

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Senvest Capital (“Senvest” or the “Company”) recorded net loss attributable to common shareholders of (\$67.0) million or (\$27.07) per basic and diluted common share for the period ended September 30, 2023. This compares to a net loss attributable to common shareholders of (\$118.5) million or (\$47.72) per basic and diluted common share for the period ended September 30, 2022. For the quarter, the US dollar strengthened against the Canadian dollar and the result was a currency translation gain of about \$31.9 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 loss attributable to common shareholders was (\$35.1) million for the period.

The Company’s income from equity investments was the biggest contributor to the results. The net change in fair value of equity investments and other holdings including securities sold short and derivative liabilities totaled (\$174.8) million in the quarter versus (\$278.4) million in 2022. Most of the Company’s equity investments are held by two funds, Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P., which are consolidated into the accounts of the Company.

An early summer rally in equity markets that pushed indices to their highs for the year peaked at the end of July, followed by a stalled recovery and further market weakness. US stocks and government bonds posted their worst month of the year in September (a sell off that continued into October), likely in response to the Federal Reserve’s mantra of interest rates set to stay higher for longer. The Fed’s latest “dot plot” revealed in its latest “Summary of Economic Projections” from September 20th showed that its members foresee a Fed Funds rate of 5.6% by year-end (up from the current 5.33%) and a slightly lower 5.1% by the end of 2024. It’s understandable that the Fed would maintain this message in its quest to tamp down inflation toward its 2% target as progress on that goal continues, albeit with fits and starts. However, what the Fed says and what actually happens more often than not end up at opposite ends of the spectrum. Remember the mantra “inflation is transitory” just before one of the fastest rate hiking cycles ever? The Fed was wrong on the way into the hikes and will likely be wrong on the way out.

On a consolidated basis across the different funds, the largest holdings as at September 30, 2023 were Paramount Resources (POU), QuidelOrtho (QDEL), Marriot Vacations (VAC), PennyMac Financial Services (PFSI), Boston Properties Inc (BXP), Ebay (EBAY) and Kornit Digital Inc (KRNT). Comments on some individual positions from the fund managers are included below.

Apparel, footwear, and accessories designer Capri Holdings’ (“CPRI”), owner of the Michael Kors, Versace, and Jimmy Choo brands, stock rose +46.59% in the quarter.

On August 10th, CPRI announced that they had entered into an agreement to be acquired by Tapestry (“TPR”) for \$57 per share in an all-cash transaction. As long-term shareholders, we saw compelling value in the CPRI brand portfolio, but we acknowledge 2023 had been a difficult year for the company. We are pleased that the CPRI board of directors was willing to listen to a TPR offer and derive a satisfactory result for CPRI shareholders. We look forward to seeing what the TPR management team can do with the CPRI portfolio of brands and wish them the best of luck in the future.

Canadian oil and gas exploration company Paramount Resources (“POU”) rose +11.98% in the quarter, underperforming the XEG (+18.70%), the relevant benchmark ETF for Canadian E&Ps. Despite the headline underperformance in Q3 2023, we note that POU has still outperformed the XEG year-to-date by over 6.5% when considering dividends, including the \$1/share special dividend paid out in January.

POU benefited from improved commodity prices in the quarter, with West Texas Intermediate crude increasing +28.52% to over \$90, the highest level yet in 2023, and Henry Hub natural gas increasing a more modest +4.68% to \$2.93. Favorable macro developments include Saudi Arabia extending voluntary production cuts through December, Russia cutting crude exports in August and September, offset modestly by increasing production out of Iran, and speculation over the US easing sanctions on Iran and Venezuela.

After shutting in 50,000 boe/d of production in May due to wildfires in Alberta, over half of the production base, POU announced in early July that all but 2,500 boe/d had been restored. We are thankful that there was no loss of life or damage to infrastructure, and when POU reported second-quarter results in early August, a relatively modest impact on financial results and guidance. While we expected growth to be pushed out, we were hopeful that the slope of the production growth curve would remain unchanged. Instead, while 2H23 production guidance was revised by -6% for obvious reasons, 2024 production, and capex guidance were unchanged from pre-wildfire levels. The company managed this by completing planned maintenance while production was shut in and reallocating money to an additional pad at Kaybob, paying for the latter by axing a power generation project. Said another way, POU managed to steepen the growth curve without additional capital costs, a testament to the quality of management.

Looking forward, we expect the company will release well results from new activity in the Willesden Green region later this year. As we stated previously, we believe the well results and the associated de-risking of the new acreage should drive the next leg of outperformance. With the company only trading at ~3.6x 2024 cash flow, we are being well compensated to wait.

New Relic (“NEWR”) saw its stock increase +30.84% in the third quarter as the company agreed to be acquired by private equity firms Franciso Partners and TPG for \$87.00 per share. NEWR is a software observability platform for cloud computing environments that has been undergoing a strategic transition under the leadership of a new executive team over the past two years. NEWR competes with companies such as DataDog (“DDOG”) and Dynatrace (“DT”) and has spent the better part of the past several quarters transitioning its financial and go-to-market models to better compete in the marketplace and accelerate growth. NEWR had been rumored to be undergoing a comprehensive strategic process for the past several quarters under pressure from several activist investors. The deal valued New Relic at approximately \$6.5 billion and at a roughly 6x enterprise value to sales multiple.

Kornit Digital (“KRNT”), a leading supplier of digital textile printing technology solutions, decreased -35.61% in the third quarter following the company’s earnings report on August 9th. Despite reporting a relatively inline second quarter, the company’s guidance for the second half of 2023 was below consensus expectations. Most investors were expecting a more bullish outlook given the sentiment following the ITMA trade Fashion Expo we discussed in last quarter’s letter. While the company has built up a strong pipeline of future system sales, much of the revenue is not expected to be recognized until 2024. The near-term remains challenging; Kornit continues to feel the impact of a depressed macro environment as elevated interest rates impede customers’ financing for new equipment. Kornit’s revenue guidance for the third quarter of \$60 million (down 10% year-over-year) was below the consensus. Despite the lower-than-expected guidance, there were several encouraging trends including the

second consecutive quarter of double-digit ink and consumable revenue growth. Management also reiterated that it expects to break even on an EBITDA basis in the fourth quarter, which the company previously stated would occur at \$70 million of revenue in a particular quarter. However, with the worsening situation in Israel, this may also get pushed into the first half of 2024.

Looking towards 2024, we are encouraged by Kornit's product portfolio and market positioning. As utilization levels continue to gradually increase, we expect a resumption in revenue growth of both equipment sales and consumables. Over the past year, Kornit has refreshed much of its product portfolio including its new high-volume Apollo direct-to-garment (DTG) platform and demonstrated its newer direct-to-fabric (DTF) and polyester printing platforms. These products greatly open large segments of the garment and fashion industry that have been much anticipated to drive the next legs of growth for Kornit. The stock currently has a valuation of 0.7x EV-to-2024 consensus revenue as KRNT shares trade at a meaningful discount to historical levels, which have been closer to 5x EV-to-revenue, which we believe to be achievable as its high-margin consumable inks business resumes a growth trajectory.

Vacation ownership company, Marriott Vacations Worldwide ("VAC"), fell -18.00% in the quarter. VAC reported Q2 2023 earnings on August 2, 2023. Results fell well short of expectations as adjusted EBITDA of \$222M came in 12% below the Street at \$253M. The weakness was felt across business lines, with Contract sales and Rentals contributing the lion's share of the miss. Full-year guidance for EBITDA was cut to \$895M at the midpoint vs. \$975M previously while EPS guidance was lowered 13% from \$11.45 to \$9.99.

VAC's biggest challenge in the quarter was selling a new product called Abound by Marriott Vacations, which was introduced in late 2022. This product allows Marriott, Westin, and Sheraton owners to use any resort across the three systems seamlessly, vs. being siloed by the brand in the past. Despite the merits of the product, selling a new offering can be lumpy as salespeople adjust to a different sales pitch and existing owners contemplate buying a product that is unfamiliar to them. This caused Westin's results to fall significantly below expectations. VAC has been through similar disruption in the past, namely when it switched from selling a weeks-based product to a points-based product in 2010. We have confidence that, with time, Abound by Marriott will be as effective as prior product forms.

VAC also had other challenges – from poor performance at Welk Resorts as it makes sweeping changes to the legacy sales pitch, to lackluster rental performance as the rush to vacation in Europe this summer hurt VAC's domestic destinations, particularly Hawaii.

Despite all the challenges in Q2 2023, we believe VAC's core business of offering families an attractive way to vacation at premier destinations remains intact and should be able to deliver strong cash flow and shareholder returns.

Verint Systems ("VRNT") declined -34.43% in the third quarter following lower revenue guidance due to ongoing macro headwinds that have slowed bookings, resulting in revenue and EPS below consensus expectations. Management stated that about \$8 million of annualized SaaS revenue deals slipped into future quarters as customers continue to delay renewals and overall sales cycles have elongated. Recall that VRNT is a leading pure-play customer engagement software company that enables enterprises to automate, collect, and analyze customer service support functions through its artificial intelligence (A.I.) engines. The company is best known for its cloud-based contact center applications that analyze customer interaction data (email, chat, voice) to give enterprises a holistic view of customers' interactions with its company. VRNT has also been going through a business model

transition to a cloud SaaS platform from a perpetual license model that is depressing revenue near-term. In the company's most recent quarter, VRNT reported a -6% year-over-year decline in sales which was below expectations with EPS of \$0.48 also coming in below consensus. Given the pushout of multiple deals, cloud SaaS ARR was up only 17% year-over-year, decelerating from 23% year-over-year in the first quarter.

VRNT currently trades at 8x P/E for C24, a meaningful discount to competitors like NICE which trades at 19x P/E, and peers like Five9 which trades at 29x P/E. We believe shares are washed out and are expecting growth to reaccelerate and profitability and cash flow to positively inflect in the coming year as the company's model transition nears an end and as VRNT's AI solutions build momentum and begin to see accelerating adoption.

Tower Semiconductor ("TSEM"), a leading specialty analog foundry, declined -34.54% during the third quarter. We attribute Tower's stock decline to a multitude of factors, most notably the formal termination of its acquisition by Intel Corp ("INTC") on August 15th. Both parties failed to receive the necessary Chinese regulatory approval within the six-month extension window and terminated the proposed transaction. After the deal termination, the stock has continued to be pressured as the shareholder base continues to turn over from merger arbitrage funds to more traditional fundamental investors. As a result of the deal termination, Tower Semiconductor is expected to receive a break-up fee of \$353 million from Intel. Although the merger did not move forward, on September 5th, Tower and Intel announced a new partnership agreement under which TSEM will invest up to \$300 million to utilize INTC's 300 million Fab in New Mexico, providing Tower with much needed additional capacity for incremental growth, and Intel the ability to repurpose an older underutilized facility.

Looking at TSEM's near-term, like many semiconductor companies, Tower is experiencing temporary headwinds from an ongoing inventory correction in the semiconductor industry. These industry dynamics resulted in a mixed second-quarter earnings report in which inline revenues were flat quarter-over-quarter but down -16% year-over-year. Gross margins were also lower than expected, largely attributable to a less favorable mix as certain end markets remain impacted by macroeconomic headwinds. We think the pullback in the stock is temporal as the value that TSEM provides to the market is greatly underappreciated. As a global specialty foundry, TSEM's focus on power management, optical networking and computing, and image sensor inputs in automotive, security, communications, and AR/VR applications is foundational to many secular trends that underpin growth across technology. As more supply chains rebalance away from China, TSEM is a key beneficiary given its advanced analog and mixed-signal foundry services capabilities. With new ST Micro and Intel foundry relationships, we now see TSEM having a revenue potential of \$2.1B and EBITDA of greater than \$750 million, well ahead of the company's previous milestones prior to the acquisition announcement. With peers like GlobalFoundries ("GFS") currently trading at 5x EV/Revenue and 13x EV/EBITDA, we believe over time that there is material upside to TSEM's stock, which could exceed Intel's deal price.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of (5.3%) net of fees in the quarter and (1.6%) for the year to date. With most of the long portfolio invested in small and mid-cap stocks, the fund underperformed its most relevant benchmark, the Russell 2000 for the year to date. The fund also underperformed the S&P 500 index for the year to date but does not consider this index as a benchmark. The fund has issued an institutional share class which requires a minimum investment of \$75 million US, and includes a longer duration element, which further enhances 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. In 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 extended across the global technology universe. The Technology Fund maintained the same investment philosophy and continued to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of (14.4%) net of fees for the quarter and is up 4.7% year to date (monthly results of the two funds can be found on the Company's website). As stated above 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, 2023. One part of this amount represents investments in different US real estate income trusts (REIT) 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, specifically self-storage units in Madrid, Spain. 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 are included in the Company's net income or loss.

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. This non-controlling interest was \$18.4 million as at September 30, 2023 from \$17.5 million as at December 31, 2022.

At the end of September 30, 2023, Senvest had total consolidated assets of \$5,163.5 million versus \$5,653.2 million at the end of 2022. Equity investments and other holdings totaled \$4,732.2 million from \$5,280.9 million in December 2022. The Company purchased \$2,635.8 million of investment holdings in the period and sold \$3,145.4 million of such holdings. The Company's liabilities decreased to \$3,575.9 million this period versus \$4,059.4 million in 2022. The proceeds of securities sold short were \$2,232.8 million and the amount of shorts covered was \$2,418.7 million in the period. Overall, the trading figures were less than the corresponding amounts for the prior 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 of Directors.

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, 2023, 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, 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 consolidated 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 consolidated 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.

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, 2023	December 31, 2022
Total net liabilities	\$3,357.6	\$3,895.8
Total equity	\$1,587.6	\$1,593.8
Net liabilities to capital ratio	2.11	2.44

The Company's objective is to maintain a debt-to-capital ratio below 3.0. The Company believes that limiting its debt-to-capital ratio is the best way to monitor risk. The Company's debt to capital ratio was at 2.11 as at September 30 2023 from 2.44 at the end of 2022.

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, 2023, approximately 92.9% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as a 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 refers 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 the Company to have de facto control of Senvest Management L.L.C. (RIMA), RIMA Senvest Master Fund GP, L.L.C., and Senvest Technology Partners GP, L.L.C. 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. RIMA is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP, L.L.C. 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. As compensation for its sub-advisory services, the Company is entitled to receive 60% of the net management fees through RIMA and incentive allocation earned through the General Partners each fiscal year.

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 92.9% 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 1.6% 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 5.5% 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 of Directors 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, 2023, 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. 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
2023-3	(147,432)	(67,029)	(27.07)
2023-2	120,082	21,222	8.58
2023-1	178,571	43,750	17.66
2022-4	467,665	153,795	61.58
2022-3	(265,349)	(118,477)	(47.72)
2022-2	(956,862)	(356,091)	(142.71)
2022-1	24,201	(5,310)	(2.13)
2021-4	232,882	58,954	24.03

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. 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 16, 2023, Senvest commenced a new normal course issuer bid to purchase a maximum of 100,000 of its own common shares until August 15, 2024. There have been 4,500 shares repurchased for the year to date. The number of common shares outstanding as at September 30, 2023 was 2,474,124 and as at November 2, 2023 was 2,472,624. There were no stock options outstanding as at September 30, 2023 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 year, 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 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 consolidated statement of financial position. This non-controlling interest is owned by an executive of the Company and was \$18.4 million as at September 30, 2023 from \$17.5 million on December 31, 2022.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2022 audited consolidated financial statements. The accounts of Senvest Partners, Senvest Technology Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

Geopolitical events

The ongoing military conflict between Ukraine and Russia and the imposition of economic sanctions by Western countries continue to cause concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. The Company does not hold any assets from Ukraine, Russia and Belarus, which reduces the extent of possible variations in the value of its financial assets.

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 3, 2023 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, as well the Company's or Senvest Management's U.S. SEC section 13 and other filings on 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, 2023, 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

November 3, 2023

(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, 2023, and should be read in conjunction with the 2022 annual filings. Readers are also requested to visit the SEDAR website at 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