

# 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: Smithsonianmag.com

Cybersecurity issues continue to plague businesses worldwide. According to a CNBC SurveyMonkey Small Business Survey, almost 40% of small business owners are (very or somewhat) concerned about being victims of a cyberattack within the next 12 months. That said, 60% of respondents are (very or somewhat) confident that they can handle a cyberattack on their business if needed.<sup>1</sup>

But cyberattacks can have dire consequences. For instance, recently, India's SpiceJet airline announced that certain systems faced an attempted ransomware attack that slowed down flights and stranded passengers at airports.<sup>2</sup>

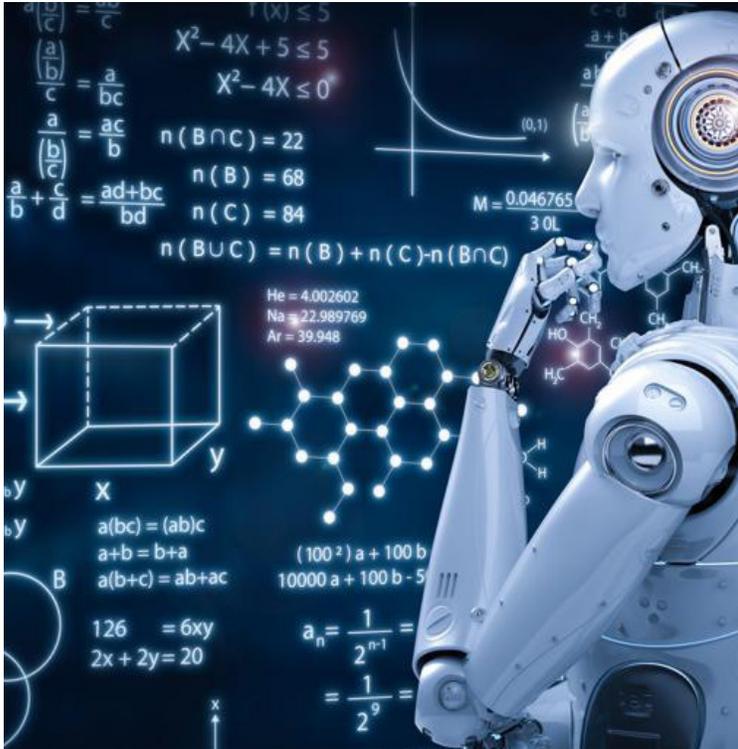
Meanwhile, the metaverse also became subject to cybersecurity fraud and, as a result, cost users thousands of dollars. Investors across the U.S. told CNBC that hackers stole their land in the virtual universe by tricking them into clicking on links that they believed to be part of the portal. Instead,

these links were phishing websites that were designed to steal users' MetaMask credentials. With access to landowners' credentials, the hackers were also able to steal all of the digital assets in their wallets.<sup>3</sup>

These recent cyberattacks on SpiceJet and the metaverse show that having preventive measures in place is crucial. This may be why the White House recently issued two mandates last month around quantum computing and cybersecurity.

The first directive by the Biden Administration is an executive order that focuses on the U.S. leadership in quantum information science and technology applications. The second decree is a cybersecurity memorandum. It says that while keeping a competitive edge in quantum information science is important, the risks also need to be mitigated in order to maintain the nation's cyber, economic, and national security.<sup>4</sup>

## COMPANY SPECIFIC UPDATES



Source: Getty Images



Source: Forbes.com

### Fortinet Inc.

Fortinet, the second largest holding in the fund, is an integrated and automated cybersecurity solutions provider. Recently, the company announced a complete Digital Risk Protection Service (DRPS) called FortiRecon.

At its core, FortiRecon uses machine learning, automation, and the expertise of FortiGuard Labs to mitigate risks associated with cybersecurity and advise meaningful action to clients to protect their brands, enterprise assets, and data.

This is beneficial to businesses because it allows them to think like a hacker and safeguard areas of their businesses that would most likely be exploited by a cyberattack. The service would review a company's defense and response tactics, use social media to learn about its employees' behaviour, and research recent acquisitions and affiliations.<sup>5</sup>

### Palo Alto Networks Inc.

Palo Alto Networks Inc., the third largest holding of the fund, is a global cybersecurity solutions provider. It reported revenue growth of 29% year-over-year to \$1.4 billion in the third quarter of fiscal year 2022 ended on April 30th, 2022.

Nikesh Arora, chairman and CEO of Palo Alto Networks, said the company continues to capitalize on strong demand for cybersecurity and the outlook for the company seems rosy.

Last month, the company announced that it was partnering with BT to provide a managed Secure Access Service Edge (SASE) to help organizations better transform to the hybrid workforce. The cloud-delivered solution will simplify management, enhance visibility and security, and enable organizations to save on infrastructure and operational costs.<sup>6</sup>

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
<b>CYBR (HEDGED)</b>	-9.38	-22.66	-15.64	7.19	13.25	11.86	14.85
<b>CYBR.B (UNHEDGED)</b>	-10.47	-23.11	-12.50	3.40	11.69	12.09	16.59
<b>CYBR.U (USD)</b>	-9.06	-23.10	-16.52	7.87	14.16	-	12.79

Source: Bloomberg, as at May 31, 2022.

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

Performance since inception of CYBR.U on May 14, 2019.

### Sources:

1. Wronski, L. and Cohen, J. "America's small businesses aren't ready for a cyberattack," CNBC, May 21, 2022; <https://www.cnn.com/2022/05/21/americas-small-businesses-arent-ready-for-a-cyberattack.html>.
2. "SpiceJet: Passengers stranded as India airline hit by ransomware attack," BBC, May 25, 2022; <https://www.bbc.com/news/world-asia-india-61575773>.
3. "Cybercriminals target metaverse investors with phishing scams," CNBC, May 26, 2022; <https://www.cnn.com/2022/05/26/cybercriminals-target-metaverse-investors-with-phishing-scams.html>.
4. Brumfield, C. "U.S. White House releases ambitious agenda to mitigate the risks of quantum computing," CSO, May 9, 2022; <https://www.csoonline.com/article/3659893/u-s-white-house-releases-ambitious-agenda-to-mitigate-the-risks-of-quantum-computing.html>.
5. "Fortinet Unveils New Digital Risk Protection Offering to Empower Security and Executive Teams with an Attacker's View of the Enterprise," Yahoo! Finance, June 6, 2022; <https://finance.yahoo.com/news/fortinet-unveils-digital-risk-protection-130000947.html>.
6. "Palo Alto Networks Reports Fiscal Third Quarter 2022 Financial Results," Palo Alto Networks Inc., May 19, 2022; <https://investors.paloaltonetworks.com/investor-relations/news-releases/news-release-details/2022/Palo-Alto-Networks-Reports-Fiscal-Third-Quarter-2022-Financial-Results/default.aspx>.

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\*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.

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