

An Important Milestone: 10-year Anniversary of the L&G Cyber Security UCITS ETF

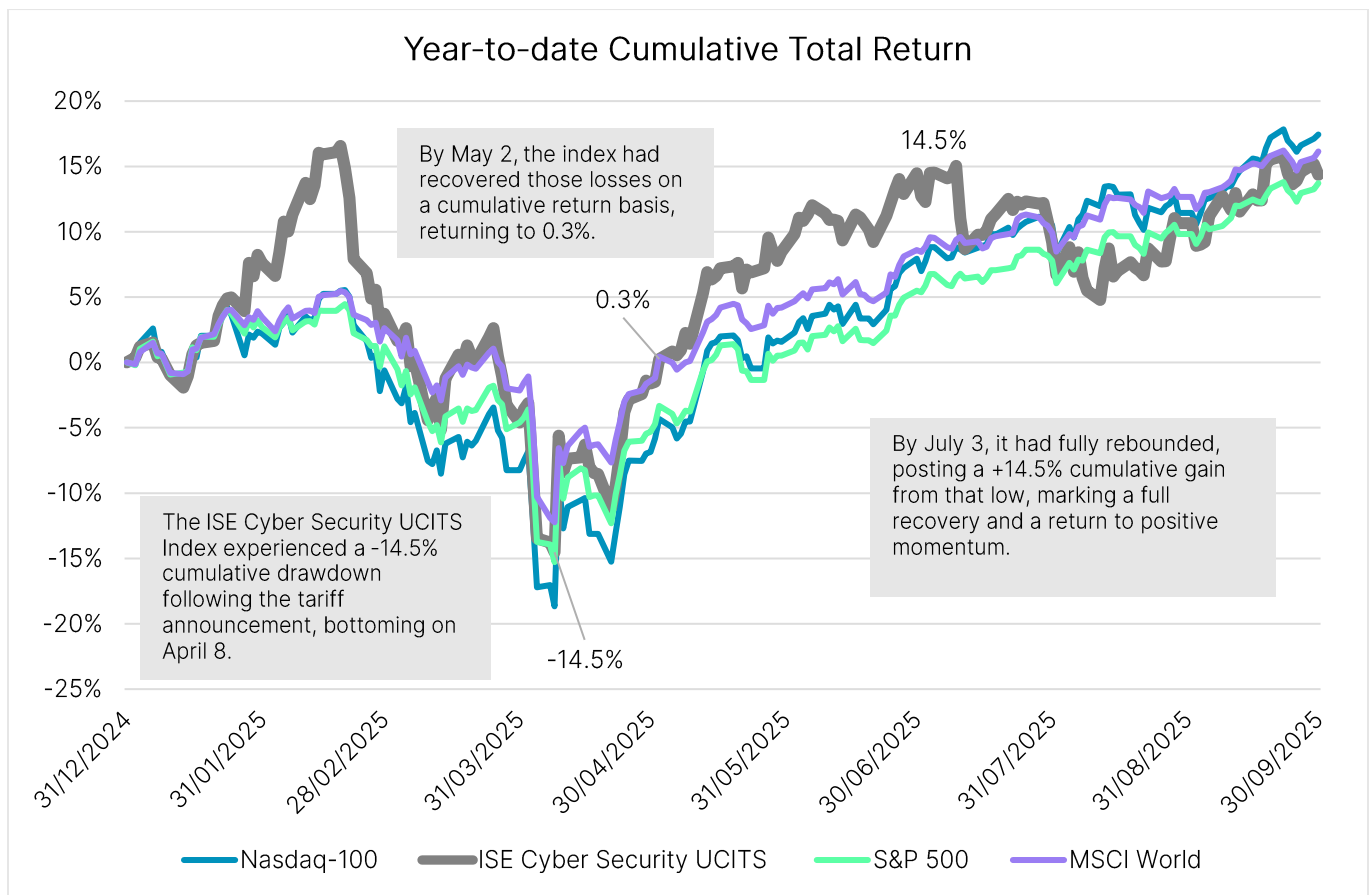
Monthly Cybersecurity Update

September 2025

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September performance overview

As of September 30, the ISE Cyber Security UCITS™ Index (HUR™) posted a monthly gain of 3.3%, bringing its year-to-date performance to 14.3%.



Until Q2, the ISE Cyber Security UCITS Index had been outperforming major equity indices on a year-to-date basis. However, the trend reversed in Q3 as the Nasdaq-100 Index® (NDX®) and MSCI World (MXWO)

gained momentum. Still, the ISE Cyber Security UCITS Index continues to outperform the S&P 500 (SPX) on a year-to-date basis (14.3% vs 13.7%) as of September 30, 2025.

This relative strength is further underscored by its performance during periods of market stress. During the tariff-driven drawdown¹, the HUR index showed relative resilience, falling -14.5% compared to -18.7% for NDX, -15.3% for SPX, and -12.2% for MXWO, suggesting lower downside capture in a risk-off environment.

Cybersecurity growth moderates, profitability improves

Cybersecurity companies within the ISE Cyber Security UCITS Index continue to grow, but the pace has slowed compared to previous years:

- Over the past 12 months, index revenue increased by 10.5%, below the 5-year compound annual growth rate (CAGR) of 14%.
- Earnings are following a similar trend: EPS grew 24.2% year-over-year, down from a 5-year CAGR of 32.1%.
- Earnings surprise in the previous quarter came in at 3.30%, below the historical average and continuing a downward trend. For context, Q1 2025 saw a surprise of 3.61%, Q4 2024 was nearly flat, and earlier quarters - Q3 2024 (6.40%), Q2 2024 (4.37%), and Q1 2024 (6.00%) - were relatively higher. This suggests a moderation in earnings outperformance relative to expectations.

Despite slower growth, profitability and capital efficiency have improved:

- Return on Equity (ROE) and Return on Invested Capital (ROIC) over the last 12 months are significantly higher than their 5-year averages, indicating stronger financial discipline and operational performance.

From acceleration to caution: the impact of economic uncertainty on tech spending

- Since Q2 2025, many organizations have paused new IT investments, not due to budget cuts, but as a strategic response to economic and geopolitical uncertainty. This shift from rapid digital expansion to cautious planning has slowed growth in software and services, with Gartner projecting weaker spending in both areas due to this “uncertainty pause”. On the contrary, investment in AI-optimized infrastructure is accelerating, with spending expected to triple that of traditional servers by 2027.²
- Notably, some of the companies within the HUR Index this trend in their latest earnings reports.
- Despite this uncertainty pause in software and services, cybersecurity remains a top priority. PwC’s 2026 Global Digital Trust Insights reveals that 60% of executives rank cyber risk investment among their top three business concerns, driven by geopolitical instability.³
- Global cybersecurity spending is projected to exceed \$280 billion in 2025, driven by continued investment in cloud security, AI-powered threat detection, and zero-trust architecture.⁴

Update on earnings season

With five additional companies having reported their Q2 results, the overall outcome remains unchanged: the earnings season continues to reflect robust performance across the index.

¹ The lowest point for the index during the tariff-driven drawdown was reached on April 8, 2025.

² <https://www.gartner.com/en/newsroom/press-releases/2025-07-15-gartner-forecasts-worldwide-it-spending-to-grow-7-point-9-percent-in-2025>

³ <https://www.pwc.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/global-digital-trust-insights.html#:~:text=To%20bolster%20their%20AI%2Denabled,and%20vulnerability%20scanning%20and%20assessments.>

⁴ <https://acsmi.org/blogs/global-cybersecurity-market-report-2025-original-data-amp-industry-outlook>

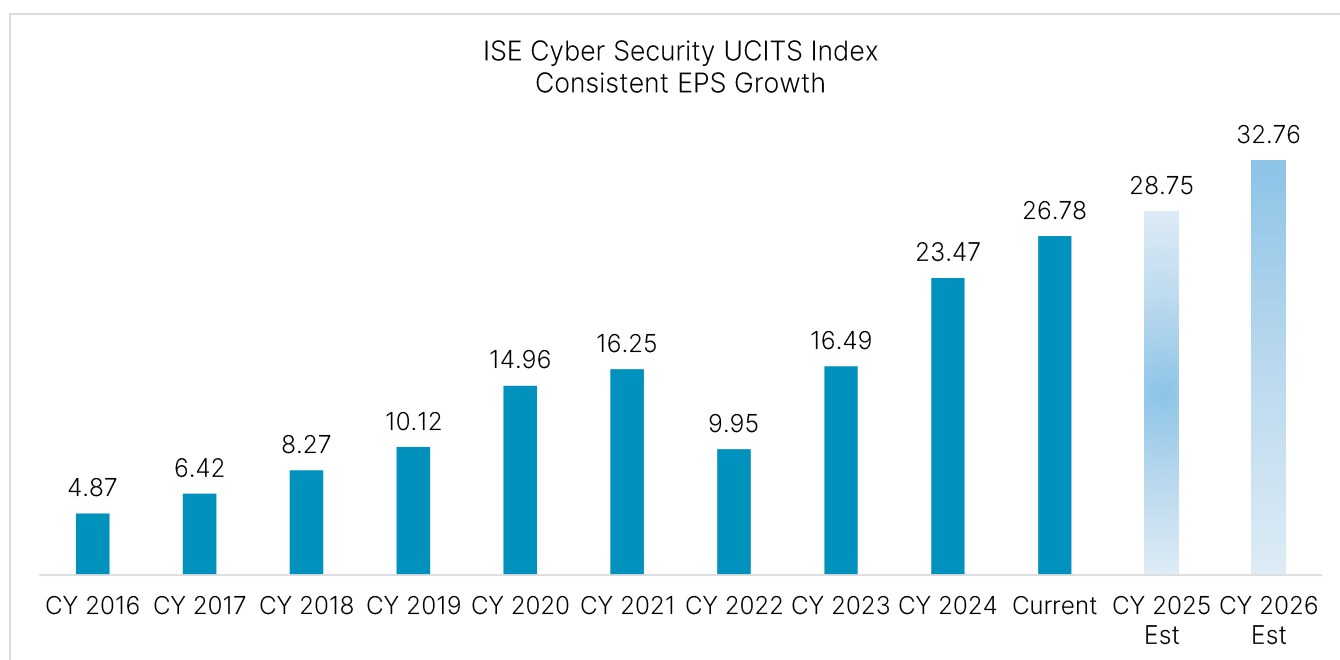
	Beats		Misses	
	No. of firms/Index weight	Average % Beat	No. of firms/Index weight	Average % Miss
Q2 25 Revenues	27 / 91.92%	1.90%	4 / 6.43%	(-0.80%)
Q2 25 Earnings	29 / 93.01%	11.50%	1 / 3.98%	(-44.4%) ⁵

A decade of growth: performance, EPS and profitability

This month marks a special milestone: the 10-year anniversary of the L&G Cyber Security UCITS ETF (London: ISPY/USPY), which directly tracks the ISE Cyber Security UCITS Index. A decade-long journey of tracking the evolution, performance, and strategic relevance of cybersecurity in global markets.

Since September 28, 2015, when the L&G Cyber Security UCITS ETF began tracking the index, the ISE Cyber Security UCITS Index has delivered a return of +263% (13.7% annualised), reflecting the sustained momentum of the cybersecurity sector.

The index has demonstrated not only strong returns over the past decade, but returns that have been consistently supported by sustained and fundamental earnings growth.



Source: Bloomberg as of 30/9/2025.

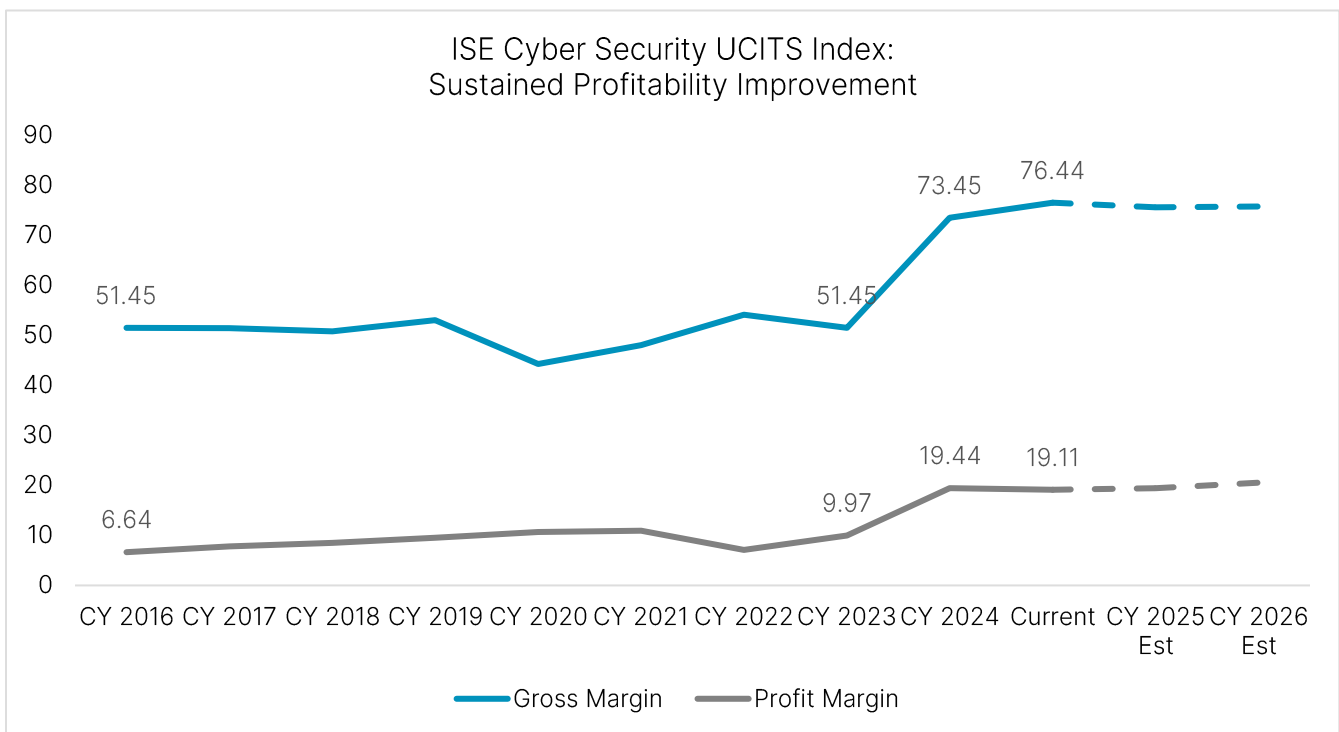
The chart above illustrates a clear upward trend in EPS from 2016 through the current period, with projections for further growth in 2025 and 2026. EPS has increased steadily over the years, rising from around 5 in 2016 to over 25 in the current period, demonstrating robust and resilient earnings growth.

⁵ Driven entirely by Trend Micro. As of August 27, 2025, Trend Micro is the only firm that missed earnings estimate. The firm reported earnings \$0.23 USD (¥33.32) below consensus, representing a 44.5% miss relative to expected EPS.

Having reviewed the company’s overall performance and examined the trajectory of EPS growth, we now turn our attention to profitability metrics. The chart below provides a clear view of both Gross Margin and Profit Margin trends over the past several years, as well as projections for the near future.

From 2016 to 2022, Gross Margin remained relatively stable between 50% and 55%, with a slight dip around 2020. A significant improvement is observed from 2023 onwards, as Gross Margin rises sharply to around 70%-75% and is expected to remain at this elevated level through 2026. Profit Margin followed a similar positive trajectory, increasing gradually from about 7% in 2016 to 10% by 2023, then jumping to approximately 19% in 2024 and holding steady in the subsequent year.

These sharp improvements suggest a major positive shift in profitability, likely driven by operational efficiencies or strategic changes, and the sustained margin levels in future estimates indicate that these gains are expected to be maintained.



Source: Bloomberg as of 30/9/2025

Cybersecurity today: essential and undervalued

According to Bloomberg, cybersecurity is evolving into “the digital era’s version of corporate electric and gas bills”.⁶

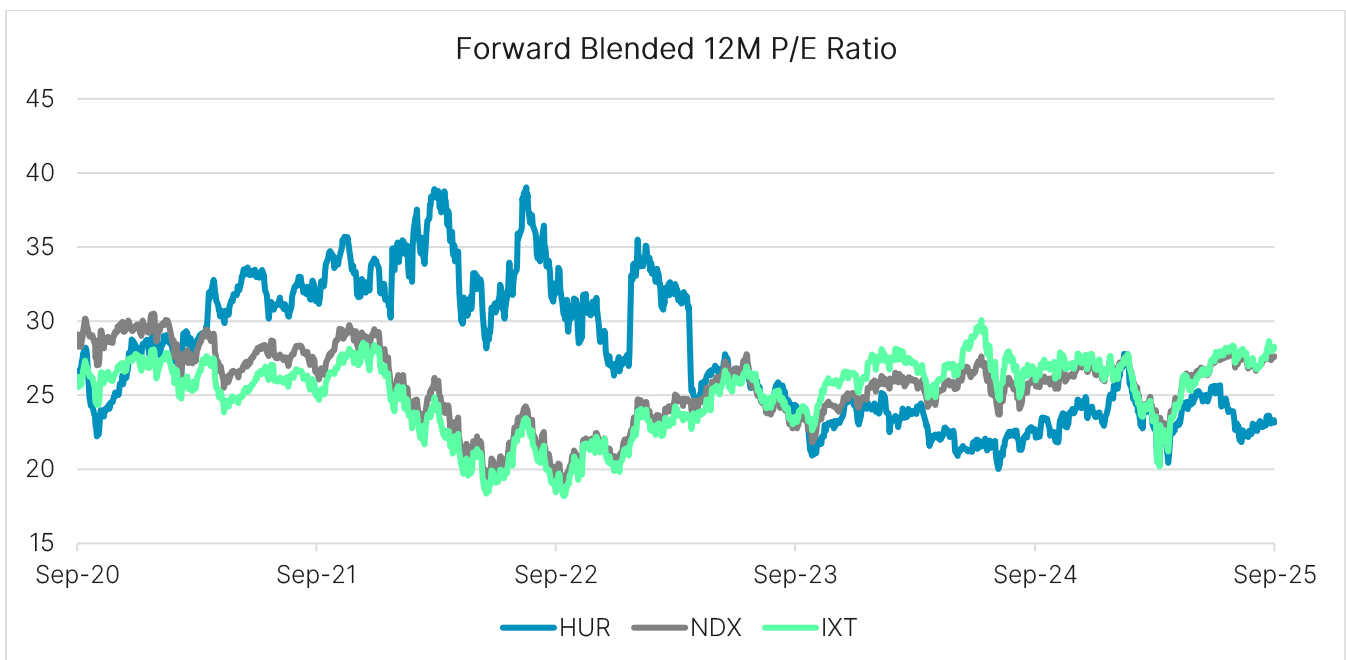
The events of September 2025 illustrate this clearly: two high-profile ransomware attacks disrupted critical infrastructure across industries, reinforcing the idea that cyber resilience is now as fundamental to business continuity as power or connectivity.

⁶ Bloomberg Intelligence, In the 2005 Age of Cybersecurity

At the end of August, Jaguar Land Rover (JLR) experienced a significant cyber-attack that led to a complete shutdown of its UK manufacturing operations. Analysts estimate the financial impact at approximately £50 million per week, with more than a month’s worth of global output lost. The impact extended beyond JLR, affecting thousands of suppliers, many of them small businesses, facing severe cash flow pressures due to halted orders and ongoing operational costs. Industry experts have warned of potential insolvencies across the supply chain. JLR is currently collaborating with cybersecurity specialists and law enforcement to investigate the breach, though the wider economic and operational repercussions are already being felt.⁷

Meanwhile, Collins Aerospace, a key supplier of airport systems, suffered a ransomware breach that affected passenger processing across major European airports including Heathrow, Brussels, Berlin, and Dublin. The attack, attributed to the HardBit ransomware group, forced airports to revert to manual check-in procedures, causing widespread delays and operational chaos.⁸

These incidents highlight the growing economic exposure to cyber risk and the urgent need for robust digital defences. This urgency is reflected in strong sector fundamentals: the ISE Cyber Security UCITS Index earnings are projected to grow by 18.75% over the next 12 months⁹, with EPS expected to rise across all constituent stocks.



Source: Bloomberg as of 30/9/2025

Yet, cybersecurity stocks remain attractively valued in comparison to NDX and the S&P Technology Select Sector Index (IXT). The HUR index currently trades at a Forward Blended 12-month P/E ratio of 23.14, which is below its 5-year historical average of 27.67, as well as below IXT (28.27) and NDX (27.61). For investors, this presents a strategic opportunity to align with a sector that is increasingly critical to global infrastructure.

Sources: Nasdaq Index Research, Bloomberg, FactSet.

⁷ <https://www.bbc.com/news/articles/c5ye8zj5l4jo>

⁸ <https://www.securityweek.com/european-airport-cyberattack-linked-to-obscure-ransomware-suspect-arrested/>

⁹ Blended Forward 12-month estimate

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