

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: insurancebusinessmag.com/indigocyberattack

While the tech sector is going through rounds of layoffs, strong demand for cybersecurity workers continues, given the threat of cyberattack is a persistent and growing concern. According to newly released data, there were more than 755,000 unfilled online job postings in cybersecurity as of December 2022, with only 68 workers available for every 100 job openings. These figures continue the trend of a shortage of skilled cyber talent—one which doesn't appear likely to end soon. This steady demand makes cybersecurity a haven for investment even in the face of an uncertain economy.¹

As if to underscore the need for increased cyber vigilance, the news in February was full of reports of companies around the world falling victim to ransomware and other cyberattacks.

Canadian book retailer Indigo suffered a prolonged website outage beginning February 8, when it was the victim of a ransomware attack that compromised the personal data of some current and former Indigo employees. The hackers not only left Indigo's website unable to function, but also shut down all non-cash sales in the chain's brick-and-mortar stores and prevented returns or purchases using gift cards.²

UK-based sportswear chain JD Sports said the stored data of up to 10 million customers might have been compromised after a cyberattack. Only recently discovered, the hack affected data for online orders between November 2018 and October 2020.³

And several large data centers in Asia, including centers operated by GDS Holdings Ltd. (held by the Fund) and ST Telemedia Global Data Centres, suffered breaches of emails and passwords for customer-support websites. The data of roughly 2,000 customers of GDS and STT GDC were impacted.⁴

And as a sign of how innovation is playing a role in the cybersecurity space, a new report from SkyQuest highlights the growing role that artificial intelligence (AI) has within the industry. The ability for AI systems to map, analyse, and assess vulnerabilities within computer systems as well as detect and highlight threats at both a speed and volume impossible for humans to match is becoming a powerful tool in cybersecurity's quest to stay a step ahead of hackers. SkyQuest is forecasting that the global AI in cybersecurity market (valued at \$16.56 billion US at the end of 2022) will grow to \$94.3 billion US by the end of 2030—a CAGR of 24.42% over that time period.⁵

COMPANY SPECIFIC UPDATES



Source: Victor Levy - Cider Security team



Source: [Our.today/fortinetlauncecybercrimeatlas](https://our.today/fortinetlauncecybercrimeatlas)

Palo Alto Networks Inc.

Security hardware and software maker Palo Alto Networks exceeded Wall Street projections in their Q2 earnings, generating a 26% year-over-year increase in revenue and achieving a net income of \$84.2 million. This marks their third consecutive profitable quarter and represents a dramatic turnaround from the same quarter a year ago, when the company saw a loss of \$93.5 million. Palo Alto Networks CEO, Nimesh Arora, noted that the company is now three years ahead of profitability goals set in 2021.

The company's growth strategy also includes acquisitions, as seen in their recent purchase of Cider Security for \$195 million. Cider Security specializes in software supply chain and application security, further strengthening Palo Alto Networks' market position.⁶

Fortinet Inc.

Fortinet, a global cybersecurity leader, was named a Visionary in the 2022 Gartner Magic Quadrant for Endpoint Protection Platforms. The recognition comes due to Fortinet's seamless integration of behavior-based endpoint protection, endpoint detection and response (EDR), incident response (IR), managed detection and response (MDR), and extended detection and response (XDR).⁷

Also in February, Fortinet was part of a joint initiative to launch the Cybercrime Atlas. Partnering with the World Economic Forum, Banco Santander, Microsoft, and PayPal, the Cybercrime Atlas will provide first-of-its-kind visibility into cybercrime, helping industry, law enforcement, and governments track, disrupt, and take down cybercriminals and their infrastructure around the world.⁸

PORTFOLIO STRATEGY AND ACTIVITY

For the month, Palo Alto Networks made the largest contribution to CYBR ETF, followed by CrowdStrike Holdings and Fortinet Inc. The largest detractors to performance for the month were GDS Holdings, followed by CACI International Inc. and Okta Inc. On last rebalance, these securities were added to the portfolio: Hancor WITH Inc., KSIGN Co Ltd., and Absolute Software Corp.

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	5 YR	SI**
CYBR (HEDGED)	3.13	8.33	-25.54	-14.18	7.46	5.81	8.60	10.26
CYBR.B (UNHEDGED)	4.94	8.90	-20.54	-11.53	8.66	7.44	10.64	13.21
CYBR.U (USD)	2.38	8.07	-26.19	-14.57	8.06	-	-	6.66

Source: Bloomberg, as at February 28, 2023.

** 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. Evans, P., "Indigo Website Still Offline Nearly 1 Week After Cybersecurity Incident," CBC News, February 14, 2023; <https://www.cbc.ca/news/business/indigo-cyberattack-update-1.6747714>
3. Race, M., "JD Sports says 10 million customers hit by cyber-attack," BBC News, January 30, 2023; <https://www.bbc.com/news/business-64452986>
4. Robertson, J., "Hackers Scored Corporate Giants' Logins for Data Centers," Bloomberg News, February 21, 2023; <https://news.bloomberglaw.com/privacy-and-data-security/hackers-scored-corporate-giants-logins-for-asian-data-centers>
5. "Global AI In Cybersecurity Market," SkyQuest, February 2023; <https://skyquestt.com/report/global-ai-in-cybersecurity-market>
6. Novet, J., "Palo Alto Networks Lifts Earnings Guidance as It Pursues Profitable Growth," CNBC, February 21, 2023; <https://www.cnbc.com/2023/02/21/palo-alto-networks-panw-earnings-q2-2023.html>
7. "Fortinet Named a Visionary in the 2022 Gartner® Magic Quadrant™ for Endpoint Protection Platforms," Financial Post, March 2, 2023; <https://financialpost.com/globe-newswire/fortinet-named-a-visionary-in-the-2022-gartner-magic-quadrant-for-endpoint-protection-platforms>
8. "Fortinet Helps Launch the Cybercrime Atlas Initiative, Enabling Businesses, Law Enforcement Agencies, and Threat Intelligence Researchers to Disrupt Cybercrime at a Global Scale," Yahoo Finance, February 8, 2023; <https://finance.yahoo.com/news/fortinet-helps-launch-cybercrime-atlas-140000790.html>

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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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