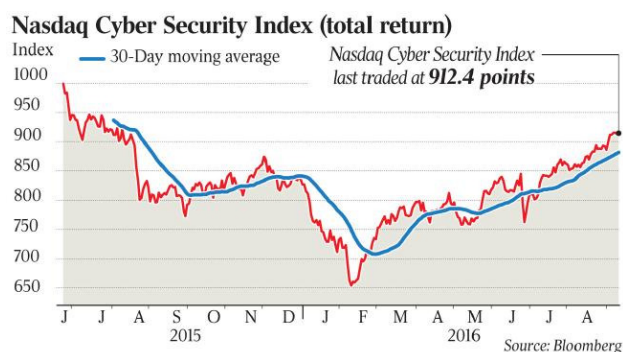


THE AUSTRALIAN

Looking for opportunity in meeting the challenges of cyber security



Cyber Security Index.

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Cyber security is a key investment theme here and around the world.

Not only is this important for governments to protect national infrastructure — such as the most recent census — but it has also become very important for companies and individuals, and thus companies selling their cybersecurity wares have grown exponentially since 2010.

Besides the US, Israel has emerged to be one of the key players:

- Israel alone represents 10 per cent of the world's exports for cyber protection.
- Israeli companies exported some \$US6 billion in cyber-related products and services last year, up from \$US3bn in 2013. According to Israel's National Cyber Bureau, that constitutes about 10 per cent of the estimated \$US60bn global cyber market.
- Multinational players IBM, Cisco, EMC, Lockheed Martin and Deutsche Telekom have all set up cyber R&D facilities in CyberSpark, Israel's new cybersecurity technology park in Beersheva.
- In turn, many of these Israeli cyber companies have established representative offices in Australia facing our major banks, telcos, miners and multinational conglomerates.

One particularly interesting “information security” Israeli start-up has been **CyberArk (CYBR: US)**, which listed on Nasdaq in June of 2014.

Founded by Alon Cohen in 1999, this company pioneered and subsequently patented “digital vault concept and technology”, which today underlies much of what we all embrace across digital footprints.

What has been an interesting development has been that Australian companies, many of which constitute our ASX200, have continued to visit the “Silicon Valley” route but increasingly, they have also begun going to Israel — trade missions, direct delegations and even postgraduate university exchange programs have all increased.

Circling back to the question of how to access and actively invest in technology and cyber security companies for Australians, who have had a chequered experience previously, the advent of consolidated ETF products covering this sector presents a new and smoother access point.

In the US, the most popular example of this has been **PureFunds ISE Cyber Security ETF**, going by the ominous ticker code “**HACK: US**”.

Fortuitously for Australian domestic investors, an Australian quoted alternative is now accessible via **BetaShares Global Cybersecurity ETF (ASX: HACK)**.

This ETF, which encompasses a 3.5 per cent weighting to CyberArk, among others, affords Australian investors an opportunity to monetise a strong overall outlook for the global cybersecurity sector without taking undue stock-specific risks.

According to Betashares managing director Alex Vynokur: “Cyber security has emerged as one of the most important areas of focus for governments and private enterprise around the world.”

When I was 15 I met and interviewed Bill Gates on the Channel Nine Program *A Current Affair* and what he reinforced throughout our conversation was that “digital assets” and our digital “footprint” would be almost all that mattered throughout our commercial and personal lives during the 21st century.

Of course he was proved to be prophetic and correct, but what was not front of mind until the millennium scares of Y2K was that with this digital existence comes the ever-present threat of what is now known as “cyber”.

Whether investing directly into cyber security opportunities or reflecting upon the wisdom of one’s existing investment positions, the secret of successful global investors has always remained the same. You must balance risk and reward and

when it comes to investing in 2016.

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