

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, 2020

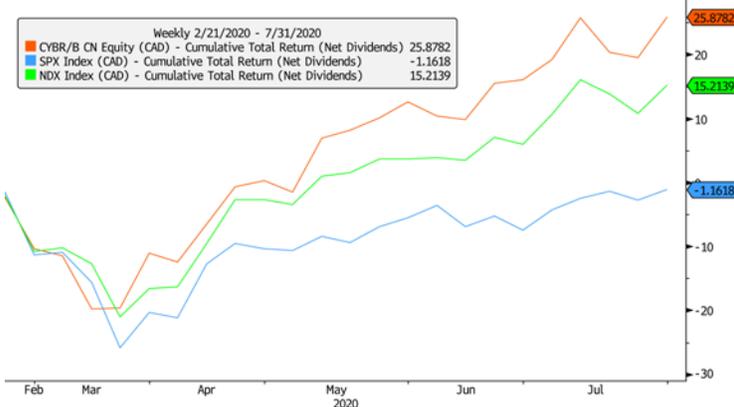


ETF TICKER: CYBR (Hedged); CYBR.B (Unhedged); CYBR.U (USD)
MUTUAL FUND FUNDSERV CODE: EVF150 (Class F); EVF151 (Class A)

MACROECONOMIC HIGHLIGHTS:

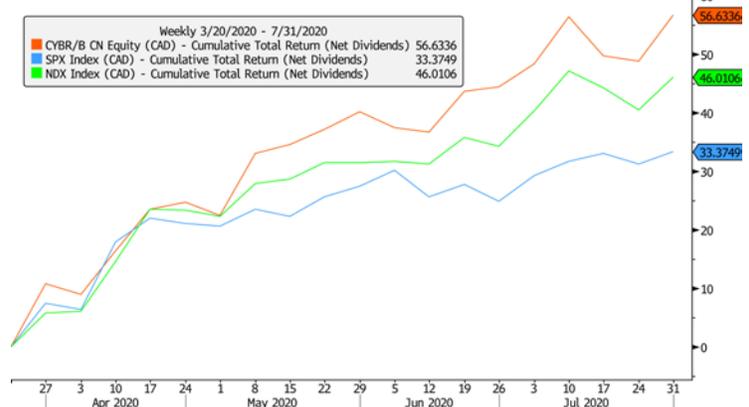
The COVID-19 pandemic has highlighted the Evolve Cyber Security Index Fund’s resilience during a volatile period, as the Fund outperformed major indices from peak to trough and in the recent rebound. Since February 19th, CYBR.B has outperformed the Nasdaq 100 by +11% and the S&P 500 by +26%.

PERFORMANCE SINCE MARKET PEAK



Source: Bloomberg, as at July 31, 2020. Market peak at February 19, 2020.

PERFORMANCE SINCE MARKET BOTTOM



Source: Bloomberg, as at July 31, 2020. Market bottom at March 23, 2020.

COVID-19 forced more employees to Work-From-Home (WFH) without proper security, the rise in the number of new malware and ransomware incursions is expected to continue.ⁱ Lockdowns announced by global governments gave little or no time for companies to enhance their security infrastructure, especially as employees operate from personal computers, laptops, tablets and peripherals. Employees, who are the primary source of breaches, most often cause harm with no ill intent by clicking on phishing emails or links that introduce malware to corporate networks.

It is expected that more company-wide deployments of cloud-based security analytics and identity-management tools will emerge as perimeter-based products increasingly prove ineffective amid the massive shift to WFH. The migration of workloads from on-premise data centres 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, as it is anticipated that businesses will increase spending in cloud-based collaboration software and cloud security on the back of pandemic-related disruptions. This trend was clear prior to lockdown and is a good reminder that the pandemic is, for the most part, accelerating changes that were already underway.

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.

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 Twitterⁱⁱ and Garminⁱⁱⁱ hack, since phishing and ransomware attacks emanate from endpoint devices, which have expanded at a rapid pace due to remote work. This will accelerate the shift to behavioural and AI-based offerings, which have shown better efficacy against phishing and ransomware attacks, as well as, other unknown advanced cyberattacks from traditional signature-based antivirus products.

Larger cybersecurity companies like Check Point, Fortinet and Palo Alto Networks have a high net cash position among cybersecurity providers, which they should be able to sustain, driven by steady maintenance sales at their customer base.

M&A ACTIVITIES:

More consolidation is likely in cybersecurity, as large, appliance-based firewall manufacturers and other infrastructure providers leverage deals to add capabilities in areas such as cloud security. Increased use of WFH arrangement should keep aiding demand for pure-play cloud-security companies such as CrowdStrike (corporate endpoint security), Okta (identity management), Zscaler (cloud-security gateway) and Rapid7 (vulnerability assessment), while lower valuation multiples and niche-segment focus may make them attractive targets. Strong balance sheet and net-cash positions of large cybersecurity companies, including: Cisco, Check Point, Palo Alto Networks and Fortinet should let them pursue deals to help boost cloud exposure.

CYBERSECURITY SPENDING:

Spending is on pace to increase for all major security segments, including: network, endpoints and identity management as the amount of data grows with digital-transformation initiatives, and while legacy security products prove inadequate to handle the spike in sophisticated breaches. The upcoming 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.

PERFORMANCE:

TOTAL RETURN PERFORMANCE* (%)

TICKER	NAME	YTD	1 YR	2 YR	SINCE INCEPTION**
CYBR.B	Evolve Cyber Security Index Fund (Unhedged)	40.62	38.45	27.55	30.27
CYBR	Evolve Cyber Security Index Fund (Hedged)	34.40	34.16	23.89	25.09
CYBR.U	Evolve Cyber Security Index Fund (USD)	36.23	36.39	-	33.23

Source: Bloomberg, as at July 31, 2020. ** Since inception of CYBR and CYBR.B on September 20, 2017. Since Inception of CYBR.U on May 16, 2019.

* For the period ending July 31, 2020. The indicated rates of return are the historical annual compounded 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.

SOURCES:

ⁱ <https://evolveetfs.com/2020/05/how-work-from-home-makes-us-vulnerable-to-cyber-attacks/>

ⁱⁱ <https://www.cbc.ca/news/technology/twitter-hack-phone-1.5670061>

ⁱⁱⁱ <https://www.businessinsider.co.za/garmin-paid-multimillion-dollar-ransom-to-hackers-report-2020-8>

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.