

Second Quarter 2021 Update: ISE Cyber Security UCITS Index (HUR)TM

- Cyber Security News
 - On May 7th, the Colonial Pipeline, one of the largest oil pipelines in the United States, was shut down because of a ransomware attack. The pipeline “provides roughly 45% of the East Coast’s fuel, including gasoline, diesel, home heating oil, jet fuel, and military supplies.”¹ As a result of the ransomware attack, the shutdown caused gas shortages up and down the East Coast, especially in parts of North Carolina and Virginia. It was announced that the attack came from a Russian cybercrime gang, DarkSide. According to Bloomberg, DarkSide managed to steal nearly 100 gigabytes of the company’s data in two hours.² It was also reported that Colonial Pipeline paid nearly \$5 million in ransom in cryptocurrency.
 - Other notable attacks in Q2 2021 included a ransomware attack on JBS, the world’s largest meat processing company; a distributed denial of service (DDoS) attack on Belgium’s parliament and universities; South African VirginActive had to shut their systems down after a cyber-attack; and Electronic Arts, a US video game maker, had game source code stolen via a hack.
 - In the wake of the recent breaches and ransomware attacks in the US, President Biden and his administration put forth a handful of cybersecurity initiatives, starting with the Executive Order on Improving the Nation’s Cybersecurity, signed on May 12, 2021. The executive order “makes a significant contribution toward modernizing cybersecurity defenses by protecting federal networks, improving information-sharing between the U.S. government and the private sector on cyber issues, and strengthening the United States’ ability to respond to incidents when they occur.”³ Some notable objectives in the Executive Order are to remove barriers to threat information sharing between government and the private sector, improve software supply chain security, and improve detection of cybersecurity incidents on federal government networks.
 - In April 2021, the European Council approved the establishment of the European Cybersecurity Industrial, Technology and Research Competence Centre, or the Cybersecurity Competence Centre for short. The new center will be based in Bucharest, Romania and will help “pool investment in cybersecurity research, technology and industrial development.”⁴
 - In June 2021, Chinese telecommunications and technology company, Huawei Technologies, announced the launch of the Global Cyber Security and Privacy Protection Transparency Centre in Dongguan, China. The purpose of the Centre is to create a

¹ <https://www.zdnet.com/article/colonial-pipeline-ransomware-attack-everything-you-need-to-know/>

² <https://www.bloomberg.com/news/articles/2021-05-09/colonial-hackers-stole-data-thursday-ahead-of-pipeline-shutdown>

³ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/12/fact-sheet-president-signs-executive-order-charting-new-course-to-improve-the-nations-cybersecurity-and-protect-federal-government-networks/>

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2021/04/20/bucharest-based-cybersecurity-competence-centre-gets-green-light-from-council/>

platform for collaboration across various corporations, industries, regulators, and nations.⁵

- The United Kingdom (UK) has increased its defensive spending, adding an extra £16.5 billion in funding. Much of the spending will be dedicated to cybersecurity defense and offense capabilities.⁶ The UK is also looking to revamp its national cyber strategy later in 2021.
- Cyber Security Company News
 - In May 2021, Cisco Systems, Inc. announced plans to acquire Kenna Security Inc., a software company that helps companies fix cybersecurity vulnerabilities. Kenna's software uses machine learning to automatically identify weak points and rank security issues, enabling companies to flag and prioritize important cybersecurity tasks that would otherwise have gone unnoticed. According to Silicon Angle, "Cisco's cybersecurity group is its fastest-growing major business unit. Last quarter, the company's total revenues fell slightly, but the cybersecurity group grew sales 10% year-over-year, to \$822 million."⁷
 - Ping Identity acquired bot detection firm SecuredTouch. According to Security Brief, "Ping Identity will leverage SecuredTouch expertise in identity, risk, and fraud through a combination of artificial intelligence, behavioral biometrics, deep learning, and machine learning. SecuredTouch uses these to provide bot detection and account takeover protection."⁸ As a result, Ping Identity will be able to offer security solutions to both prevent and detect fraud, complementing its newly-released personal identity solution. The deal was announced in June 2021.
 - In May 2021, Splunk Inc. announced its intent to acquire TruSTAR Technology Inc, a cloud-native security company. TruSTAR Technology "offers an application programming interface-first cloud-native intelligence management platform that transforms intelligence from third-party providers and historical events for integration and accelerated automation across core detection, orchestration and response tools."⁹ The purpose of the acquisition is to help Splunk bolster its cloud security solutions, thereby making it easier for customers to access their data and respond to threats quickly.
- ISE Cyber Security UCITS Index (HUR)[™] & Market Performance Update
 - The Technology industry was in positive territory in Q2 2021, as the Nasdaq Global Technology Net Total Return Index (NQG10N)[®] returned +11.53%.
 - The ISE Cyber Security UCITS Net Total Return Index (HURNTR) returned +11.07% in Q2 2021, bringing its year-to-date (YTD) returns into positive territory. The index is now up +8.48% YTD, compared to +16.05% for the NQG10N.

⁵ <https://www.zdnet.com/article/huawei-reveals-cybersecurity-framework-with-launch-of-china-transparency-centre/>

⁶ <https://www.infosecurity-magazine.com/news/mod-funding-cyber-spending/>

⁷ <https://siliconangle.com/2021/05/14/latest-acquisition-cisco-buys-vulnerability-analytics-startup-kenna-security/>

⁸ <https://securitybrief.com.au/story/ping-identity-acquires-bot-detection-firm-securedtouch>

⁹ <https://siliconangle.com/2021/05/18/splunk-acquire-cloud-native-security-startup-trustar/>

- There were some bright spots within HUR and the cybersecurity theme this past quarter. Cloudflare Inc. (NYSE: NET) returned 50.64% while Blackberry (NYSE: BB) rose 45.9% on a total return basis. Other outperformers were Proofpoint, Inc. (NASDAQ: PFPT)[®], which recently announced it has entered into a definitive agreement to be acquired by private equity firm, Thoma Bravo, and CrowdStrike Holdings, Inc. (NASDAQ: CRWD)[®], as they were up 38.1% and 37.7%, respectively, on a total return basis.
- There were some index constituents that struggled in Q2 2021. Two additions to the index during the April reconstitution, Intrusion, Inc. (NASDAQ: INTZ)[®] and RackSpace Technology, Inc. (NASDAQ: RXT)[®], returned -34.1% and -17.5% (total returns), respectively. That said, since the April 19th, 2021 reconstitution of the index, Intrusion, Inc. is only down -2.0% while RackSpace Technology, Inc. is down -22.6%. Another name that struggled was Atos SE (EURONEXT PARIS: ATO), as it returned -20.8% (in USD total returns) in Q2 2021.

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