

## 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 29, 2019



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

### MACROECONOMIC HIGHLIGHTS:

U.S. healthcare stocks, led by health insurers, gained strength in November, buoyed by solid third-quarter earnings and investor comfort that political risks to the sector have eased.

Healthcare has been a stark underperformer so far in 2019, significantly underperforming the broad market. Investor worries that a Democratic president might usher in a Medicare for All health program that would decimate the role of private insurance; and otherwise undermine the sector, have clouded the stocks for most of the year. But such fear appeared to be easing.<sup>i</sup>

Biotechs are amongst the healthcare sector's categories that are most depressed in valuation and it is expected that they may experience a sharp rise. The sector as a whole also faces the threat of industry restructuring and greater regulation, thus dampening investor enthusiasm.

But the principal reason, it is believed, healthcare is now breaking out is the early signs that the regulations that may restructure the industry are not imminent, the pace may be slower, and the intensity more subdued.

The White House released a plan to combat high hospital care costs by forcing hospitals to practice greater price transparency by listing the prices they negotiate with insurers, as well as requiring insurers to publish their rates with in-network and out-of-network providers.

Incidentally, about one-third of all healthcare spending is on hospital care. Consequently, the impact of the ruling could be significant if enforced. Even though the plan has good intent, it comes with a weak enforceable mechanism with fines up to \$300/day for violations, tempting the hospitals to take the fine rather than comply. A recent study by the RAND Corporation revealed that for many services, hospitals charge insurers much more, sometimes double or even triple, compared to what Medicare would pay them.<sup>ii</sup>

On the acquisition front, according to Bloomberg, Thermo Fisher has approached the Dutch company, Qiagen NV, about a potential purchase. There's no certainty that the deliberations will lead to a transaction. In addition, other bidders for Qiagen could emerge.





The potential transaction could become one of Thermo Fisher's largest purchases, surpassing its \$5 billion takeover of drug-ingredient maker Patheon NV in 2017, according to data compiled by Bloomberg. Its largest acquisition was its \$15 billion purchase of Life Technologies Corp. in 2014, the data show.<sup>iii</sup>

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#### SOURCE:

- <sup>i</sup> <https://nationalpost.com/pm/elections-pmn/u-s-healthcare-shares-pick-up-steam-as-some-political-worries-abate>
- <sup>ii</sup> <https://seekingalpha.com/article/4308309-healthcare-on-march>
- <sup>iii</sup> <https://www.bloomberg.com/news/articles/2019-11-13/thermo-fisher-said-to-weigh-purchase-of-diagnostics-firm-qiagen>

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