

# Evolve Cyber Security Index Fund

CYBR invests primarily in equity securities of companies located domestically or internationally that are involved in the cybersecurity industry through hardware and software development.

TSX

**CYBR**

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

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

**Spending on cybersecurity is driven by cyber attacks on:**

- Individuals
- Enterprises
- Governments

**Cybersecurity 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



Source: Boardagenda.com, Photo credit: Ozrimozy/shutterstock

With global cybersecurity incidents continuing to occur, governments and organizations around the world are starting to realize the full threat. Cybersecurity spending is expected to rise in 2022 and beyond.

Furniture giant IKEA, headquartered in Delft, Netherlands, reported experiencing an ongoing cyberattack. The attackers targeted IKEA employees and business partners using reply-chain emails. This type of cyberattack began with an employee email sent from a genuine but compromised account. Since the email was sent from within the company, recipients were likely to open it, thinking it's from a trusted sender.<sup>1</sup>

Canada is facing an increased number of ransomware attacks. In fact, the country has become one of the most impacted by ransomware across the globe.

Since March 2020, about 25% of Canadian small businesses have experienced some kind of cyber incident. In the first half of 2020, more than half of the ransomware victims in Canada were critical infrastructure providers from the energy, health, and manufacturing sectors.

This has initiated a call to action from the Minister of National Defence, and other government agencies asking Canadian organizations to implement cybersecurity best practices against ransomware.<sup>2</sup>

According to Bloomberg, the European Union will launch a large-scale simulation of cyberattacks against some member states. Participating states will be confronted with an attack on their supply chain. The six-week drill aims to stress-test Europe's strength and preparedness, as well as the level of cooperation and joint response among members when faced with cyberattacks.<sup>3</sup>

The PricewaterhouseCoopers' 2022 Global Digital Trust Insights Survey indicated that 69% of responding organizations claim their cybersecurity spending was expected to increase in 2022. A further 26% of the respondents forecast cybersecurity spending to increase by 10% or more.<sup>4</sup>

Technology research and advisory firm Gartner forecasts that spending on inflation security and risk management could see a big jump in 2022. It's expected to be \$172.0 billion in 2022, up from \$155.0 billion in 2021 and \$137.0 billion in 2020.

## COMPANY SPECIFIC UPDATES



### Palo Alto Networks Inc

Palo Alto Networks Inc, the fund's biggest holding, offers a range of cybersecurity solutions globally. The company's solutions include firewall appliances and software, Internet of Things security, DNS security, cloud security, data loss prevention, secure access, security analytics and automation, and threat intelligence and cybersecurity consulting. On December 20, 2021, Palo Alto Networks was added to the NASDAQ 100 Index. As a result, interest and demand in the Palo Alto Networks stock is expected to increase along with the enhancement of the stock's market liquidity. The index is comprised of the top 100 largest domestic and international non-financial companies, traded on the Nasdaq exchange based on their market capitalization.<sup>5</sup>



### Okta Inc

Okta Inc, the fund's fourth biggest holding as of December 31, 2021, is an independent identity provider. Its flagship solution, the Okta Identity Cloud, allows organizations to securely connect people to the appropriate technologies in a timely manner. More than 14,000 global firms trust the company's solution. Okta reported financial results for its third quarter of fiscal year 2022, ended October 31, 2021. Revenue for the quarter amounted to \$351.0 million, up 61% year over year. The remaining performance obligations (RPO) or subscription backlog at the company stood at \$2.35 billion at the end of the quarter—up 49% year over year. The current RPO portion of the subscription revenue expected to be recognized in the next 12 months was \$1.8 billion. This is up 57% from the same period a year ago.<sup>6</sup> For full year fiscal 2022, Okta expects revenue to be in the range of \$1.275 billion to \$1.277 billion.



**CROWDSTRIKE**

### CrowdStrike Holdings Inc

CrowdStrike Holdings Inc, one of the fund's top 10 holdings, offers cloud-delivered endpoint and cloud workload protection by leveraging artificial intelligence (AI) through its flagship CrowdStrike Falcon platform. On December 1, 2021, CrowdStrike Holdings reported its financial results for the third quarter fiscal year 2022, ended October 31, 2021. Revenue at the company surged 63% to \$380.1 million. In the same period a year ago, revenue was \$232.5 million. Throughout the quarter, CrowdStrike Holdings added 1,607 net new subscription customers. At the end of the third quarter of fiscal year 2022, subscription customers totalled 14,687, which is up 75% year over year.<sup>7</sup>

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CYBR (HEDGED)	-1.36	5.71	5.71	32.26	29.67	24.18	23.60
CYBR.B (UNHEDGED)	-2.15	4.90	4.90	32.23	27.90	25.72	25.82
CYBR.U (USD)	-1.21	5.54	5.54	33.96	-	-	27.71

Source: Bloomberg, as at December 31, 2021.

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

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

### Sources:

1. Abrams, L., "IKEA email systems hit by ongoing cyberattack," Bleepingcomputer, November 26, 2021; <https://www.bleepingcomputer.com/news/security/ikea-email-systems-hit-by-ongoing-cyberattack/>.
2. "Ministers urge Canadian organizations to take action against ransomware," Government of Canada, December 6, 2021; <https://www.canada.ca/en/communications-security/news/2021/12/ministers-urge-canadian-organizations-to-take-action-against-ransomware.html>.
3. Nardelli, A., "EU to Stage Large-Scale Cyberattack Exercise on Supply Chains," BNN Bloomberg, January 11, 2021; <https://www.bnnbloomberg.ca/eu-to-stage-large-scale-cyberattack-exercise-on-supply-chains-1.1706059>.
4. Pratt, M.K., "Cybersecurity spending trends for 2022: Investing in the future," CSO, December 20, 2021; <https://www.csoonline.com/article/3645091/cybersecurity-spending-trends-for-2022-investing-in-the-future.html>.
5. "Palo Alto Networks joins the Nasdaq-100," Palo Alto Networks Inc, December 13, 2021; <https://investors.paloaltonetworks.com/investor-relations/news-releases/news-release-details/2021/Palo-Alto-Networks-joins-the-Nasdaq-100/default.aspx>.
6. "Okta Announces Strong Third Quarter Results," Okta, Inc., December 1, 2021; <https://investor.okta.com/news-releases/news-release-details/okta-announces-strong-third-quarter-results-0>.
7. "CrowdStrike Reports Third Quarter Fiscal Year 2022 Financial Results," CrowdStrike Holdings Inc, December 1, 2021; <https://ir.crowdstrike.com/news-releases/news-release-details/crowdstrike-reports-third-quarter-fiscal-year-2022-financial>.

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