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# Cybersecurity: A basic need



In Maslow's famous hierarchy of human needs, just above physiological needs such as food, water, warmth and rest, comes safety and security. In the past, this represented things like a stable job, a home, financial and physical security... However, now that we spend almost half of our waking lives using digital media (American adults now spend an average of 7 hours 50 minutes per day connected), we can say that Maslow's pyramid needs a revamp.

Today, our safety needs have expanded online whether it be protecting our personal data, our assets or our infrastructure. Cybersecurity threats are real and they affect everyone - this was highlighted in May last year when a ransomware attack closed the US colonial pipeline for days; the result was consumer panic, a spike in prices and petrol shortages. Policymakers are becoming increasingly concerned that critical infrastructure such as power plants and hospitals risk being compromised by hackers.

We have a lot to lose digitally. The global health crisis has accelerated digitalization, pushing many facets of our lives online and onto digital infrastructures - this creates fertile ground for cyber criminals and renders cybersecurity increasingly indispensable.



In its 2022 Cybersecurity Almanac, Cybersecurity Ventures (the world's leading researcher for the global cyber economy), predicts that cybercrime costs will grow by 15% per year over the next five years, reaching \$10.5 trillion annually by 2025, up from \$3 trillion in 2015. It also predicts that ransomware will cost its victims more around \$265 billion annually by 2031.

Beyond these estimates, the recent geopolitical crisis has also thrust the importance of cybersecurity into the limelight. As President Biden remarked, there is a heightened chance that Russia will retaliate to sanctions imposed by the west through cyber warfare and private companies have been told to brace for cyber blowback. Moving ahead, businesses will need to improve monitoring, enhance cyber threat detection, and strengthen response capabilities to minimize the economic casualties of global hybrid warfare.

As the World Economic Forum has opined, cybersecurity is too big a job for governments or business to handle alone. While governments have a broad view of potential threats through intelligence capabilities, the private sector has firm- and sector-specific capabilities. From here, we expect a wave of public-private partnerships aimed at responding to cyber threats and ensuring a safe and secure future for all.

Already in May 2021, President Biden issued an Executive Order to improve the cybersecurity of federal computer networks with assistance from the private sector. Here in Europe, the European Commission recently announced a "Joint Cyber Unit" with a stated aim of involving private sector partners, users and providers of cybersecurity solutions to increase information sharing and to be able to escalate EU coordinated response to cyber threats by June 2023.

With cybersecurity quickly rising to the top of government agendas, more investment flows into advanced cybersecurity systems and innovation is expected. The imperative to protect increasingly digitized businesses, Internet of Things devices, and consumers from cybercrime is predicted to propel global spending on cybersecurity products and services to \$1.75 trillion cumulatively for the five-year period from 2021 to 2025.

As such, as part of the structural shift towards a digitalized world, cybersecurity may be an interesting and enduring investment theme that warrants consideration in portfolios. However, in doing so, investors should approach the theme in a way that fits their own individual risk

tolerances and preferences. This means deciphering between traditional companies that are adapting their business models, new entrants (there is a vibrant start-up industry in this field), pure plays and companies that are only dipping their toes in this realm. To get the best from this sector, we recommend investors seek guidance from professionals – please contact your BIL relationship manager who can propose our recommendations.

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