

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 October 30, 2020

TICKER: CYBR (Hedged)

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

MACROECONOMIC HIGHLIGHTS:

The Covid-19 pandemic has highlighted CYBR's resilience during a volatile period, CYBR ETF has outperformed major indices this year so far. Outperformed the S&P 500 Index by +26%, outperformed the Nasdaq 100 Index by +1%, and outperformed the MSCI World Index by +34%.

In the Work-From-Home economy, cybersecurity has become one of the top priorities in protecting valuable corporate data. In the face of growing cyber threats, cybercrime is one of the biggest risks facing CEOs today. The cybersecurity sector is growing and transitioning to a non-discretionary spend with companies.

Covid-19 forced more employees to work from home without proper security, it is expected to see a rise in the number of new malware and ransomware incursions. Lockdowns announced by global governments gave little or no time for companies to enhance their security infrastructures, especially as workers used personal computers and other devices. Insiders, who are the primary source of breaches in an organization, most often cause major harm with no ill intent by clicking on phishing emails or links that introduce malware to the corporate infrastructure.

Cloud, Data and Cybersecurity

It is expected to see more company-wide deployments of cloud-based security analytics and identity-management tools as perimeter-based products increasingly prove ineffective amid the massive shift to work-from-home. The migration of workloads from on-premise data centers to public cloud will also be a tailwind for cloud-security use. Fragmentation in security will continue, given enterprises are likely to use best-of-breed cloud programs as they replace existing products.

Software enabling remote work and related security is a trend that will last beyond Covid-19, businesses are expected to increase spending in cloud-based collaboration software, cloud security on the back of pandemic-related disruptions.

Pure-play cloud companies such as CrowdStrike (corporate endpoint security), Okta (identity management) and Zscaler (cloud-security gateway) will likely benefit from the trend of remote work and will continue to grow faster than the overall security market.





Recently, Zoom tapped CrowdStrike to help the videoconferencing giant protect its critical cloud and Linux workloads following the rapid transition to working and socializing from home.

Recent high-profile hacks like Twitter and Garmin may boost demand for cloud-security products that encompass endpoint, identity and security analytics, intelligence, response, and orchestration segments to halt ransomware and phishing attacks. The importance of deploying the latest security products at endpoints will likely increase in the aftermath of the Twitter and Garmin hack, since phishing and ransomware attacks emanate from endpoint devices, which have expanded at a rapid pace due to remote work.

Cybersecurity Spending

Spending should increase for major security segments including network, endpoints and identity management as the amount of data grows with digital-transformation initiatives, while legacy security products prove inadequate to handle the spike in sophisticated breaches. The U.S. elections and a continued increase in the number of endpoint devices due to remote work should also provide near-term boosts to overall security spending.

Cybersecurity is likely to be among the fastest-growing segments of the \$220 billion infrastructure software market. While network-security companies have used M&A to expand their cloud capabilities, an expanding perimeter for enterprise data and applications will likely result in an accelerated share shift to cloud companies from legacy ones in endpoint security and identity management.

SOURCE: Bloomberg, CRN

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