

# 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.

**ETF TICKERS:** CYBR (HEDGED); CYBR.B (UNHEDGED); CYBR.U (USD)

**MUTUAL FUND FUNDSERV CODE:** EVF150 (Class F); EVF151 (Class A)

## Investment Thesis:

Cyber security spending is non-discretionary and growing. It has transformed into a basic-need service.

**Spending on cyber security** is driven by cyber attacks on:

- Individuals
- Enterprises
- Governments

**Cyber security is non-discretionary** due to:

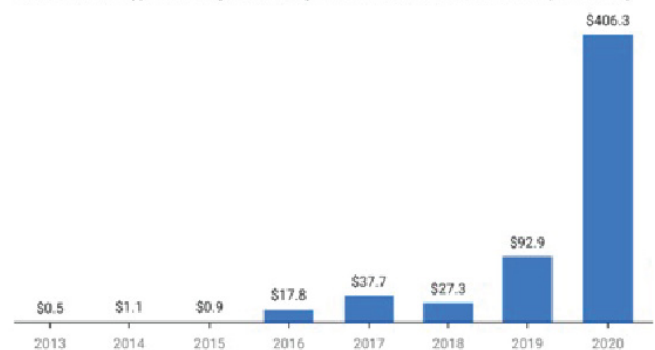
- Growing cost of data breaches
- Increased regulatory requirements
- Increasing sophistication of cyber criminals
- Increased usage of the cloud

## GENERAL INDUSTRY UPDATE

- Groups with AI and automated security solutions saved **80% in total breach costs** over those that did not.<sup>4</sup>
- In 2020, more than **30 billion records** were compromised in data breaches, and over the past year the **cost of ransomware attacks** has increased by an estimated **300%**.<sup>1</sup>
- In 2020, **\$406.3 million** was paid out in cryptocurrency ransoms, 337% more than the previous year.<sup>2</sup>

### Crypto Ransom Payments

Total value of cryptocurrency received by known ransomware addresses (in millions)

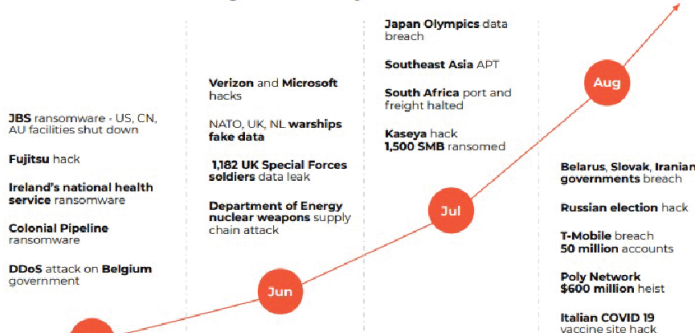


Repurposed from Statista analysis of Chainalysis data  
Created with Datawrapper

## “Cybercrime has gone from being a hobby to a profession”

– Nimesh Arora, CEO Palo Alto Networks Inc.

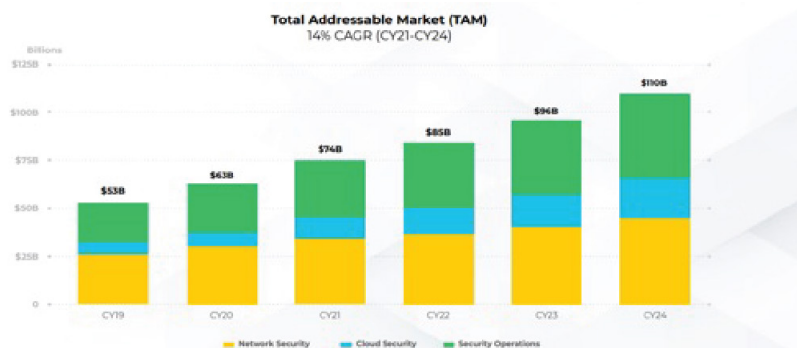
### Significant cyber incidents



The US announced in September that they will use sanctions to make it harder for hackers to use digital currencies to profit from cyber-attacks. The Biden administration backlisted the Russian owned cryptocurrency exchange, SUEX OTC, for allegedly helping launder ransomware payments.<sup>8</sup>

These statistics emphasize how the pandemic has accelerated key technological trends that have increased the risk of cyber-attacks. The trends include work from anywhere, shift to the cloud, and AI/ML enterprise digitization. Below is a recap of some of the largest cyber-attacks over the last four months.

As a result, there has been a significant increase in the total addressable market (TAM) for network security, cloud security, and security operations. In fact, the TAM is expected to reach **\$110B by 2024** which is more than double what it was in 2019.



## INCREASE IN CYBERSECURITY SPENDING

Organizations continue to increase their cybersecurity spending. Last month, some of the largest tech companies in the US committed billions of dollars to new cybersecurity spends. **Microsoft** committed the most at **\$20 Billion over the next 5 years** – 4x its current rate of investment. This month **Moody's**, the credit rating company, announced it will be investing **\$250 million in BitSight**, which uses an algorithm to assess the likelihood an organization will be hacked.<sup>6</sup>

Unfortunately, this increased spending has not led to a dramatic decrease in cyber-attacks. Even Fortune 100 companies with huge cyber security budgets don't have people with the necessary skills to implement them. This has led to many organizations making investments in technology that may never get deployed. ISACA's recent State of Cybersecurity 2021 survey found that 61% of respondents said that their cybersecurity teams are understaffed and 55% of respondents said that they have unfilled cybersecurity positions. Among organizations experiencing more cyberattacks in the past year, 68% told ISACA they are understaffed. Last month at the White House's cybersecurity meeting, the private sector committed to providing **skills training for ~500,000 unfilled U.S. cybersecurity jobs** to address this problem. Closing this skills gap will be critical to reducing the number of cyber-attacks.<sup>7</sup>



**Evolve ETFs**

The world is evolving.  
Your investments should too.

Evolve ETFs

Scotia Plaza, 40 King Street West, Suite 3404, Toronto ON M5H3Y2

416.214.4884 | 1.844.370.4884 | [www.evolveetfs.com](http://www.evolveetfs.com)





## SEPTEMBER CYBERSECURITY ATTACKS AROUND THE WORLD

- **US:** Apple released an emergency security software update after research uncovered a security flaw that allowed hackers to install spyware without users' knowledge. Also, three hackers working for a company in the United Arab Emirates agreed to pay the US \$1.68 million in penalties as part of a legal settlement.<sup>11,12</sup>
- **Russia:** In July, REvil disappeared from the web. This month, unexpectedly the group's infrastructure came back online.<sup>9,10</sup>
- **France:** A government website hack exposed visa applicants' personal data. In addition, Paris hospital officials disclosed that 1.4 million people who took COVID-19 tests in the middle of 2020 had personal data stolen.<sup>9,10</sup>
- **Germany:** Sportswear maker Puma had information stolen and are attempting to extort the company to pay ransom.<sup>9,10</sup>
- **New Zealand:** Websites for several financial institutions included its national postal service was down from a hack.<sup>9,10</sup>
- **South Africa:** The Department of Justice and Constitutional Development had all electronic services down from a cyber-attack.<sup>9,10</sup>



**BlackBerry**, held by the fund, announced at the end of the month that the former McAfee president, John Giamatteo, will be the new president of its cyber security business. In a recent interview, John Chen, BlackBerry's CEO, said that blackberry is now a security software company. In fact, **60% of BlackBerry's revenue comes from cyber security**.<sup>13</sup>



Evolve ETFs

The world is evolving.  
Your investments should too.

Evolve ETFs

Scotia Plaza, 40 King Street West, Suite 3404, Toronto ON M5H3Y2

416.214.4884 | 1.844.370.4884 | [www.evolveetfs.com](http://www.evolveetfs.com)

## PERFORMANCE ATTRIBUTION

For the month, Palo Alto Networks Inc. made the biggest contribution to the Fund, followed by Tenable Holdings Inc and Hennge KK.

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CYBR (HEDGED)	-6.50	4.39	28.77	37.18	21.36	25.13	24.86
CYBR.B (UNHEDGED)	-6.23	3.67	23.35	35.89	22.23	26.83	27.27
CYBR.U (USD)	-6.60	4.19	29.67	38.97	-	-	30.36

Source: Bloomberg, as at September 30, 2021.

\*\* Performance since inception of CYBR and CYBR.B on September 18, 2017.

Performance since inception of CYBR.U on May 13, 2019.

## SOURCES:

- <https://www.forbes.com/sites/forbestechcouncil/2021/09/21/why-cybersecurity-awareness-must-include-the-entire-web-supply-chain/?sh=79601b973fa9>
- [https://www.morningbrew.com/daily/stories/2021/08/23/blockchain-expert-fights-crypto-crime?utm\\_source=morning\\_brew&\\_\\_cf\\_chl\\_jschl\\_tk\\_\\_=pmd\\_TOR2zMDIupQm8H5ko4Vr5hn.BqEHpdTFin8fHwjHf8E-1632412101-0-ggNtZGzNAxCjcnBszQ2l](https://www.morningbrew.com/daily/stories/2021/08/23/blockchain-expert-fights-crypto-crime?utm_source=morning_brew&__cf_chl_jschl_tk__=pmd_TOR2zMDIupQm8H5ko4Vr5hn.BqEHpdTFin8fHwjHf8E-1632412101-0-ggNtZGzNAxCjcnBszQ2l)
- [https://www.morningbrew.com/daily/stories/2021/08/09/seven-charts-explain-current-state-crypto?utm\\_source=morning\\_brew&\\_\\_cf\\_chl\\_jschl\\_tk\\_\\_=pmd\\_JbW59J3cBZkkCDPrBpf8ZRO8BbHnOFplapdqL4VtX\\_k-1632434294-0-ggNtZGzNAnujcnBszQz9](https://www.morningbrew.com/daily/stories/2021/08/09/seven-charts-explain-current-state-crypto?utm_source=morning_brew&__cf_chl_jschl_tk__=pmd_JbW59J3cBZkkCDPrBpf8ZRO8BbHnOFplapdqL4VtX_k-1632434294-0-ggNtZGzNAnujcnBszQz9)
- <https://securityintelligence.com/articles/cybersecurity-solutions-2021-open-source-scaling/>
- [https://s22.q4cdn.com/606234439/files/doc\\_presentations/2021/2021-Analyst-Day-Master-Deck\\_vF.pdf](https://s22.q4cdn.com/606234439/files/doc_presentations/2021/2021-Analyst-Day-Master-Deck_vF.pdf)
- <https://www.cnn.com/2021/09/13/tech/moodys-invest-bitsight-cybersecurity/index.html>
- <https://www.cnbc.com/2021/09/08/microsofts-20-billion-and-cybersecuritys-big-spending-problem.html>
- <https://www.wsj.com/articles/u-s-to-target-crypto-ransomware-payments-with-sanctions-11631885336?mod=djemalertNEWS>
- <https://securityboulevard.com/2021/09/cybersecurity-news-round-up-week-of-september-6-2021/>
- <https://securityboulevard.com/2021/09/cybersecurity-news-round-up-week-of-september-13-2021/>
- <https://www.digitaljournal.com/tech-science/cybersecurity-insight-into-apples-latest-vulnerability/article>
- <https://www.aljazeera.com/news/2021/9/14/us-penalises-three-hackers-for-hires-working-for-uae-firm>
- <https://www.itbusiness.ca/news/blackberry-hires-former-mcafee-president-to-lead-cybersecurity-business/119576>

Commissions, trailing commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs) and mutual funds. Please read the prospectus before investing. ETFs and mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs and mutual funds. Please read the prospectus for a complete description of risks relevant to the ETF and mutual fund. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETF or returns on investment in the ETF. ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

Certain statements contained in this documentation constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.

