

Monthly Cannabis Market Report

August 2020

HANetf & Purpose Investments

The Medical Cannabis and Wellness UCITS ETF

CBDX

80bps

IE00BG5J1M21

Fund Inception Date: 09/01/2020

For Professional Clients Only. Capital at Risk.

This report was written by, and is the opinion of, the CBDX fund partners Purpose Investments.

Key Takeaways

- The emergence of institutional investors in the space is lifting valuation multiples, especially for ancillary companies
- The key market of US becomes a talking point into the 2020 elections. Democrats will be addressing cannabis reform ahead of the elections and believe this could cause significant momentum in the space.

Medical Cannabis Index

Monthly Performance

	July
The Medical Cannabis and Wellness Equity Index (NTR)	6.21%

Current performance is no guarantee of future performance.

Source: Bloomberg/HANetf

Sub-sector	Average Return July
CBD	27.3%
Ancillary	8.5%
Pharmaceutical	-2.7%
Medical	-9.2%
CBDX	6.1%

Past performance is no guarantee of future performance.

Performance since fund inception on Jan 9th, 2020

Source: Bloomberg. Data as of 31/07/2020

Performance Review:

July marked another strong month of performance, with the cannabis growth vertical showing resilience. Even as investors continue to question the narrow strength of the stock market, underlying fundamentals in the cannabis industry are strong on improving adoption and innovative product formulations. The index gained 6.21% in the month of July, in line with the Nasdaq 100 and Russell 1000 Growth Indices.

A few clear industry patterns have taken hold a few months into the pandemic. Firstly, the industry has experienced growth in CBD and adult-use cannabis sales as consumers look to alleviate pandemic related anxiety and stress.

Second, the growth of tele-medicine is beating the stigma of cannabis as more patients become comfortable in a virtual setting and set patient growth records in many states and countries.

Lastly, the emergence of institutional investors in the space is lifting valuation multiples, especially for ancillary companies which are experiencing parallel growth to cannabis companies themselves.

Medical Cannabis and Wellness Equity Index (NTR) Performance and CBDX Medical Cannabis ETF

Total Return NAV to Date (up to 31/07/2020)

	1M	3M	6M	YTD	12M	Since Inception
The Medical Cannabis and Wellness UCITS ETF (Acc)	6.10 %	21.92%	-	-	-	6.61%
<i>Medical Cannabis and Wellness Equity Index (NTR)</i>	<i>6.21%</i>	<i>22.05%</i>	<i>2.30%</i>	<i>6.21%</i>	<i>-23.16%</i>	<i>6.21%</i>

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. **Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product.** Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product.

Source: Bloomberg / HANetf. Data as of 31/07/2020

Industry News

As we inch closer to US elections in November 2020, cannabis is starting to become a topic of discussion for the Democrat party. In July, a Biden-Sanders Unity Task Force released recommendations for developing the party agenda on cannabis reform. This includes the federal legalisation of medical cannabis, while adult-use cannabis is to be left to the will of individual states. The task force also recommended the expungement of all criminal records related to cannabis possession and consumption in an attempt to remediate long-standing social injustices against communities of colour in the US. With recent momentum of social justice movements such as Black Lives Matter, we believe cannabis reform is more than just a hollow promise for the Democratic Party. It is important to note that a White House win alone may not expedite the process, and we closely watch the contested seats in the Senate as Democrats fight to take control from the Republicans.

In the run-up though, we continue to see an insatiable appetite from US investors for cannabis related businesses with ancillary services sector having a breakout month in July and leading into August. We expect this multiple expansion to continue as a wider investor base realises the growth and margins on offer in this still nascent industry.

Outlook

The second half of the year has been nicely setup for some major catalysts on a macro and company specific level. On a macro basis, the key market of US becomes a talking point into the 2020 elections. We now have direction in which Democrats will be addressing cannabis reform ahead of the elections and believe this could cause significant momentum in the space.

Constituent News

CBD for pets is showing to be a fast-growing niche in the US as **cbdMD (YCBD)** announced that its brand, Paw CBD, experienced a 64% increase in net sales in the second quarter of 2020. The company is reporting a \$7mm annualized run-rate for the product alone with healthy margins as direct-to-consumer sales currently make up over 70% of the brand's revenue¹. Pet owners report of decreased anxiety in their pets along with alleviation of symptoms such neuropathic pain.

Portfolio ancillary company, **GrowGeneration (GRWG)**, reported stellar second quarter growth with revenues up 123% year over year and same store sales increasing 49% as well². The NASDAQ-listed hydroponics provider services businesses from the largest cannabis growers all the way down to personal grows for medical patients. The growth in demand for hydroponics is astonishing and shows off the staying power of the cannabis industry as a whole. We take the multiple and price appreciation to be signs of the times to come for federally legalised medical cannabis in the US and the growth it brings along.

<u>CBDX Medical Cannabis ETF -Top 10 Constituents</u>	Weight	Region Breakdown	Weight
Innovative Industrial Properties	12.15%	United States	90.18%
Amyris Inc	10.84%	Great Briton	9.82%
Scotts Miracle-Gro Co/The	10.50%	Canada	0.00%
GW Pharmaceuticals PLC	9.82%		
Cara Therapeutics Inc	9.78%		
GrowGeneration Corp	9.46%		
NewAge Inc	7.95%		
Corbus Pharmaceuticals Holding	7.94%		
Charlottes Web Holdings Inc	6.02%		
22nd Century Group Inc	5.15%		

Source: Bloomberg / HANetf. Data as of 31/07/2020

¹ Source: <https://www.businesswire.com/news/home/20200804005124/en/cbdMD%E2%80%99s-Pet-Brand-Paw-CBD-Sees-Sales>

² Source: <https://www.prnewswire.com/news-releases/growgeneration-reports-record-financial-results-q2-2020-301111482.html>

Medical Cannabis ETF Details

The Medical Cannabis and Wellness UCITS ETF, is a UCITS compliant [Medical Cannabis ETF](#) domiciled in Ireland.

The fund tracks a rules-based Medical Cannabis and Wellness Equity Index from Solactive, consisting of publicly listed companies conducting legal business activities across nine thematic sub-sectors in the medical cannabis, hemp and CBD industries.

The fund seeks to provide targeted exposure to the rapidly expanding legal medical cannabis industry that is set for further growth as more countries legalise cannabis for medical use.

Please remember that the value of your investment may go down as well as up and past performance is no indication of future performance.

- [CBDX Factsheet](#)
- [CBDX Video](#)
- [CBDX Whitepaper](#)
- [CBDX Fund Page](#)

EXCHANGE	BB CODE	RIC	ISIN	CURRENCY	INCOME
London Stock Exchange	CBDX LN	CBDX.L	IE00BG5J1M21	USD	Acc
London Stock Exchange	CBDP LN	CBDP.L	IE00BG5J1M21	GBP	Acc
XETRA	CBSX GY	CBSX.DE	DE000A2PPQ08	EUR	Acc
SIX	CBDX SW	CBDX.S	IE00BG5J1M21	CHF	Acc

Webinars

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CBDX Fund News

Recent Rebalance: 29th May 2020

The next re-balance will take place on **31st August 2020**

CBDX listed on **SIX Swiss Exchange** on 2nd June 2020

Press

- [SIX Swiss Listing](#)
- [CBDX passported to Netherlands and Finland](#)
- [CBDX passported to Austria](#)
- [Medical Cannabis | ESG Portfolios](#)
- [Cannabis sector set to benefit from US Presidential election](#)

About HANetf

HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors via unique white-label ETF/ETC platform.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

HANetf's full products list includes:

Name	TER	Bloomberg Codes				
		LSE \$	LSE £	Borsa €	XETRA €	SIX
The Emerging Markets Internet & Ecommerce UCITS ETF	0.86%	EMQQ LN	EMQP LN	EMQQ IM	EMQQ GY	EMQQ SW
HAN-GINS Tech Megatrend Equal Weight UCITS ETF	0.59%	ITEK LN	ITEP LN	ITEK IM	T3KE GY	ITEK SW
HAN-GINS Cloud Technology UCITS ETF	0.59%	SKYY LN	SKYP LN	SKYY IM	5XYE GY	SKYY SW
HAN-GINS Indxx Medical Innovation UCITS ETF	0.59%	WELL LN	WELP LN	WELL IM	W311 GY	WELL SW
KMEFIC FTSE Kuwait UCITS ETF	0.80%	KUW8 LN	KUWP LN	KUW8 IM	KUW8 GY	-
The Medical Cannabis & Wellness UCITS ETF	0.80%	CBDX LN	CBDP LN	-	CDSX GY	CBDX SW
The Royal Mint Physical Gold ETC	0.22%	RMAU LN	RMAP LN	RMAU IM	RM8U GY	-
BTCetc Bitcoin Exchange Traded Crypto*	2.00%	-	-	-	BTCE GY	-
The Alerian Midstream Energy Dividend UCITS ETF	0.40%	MMLP LN	PMLP LN	MMLP IM	JMLP DE	-

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For further information, please visit www.hanetf.com



Nawan Butt Portfolio Manager Purpose Investments

Nawan has spent 5 years with Purpose developing a deep understanding of client needs with the product team before applying his skills sets in portfolio management starting in 2018. Nawan combines in depth fundamental research with quantitative overlays in contribution to the security selection processes for the firm. Working closely with the CIO, Nawan is also responsible for the implementation of asset allocation across multiple mandates. Nawan earned his MSc in Finance from Simon Fraser University and is a CFA charterholder.

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3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and the final terms ("Bitcoin Prospectus") is the issuer of the Bitcoin ETCs. Investors should read the latest version of the Bitcoin Prospectus before investing and should refer to the section of the Bitcoin Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Bitcoin ETCs. Any decision to invest should be based on the information contained in the Bitcoin Prospectus.

The Issue Documentation, ETF Prospectus and Bitcoin Prospectus can all be downloaded from www.hanetf.com.

The decision and amount to invest in any Product should take into consideration your specific circumstances after seeking independent investment, tax and legal advice.