

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: Intellinews.com

The list of cybersecurity incidents worldwide continues to increase as more governments and corporations have become victims of cyberattacks in recent months.

In July, the government of Albania was forced take its online public services and other related websites offline due to a cyberattack. Albania's National Agency of Information Society said in a statement that it experienced a synchronized and sophisticated cyberattack from outside the country.

Although government officials didn't say where the attacks originated from, they are working with Microsoft, cybersecurity consulting firm Jones International Group, and Albanian security companies to mitigate the damage.¹

State-sponsored cyberattacks remain to be a major issue. Recently, the FBI and other U.S. agencies warned that North Korean government-backed hackers could target healthcare organizations.

According to the FBI, Department of Treasury, and US Cybersecurity and Infrastructure Security Agency (CISA), the North Korean hackers use ransomware attacks—a type of computer code that locks files—to encrypt computer systems that hold data such as

electronic health records and information regarding diagnostics and imaging services.²

With all these cybersecurity attacks worldwide, governments are taking cybersecurity more seriously. For example, the Cyberspace Administration of China (CAC) served the country's ride-hailing giant, Didi Global, with fines of \$1.2 billion for violating China's cybersecurity, data, and information protection laws based on how it was handling customer data.

Furthermore, the chairman and CEO of Didi Global, Cheng Wei, and the president of the company, Liu Qing, were also personally fined \$147,000.³

In the U.S., the Biden administration is working tirelessly to fill thousands of cybersecurity jobs. There's a huge talent shortage in the U.S., and it's being dubbed as both a national security issue and an economic opportunity.

Around mid-July, the administration announced a multi-agency plan that will create hundreds of registered apprenticeship programs with private firms in an attempt to reduce the cybersecurity professional shortages as data breaches, ransomware attacks, and hacking incidents become a normal occurrence.⁴

COMPANY SPECIFIC UPDATES



Source: Paloaltonetworks.com

Palo Alto Networks Inc.

Palo Alto Networks Inc., one of the biggest holdings of the fund and a leading global cybersecurity firm, is getting rave reviews from analysts at Wolfe Research.

While investors believe Palo Alto Networks to be a place to “hide out” in the current market, it offers a lot more in terms of the value and upside potential that comes with the company’s next-generation security portfolio. There is already a strong demand for the company’s firewall business, but analysts believe the company could be poised for total platform domination.⁵



Source: FortiGate 4800F series of hyperscale firewalls

Fortinet Inc.

Fortinet Inc., one of the fund’s top 10 holdings and a provider of integrated and automated cybersecurity solutions, recently introduced a new FortiGate 4800F series of hyperscale firewalls. This firewall is specifically designed with hyperscale data centres and 5G mobile network operators.

John Maddison, EVP of Products and CMO at Fortinet said that FortiGate 4800F isn’t just the world’s fastest compact hyperscale firewall in the industry, it also allows hyperscale data centers and 5G mobile networks to scale their business without disruption to their regular operations.⁶

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CYBR (HEDGED)	2.95	-23.07	-22.62	0.83	9.73	10.51	14.20
CYBR.B (UNHEDGED)	2.46	-22.91	-21.32	-1.19	9.40	10.79	16.06
CYBR.U (USD)	2.99	-23.84	-23.55	0.85	10.38	-	11.77

Source: Bloomberg, as at July 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:

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2. Lyngaas, S. "North Korean government hackers hit health services with ransomware, US agencies warn," CNN, July 6, 2022; <https://www.cnn.com/2022/07/06/politics/north-korea-ransomware-health-care/index.html>.
3. Xiong, Y., Register, L., and He, L., "China fines Didi \$1.2 billion for violating cybersecurity and data laws," CNN, July 21, 2022; <https://www.cnn.com/2022/07/21/economy/china-fines-didi-data-law-violation-intl-hnk/index.html>.
4. Fung, B. "Biden administration pushes to close the growing cybersecurity workforce gap," CNN, July 19, 2022; <https://www.cnn.com/2022/07/19/tech/biden-cyber-workforce-gap/index.html>.
5. Bary, E., "Palo Alto Networks stock is positioned for 'total platform domination,' says analyst," Market Watch, August 1, 2022; <https://www.marketwatch.com/story/palo-alto-networks-stock-is-positioned-for-total-platform-domination-says-analyst-2022-08-01>.
6. "Fortinet Introduces the World's Fastest Compact Firewall for Hyperscale Data Centers and 5G Networks," Fortinet Inc., August 3, 2022; <https://www.fortinet.com/corporate/about-us/newsroom/press-releases/2022/fortinet-introduces-worlds-fastest-compact-firewall-for-hyperscale-data-centers-and-5g-networks>.

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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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