissions and competition from renewable energy.

#### 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 consolidated statement of financial position 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 89% 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 4% 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 7% 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, 2020, 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 Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. (formerly Senvest Israel Partners Master Fund, L.P.) and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. Redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

Redeemable units are issued and redeemed at the holder's option at prices based on each Fund's net asset value per unit at the time of subscription or redemption. Each Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Funds' offering documents, investment positions are valued at the close price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

## 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
2020-3	118,853	28,889	10.83
2020-2	418,401	161,247	60.85
2020-1	(970,591)	(341,993)	(129.38)
2019-4	354,560	85,508	31.98
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)

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 \$160 million and the least profitable quarter had a loss of over \$340 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 three prime brokers, such losses could be significant.

On August 14, 2020, Senvest commenced a new normal course issuer bid to purchase a maximum of 70,000 of its own common shares until August 13, 2021. There were 40,100 shares repurchased so far during the first three quarters. The number of common shares outstanding as at September 30, 2020 was 2,612,324 and as at November 2, 2020 was 2,605,224. There were no stock options outstanding as at September 30, 2020 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.

#### 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 \$20.5 million as at September 30, 2020 from \$23.2 million as at December 31, 2019.

#### Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2019 audited financial statements. The accounts of Senvest Partners, Senvest Technology Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

#### **COVID-19**

Since the latter part of February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic and the equity markets and the fixed income markets have experienced significant volatility due to concerns about credit risk and liquidity amongst others. The Company is monitoring the situation and its potential impact on itself and on the Funds in particular. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and issuers in which the Company invests directly and through the Funds is uncertain at this point, the outbreak has the potential to adversely affect the value of the consolidated portfolios, a portion of which will be compensated by proportionate changes in the liability for redeemable units.

## 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 6, 2020 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, 2020, 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 6, 2020

*(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, 2020, and should be read in conjunction with the 2019 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.)*