TSX CYBR

COMMENTARY

Evolve Cyber Security Index ETF

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 November 19, 2018

TICKER: CYBR (Hedged); CYBR.B (Unhedged)

Globally the equity markets started seeing some weakness in September that was driven by the technology sector. This was exacerbated by a heightening of the trade dispute between China and the US that has now turned into what appears to be a bear market for tech stocks. The weakness in this sector has broadly spread to various equity markets globally. This contagion has amplified any other weak factors (such as the declining oil price or Brexit) currently prevailing and translated into a generally risk off tone in investment markets.

Since October 1, 2018, the Nasdaq 100 Index has declined by over 13%, in part due the macro concerns noted above. Contribution from technology giants, including Apple cutting production orders for the three iPhone models, Nvidia's disappointing earnings report, and Facebook's cyber security issues, did not help matters.

Against this backdrop of broad equity and technology related stock weakness, the Evolve Cyber Security Index ETF (CYBR) has outperformed on an absolute and risk adjusted basis. Since October 1, 2018, CYBR (hedged) and CYBR.B (unhedged) have outperformed the Nasdaq 100 Index by 1.35% and 1.65%, respectively. In addition, CYBR, has outperformed the Nasdaq 100 Index (NDX Index) year-to-date and since its inception.

Total Returns[1] (%)	**YTD**	**Since Inception[2]**
CYBR.B (Unhedged)	20.63	28.14
NASDAQ 100 Index[3] (CAD)	10.35	20.54
CYBR (Hedged)	14.60	19.15
NASDAQ 100 Index[3] (USD)	4.87	12.28

Source: Bloomberg

[1] For the period ending November 19, 2018.

[2] Performance since inception on September 19, 2017, as at November 19, 2018.

[3] The NASDAQ 100 Index (NDX Index) is a stock market index made up of 103 equity securities issued by 100 of the largest non-financial companies listed on the NASDAQ.

Evolve ETFs

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Looking ahead, we believe there continues to be strong fundamentals for this sector.

More broadly, we believe the underlying reasons for the long term growth of the asset class remain in place:

- Cyber crime continues to increase at a rapid pace as connectivity increases – expected to cost the global economy $6 trillion per year.

- Cyber security is a non-discretionary spend of behalf of companies and governments. No company can afford a major data breach.

- There's a massive shortage of human capital in cybersecurity – in fact there's negative unemployment. This has resulted in more contracting out of services to the companies in CYBR's portfolio.

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