

## Evolve Cyber Security Index Fund

CYBR invests primarily in equity securities of companies located domestically or internationally that are involved in the cyber security industry through hardware and software development.

As at March 29, 2019



**TICKER:** CYBR (HEDGED); CYBR.B (UNHEDGED)

### MACROECONOMIC HIGHLIGHTS:

- The majority of information security specialists, 87%, believe that we're in the middle of a global cyber war, according to Venafi, a firm that provides technologies to large companies to protect their networks against cybercrime. In arriving at its conclusion, Venafi secured the opinions of over 500 security professionals at the recent RSA conference in San Francisco.<sup>i</sup>
- In the mean time, social media - Facebook, Twitter, Instagram and YouTube - has now become a major platform for cybercrime. According to the Bromium report, "Social Media Platforms and the Cybercrime Economy," nearly 1 in 5 organizations worldwide are now infected by malware distributed by social media.<sup>ii</sup>
- The report by the cybersecurity firm, based on a 6-month academic study by a criminology expert at the University of Surrey, contends that social media cyber crime is growing at an astonishing rate, by increasing 300-fold in the U.S. during 2015-2017 period. It estimates that cyber criminals earn nearly \$3.25 billion annually by exploiting popular social platforms.
- Evidently, weaknesses in cybersecurity at social media firms is a major contributor to the problem. To put this in perspective, Facebook acknowledged another massive security breach, disclosing that as many as 600 million users' passwords were stored in plain text and accessible to 20,000 employees, of which 2,000 made more than 9 million searches that accessed the passwords going back to 2012.<sup>iii</sup> Apparently, Facebook was aware of the problem some three months earlier, but failed to acknowledge until it was disclosed by a whistleblower.
- In a severe breach of privacy, the Federal Emergency Management Agency unintentionally shared the personal addresses and banking information of 2.5 million U.S. disaster survivors with a contractor. Those affected included the victims of California wildfires in 2017 and Hurricanes Harvey, Irma and Maria.<sup>iv</sup>
- The largest holding in the Evolve Cyber Security Index ETF is Palo Alto Networks Inc., which reported earnings that beat estimates by 24%, with revenues growing 30% year-over-year (YoY). Palo Alto Networks also completed the acquisition of Demisto, a leading Israeli cybersecurity firm specializing in security orchestration, automation and response. Another holding, Zscaler Inc., beat revenues and earnings estimates, with revenues growing 65% YoY.





- Fortinet Inc., which leverages leading-edge machine learning and AI tech to develop threat intel, emerged as 2019 Winner of the Best Security Company at the 30th SC Excellence Awards. Fortinet also reached a huge milestone, surpassing over 500 cybersecurity tech patents worldwide. At the same awards, Fire Eye Inc. was 2019 Winner of the Best Email Security Solution.
- In addition, CyberArk Software Ltd. launched the cybersecurity industry's first Privileged Access Security Solution for continuous discovery and protection in the cloud. It is the first-of-its-kind to automate detection, alerting and response for unmanaged and potentially-risky Amazon Web Services accounts.

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## PERFORMANCE ATTRIBUTION:

- The ETF produced a strong positive return in February. The top performing holding both in terms of individual return and contribution to the ETF's performance was Zscaler Inc. Other top performing stocks include Switch Inc. A and Limelight Networks Inc.

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## SOURCES:

<sup>i</sup> <https://www.foxnews.com/tech/were-already-in-the-middle-of-a-major-cyberwar-experts-believe>

<sup>ii</sup> <https://www.cpomagazine.com/cyber-security/cyber-criminals-have-turned-social-media-cyber-crime-into-a-3-billion-business/>

<sup>iii</sup> <https://www.forbes.com/sites/kalevleetaru/2019/03/23/facebooks-password-breach-suggests-the-public-sees-cybersecurity-as-obsolete/#4fce9b73e248>

<sup>iv</sup> <https://www.foxnews.com/tech/were-already-in-the-middle-of-a-major-cyberwar-experts-believe>

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Commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs). Please read the prospectus before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs. Please read the prospectus for a complete description of risks relevant to the ETF. Investors may incur customary brokerage commissions in buying or selling ETF units.

