



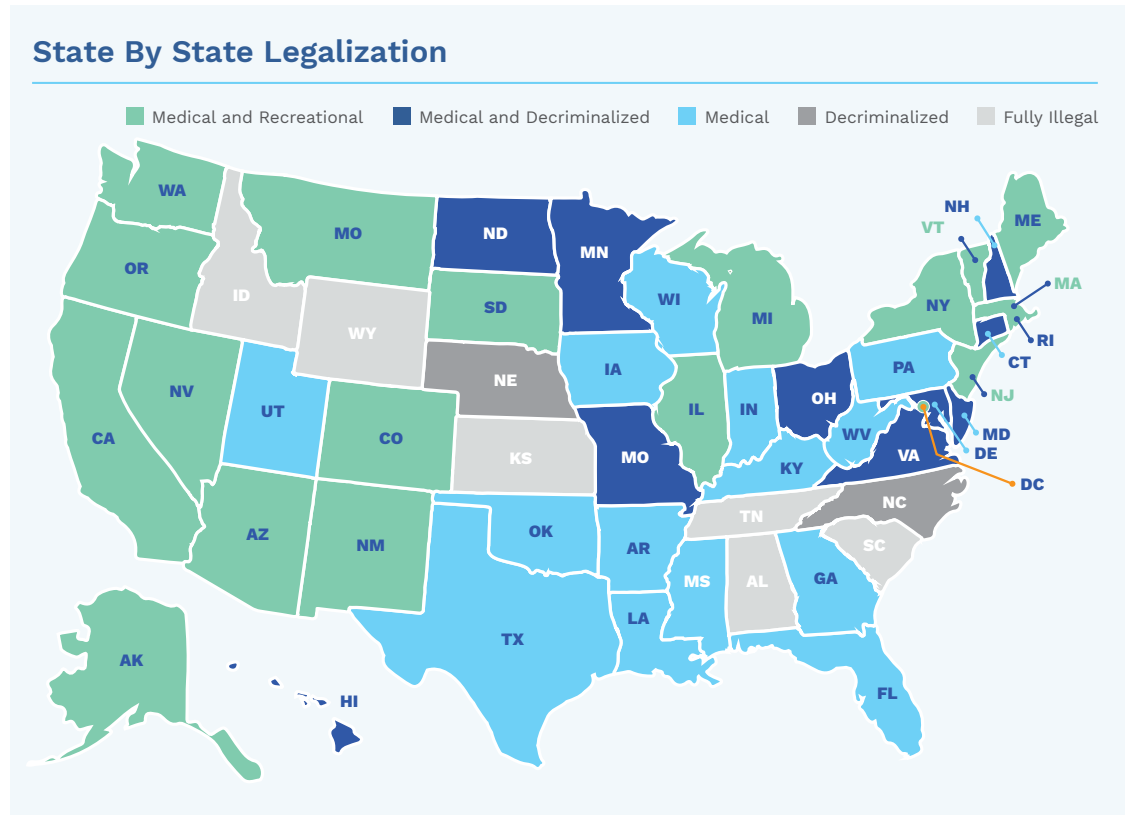
Glowing Prospects for the Growing Cannabis Sector

Introduction

The market for legal cannabis is undergoing a massive sea change. Driven by changing consumer attitudes, widespread decriminalization, legalization, and the prospect for medicinal uses, U.S. consumption of cannabis is expected to experience robust growth over the next five years.

Widespread Decriminalization and Legalization a Key Catalyst

In 2012, the state of Colorado legalized recreational marijuana usage. Fast forward to May 2021 and [17 states \(plus D.C.\)](#) in total have now followed suit. Proposed legislation and ballot measures across the country all but ensure that this momentum will continue. Depending on the state in question, the extent of decriminalization can differ, but the big picture reality cannot be ignored: The legal obstacles to consuming and producing cannabis are fast disappearing. And the market is potentially massive: California, for example, is estimated to be bigger than the entirety of Canada when it comes to demand.



Source: DISA Global Solutions as of April 2021. State status reflects current laws at time of update, not pending legislation or future dates upon which marijuana becomes available medicinally or recreationally.

Federal Legislation Could Provide Another Boost

While state-level decriminalization is central to driving increased cannabis demand, there are legislative initiatives on Capitol Hill that might also play a key role in accelerating the industry’s growth. [For example, the Secure and Fair Enforcement Banking Act](#) (known as the SAFE Act) would give legal protections to depository institutions, permitting them to deal with legitimate cannabis-related businesses. This is crucial, as it allows cannabis companies to expand beyond cash-only ventures, and instead use the banking system just like any other legal industry. There are other legislative steps that Congress can take that would greatly aid the cannabis industry, such as:

- Removing Cannabis as a Schedule I drug. This would allow for more research to be conducted on the possible medicinal benefits of cannabis.

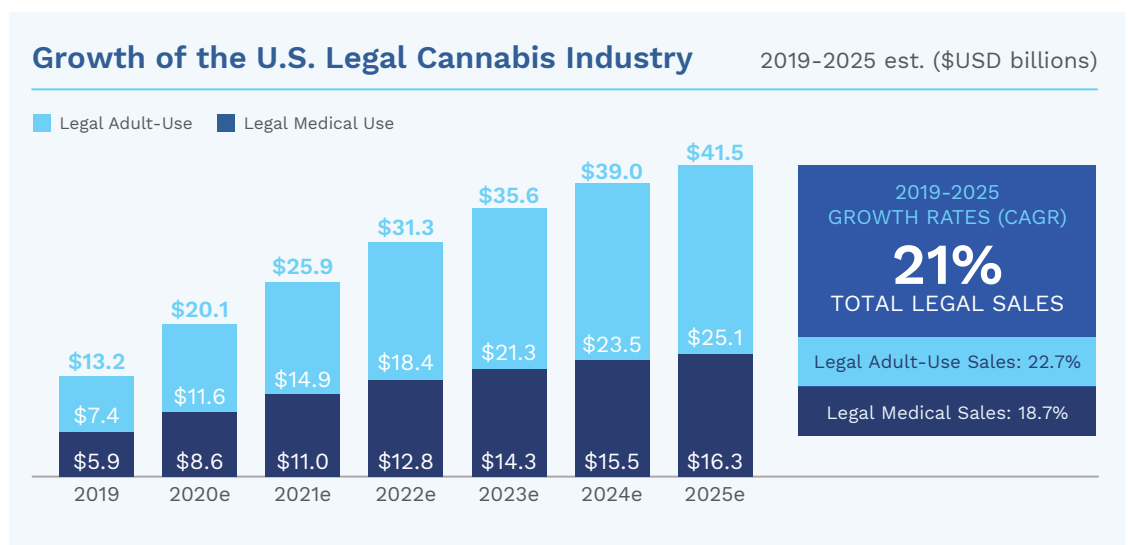
- Giving cannabis companies better access to financing opportunities by enacting legislation that would extend protections to the capital markets
- Decriminalization of cannabis on the federal level
- Changes to how cannabis businesses are taxed: At present, they are subject to taxes based on revenue, not profits, which presents significant financial and operational challenges

Americans Increasingly Support Cannabis Use

The moves to legalize cannabis consumption are not happening in a vacuum. Rather, they reflect Americans’ evolving attitudes towards the plant. Recently, a [Pew Research poll](#) found that, “91 percent of Americans think marijuana should be legal in some form.”

The Outlook for the Market is Rosy

A recent [study](#) by New Frontier Data, a leading provider of statistics and projections in the cannabis industry, underscores the vast potential of the legal U.S. market. From \$13.9 billion in 2019, U.S. consumption (recreational plus medicinal) is expected to grow at a Compound Annual Growth Rate of 21% to reach \$40 billion by 2025. For recreational use, the market is estimated to increase from \$7.4 billion to \$25.1 billion during this time frame. Meanwhile, New Frontier projects medicinal use to climb from \$5.9 billion to \$16.3 billion.



Source: New Frontier Data, 2021

Pandemic Results in Higher Cannabis Consumption

While it’s too soon to draw firm conclusions about a permanent shift in habits, it does seem that the COVID-19 pandemic has altered consumer behaviour with regards to cannabis. A November 2020 [report](#) by New Frontier revealed that more than 40% of current cannabis users had increased their consumption since the pandemic began. Close to one-fifth (18%) reported much greater levels of consumption, while 16% of

current users actually decreased consumption (possibly owing to a lack of social opportunities during the pandemic). Intriguingly, parents of children younger than 18 years old were the demographic most likely to consume more cannabis.

North America Could Lead the World

The U.S. is following in the footsteps of Canada, which legalized cannabis use in 2018. Though the prospects for the size of the North American market are compelling on their own, the continent might turn out to be a global trend-setter. Legal cannabis in the rest of the world would only add to an already rosy outlook for the sector.

Introducing the Prime U.S. Alternative Harvest Index

To give investors exposure to this exciting industry, Prime Indexes has launched the Prime U.S. Alternative Harvest Index. This index tracks the performance of publicly-traded cannabis companies that engage in Cannabis Business in the United States. Cannabis Business includes companies from all aspects of the cannabis supply chain, including:

- Growers
- Producers
- Cannabis Brands
- Dispensaries
- Pharmaceutical Companies
- Other companies that provide services specifically to the cannabis industry, such as technology systems for tracking seed to store cannabis, cannabis testing or REITs that provide the real estate to the growers

Cannabis companies are potential beneficiaries of favorable legislation and surging public acceptance of the plant's many uses. The Prime US Alternative Harvest Index tracks the performance of the companies poised to benefit from these trends.

INDEX COMPOSITION (As of 5/10/2021)

| Component Name | Ticker | Weight | Component Name | Ticker | Weight |
|------------------------------|-----------|--------|----------------------------|-----------|--------|
| CuraLeaf Holdings Inc | CURA.CD | 10.16% | Acreage Holdings Inc | ACRGau.CD | 1.94% |
| Green Thumb Industries Inc | GTII.CD | 8.82% | RIV Capital Inc | RIV.TO | 1.36% |
| Cresco Labs Inc-Subordinate | CL.CD | 8.20% | Marimed Inc | MRMD.PK | 1.02% |
| Trulieve Cannabis Corp | TRUL.CD | 6.96% | Red White & Bloom Brands | RWB.CD | 0.98% |
| Innovative Industrial Proper | IIPR.N | 6.70% | 4Front Ventures Corp | FFNT.CD | 0.90% |
| Verano Holdings Cl A | VRNO.CD | 5.56% | CBDMD Inc | YCBD.N | 0.86% |
| Harvest Health & Recreation | HARV.CD | 4.95% | Vireo Health International | VREO.CD | 0.80% |
| Terrascend Corp | TER.CD | 4.48% | Tilt Holdings Inc | TILT.CD | 0.73% |
| Hydrofarm Holdings Group | HYFM.OQ | 4.45% | C21 Investments Inc | CXXI.CD | 0.64% |
| Columbia Care Inc | CCHW.NLB | 4.33% | Ceres Acquisition Corp - A | CEREu.NLB | 0.62% |
| Planet 13 Holdings Inc | PLTH.CD | 4.29% | Kushco Holdings Inc | KSHB.PK | 0.57% |
| Jushi Holdings Inc | JUSH.CD | 4.24% | Medicine Man Technologies | SHWZ.PK | 0.49% |
| AYR Wellness Inc | AYRa.CD | 3.54% | Next Green Wave Holdings | NGW.CD | 0.48% |
| GrowGeneration Corp | GRWG.OQ | 3.45% | Zynerba Pharmaceuticals | ZYNE.OQ | 0.47% |
| TPCO Holding Corp | GRAMu.NLB | 2.51% | Hempfusion Wellness Inc | CBDu.TO | 0.46% |
| Charlottes Web Holdings Inc | CWEB.TO | 2.44% | Stem Holdings Inc | STMH.PK | 0.32% |
| Silver Spike Acquisition-A | SSPK.OQ | 2.27% | | | |