

Evolve Global Healthcare Enhanced Yield Fund

LIFE invests in top global healthcare companies, with the added value of a covered call strategy applied on up to 33% of the portfolio. Covered call options have the potential to provide extra income and help hedge long stock positions.

As at November 30, 2020



TICKER: LIFE (Hedged); LIFE.B (Unhedged); LIFE.U (USD)

MACROECONOMIC HIGHLIGHTS:

2020 has been a year of volatility, the Covid-19 pandemic highlighted LIFE's resiliency and downside protection for investors. During the sell-off in February, LIFE outperformed the S&P 500 Index by 1/3 on the downside, and LIFE recovered from the bottom in nearly 1/3 of the amount of time as S&P 500 Index did. In addition, LIFE has generated 5% more yield compared to index this year so far.

Spending in the global healthcare industry is projected to exceed \$8.7 trillion next year as the industry faces increased challenges from an aging population, rising costs, a shortage of skilled workers, legacy I.T. systems, invasive procedures, and medical errors.

The Oracle of Omaha, Warren Buffett and Berkshire Hathaway are making a big bet on the healthcare sector at a time when the Covid-19 pandemic continues to be a major crisis in the United States. During the third quarter, Berkshire Hathaway purchased new shares in pharmaceutical companies, including AbbVie, Bristol-Myers Squibb, Merck, Pfizer.

The president-elect, Joe Biden, has named several members of the pandemic task force, a transition's first major announcement, highlighting the president-elect's importance in combating the deadly virus which has taken more than 230,000 lives in the United States.

Pfizer (NYSE: PFE) has concluded phase 3 study of Covid-19 vaccine candidate, meeting all primary efficacy endpoints. The analysis signifies 95% effective against Covid-19 beginning 28 days after the first dose. Efficacy was consistent across age, gender, race and ethnicity demographics, with observed efficacy in adults over 65 years of age was over 94%. The first shipments of Pfizer's vaccine will be delivered on December 15, contingent upon a decision by FDA to authorize it for emergency use. Based on current projections, Pfizer expects to produce globally up to 50 million vaccine doses in 2020 and up to 1.3 billion doses in 2021.

Eli Lilly (NYSE: LLY) has obtained FDA approval of emergency use authorization for its Covid-19 antibody treatment. The vaccine is to be used as a treatment of COVID-19 in adults and pediatric patients 12 years and older with a positive test, who are at high risk for severe COVID-19 and hospitalization. Patients that were treated showed reduced viral load and rates of symptoms. Eli Lilly has a robust, global supply chain in place to produce at 5 manufacturing sites worldwide. This FDA win for Eli Lilly would provide an incremental sales opportunity of as much as \$2 billion in 2021.





Pharma cash flows are expected to remain robust signaling most companies continuity in paying dividends. AbbVie, GlaxoSmithKline and Pfizer in particular are the highest-yielding large-pharma companies with coverage ratios above 1. Recently, Merck announced a 6.6% increase to an annual rate of \$2.60. This is Merck's 10th year of dividend growth and gives the company a forward yield of 3.3%.

Automation and robotics in healthcare are on the rise, surgical robots are continuing to replace humans in performing procedures. The demand for automation in healthcare, increasing geriatric population, increasing prevalence of chronic diseases, and highly complex surgical procedures are some of the major factors driving the surgical robotics market growth.

Intuitive Surgical (Nasdaq: ISRG) was recently added to the LIFE portfolio during rebalance, it is one of the largest healthcare companies in the world. The company's annualized revenue growth over the past 5 years is 26%. ISRG develops and manufactures surgical robots to replace humans to perform sophisticated surgical procedures. The robots are designed to improve clinical outcomes of patients through minimally invasive surgery. ISRG installed its da Vinci Surgical Systems in 67 countries, including 3,531 in the U.S., 977 in Europe, 780 in Asia, and 294 in the rest of the world. Incredibly, every 26 seconds, a surgeon starts a da Vinci procedure.

Healthcare giants are investing in robotics, Johnson & Johnson (NYSE: JNJ) is expected to invest +\$12 billion in healthcare robotics by 2023.

SOURCES: Bloomberg, Pfizer, Eli Lilly, CNN, ETF Trends

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