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.

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

### Investment Thesis

Cyber security spending is non-discretionary and growing. It has transformed into a basic-need service.

<table>
<thead>
<tr>
<th>Spending on cyber security</th>
<th>Cyber security is non-discretionary due to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>is driven by cyber</td>
<td>• Growing cost of data breaches</td>
</tr>
<tr>
<td>attacks on:</td>
<td>• Increased regulatory requirements</td>
</tr>
<tr>
<td>• Individuals</td>
<td>• Increasing sophistication of cyber</td>
</tr>
<tr>
<td>• Enterprises</td>
<td>criminals</td>
</tr>
<tr>
<td>• Governments</td>
<td>• Increased usage of the cloud</td>
</tr>
</tbody>
</table>

### MACRO ECONOMIC HIGHLIGHTS

Cyberattacks continue to make headlines this month. A recent survey covered by Forbes found that **51% of businesses in America were hit by ransomware attacks in 2020**. The average demand was $178,000 of which an estimated 25% paid the ransom.

The **cyber insurance market is in a ‘crisis moment’** as ransomware costs pile up. In August, two CEOs of major insurance giants announced a considerable jump in cyber insurance premium prices. **AIG raised rates by 40% and Chubb** is also charging more. Chubb’s CEO went further to say that the price increases still don’t reflect the grave risk that a catastrophic cyber event poses. The percentage of client’s opting for cyber coverage rose 46% in 2020.

On August 25th, the White House hosted a cybersecurity summit with CEOs in multiple sectors including big tech and insurance. The increasing number and scale of cyberattacks has added urgency to resolving the issues. The result of the meeting was **billions of dollars committed** by various businesses to **increase their cyber security efforts and skills training to ~500,000 unfilled US cybersecurity jobs**. Cybersecurity stocks jumped on the news.

**$20bn**

The amount Microsoft has pledged to spend on cyber security measures over five years, four times its current rate of investment.

Source: Financial Times

- **Microsoft**: Committed $20 billion over 5 years to deliver advanced security tools and will invest $150 million to aid governments in advancing their security systems.
- **Google**: Will invest over $10 billion over 5 years to improve cybersecurity and train 100,000 Americans in technical fields.
- **Apple**: Create a program devoted to making security improvements in their technology supply chain.
- **Amazon Web Services (AWS)**: Will give account holders free multifactor authentication devices.
- **IBM**: Committed to train more than 150,000 people in cybersecurity skills over the next 3 years.
**Shipping Supply Chain:** Global supply chains across all industries are already stretched due to COVID. During the pandemic, the shipping supply chain has become more reliant on robotic operations and digitized inventory rather than human labour. This leaves the $100 billion shipping industry vulnerable to cyberattacks.

**Healthcare:** Although many hackers avoid hospitals for moral reasons, the industry is not safe from attacks. In fact, in 2020, 92 attacks impacted over 600 different healthcare organizations. More than 18 million patient records were stolen at an estimated cost of $21 billion.

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**Entire industries** are also being targeted in different ways by cyberattacks.

**August Cyberattacks**

- **T-Mobile:** 53 million T-Mobile customers were affected by a hack. Two class action lawsuits have been filed against the company. On August 30th, T-Mobile announced signing a multi-year partnership with cybersecurity firm Mandiant to prevent future attacks.

- **Poly Network:** A hacker stole over $600 million of tokens from the cryptocurrency platform in the largest crypto hack of all time. Although the hacker returned all the money, the incident exploited vulnerabilities in the Poly Network code.

- **Gigabyte:** The Taiwanese PC manufacturer confirmed that the August hack shut down IT infrastructure and a handful of servers were affected. The gang RansomEXX claims to have stolen sensitive internal data including Intel and AMD chip information.

- **Italian Vaccination Registration System:** Residents of Lazio (one of Italy’s largest regions which includes Rome) were not able to book vaccination appointments for several days due to a cyber-attack.
PERFORMANCE ATTRIBUTION

For the month, Zscaler Inc. made the biggest contribution to the Fund, followed by Fortinet Inc, and Palo Alto Networks Inc. By weight, the Fund’s largest exposure was to Fortinet Inc, followed by Zscaler Inc and Palo Alto Networks Inc.

PERFORMANCE (%)

<table>
<thead>
<tr>
<th>TOTAL RETURNS*</th>
<th>1 MTH</th>
<th>YTD</th>
<th>1 YR</th>
<th>2 YR</th>
<th>3 YR</th>
<th>SI*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CYBR (HEDGED)</td>
<td>7.14</td>
<td>11.65</td>
<td>33.76</td>
<td>38.31</td>
<td>24.31</td>
<td>27.58</td>
</tr>
<tr>
<td>CYBR.B (UNHEDGED)</td>
<td>8.27</td>
<td>10.55</td>
<td>30.45</td>
<td>36.44</td>
<td>24.59</td>
<td>30.00</td>
</tr>
<tr>
<td>CYBR.U (USD)</td>
<td>7.06</td>
<td>11.55</td>
<td>34.87</td>
<td>40.15</td>
<td>-</td>
<td>35.54</td>
</tr>
</tbody>
</table>


SOURCES:


https://www.cyberscoop.com/cyber-insurance-ransomware-crisis/


https://hitconsultant.net/2021/08/13/ransomware-in-healthcare-withstanding-hackers/#YSkMUuSmUI

https://huddle.florence-health.com/discover/content/article/basics-cybersecurity-policies-healthcare-systems/

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