

**Note: Below are extracts from an article published by First Trust (03 January 2023) and as referenced below.**

# Cybersecurity once again top investment priority in 2023

## Key takeaways

- Cyber threats have increased in speed, variety, and complexity, putting the public and private sectors at risk.
- According to Gartner, 66% of CIOs intend to increase their investments in cybersecurity in 2023.
- Despite an impending U.S. recession, rising interest rates, and stubbornly high inflation, the research firm predicts that security spending will reach \$188.3 billion in 2023.

Information available from their website( First Trust 2023) confirms how 2022 was one of the worst years on record for cyber attacks and also outlines how investment in security will continue to grow this year:

As we enter 2023, let's take a look back at one of the worst years on record for cyber attacks. Cyber attacks were up 81% from pre-pandemic levels, with the economic costs expected to reach \$10.5 trillion by 2025<sup>1</sup>. Over the last five years, there has been a surge in breaches, ransomware, legislation, and third-party requirements, forcing executives outside of the cyber industry to recognise the importance of cybersecurity investment. While it is estimated that global end-user spending on information security and risk management will grow 11% to more than \$188.3 billion in 2023, following 11.3% growth in 2022<sup>2</sup>, concerns surrounding an impending U.S. recession, rising rates and persistently high inflation might be suggestive of cut-backs on discretionary spending in the IT area. As quoted by Chris Howard, Chief of Research at Gartner from the Wall Street Journal ( 2022) *"You boil it down to the CIO, it is cybersecurity. Absolutely...That is the highest priority,"*

(Gartner 2022) reports on its website how its latest Symposium reveals that Chief Investment Officers view cybersecurity as anything but discretionary and its mid-October 2022 survey of 2,200 respondents showed that of these respondents, "66%<sup>3</sup> said they planned to increase their investment in cybersecurity, once again their top investment priority in 2023. So, what is driving the continued expansion of cybersecurity investment?"

First Trust (2023) examines the factors that will drive greater investment in cyber security on its website:

## Supportive Legislation

We wrote about the Biden Administration's new regulations in October, outlining what the rules mean and which industries will be most affected. Hacks now must be reported to the Department of Homeland Security under the "Cyber Incident Reporting for Critical Infrastructure

Act of 2022," and the European Union has proposed cyber hygiene rules. These new rules have essentially forced companies to increase their visibility in cybersecurity disclosures, which means they must inform the public about cyberattacks they are facing.

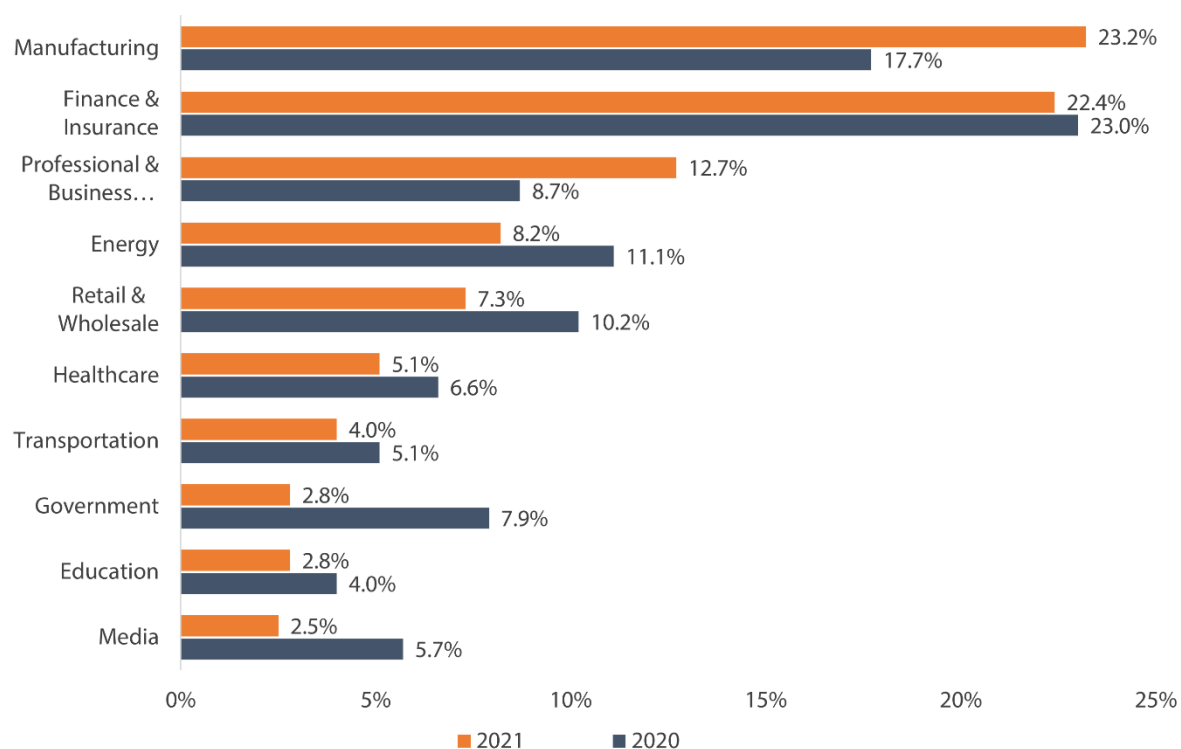
### High Profile Hacks

In October alone, Uber, Morgan Stanley, and American Airlines all reported cybersecurity incidents. On the public sector front, hospital operator CommonSpirit Health<sup>4</sup> revealed an attack that knocked out systems and disrupted patient care, while 12 schools were also targeted elsewhere in November. We've frequently discussed the narrowing of the targeting of the public vs private sectors, with a hack in one easily affecting the other.

### No Industry Is Immune

Evidence is mounting that businesses across all shapes, sizes, and sectors are vulnerable to cyberattacks as they become more digitalized and deal with a surge in data (some of it particularly sensitive). According to recent data, the industries with the highest number of breaches include manufacturing, finance, and professional and business services.

### Breakdown of attacks on the top 10 industries - 2021 vs. 2020



Source: IBM, X-Force Threat Intelligence Index Report 2022

Further evidence, if needed, is provided on their website (First Trust 2023), where it describes companies at the forefront of cybersecurity as the "utilities of the digital age":

We think spending on cybersecurity may rise this year or at least be the very last thing cut, even in the event of a recession. Cybersecurity stocks have the potential to provide essential, certain, and convincing revenue streams. Companies at the forefront of cybersecurity are quickly becoming the utilities of the digital age. Without having to pick the winners and losers individually, the First Trust Nasdaq Cybersecurity UCITS ETF "CIBR" gives investors exposure to a wide range of innovative businesses that are well-positioned to benefit from the planned investment in this theme in 2023, and beyond.

As of the most recent earnings quarter, companies in CIBR's portfolio continue to report solid growth on both an absolute and relative basis.

CIBR's Fastest Growing 10 Holdings by Sales	Sales Growth (Year-on-Year)
Snowflake, Inc. Class A	66.6%
Datadog Inc Class A	61.4%
Arista Networks, Inc.	57.2%
Toast, Inc. Class A	54.7%
Zscaler, Inc.	54.2%
5CrowdStrike Holdings, Inc. Class A	52.8%
HashiCorp, Inc. Class A	52.4%
Confluent Inc Class A	47.9%
Cloudflare Inc Class A	47.3%
MongoDB, Inc. Class A	47.0%

Source: Factset. as at 14/12/2022

First Trust (2023) stipulates on its website how "References to specific companies should not be construed as a recommendation to buy or sell shares or other financial instruments issued by those companies, and neither should they be assumed profitable. **Past sales data does not guarantee future results.** Total results refers to the full portfolio and benchmark holdings & returns. Please see end of presentation for definitions."

## References

First Trust (2023) *Cybersecurity once again top investment priority in 2023* . Available at: [https://info.ftgportfolios.com/Thematic-Thinking-Cybersecurity-once-again-top-investment-priority-in-2023-Gartner.html?utm\\_source=Website&utm\\_medium=Social+Media+-+LinkedIn&utm\\_campaign=Thematics#](https://info.ftgportfolios.com/Thematic-Thinking-Cybersecurity-once-again-top-investment-priority-in-2023-Gartner.html?utm_source=Website&utm_medium=Social+Media+-+LinkedIn&utm_campaign=Thematics#). (Accessed 03 January 2023).



Gartner (2022) *Gartner Survey of Over 2,000 CIOs Reveals the Need to Accelerate Time to Value from Digital Investments*. Available at: <https://www.gartner.com/en/newsroom/press-releases/2022-10-18-gartner-survey-of-over-2000-cios-reveals-the-need-to-accelerate-time-to-value-from-digital-investments>. (Accessed 04 January 2023).



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