

# PSYK ETF

## Investment Case

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Focused Exposure to the Medical Psychedelics Industry



## We've created the Psychedelic ETF (PSYK) to provide investors with focused exposure to companies involved in the medicinal psychedelic space.

While psychedelic drugs have been around for millenniums, we believe that we are on the cusp of realizing their true potential to disrupt the psychiatric medical field. Exciting research is discovering the potential of psychedelic drugs – the capability to deliver results in the treatment of mental illness that may exceed traditional pharmacological approaches.

As such, we believe that the field of psychedelic drugs offers an attractive investment opportunity for investors.

### Our thesis rests on three pillars:

- The number of those suffering from mental health issues is increasing, and current therapies are inadequate.
- Psychedelic drugs may offer superior treatments that have the potential to disrupt current mental health therapies.
- Regulatory and societal acceptance of the use of psychedelic drugs to treat medical issues is growing.

The PSYK ETF seeks to track the performance, before fees and expenses, of the Enhanced Consciousness Index. The index is principally comprised of companies involved in the research, development, production and/or use of psychedelics to address medical conditions in legal pharmacological applications under the applicable jurisdiction's laws.

## Mental Illness by the Numbers

**1 billion**

1 billion globally suffer from mental illness

**20%**

20% of US population suffer from mental illness

**5%**

5% of US population suffer from serious mental illness

**16%**

16% of US youth population suffer from mental illness

**3X**

Rate of depression tripled during the COVID-19 pandemic

## Mental Health Issues Are Rising & Current Therapies Are Inadequate

The number of people suffering from mental illness around the world is truly staggering. It is estimated that, globally, nearly 1 billion people suffer from some sort of mental illness.<sup>1</sup> More than 300 million individuals were suffering just from depression even before the COVID-19 pandemic.<sup>2</sup>

During 2019, more than 20% of the US population suffered from mental illness, with over 5% suffering from a serious or debilitating mental illness. Perhaps more alarming is that 1 in 6 U.S. youths (aged 6-17) experience a mental health disorder each year.<sup>3</sup>

At the same time, the prevalence of mental illness is rising. In 2017–2018, the number of people who experienced mental illness increased by 1.5 million.<sup>4</sup>

The COVID-19 pandemic may have exacerbated mental illness. Nearly 37% of the US population were reporting symptoms of depression near the end of 2020, nearly triple the pre-pandemic numbers.<sup>5</sup>



**1 in 4. The number of people who will be affected by a mental or neurological disorder at some point in their life.<sup>6</sup>**

*An investment in the Fund involves risk, including possible loss of principal. There is no assurance that the Fund will achieve its investment objectives.*

**Current Therapies Are Inadequate**

Current drugs and treatments for mental illness have a poor track record. In fact, some drugs currently used to treat depression have a 50% failure rate.<sup>7</sup>

**Pharmaceutical drugs currently available to treat mental illness suffer from the following:**

- High failure rate
- Potentially serious side effects
- Addictive
- Often need to be taken for life of patient
- Sometimes accidental or intentional overdose

**The field for mental health therapies is ripe for disruption.**

Psychedelic drugs may offer a potential solution.

**The Disrupting Nature of Psychedelic Drugs**

Psychedelic drugs, paired with therapy sessions, may offer treatment options that are more successful and effective than current therapies. The potential benefits of psychedelic drugs relative to standard treatments include:

**A higher success rate** – Clinical studies using psychedelics to treat depression have reported success rates of up to 80%.<sup>8</sup>

**Shorter treatment duration** – Current treatment for mental illness is often a lifetime sentence for patients. Prescribed drugs usually must be taken for the rest of the patient's life. However, in many studies using psychedelic medicines, patients ceased to exhibit symptoms, i.e., they are effectively cured after only a few sessions.<sup>9</sup>

50%

Failure rate of some drugs currently used to treat depression.

**Psychedelic Drugs May Disrupt Current Treatments for Mental Illness.**

**Potential Uses for Psychedelic Drugs**

Depression including treatment-resistant depression

Anxiety

Addiction

PTSD

Eating disorders

Attention Deficit



# Psychedelic Drugs May Disrupt Current Treatments for Mental Illness

### Examples of Promising Research

According to a research report published by Canaccord Genuity, as of March 2021, there were 100-150 clinical trials underway using psychedelic compounds to treat mental and behavioral health conditions.<sup>10</sup>

A sample of the many promising research studies that are being conducted involving psychedelic drugs are listed below.

- In a study analyzing the effectiveness of psilocybin-assisted therapy on major depressive disorder, after four weeks, 71% of the participants had a clinically significant response to the intervention, and 54% met the criteria for remission from depression.<sup>11</sup>
- A novel therapy involving several MDMA-assisted therapy sessions<sup>12</sup> showed efficacy in six Phase 2 trials. Patients were followed for up to four years following treatment. The study concluded that MDMA provided to patients with severe, extreme, or chronic PTSD appeared to be cost-saving while delivering substantial clinical benefit.<sup>13</sup>
- A study investigating the efficacy of MDMA-assisted psychotherapy found a substantial improvement over available pharmacotherapies in terms of safety and efficacy. The study found effectiveness using a limited number of doses with little chance of accidental or intentional overdose and withdrawal symptoms.<sup>14</sup>
- A study analyzing the efficacy of psilocybin for the treatment of addiction found that abstinence increased significantly following psilocybin administration and gains were largely maintained for rest of the 36 weeks of the trial.<sup>15</sup>
- Researchers have found that psilocybin therapy significantly improved smoking abstinence over a 12-month follow-up period.<sup>16</sup>
- A John Hopkins study found that psychedelic treatment with psilocybin reduced depressive symptoms, with most participants showing improvement and half of study participants achieving remission through the four-week follow-up.<sup>17</sup>
- MDMA significantly attenuated PTSD symptoms within 18 weeks of therapy.<sup>18</sup>
- Ketamine produced a significant improvement in depression, anxiety, and severity of the illness after two weeks and one month after the last treatment.<sup>19</sup>

**These studies and trials point to the potential of psychedelic drugs to disrupt current regimes used to treat mental illness and offer superior results.**

### Current Fields of Interest

- Psilocybin – Mushrooms
- MDMA – Ecstasy or Molly
- Ketamine – Special K
- Lysergic Acid Diethylamide] (LSD) - Acid
- Dimethyltryptamine (DMT) - Dimitri
- Ibogaine

## Growing Societal and Regulatory Acceptance of Psychedelic Drugs

### A Brief History of Psychedelics

Psychedelic drugs have been around for millennia. Archaeological records point to their use as far back as 3500 B.C.<sup>20</sup>

Research into the use of psychedelics for medicinal purposes began in earnest in 1938 with the creation of LSD and research into its efficacy in the treatment of psychological disorders and chemical dependence. By the 1960s, psychedelic research reached a peak. Through the mid-1960s, more than 1,000 scientific publications chronicled the ways that LSD could be used as an aid to make psychotherapy more effective.<sup>21</sup>

Psychedelic use associated with the hippie counterculture of the 1960s played a part in them eventually being banned by national laws and international conventions in the 1970s. The Controlled Substances Act of 1970 declared that these drugs have “no currently accepted medical use” and classified them in the most stringently regulated category of controlled substances: Schedule I.<sup>22</sup>

**More recently, there has been a greater regulatory and societal acceptance of the use of psychedelic drugs for medicinal purposes.**

### Growing Legal and Regulatory Acceptance

Many states and jurisdictions within the United States have begun decriminalizing the use of psychedelics for medicinal purposes. Health Canada has begun approving the use of certain psychedelics in specific medical instances.<sup>23</sup>

Regulatory agencies are also granting approval for the use and research of psychedelic drugs for the treatment of mental health issues.

#### Some examples of such approvals include:

- In 2017, the FDA gave breakthrough<sup>24</sup> therapy status to psychotherapy assisted by MDMA for PTSD.
- In 2018, the FDA gave breakthrough status to psilocybin therapy being developed by a prominent psychedelic drug company.
- In Canada, the Ministry of Health allowed a group of cancer patients to use psilocybin as part of their end-of-life psychotherapy treatment.

*There can be no guarantees that such approvals or administrative actions will happen or be favorable for psychedelics companies. Such actions may be subject to lengthy delays and may require lengthy and expensive clinical trials. Additionally, therapies containing controlled substances may generate public controversy and carry reputational risk. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, psychedelics companies and many future therapeutic candidates they may develop.*



### Growing Societal Acceptance

Several prestigious medical organizations have established psychedelic research centers.

Prominent among these are:

- Johns Hopkins Center for Psychedelic & Consciousness Research
- Imperial College London Centre for Psychedelic Research

As the benefits of psychedelic drugs for the treatment of mental illnesses becomes more apparent, we believe that their acceptance will continue to grow.

### Potential Size of Market

As previously noted, the number of people suffering from mental illness is large and growing. Current treatments are ineffective. Psychedelic drugs offer the potential for superior results. As such, we believe that the potential market size for psychedelic drugs represents an attractive investment opportunity.

#### Expected to Eclipse \$10 Billion

A report from Research and Markets projects the psychedelic drug market size to reach \$10.75 billion by 2027, realizing a compound annual growth rate (CAGR) of over 12% during the 2021-2027 period.<sup>25</sup>

#### Getting to \$100 Billion

Canaccord Genuity projects that the market size for psychedelics could reach \$100 billion. It arrives at this number by first evaluating the sales of the drugs that psychedelics are looking to replace. The size of this market is around \$50 billion. When the cost of psychotherapy, facility fees, or indirect costs such as lost productivity are included, Canaccord estimates the size of the market could potentially reach \$100 billion.<sup>26</sup>

**For these reasons, we believe that the psychedelic drug industry is an attractive investment opportunity.**

*Forecasts regarding market size are limited and should be viewed as potential for favorable Fund performance. There are many unknown factors which may prevent psychedelics market growth and in addition psychedelic companies from becoming profitable, which may materially affect the value of certain Fund investments.*



**\$100 billion**

Potential size of the psychedelic market.



## Why Chose the PSYK ETF for Psychedelic Drug Exposure?

We believe the PSYK ETF (PSYK) may offer investors an attractive vehicle to gain exposure to the psychedelic drug market.

### Investment Process

The index which underlies the ETF aims to provide exposure to companies that have business operations in the field of psychedelics and/or life science.

- Only stocks of developed market countries or ADRs of emerging markets countries that meet minimum capitalization and liquidity criteria are considered for inclusion in the index
- A proprietary natural language processing algorithm is used to identify companies that have or are expected to have significant exposure to the field of psychedelic treatment
- Stocks with the greatest expected exposure to the theme are included in the index
- If fewer than 25 psychedelic companies qualify for inclusion in the index, neurology biopharmaceuticals companies are added to the index until a minimum 25 index components is reached, with the index subject to a maximum of 35 companies
- The index is reconstituted annually and rebalanced quarterly

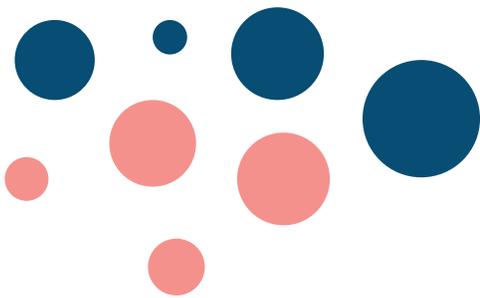
# Why PSYK ETF

- Focused exposure to the medical psychedelic drug industry
- Opportunity to invest in an industry still in its infancy
- Potentially disruptive thematic with attractive market potential
- Exposure to an industry that we believe has the potential to grow significantly faster than the overall market

### Summary

We believe that the field of psychedelic drugs offers significant investment potential. Mental health issues are on the rise, and psychedelic drugs may provide effective and long-term treatments. Growing acceptance of psychedelic therapies, both societal and regulatory, may serve as an additional impetus for industry growth.

**For investors, the PSYK ETF may provide an attractive vehicle to gain exposure to the nascent and potentially disruptive field of psychedelic drugs.**



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## Disclosures

**Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (800)617-0004 or visit our website at [www.psyk-etf.com](http://www.psyk-etf.com). Read the prospectus carefully before investing.**

An investment in the Fund involves risk, including possible loss of principal. There is no assurance that the Fund will achieve its investment objectives.

A new or smaller Fund is subject to the risk that its performance may not represent how the fund is expected to or may perform in the long term. In addition, new funds have limited operating histories for investors to evaluate and new and smaller funds may not attract sufficient assets to achieve investment and trading efficiencies.

**Associated Risks of Psychedelic Treatment Companies.** In Canada, certain psychedelic drugs, including psilocybin, are classified as Schedule III drugs under the Controlled Drugs and Substances Act ("CDSA") and as such, medical and recreational use is illegal under Canadian federal law. In the United States, most psychedelic drugs, including psilocybin, are classified as Schedule I drugs under the Controlled Substances Act ("CSA") (21 U.S.C. § 811) and as such, medical and recreational use is illegal. There is no guarantee that psychedelic drugs or psychedelic inspired drugs will ever be approved for a therapeutic or medicinal use in either jurisdiction. In the United States, the U.S. Drug Enforcement Administration ("DEA") scheduling determinations for removing a substance from Schedule I are dependent on FDA approval of a substance or a specific formulation of a substance for therapeutic or medicinal use. Unless and until psilocybin, psilocin, or other psychedelics-based products receive FDA approval, such products are prohibited from sale, which limits the growth opportunities for certain companies held by the Fund. Even if approved by the FDA, the manufacture, importation, exportation, domestic distribution, storage, sale, and legitimate use of such products will continue to be subject to a significant degree of regulation by the DEA. There can be no guarantees that such approvals or administrative actions will happen or be favorable for psychedelics companies. Such actions may be subject to lengthy delays and may require lengthy and expensive clinical trials. Additionally, therapies containing controlled substances may generate public controversy and carry reputational risk. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, psychedelics companies and many future therapeutic candidates they may develop. *All of these factors and others may prevent psychedelics companies from becoming profitable, which may materially affect the value of certain Fund investments.*

The Fund is considered to be non-diversified, which means that it may invest more of its assets in the securities of a single issuer or a smaller number of issuers than if it were a diversified fund. As a result, the Fund may be more exposed to the risks associated with and developments affecting an individual issuer or a smaller number of issuers than a fund that invests more widely. This may increase the Fund's volatility and cause the performance of a relatively smaller number of issuers to have a greater impact on the Fund's performance.

The Fund is distributed by Quasar Distributors, LLC.