

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.



CYBR (Hedged)



CYBR.B (Unhedged)



CYBR.U (USD)

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

MACROECONOMIC HIGHLIGHTS:

The first half of 2021 was dominated by ransomware concerns around the world.

January saw stunning takedowns of online criminal operations running two of the web's most pernicious malwares. Police in Canada, the United States, the Netherlands, Germany, the United Kingdom, France, Lithuania, and Ukraine coordinated the seizure of the infrastructure behind the Emotet botnet and disrupted the Netwalker ransomware in separate actions.

First discovered as a banking Trojan in 2014, since then Emotet has by some estimates been responsible for delivering up to 60 per cent of all malware online. 13 of the 50 command and control servers behind Emotet were located and seized in Canada. Law enforcement officials in the Netherlands plan to deliver an update through captured Emotet servers in April that will erase any malware previously delivered through the botnet.

The Netwalker ransomware-as-a-service operation was also disrupted by law enforcement as authorities seized control of the Netwalker web site. The Netwalker group has collected over \$30 million in ransoms since their first significant attacks in March 2020. Netwalker often targeted the healthcare sector, taking advantage of COVID-19 fears to extort victims.

Also in January, security vendor Kaspersky released a report indicating roughly a third of organizations that downloaded the compromised SolarWinds software in 2020 were industries, including manufacturing firms, utilities, energy companies, construction firms and transportation firms meaning the hack was even more widespread across the economy than previously known.

In May, one of the USA's biggest fuel pipeline operators, Colonial Pipeline, was hit with a ransomware attack. The attack shut down sections of its pipeline entirely, and affected Colonial's operations for more than 11 days. Colonial Pipeline carries almost half the gasoline, diesel, and jet fuel used on the US East Coast, and the attack led to temporary price spikes and gas shortages up and down the East Coast. In parts of the US South, three in every four gas stations ran dry.

The US government laid blame for the hacking at the feet of the hacking group DarkSide, who appeared

to be based in Russia but not employed by the Russian government. In the wake of the Colonial Pipeline attack, DarkSide claims to have disbanded, saying an unnamed law enforcement agency had seized its servers. The DarkSide site appears inactive, as are its “ransomware-as-a-service” tools that allowed other hackers to launch ransomware attacks via essentially a kind of subscription service.

Colonial’s chief executive later revealed that the company paid the equivalent of \$4.4 million in cryptocurrency to the hackers to release its systems.

To avoid a repeat of the Colonial Pipeline hack, the US Department of Homeland Security moved to regulate cybersecurity in the pipeline industry for the first time. As critical infrastructure, pipeline companies will now have to report cyber incidents to federal authorities. A more extensive set of mandatory cybersecurity rules for the pipeline industry are expected to follow to replace what had been voluntary reporting guidelines.

In June, the world’s largest meat supplier, JBS, confirmed that in May it has been the victim of a ransomware attack which originated from a criminal group called REvil, based in Russia. JBS later confirmed that it paid hackers a ransom of nearly \$11 million in Bitcoin to regain control of its computer system. Operations in Australia, Canada, and the US were affected for several days due to the hack, with thousands of workers idled. Founded in 1953, JBS now has 150 plants in 15 countries and over 150,000 employees. In the United States, JBS processes nearly one-quarter of the country’s beef and one-fifth of its pork with customers including supermarkets and fast-food outlet McDonald’s.

PERFORMANCE ATTRIBUTION

For the first six months of 2021, Fortinet Inc made the biggest contribution to the Fund, followed by CrowdStrike Holdings Inc, and BlackBerry Ltd. By weight, the Fund’s largest exposure over the first six months of 2021 was to Fortinet Inc, CrowdStrike Holdings Inc, Zscaler Inc, and Palo Alto Networks Inc.

SOURCES:

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