

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 July 31, 2019



ETF TICKER: CYBR (Hedged); CYBR.B (Unhedged); CYBR.U (USD)
MUTUAL FUND FUNDSERV CODE: EVF150 (Class F); EVF151 (Class A)

MACROECONOMIC HIGHLIGHTS:

As businesses innovate, cyber security is no longer purely a risk management issue for them, but is instead a core business enabler, which requires the involvement of the entire organization, including C-suite executives and technology professionals.

According to Deloitte's 2019 Future of Cyber Survey, the connective power of technology is giving rise to a wave of innovative products and services that are transforming the way people live and work. Consequently, organizations are embedding connected digital technologies in their information technologies, operational technologies, and end products, making cyber a top organizational priority.

That's because every time a device is connected to a sensor that in turn connects to a network, a new cyber vulnerability emerges at each connection point. In fact, vulnerabilities are seemingly everywhere these days, and they're only going to become more prevalent in the future, the report states. While most IT security solutions are fairly standardized, database structures are uniform, and firewalls still work broadly, regardless of industry or use, the need for customization instead of standardization is essential for cyber protection.ⁱ

The Capital One data breach by a software engineer in July, represented one of the largest-ever thefts of bank data. The hacker stole the personal data of over 100 million people, including 140,000 Social Security numbers, 80,000 bank account numbers, and tens of millions of credit card applications. Among the data compromised were the social insurance numbers of one million Canadians. Capital One said it expected that the breach would cost it up to \$150 million, including paying for credit monitoring for affected customers.ⁱⁱ

According to WIRED, cybersecurity breaches in the first half of this year makes it feel as though the worst is yet to come. It noted that ransomware is an ever-growing threat, with criminals targeting businesses, industrial manufacturers, health care providers, and, most visibly, local governments - swindling victims of billions of dollars a year in the process. Supply chain attacks, whereby software updates are pushed by an apparent legitimate vendor, have also become prevalent, allowing hackers to plant malware and potentially infect hundreds of thousands of targets.ⁱⁱⁱ



In news about companies held by the ETF, Fortinet Inc., the global leader in integrated and automated cybersecurity solutions reported Q2 results, beating expectations and raising its full-year adjusted earnings outlook, prompting multiple analysts to raise their price targets. The company reported second-quarter net income of \$72.7 million, or 42 cents a share, compared with \$49.3 million, or 28 cents a share, in the year-ago period. Revenue rose to \$521.7 million from \$441.3 million in the year-ago quarter.

FireEye Inc., which won the award for “Best Security Company of the Year” at the 2019 Cyber Security Awards announced Q2 earnings results, with revenue increasing 7% YoY, to beat estimates. Revenue was boosted by strong cloud based platform and new business sales. FireEye also announced the opening of a London Office to better serve its growing UK customer base.

PERFORMANCE ATTRIBUTION:

The top performing holdings in the ETF for the month were VIRNETEX Holdings Inc., followed by Forescout Technologies Inc. The largest holdings by weight were Zscaler Inc., which was the biggest contributor to the performance of the ETF; and Booz Allen Hamilton Holdings.

SOURCES:

ⁱ <https://www2.deloitte.com/insights/us/en/topics/risk-management/cyber-security-threats.html>

ⁱⁱ <https://www.nytimes.com/2019/07/29/business/capital-one-data-breach-hacked.html>

ⁱⁱⁱ <https://www.wired.com/story/biggest-cybersecurity-crises-2019-so-far/>

DISCLAIMER:

Commissions, management fees and expenses all may be associated with exchange traded funds (ETFs) and mutual funds (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 ETFs and mutual funds. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units.