

# Advances in psychedelics could change investors' minds

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Cannabis legalisation seems to be hogging the public policy debate – and exciting investors – but the small and fast-growing market for psychedelic treatments for mental illness and addiction may be even more compelling.

The science behind the subject has broken into the mainstream in recent years. An excellent BBC documentary *The Psychedelic Trial* explored the implications of a major study at Imperial College. Michael Pollan's 2018 book *How to Change Your Mind* sparked a debate about the use of these substances to help with mental illness.

Substances at the core of the debate remain banned: there is psilocybin, otherwise known

as magic mushrooms, and lysergic acid diethylamide (LSD). Many researchers also include MDMA (ecstasy) and ketamine in a broader grouping, although these have different pathways into the brain.

What is causing excitement is the use of these substances to treat psychiatric diseases and especially "treatment-resistant depression" as well as post-traumatic stress disorder.

The law on these drugs is coming into question as academics at institutions as varied as Imperial, Johns Hopkins, UCLA and New York University all start to conduct trials which, though small, are mostly showing great promise.

Crucially, public opinion is supportive. One study in 2017 found that 72 per cent of Americans surveyed backed the legalisation of specific psychedelic therapies, with only 12 per cent opposing use of these substances in all circumstances. Voters in the District of Columbia have decided to decriminalise the adult use

of psilocybin mushrooms, while Oregon has already legalised their medical use.

Psychedelics are purely a medical research proposition – and a narrow one too, with only five companies of any value for investors to research, though many much smaller businesses are listed on the Canadian exchanges in particular. Even among my top five companies none breaks \$20m in daily trading volumes.

Top of any list has to be the UK-based, US-listed pioneer Compass Pathways, which is conducting clinical trials of a psilocybin treatment for refractory cases of depression. This company focuses on a patented treatment for depression and mental health,

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with phase 2 trials under way.

Next is MindMed, which listed on the US Nasdaq exchange in April. Its shares had a bumpy start, down 29 per cent on the first day of trading. Bear in mind, though, that this company has been listed on the Canadian venture Neo exchange for well over a year and is up more than tenfold in that time. Not a bad return for a no-revenue business focused on treatments which use substances such as MDMA, LSD, and psilocybin.

High-profile investors include Kevin O'Leary of the US entrepreneur reality show *Shark Tank* and Bruce Linton, founder of cannabis company Canopy Growth.

Many analysts also rate See-los Therapeutics, which has two clinical-stage products focused on central nervous system (CNS) afflictions. It is using SLS-002 (ketamine) to treat suicidal patients with a major depressive disorder. There's also a treatment for a couple of rare genetic diseases,

including muscular dystrophy.

A mention should also go to Field Trip Health, which listed in Canada late last year and is setting up clinics to administer ketamine in low doses as an antidepressant. It aims to have a phase 1 trial for another treatment by 2022.

In a detailed study of the market, London-based alternative investment house Ocean Wall identified another Canadian firm called Cybin, which is working towards phase 2 clinical trials to study psilocybin use for major depressive disorders.

The business has some useful partnerships, including one with Kernel, a technology specialist in neuroimaging hardware and software which allows Cybin to record and quantify brain activity during a psychedelic experience in real time. The business has also purchased another company called Adelia Therapeutics, based in Boston, which broadens out its access to novel therapeutics and deliv-

ery methods. Cybin has raised nearly C\$90m, with investors including Janus Henderson and LifeSci Ventures.

There are also two US-listed exchange traded funds in this space: Gen Altered Experience ETF as well as Horizons Psychedelic Stock Index ETF. However, they're both very small and inaccessible to UK investors. They do include one well known name in their portfolio: Johnson & Johnson, which received FDA approval for Spravato, a form of ketamine delivered as a nasal spray.

I would also keep a particular eye on Atai Life Sciences, a Berlin-based psychedelics business, which raised more than \$225m in a Nasdaq IPO last week. It is developing its own slate of 10 compounds, owns a major stake in Compass Pathways.

*David Stevenson is an active private investor and has interests in securities where mentioned. Email: [adventurous@ft.com](mailto:adventurous@ft.com). Twitter: @advinvestor*