TSX LEAD

MONTHLY COMMENTARY

Evolve Future Leadership Fund

LEAD seeks to provide investors with long-term capital appreciation by investing primarily in a diversified mix of equity securities of companies located domestically or internationally that are determined to be leaders in sectors that stand to benefit from medium and long term economic trends.

As at October 30, 2020

ETF TICKERS: LEAD

MARKET UPDATE:

The Evolve Future Leadership Fund (LEAD) provides investors with access the leading companies of today, and the future companies of tomorrow through four categories of leadership: Finance, Healthcare, Technology, and Media & Entertainment. This actively managed ETF invests in a diversified portfolio of leading, global companies across various sectors where clear trends are driving future growth. With the added value of a covered call strategy applied on up to 33% of the portfolio, the covered call options have the potential to provide extra income and help hedge long stock positions.

PORTFOLIO UPDATE:

ENTERTAINMENT:

Netflix:

Television, for years, has been a pillar of society, setting trends and creating memorable moments and bigger-than-life characters – current technology gives us faster broadband and more means to consume content.

As streaming entertainment continues to replace linear TV, Netflix will continue to be a global streaming entertainment service giant, offering movies and TV series commercial-free, with unlimited viewing on any internet-connected screen.

This year's streaming surge driven by stay-at-home mandates not only suggests that Netflix is resistant to Covid-19 but also confirms its streaming dominance. High engagement gives the company pricing power and should quell concerns over competition. Despite quarterly subscriber volatility, the breadth and depth of Netflix content is a compelling value proposition for consumers, strengthening its long-term thesis. The narrative is shifting to consistent margin expansion and strong free-cash-flow generation with a heavy originals focus. The company has 195 million global members, with overseas subscriptions in focus as the U.S. matures.

Netflix's recent decision to raise prices on its streaming plans for its U.S. subscribers speaks to the service's strength of content and value proposition. With over 65 million domestic members and a $1 increase in the price of its most popular plan to $14 a month, the move will result in about $800 million or more of incremental revenue and will boost free cash flow.

Tencent:

Tencent is among the world's top 10 largest companies by market cap, and it is the world's largest video game company, one of the largest online gaming communities, and a leading world-class online game developer and operator. The company is looking to merge China's biggest game-streaming platforms, in a deal that would allow it to dominate the US$3.4 billion arena, creating an online giant with more than 300 million users

Tencent hosts some the largest eGaming platforms, including Call of Duty Online, and Fortnite. It also operates the League of Legends World Championship annually, a $1 million prize, with finals watched by over 60 million people worldwide. In addition, the company has entered into an investment agreement to build the world's first eSports town, which would comprise eSports theme parks and tech entrepreneur communities, hosting national and international eSports events.

Tencent acquired a 12% state in Snap and plans to establish Snapchat as a gaming platform.

HEALTHCARE:

Intuitive Surgical:

It is one of the largest Healthcare companies in the world, founded in 1995 in California, by Dr. Moll, he is recognized as a pioneer of surgical robots. Dr. Moll also founded Auris Health previously, a company specializes in developing robotic surgical tools for diagnosing and treating lung cancer, it was later acquired by US Healthcare giant Johnson & Johnson for $3.4bn.

Automation and robotics in healthcare are on the rise, surgical robots are continuing to replace humans in select procedures. Intuitive Surgical develops and manufactures surgical robots to perform sophisticated surgical procedures, they are designed to improve clinical outcomes of patients through minimally invasive surgery. Millions of surgeries have been completed by Intuitive's flagship robotic surgical system, Da Vinci.

Intuitive Surgical has a huge global reach, it had installed 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.

The increasing need 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.

Thermo Fisher:

Thermo Fisher was founded in 1956, currently it is one of the largest healthcare companies in the world, with an annual revenue exceeding $25 billion.

As a top producer of diagnostic test kits, laboratory hardware and supplies, Thermo Fisher Scientific has been a major player in the global response to the COVID-19 pandemic almost from the start. U.S. health agencies have a contract with Thermo Fisher to speed up Covid-19 testing and vaccine development. The company announced two new SARS-coV-2 antibody tests. SARS-CoV-2 is the type of coronavirus that causes Covid-19. Recently, Thermo Fisher earnings per share soared 91% as sales leapt 36%, boosted by Covid-19-related business. Both marked the company's biggest year-over-year percentage gains ever.

From July through September, Thermo Fisher collected $2 billion in coronavirus-related revenue alone, fueling a 36% year-over-year increase in overall sales. In total, the company's third-quarter revenue topped $8.52 billion, up from $6.27 billion during the same period in 2019.

Besides the pandemic sales boost, Thermo Fisher saw its base businesses return to growth as many countries began to reopen their economies during the quarter, with some doing so despite rising numbers of new daily infections. Thermo Fisher's life sciences solutions and specialty diagnostics segments saw the largest gains, bringing in an extra $1.72 billion and $550 million, respectively, compared to the prior year.

FINANCE:

Square Inc:

Founded in 2009, by entrepreneur Jack Dorsey, the founder of Twitter. The vision of the company was to create a technology capable of aggregating merchant services and mobile payments into a single, easy-to-use service. Less than a decade later, Square was downloaded over 33.5 million times by small businesses that use it to accept credit card payments, track sales and inventory, and obtain financing.

Square is one of a few public fintech companies benefiting from a wave of digital transformation driven by Covid-19's effects on consumer behaviour. It is expected that e-commerce growth, along with faster adoption of in-store contactless payments, to drive digital-wallet transactions to 2.5x today's volume by 2023. Square has the leading wallet, Cash App, with 39 million users as of 3Q.

The pandemic has hurt the offline Seller business (73% of revenue), but a return to growth is underway as U.S. consumer spending recovers, new products help sellers adapt and Square increases its e-commerce presence.

Square also added exposure to a $30 billion market with growing demand for cloud-based integrated-payment and business-management tools.

Recently the company reported earnings and revenue for the third quarter, topped analyst estimates amid strong Cash App growth. The stock has seen increased volume and investors are putting their support behind the value proposition.

Nasdaq Inc:

Nasdaq revolutionized financial markets in 1971 by opening them up to millions of individual investors. Technology today is poised to create market-based economies across industries where, up until recently, only seller's economies existed. Buyers, armed with competitive market information, will be on equal footing with sellers.

Nasdaq is building the world's first liquid marketplace for a wide range of insurance and reinsurance risks, which will benefit hedge funds, pension funds, sovereign wealth funds and other large investors interested in balancing or readjusting their investment portfolios with short-tail, long-tail and even life insurance risks.

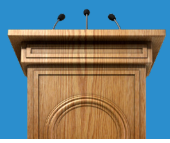
Recently a tech startup partnered with Nasdaq to create a trading platform that will allow institutional investors to buy, sell and re-trade assets tied to insurance liabilities, everything from hurricanes and floods to cyber-attacks.

TECHNOLOGY:

Zscaler:

Zscaler is an American cloud-based cybersecurity company, with more than 100 data centres and customers in 185 countries.

It is expected to see more company-wide deployments of cloud-based security analytics and identity-management tools as perimeter-based products increasingly prove ineffective amid the massive shift to work-from-home. The migration of workloads from on-premises data centers to public cloud will also be a tailwind for cloud-security use. Fragmentation in security will continue, given enterprises are likely to use best-of-breed cloud programs as they replace existing products.



Recent high-profile hacks like Twitter and Garmin may boost demand for cloud-security products that encompass endpoint, identity and security analytics, intelligence, response, and orchestration segments to halt ransomware and phishing attacks.

Software enabling remote work and related security is a trend that will last beyond Covid-19, as businesses are expected to increase spending in cloud-based collaboration software and cloud security on the back of pandemic-related disruptions. As an expert in cloud security, Zscaler benefits from the trend of remote work and will continue to grow faster than the overall security market.

In addition, Zscaler's partnership with Microsoft provides increased needs for cloud security for Microsoft 365 and Azure.

Zscaler Inc. recently wrapped up its fiscal year by topping all expectations with its fourth-quarter performance and forecast for its new fiscal year. Its revenue is expected to grow roughly 35% in new fiscal year after 42% growth in the past year.

Microsoft:
One of the world's largest companies by market cap, not only is Microsoft a leader in tech today, it is realigning with the future by moving from traditional Windows based systems to cloud, making Microsoft Azure the focus; and Microsoft 365 has changed the single purchase revenue model to a subscription-based revenue model.

Today the world is shifting to a cloud-based environment, allowing companies to adapt at speed and scale, accelerate innovation, drive business agility, streamline operations, and reduce costs. Not only can this help propel companies through the current crisis, it can also lead to increased, sustainable growth.

SOURCE: Bloomberg, company websites