

Monthly Cannabis Market Report

October 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

- Things continue to look up for cannabis as a whole: the upcoming US elections are expected to further increase medical legal jurisdictions in the US for cannabis.
- Germany hit a symbolic milestone for medical cannabis activity, with over 100,000 patients applying for reimbursement from their insurers since the start of the medical cannabis program in early 2017¹

Medical Cannabis Index

Monthly Performance

	September
The Medical Cannabis and Wellness Equity Index (NTR)	-10.85 %

Current performance is no guarantee of future performance.

Source: Bloomberg/HANetf

Performance Review:

September brought about a pause and a breather in equity markets. The summer brought about an abundance amidst a fast-economic recovery aided by highly accommodative monetary and fiscal policies globally. This froth was wiped clean in September as the threat of a second wave of Covid-19 becomes imminent and an ugly election season comes to the foreground. Cannabis, true to its high beta, performed in line with these broader expectations, with pharmaceuticals performing slightly better due to the defensive correlation with the broader healthcare sector. CBD Wellness lost steam as a logjam in congress failed to floor a redesigned hemp bill which would greatly increase the addressable market. However, things do continue to look up for cannabis as a whole as the coming US elections are expected to further increase medical legal jurisdictions in the US for cannabis.

Sub-sector	September Performance
Ancillary Services	-11.3%
Pharmaceutical Cannabinoids	1.1%
Medical Cannabis	3.9%
CBD Wellness	-23.3%
CBDX	-10.8%

Past performance is no guarantee of future performance.

Source: Bloomberg. Data as of 30/09/2020

¹ <https://mjbizdaily.com/german-medical-cannabis-applications-for-insurance-reach-100000/>

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

Total Return NAV to Date (up to 30/09/2020)

	1M	3M	6M	YTD	12M	Since Inception
The Medical Cannabis and Wellness UCITS ETF (Acc)	-10.77%	1.55 %	35.87 %	2.05 %	-	2.05%
<i>Medical Cannabis and Wellness Equity Index (NTR)</i>	<i>-10.85%</i>	<i>1.61 %</i>	<i>36.03%</i>	<i>1.61%</i>	<i>-16.98%</i>	<i>1.61%</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 30/09/2020

Industry News

Germany hit a symbolic milestone for medical cannabis activity, with over 100,000 patients applying for reimbursement from their insurers since the start of the medical cannabis program in early 2017. Although this number does not include all medical cannabis prescriptions, it does provide insight into growth of the medical cannabis program in Germany which has been fairly stable since initiation. In the second quarter of 2020, total reimbursements reached 36.7M Euros, setting Germany a run-rate of roughly 150M Euros in sales, and a 24% increase in year over year sales².

In a sign of confidence, the UK's financial regulator (Financial Conduct Authority) has cleared the listing of medical cannabis companies on the senior London Stock Exchange (LSE). For now, companies operating in the medical cannabis space globally will be allowed to list given they have the appropriate government licenses and do not fall foul of the UK's Proceeds of Crime Act 2002 (POCA). The demand for medical cannabis investment continues to grow in the UK as evidenced by this regulation. Ahead in the pack are family offices and high net worth investors, who recently came together to raise US\$100M³ in a private fund to invest in medical cannabis, pharmaceutical cannabinoids, and CBD wellness, a theme which is in line with the investment thesis of CBDX.

Outlook

As we approach November, excitement continues to build around the US elections and the multiple referendums on cannabis which will take place concurrently. Five states are to vote on cannabis legalisation in the coming elections for either medical or adult-use, with the total population impacted close to 20 million. This defines the base case of further legalisation in the US. Additionally, the general election is seeming to be more tilted towards a Democrat sweep which would further bolster the cannabis industry in the US.

Outside of the US, patient counts in Australia and Israel are on the rise which rounds out the medical cannabis story to be a wider one beyond the immediate monetisation of the US alone. Australia experienced another six thousand patients in September⁴, and Israel another ten thousand in August⁵. Similar stories continue to prevail in different jurisdictions across the world but any federal moves in the US will be largely influential to many international markets as well.

² <https://mjbizdaily.com/insurance-covered-medical-cannabis-falls-for-the-first-time-in-germany/>

³ <https://drugsinc.eu/en/in-londen-gevestigde-manager-wil-het-grootste-cannabisfonds-van-europa-opzetten/>

⁴ <https://mjbizdaily.com/australia-approves-record-number-of-medical-cannabis-patients/>

⁵ <https://mjbizdaily.com/israel-medical-cannabis-patient-count-hits-record-as-imports-soar/>

Constituent News

Corbus Pharmaceutical (CRBP) is a clinical stage pharmaceutical company focused on the development and commercialisation of novel therapeutics targeting the endocannabinoid system to treat inflammatory and fibrotic diseases. Corbus recently announced negative phase III data of their lead drug in systemic sclerosis. The drug failed to show any significant improvement over a placebo group, but the study largely illustrated the inherent complexities of testing in a group with extensive use of background immunosuppressives. CRBP still has several shots on goal for the drug in other indications but largely comes to show the challenges of smaller pharmaceutical companies and the possibility of binary outcomes. The stock was down 80% for the month of September, but the analyst community remains hopeful of the company's future given that better controlled studies shall be designed going forward. The company is now a 1.6% weight in CBDX⁵.

The ancillary services industry continues to show outsized growth as the adult-use cannabis industry takes off in the United States. **Scott's Miracle Grow (SMG)** updated their fiscal outlook for the 2020 fiscal year, with earnings expected to further exceed prior guidance. Company-wide sales growth of more than 30% is being recorded year over year⁶ and is expected to continue on the back of further development of the US cannabis industry which awaits tailwinds from coming elections.

CBDX Medical Cannabis ETF -Top 10 Constituents	Weight
Arena Pharmaceuticals Inc	19.46%
Innovative Industrial Properti	19.14%
Scotts Miracle-Gro Co/The	15.40%
GW Pharmaceuticals PLC	12.18%
GrowGeneration Corp	8.09%
Amyris Inc	6.37%
Cara Therapeutics Inc	6.35%
Charlottes Web Holdings Inc	2.28%
Medicenna Therapeutics Corp	2.12%
NewAge Inc	1.71%

Region Breakdown	Weight
United States	85.29%
Great Britain	12.18%
Canada	2.53%

Source: Bloomberg / HANetf. Data as of 30/09/2020

⁵ Bloomberg/HANetf

⁶ <https://www.globenewswire.com/news-release/2020/05/06/2028290/0/en/ScottsMiracle-Gro-Announces-Second-Quarter-Results-Driven-by-Strong-Growth-in-Both-Major-Reporting-Segments.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

[US Election 2020 and Thematic Investing Themes | Part 1- Pre-Election- 22 October](#)

Watch our recorded webinars <https://www.hanetf.com/webinar>

CBDX Fund News

Recent Rebalance: 31st August 2020

The next re-balance will take place on **30th November 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.

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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2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing under the terms in the Base Prospectus approved by the Central Bank of Ireland and the final terms of the relevant series ("Issue Documentation") is the issuer of the precious metals ETCs. Investors should read the latest version of the Issue Documentation before investing and should refer to the section of the Base Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the Issue Documentation.

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.