

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.

TSX

CYBR

ETF TICKERS: CYBR (HEDGED); CYBR.B (UNHEDGED); CYBR.U (USD)
MUTUAL FUND FUNDSERV CODES: EVF150 (CLASS F); EVF151 (CLASS A)

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

Spending on cyber security is driven by cyber attacks on:

- Individuals
- Enterprises
- Governments

Cyber security is non-discretionary due to:

- Growing cost of data breaches
- Increased regulatory requirements
- Increasing sophistication of cyber criminals
- Increased usage of the cloud

GENERAL INDUSTRY UPDATE

October is cybersecurity awareness month. It is meant to be used as a time to reflect on individuals and companies' cybersecurity practices to ensure safe habits. Deloitte released their 2021 Future of Cyber survey at the end of October that revealed **98% of US executives** said their company had **experienced at least one cybersecurity incident over the past year**. In addition, 14% of those executives admitted their firms do not currently have any cyber threat defense plan.¹

The number and scale of attacks this year alone has been unprecedented. A Bloomberg report found that **ransomware in 2021 might exceed the entire last decade combined**. There was \$590 million in suspicious activity related to ransomware in the first six months of 2021, exceeding the entire amount of \$416 million reported in 2020. According to the U.S. Treasury

Department's Financial Crimes Enforcement Network, if this trend continues 2021 is "projected to have a higher ransomware-related transaction value than was filed in the previous 10 years".³

What does the future of cybersecurity look like? This month, Gartner released predictions for the cybersecurity industry over the next several years. By 2024, Gartner predicts that **30% of the world's nations** will pass some type of legislation around ransomware and **40% of company board of directors** will have dedicated teams overseeing cybersecurity efforts. Their research also predicts there will be significant consolidation in both the cybersecurity and cloud computing industry. Specifically, they predict that 30% of people will end up using the same provider by 2024.⁴



Source: Shutterstock

GENERAL INDUSTRY UPDATE CONT.

In recognition of cybersecurity month, let's look at how cybersecurity has evolved over the last two decades. Rewinding the clock back to 2010, states and local governments were only starting to take notice of the adoption of mobile technologies and what that digital adoption could mean for cyber criminals. Fast forward to 2021, and cybersecurity has become a national and international focus. Below is a timeline of some notable incidents over the last decade.²

A Decade in Cyber Incidents

2011	Sony hack exposed the personal information of 77 million users – one of the world's largest attacks at the time.
2015	The United States Office of Personnel Management was breached and exposed information from 22.1 million people in an espionage attack attributed to China.
2016	Russian bad actors tried to sway the US election by leaking emails from Democratic National Committee and Hillary Clinton as well as hack into voter registration databases.
2017	Equifax hack exposed information of 147 million people. Around 45% of the US population was impacted.
2018	Atlanta was targeted by a ransomware attack that was deemed the most expensive attack to hit a city.
2019	SolarWinds sent out a software patch that included malware from Russian hackers. The criminals gained access to the systems of various SolarWinds customers including the US government, Microsoft, and some of the largest cybersecurity companies.
2021	JBS paid \$11M in ransom from a cyberattack and Colonial Pipeline was subject to a hack that took down the largest fuel pipeline. ²

Recent Cyber Attacks in the News

Fortinet: Hacker's leaked password for 500,000 Fortinet VPN accounts.⁵

Twitich: Twitch was targeted by a hacker who claimed to have leaked source code and user payout information. The company confirmed the hack in a statement.⁶

Sinclair Broadcast: REvil, the Russian cybercrime organization was linked to a recent cyberattack on the Sinclair Broadcast Group.⁷

COMPANY SPECIFIC UPDATES

Verizon

Verizon announced plans to partner with **Fortinet** to offer businesses a solution "in-a-box" to secure and connected hybrid and remote workforces. "Solutions like Verizon's Software Defined Secure Branch with Fortinet adds layers of security that help safeguard employees, businesses and ultimately customers against cyberattacks." - Verizon's Chief Revenue Officer

Google

Google is investing \$50 million in a cybersecurity startup **Cybereason**.⁹ This investment demonstrates Google's attempt to address gaps in their cybersecurity strategy. Google Cloud hosted a virtual conference this month where they also announced other cybersecurity initiatives including the formation of the Google Cybersecurity Action team, new zero-trust solutions for Google Workspace and extending Work Safer with **CrowdStrike** and **Palo Alto Networks** partnerships.¹⁰

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CYBR (HEDGED)	8.77	13.54	44.76	41.24	31.42	26.91	26.89
CYBR.B (UNHEDGED)	6.39	10.29	35.40	39.14	30.58	26.97	28.59
CYBR.U (USD)	8.88	13.45	45.67	43.12	-	-	33.78

Source: Bloomberg, as at October 29, 2021.

** Performance since inception of CYBR and CYBR.B on September 18, 2017.

Performance since inception of CYBR.U on May 13, 2019.

Sources:

- <https://venturebeat.com/2021/10/26/deloitte-14-of-us-orgs-remain-defenseless-as-cybersecurity-threats-loom/>
- <https://www.govtech.com/security/through-the-years-a-broad-look-at-two-decades-in-cybersecurity>
- <https://news.bloomberglaw.com/tech-and-telecom-law/treasury-department-offers-crypto-guidance-amid-ransomware-surge>
- <https://www.zdnet.com/article/gartner-predicts-privacy-law-changes-consolidation-of-cybersecurity-services-and-ransomware-laws-for-next-4-years/>
- <https://www.bleepingcomputer.com/news/security/hackers-leak-passwords-for-500-000-fortinet-vpn-accounts/>
- <https://www.theverge.com/2021/10/6/22712250/twitch-hack-leak-data-streamer-revenue-steam-competitor>
- <https://www.bloomberg.com/news/articles/2021-10-20/sinclair-broadcast-hack-linked-to-notorious-russian-cybergang>
- <https://www.verizon.com/about/news/verizon-business-fortinet-secure-sd-wan>
- <https://venturebeat.com/2021/10/19/google-cloud-invests-50-million-in-cybersecurity-startup-cybereason/>
- <https://venturebeat.com/2021/10/24/googles-future-in-enterprises-hinges-on-strategic-cybersecurity/>

Commissions, trailing commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs) and mutual 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 the ETF and mutual fund. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple 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.

Certain statements contained in this documentation constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.