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Q: How can I invest in the cannabis industry?



BY TIMOTHY E. FLATLEY

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► **There has been a rapid evolution in the cannabis industry.** Formerly a taboo drug, cannabis is increasingly accepted and the subject of regulatory approval. In the United States, it is legal in 33 states to use cannabis for medical purposes. Recreational use is currently legal in 10 states and in Washington, D.C.

At the federal level, cannabis remains a prohibited substance by way of the Controlled Substances Act of 1970 (CSA). Under the CSA, the Drug Enforcement Administration classifies cannabis as a Schedule I drug, determined to have a high potential for abuse, and thereby prohibits its use for any reason.

There is considerable variation in medical cannabis laws from state to state, including how it can be produced and distributed, how it can be consumed and for which medical conditions it can be prescribed.

In the past, the only way to invest in pure marijuana plays like producers, distributors or medically oriented companies was to buy stocks listed on the thinly traded over-the-counter market. Starting in 2018, however, investors have been able to buy shares in three of the largest cannabis companies—Canopy Growth (NYSE:CGC), Cronos Group (NASDAQ:CRON) and Tilray (NASDAQ:TLRY)—on major U.S. exchanges. Individuals can also invest in a variety of cannabis companies on the Canadian Securities Exchange, or purchase the ETFMG Alternative Harvest exchange-traded fund (NYSE:MJ) to acquire a diversified basket of cannabis stocks. According to Grand View Research, the global market for legal medical and recreational marijuana is projected to grow by 34.6 percent per year for the next six years, creating tremendous opportunities.

We spoke with Raza Bokhari, executive cochairman of FSD Pharma (CSE:HUGE), about the assorted segments of the cannabis space. FSD Pharma is building the largest indoor hydroponic facility in the world, located one hour from Toronto. The facility will be an “end-to-end” solution for growing cannabis, extracting the oil and manufacturing.

Dr. Bokhari notes that many people view cannabis as being primarily used for recreational purposes. However, there are numerous other applications. He said marijuana’s uses can fall into the following categories:

- recreational
- nutraceutical
- medicinal
- pharmaceutical

Cannabis prohibition, instituted in the early 1900s, blunted scientific cannabis research until only a few years ago, but enough research has been conducted to convince many doctors and scientists that cannabis is a powerfully effective and safe medicine.

Research is focusing on using cannabis to treat various diseases of the central nervous system, autoimmune diseases, musculoskeletal disorders, certain skin conditions and sleep disorders, as well as looking at alternative treatments for chronic pain and opioid addiction.

“We are looking to identify strategic partners that can help open channels for us in other markets. The global medicinal cannabis market has a \$134 billion market size, and we want to be a leading supplier to all of these countries,” says Dr. Bokhari.

Because the cannabis industry is a relatively new sector for investors, it has experienced substantial volatility. But as the market continues to expand and more information is made available, significant growth potential exists for people looking to add cannabis companies to their portfolios. ●

PHOTO: TIMOTHY E. FLATLEY, MICHELLE SMALTZ, SEAN FLATLEY

Featuring commentary from Dr. Raza Bokhari, executive cochairman of the cannabis company, FSD Pharma.

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