



Cyber Security Investment report

Cyber security investment

The cybersecurity market is continuing its stratospheric growth and hurtling towards the trillion-dollar mark in 2020. In 2004, the global cybersecurity market was worth \$3.5 billion. The cybersecurity market grew by roughly 35X over the next 13 years.

While all other tech sectors are driven by reducing inefficiencies and increasing productivity, Cybercrime drives cybersecurity spending. The unprecedented cybercriminal activity we are witnessing is generating so much cyber spending; it's become nearly impossible for analysts to track accurately. Before the Coronavirus Pandemic, analysts anticipated a 12-15 per cent year-over-year cybersecurity market growth through 2021.

IT analyst forecasts are unable to keep pace with the dramatic rise in Cybercrime, the ransomware epidemic, the refocusing of malware from PCs and laptops to smartphones and mobile devices, the deployment of billions of under-protected Internet of Things (IoT) devices, the legions of hackers-for-hire, and the more sophisticated cyberattacks launching at businesses, governments, educational institutions, and consumers globally.

However, with the rise of the Pandemic, all business has moved to virtual and on the cloud. EasyJet is the latest company to have come under attack from hackers. They compromised nine million customer accounts. Chinese hackers are also actively Exploiting a Windows Bug in Microsoft Windows. Every version of Windows has a security flaw that attackers discovered before Microsoft did, and the company acknowledged this week that it's been selectively exploited.

Cyber-attacks have increased by 600% during the Pandemic. This rate of attack is the new normal and one of the drivers behind the exponential growth in the Cybersecurity sector in 2020.

Covid-19 has been a [‘phisher’s’](#) friend. Millions of professionals are at home and online, adjusting to new routines and anxious about their jobs. That makes them perfect marks: apt to click on an email that purports to be from their boss or a supplier asking for payment. Law-enforcement officials in many countries have reported a rise in cybercrime since the pandemic started.

But according to the fbi and Department of Homeland Security, not all such attacks come from gangs or individuals looking to make a quick buck. On May 13th those agencies warned that cyber-actors affiliated with China were trying to steal covid-related data and intellectual property. China is not the only worry. Russian hackers may probe for weaknesses in American electoral systems; Iranians have targeted an American drugmaker; North Koreans have gone after cryptocurrency stores.

Here are my suggestions on the specific companies to invest in, and in which sectors within the Cybersecurity landscape, that they sit.

Identity management

OKTA



Okta, Inc. is a publicly-traded identity and access management company based in San Francisco. It provides cloud software that helps companies manage and secure user authentication into modern applications, and for developers to build identity controls into applications, website web services and devices. It was founded in 2009 and had its initial public offering in 2017, With a Nasdaq valuation at over \$6 billion.

Okta, the cloud-based identity management firm, announced on Thursday, May 28, a new native integration with Amazon Web Services Single Sign-On (AWS SSO). The company also reported better-than-expected first-quarter financial results, underscoring its ability to help enable remote work during the COVID-19 Pandemic.

The new AWS integration is available via the Okta Integration Network. It enables Okta customers to provision identities to AWS SSO for authorization management. Enterprises can automatically synchronize users and groups between Okta and AWS, making it easier to manage corresponding authentication and authorization policies.

"Okta is at the forefront of helping organizations adapt to the current environment where secure remote access has become a top priority across industries," Okta CEO Todd McKinnon said in a statement. "Our strong first-quarter performance reflects our market leadership and ability to effectively and quickly shift to a fully remote workforce. This shift is enabled through our core technology, which allows secure access to any technology from anywhere. When this crisis is over, we don't expect organizations to revert to their prior ways of working. Our commitment to our customers and continued focus on operational agility will help us navigate this environment, lead the new way of work, and seize the opportunity to emerge in an even stronger position."

Subscription revenue was \$173.8 million, an increase of 48 per cent year-over-year. Total Remaining Performance Obligations (RPO) was \$1.24 billion, an increase of 57 per cent year-over-year. Current RPO was \$619.1 million, up 49 per cent.

Network security

Zscaler



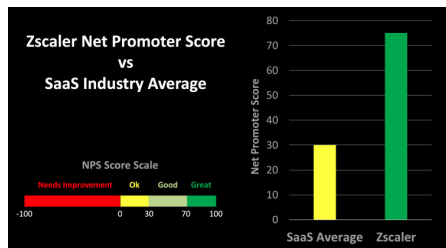
Zscaler is a global cloud-based information security company that provides Internet security, web security, firewalls, sandboxing, SSL inspection, antivirus, vulnerability management and granular control of user activity in cloud computing, mobile and Internet of things environments.

As of 2015, Zscaler provides automated threat forensics and dynamic malware protection against advanced cyber threats, such as advanced persistent threats and spear phishing. It provides a cloud-based approach to security as a service. Zscaler was listed on the NASDAQ on March 16 2018.

Zscaler has agreed to buy Boston-based startup Edgewise Networks for an undisclosed sum. This Deal puts "zero trust identity management" for apps in the spotlight.

Zscaler offers two tools. 1) Zscaler Private Access which provides secure access to internally managed applications, that are hosted privately in data centres or private or public clouds. 2) Zscaler Internet Access, which enables users to connect to externally managed applications such as Microsoft's Office 365 and Salesforce.

The stock has surged by 60% this year, as an increasingly distributed workforce drives demand for the company's secure access solutions. [Yet it also has a beta of .70](#) and so counter-intuitively, is less volatile than the average.



Email Security

Mimecast



Mimecast is a cybersecurity provider that helps thousands of organizations worldwide make email safer, restore trust and bolster cyber resilience. Known for safeguarding customers against dangerous email, Mimecast's expanded cloud suite enables organizations to implement a comprehensive cyber resilience strategy.

Mimecast is an international company specializing in cloud-based email management for Microsoft Exchange and Microsoft Office 365, including security, archiving, and continuity services to protect business mail. On October 16, 2015, Mimecast announced that it filed its registration statement for a proposed Initial Public Offering (IPO).

On July 31, 2018, Mimecast acquired Solebit for \$88 million. In 2018, Mimecast was named a Top Place to Work by the Boston Globe and the Boston Business Journal. Additionally, the company was a Top-Rated Cloud Software Employer on Glassdoor.

In May 2019, Mimecast announced it had exceeded 34,000 customers globally and 296 billion emails under management. On July 23, 2019, Mimecast was named a Best Workplace to Give Back by GoodCompany in recognition of ongoing citizenship and charitable efforts.

On November 14, 2019, Mimecast acquired DMARC Analyzer, a SaaS-based solution provider that offers user-friendly Domain-based Message Authentication, Reporting and Conformance (DMARC) setup, management and analysis. On January 6, 2020, Mimecast acquired Segasec, a provider of digital threat protection.

Big data AI analytics for internet companies

Splunk



Splunk is the darling of the IT Service Management (ITSM) market. But it has expanded from ITSM into security and operations management. The Splunk platform is used by many to perform security analytics and for SIEM.

The company came up tops in Gartner's MQ for SIEM and has excellent customer satisfaction ratings. It's taken a good chunk of business from long-term market incumbents, and it looks like it will continue to do so for the next few years. A recent surge in its rate of expansion, along with the unveiling of a strong data-to-everything strategy, suggests that it will gather further market share from security incumbents.

As the world converts to digital, the amount of data being generated by computers, phones, and other systems has exploded. To fully unlock all the benefits of digitization, organizing all of that information into a usable form and analyzing it efficiently, is a must.

Enter Splunk, a data-parsing software service that delivers usable insights into digital systems -- everything from websites and apps to servers and mobile devices. The company has said that the amount of data produced each year will be 44 times greater in 2020 than it was just a decade ago. With the amount of digital information booming, Splunk has been growing by leaps and bounds.

Managed Internet services

Akamai



Akamai Technologies, Inc. is a global content delivery network (CDN), cybersecurity, and cloud service company, providing web and Internet security services. Akamai's content delivery network is one of the world's largest distributed computing platforms, responsible for serving between 15% and 30% of all web traffic.

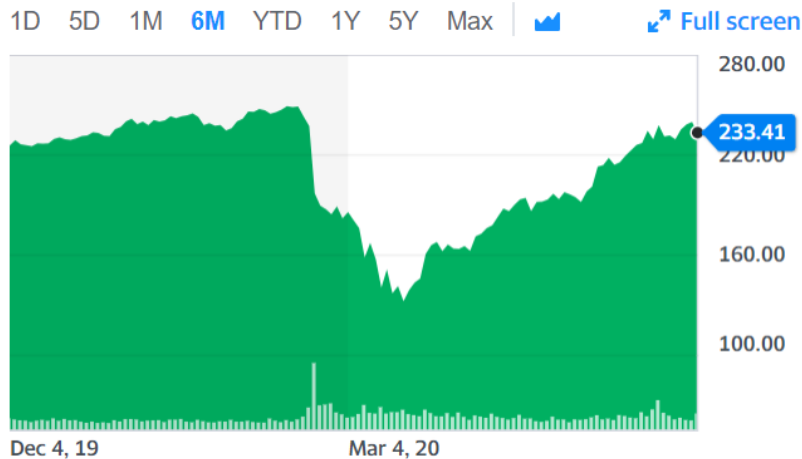
The company operates a network of servers around the world and rents out capacity on these servers to customers. Customers want their websites to work faster by distributing content from locations close to the user.

With the unparalleled scale and resiliency of more than 240,000 servers in over 130 countries, Akamai provides its customers with uninterrupted customer experiences, intelligence to optimize devices, and capacity to move vast volumes of data and content — whether broadcasting to the largest audiences or personalizing for each user.

Even when the stakes are highest, the size and reliability of the Akamai cloud delivery platform mean it will deliver fortune 500 company's critical content with consistency, quality, and security across every device, every time.

Enterprise Cyber Security Company

Paolo Alto



Palo Alto Networks, Inc. offers a network security platform that allows enterprises, service providers, and government entities to secure their networks. The core of its platform is the Company's firewall that delivers natively integrated application, user, and content visibility and control through its operating system, hardware, and software architecture. But given the rise of cloud computing, Palo Alto has been enhancing its portfolio with cloud-based security solutions thanks to acquisitions and internal developments.

That transition materialized over the last several quarters, and the Company was ready to address the surge in demand for cloud cybersecurity solutions to protect the computing environment of many employees that were requested to work from home to try to limit the spread of COVID-19.

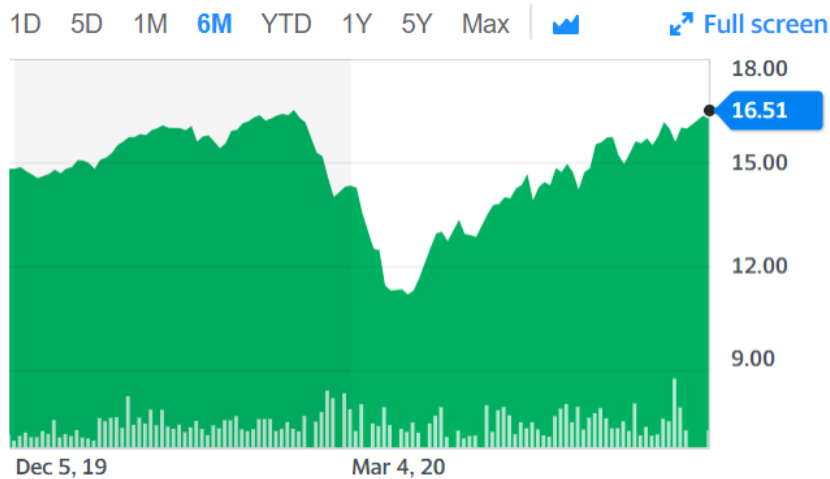
During the last quarter, PANW reported \$869 million in revenue, up 19.7% compared to \$727 million reported in the same quarter 12 months earlier. In the same period, net income decreased by -270.3% to -\$75 million, compared to a net loss of -\$20 million in the previous period, while net margin was -8.6% worsened by -209.5% compared to the same quarter 12 months earlier.

Focusing on annual data, PANW revenue in the last four quarters totalled \$3.264 billion, an increase of 136.8% compared to \$1.379 billion in revenue reported three years ago. During the same period, PANW reported a -18.8% decrease in net income to -\$229 million, compared to -\$193 million net loss in the previous period, while the net margin improved by 49.8%.

June 3rd 2020: Palo Alto Networks (NYSE: PANW) to offer \$1.75B of convertible senior unsecured notes due 2025, with an initial purchasers' option to purchase up to an additional \$250M of the notes.

Cyber Security diversified tracker fund

L&G Cyber Security UCITS ETF (GBP)



This Cyber fund has the same market volatility as the S&P and S&P tracker funds, but higher returns of about 15% (S&P returned 10% in the last year, CYBER ETF returned 25% in the previous year). Due to unprecedented changes in the global economy, most traditionally stable investments are relatively volatile – Real Estate, Retail, Oil & Gas, and Education.

Therefore there is room for investors that arbitrage that market volatility across all sectors right now. In the past investors viewed a plethora of industries as 'safe' while another set of companies, like high tech startups as 'risky'. But the COVID-19 pandemic has turned this on its head; for example, internet hosting, digital marketing technology, video conferencing tech, and Cybersecurity.

Cyber Security might be a 'safer bet' now than a traditionally viewed 'solid' business like retail or real estate. To give you an example in real estate, even if the economy recovers completely (a big 'if'), there's a good chance that the shift to remote working will remain. Therefore property premiums in the centre of the city may drop as workers decide they prefer to live outside of the metropolis since they no longer need to commute.

Another advantage of this fund is that 'a rising tide lifts all boats'. It's ideal for an investor who knows enough about the market to believe that Cybersecurity is a safe bet. As more people work from home and cyber-attacks increase, this market can only go up. However, to invest confidently in individual Cyber stocks, this investor would have to expend time and effort that they'd rather not, to understand the minutia of each unique company.

See two charts below: L&G Cyber Security UCITS ETF (GBP) – similar or less volatile than the S&P but returning 15% more over the year.

Market Summary > S&P 500 Index

INDEXSP: .INX

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3,122.87 +42.05 (1.36%) ↑

3 Jun, 16:12 GMT-4 · Disclaimer

1 day 5 days 1 month 6 months YTD **1 year** 5 years Max



| | | | |
|------|----------|-----|----------|
| Open | 3,098.90 | Low | 3,098.90 |
| High | 3,130.94 | | |

Legal & General UCITS ETF Cyber Security UCITS(GBP)



Alternative investments to Cyber Security: Gold

Nova Gold Resources.

The Company is engaged in the exploration and development of mineral properties in Alaska and western Canada. Nova is mainly focused on gold properties, some of which have significant copper and silver resources

Gold is a good hedge against the decline in many currencies due to the various strategies country's are employing to bolster the Economy; from 'creating new money' by reducing the interest rates to zero or even below zero, they are making it increasingly easy to borrow, for example.

In the USA, still the largest global Economy, The Federal reserve could initiate open market operations (OMO), where it buys and sells Treasuries to inject or absorb money. It can use repurchase agreements for temporary expansions. It can use the discount window for short-term loans to banks.

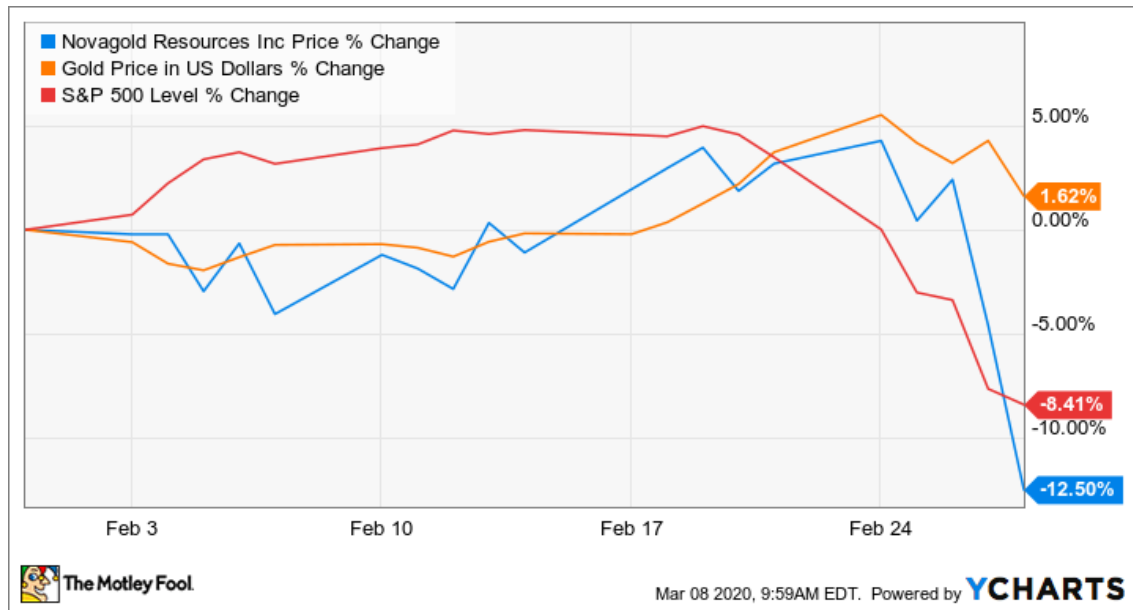
By far, the most common result is an increase in bank reserves. So, if the Fed wants to inject \$1 billion into the Economy, it can merely buy \$1 billion worth of Treasury bonds in the market by creating \$1 billion of new money.

Inevitably if there is more of a currency, this will devalue it. Gold has a minimal supply, so it works to counter this. It's much harder to 'create' more Gold than it is for Central banks to create more currency.

Investors and Economists often view Inflation as beneficial for precious metal stocks. Inflation usually comes with an expanding U.S. economy, which in turn causes the Federal Reserve to expand the money supply. In doing so, the value of each existing dollar in circulation is diluted, which makes it more expensive to buy assets that have a perceived store of value, like Gold and silver. And as you've probably surmised, higher gold and silver prices should lead to better margins for mining stocks.

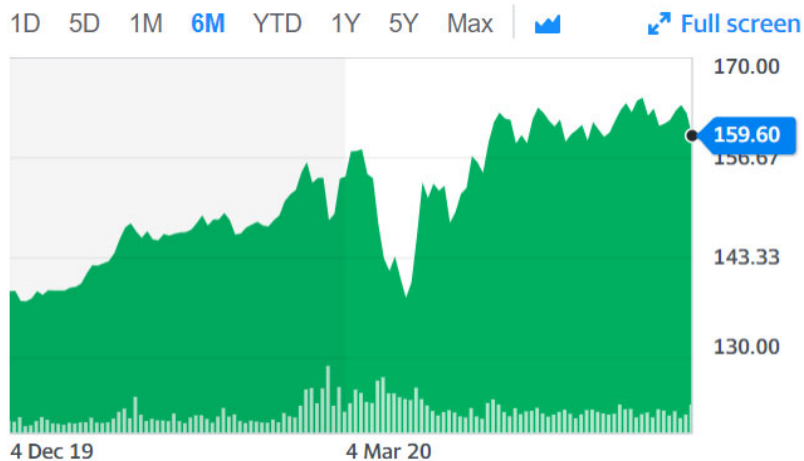
However, unlike real estate, businesses, or even other precious metals like Copper or platinum, Gold has no intrinsic value. Therefore Gold investment is also more susceptible to the 'animal spirits' of the market. In 2008-2011, Gold prices shot up in response to the Financial crisis. But then as the Economy picked up, the 'fad' for Gold evaporated.

Since there's a strong correlation between movements in the price of Gold and the stocks of gold miners, the drop in Novagold's stock isn't astonishing. Working to bring the Donlin Gold project to fruition, Novagold Resources doesn't currently generate revenue, making it one of the more high-risk plays among gold-oriented stocks. Nova Gold is, therefore, now considerably riskier than investing in Gold itself. Just look at what happened when the gold market fell in February, below:



Top Gold EDF

SPDR Gold Shares



SPDR Gold Shares is the biggest gold ETF available to trade with IG, with over \$57 billion worth of AUM. The ETF is part of SPDR State Street Global Advisors and holds gold bars intending to track the performance of gold bullion.

It has managed to consistently outperform its benchmark for the last four years and delivered a return of 32.3% over the past 12 months.

This ETF denotes a share of gold bullion, unlike many ETFs which represent ownership in a basket of stocks. State Street designed SPDR Gold Shares to initially track the price of a tenth of an ounce of

gold.[5] If the share price differs from the gold market price, the fund's manager exchanges blocks of 100,000 shares for 10,000 ounces of gold. The possibility of such exchanges keeps the ETF price roughly in line with the gold price, although the prices can diverge during each day.

As of March 31, 2019, the trust had 24,572,554.8 ounces of vaulted gold in its custody, representing an asset value of \$31,697,578,486.50. SPDR Gold Shares is one of the top ten most significant holders of gold in the world.

"(this asset class) is responding well to the fiscal and monetary stimulus programs that have been put out since the COVID-19 crisis in March. It's the same exact playbook we saw in 2008 when after the financial crisis we saw similar extremely high levels of stimulus put into the market, which benefited both the stock market and gold," said GraniteShares CEO Will Rhind on Yahoo Finance's The First Trade.

[Rudy Parker](#)