

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.

TSX

LIFE

ETF TICKERS: LIFE (HEDGED); LIFE.B (UNHEDGED); LIFE.U (USD)
MUTUAL FUND FUNDSERV CODES: EVF170 (CLASS F); EVF171 (CLASS A)

GENERAL INDUSTRY UPDATE

COVID-19

Europe is now considered to be the epicenter of the pandemic. In October, the World Health Organization warned of an alarming resurgence in the number of COVID cases due to insufficient vaccine coverage and the relaxation of public health and social measures. German officials warned the country that they are entering the fourth wave of the pandemic.¹

In the US, the Biden administration announced a vaccine mandate requiring that all employees be vaccinated or tested weekly for COVID-19. The requirement goes into effect on January 4, 2022 and will apply to any employers with over 100 employees. This news means millions of workers will be required to be vaccinated by the new year.²



Source: Shutterstock

COMPANY SPECIFIC UPDATES

Merck & Co.

Merck, held by the fund, has been a strong performing name this month. A lot of the price appreciation came from news around their COVID-19 pill Molnupiravir that the company developed with Ridgeback Biotherapeutics LP. Many believe the pill is a game changer in the fight against COVID-19. The pill is designed to prevent hospitalization in people that contract the virus. A recent study showed that the pill reduced hospitalization or death by 50% in high-risk individuals with mild to moderate COVID-19. Since the pill is cheap to make and easy to transport, the idea is that it will fill a large gap between high income and low-income countries where citizens don't have access to basic healthcare. This month, Merck agreed to license the pill to the United Nations to supply the drug to 105 countries including Pakistan, Cambodia, and all of Africa. Merck can manufacture 10 million courses themselves by the end of the year. It is unclear how many more courses will be produced under the licensing agreement. Developed countries are also demanding supply of the drug. In fact, the US agreed to pay \$1.2 billion for 1.7 million courses assuming it is cleared by regulators. The U.K. is the first regulator to approve the use of

Merck's COVID-19 pill. The stock was up considerably on the news.^{3,4}



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Merck reported Q3 earnings this month that beat estimates. Earnings were up 28% year over year driven by revenue and margin expansion. The company expects sales of Molnupiravir to be around \$7 billion through 2022. The company sold \$4.5

COMPANY SPECIFIC UPDATES CONT.

Merck and Co.

billion of Keytruda, their blockbuster cancer treatment, which made up over 33% of their revenue this year. In October, Merck announced it would purchase Acceleron Pharma for \$11.5 billion. Their CEO said he sees the investment as a multi-billion-dollar opportunity as it will provide additional revenue streams when they lose the exclusivity of Keytruda in about seven years.^{5,6}

easy to use and affordable is also very important. This month Abbott disclosed they had shipped over \$1 billion tests since the pandemic began. In this quarter alone, they sold 225 million tests as the Delta variant spread. The company has a global leadership position in rapid testing and has the capacity to supply 100 million tests a month.¹¹

Pfizer Inc.

Pfizer's earnings and sales more than doubled this quarter largely due to its COVID-19 vaccine. The company expects 2021 and 2022 COVID-19 vaccine sales to total \$65 billion. Their vaccine business made up 60% of their sales. Pfizer is also seeking to sign more vaccine deals next year with low to middle income countries which could also drive sales higher.⁷ At the end of October, Pfizer's COVID-19 vaccine was approved for children aged 5 to 11. The recommendation means about 28 million kids will receive vaccines in the US.⁸



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Pfizer recently announced that its COVID-19 pill with HIV drug cuts the risk of hospitalization or death by 89% in high-risk adults that have been exposed to the virus. This news means there will now be two anti-viral pills on the market, Pfizer and Merck. Pfizer will be submitting data to the FDA as soon as possible.⁹

Novartis AG

This month Novartis announced it would sell back its entire stake in Roche Holdings AG. This marks the end of a two-decade investment. Novartis will see a gain on the sale of around \$14 billion. The company will use these funds to invest in their existing business lines, adding to the dividend and any other acquisitions it decides to pursue.¹⁰

Novo Nordisk A/S

Novo Nordisk's stock was up almost 15% for the month of October. The gains were on the back of strong demand for the company's new weight loss medicine. The pandemic encouraged many people to lose weight because obesity was tied to more severe outcomes in COVID-19 patients. This is the first weight loss drug that has received clearance from the US in seven years. Patients receive weekly injections that reduces appetite and can help patients lose about 15% of their body weight. Novo's revenue jumped 41% last quarter from these sales. Novo is best known for its diabetes treatment but has recently pivoted their strategy to address the global obesity pandemic. There is estimated to be 1 billion people considered obese by 2025, which is raising the risk of other diseases.¹²

Abbott Laboratories

Abbott reported strong earnings this quarter as their diagnostic COVID-19 tests have been a huge profit driver for the business. Vaccines are not the only tool needed in the fight against the pandemic. Testing that is fast,