

FUND COMMENTARY

Purpose Marijuana Opportunities Fund (NEO: MJJ)

FUND DETAILS

ETF TICKER	MJJ
MGMT FEES	0.75%
SERIES F	PFC4201
MGMT FEES	0.75%
SERIES A	PFC4200
MGMT FEES	1.75%

Inception date: JAN 31, 2018

FUND MANAGERS

**Greg Taylor, CFA**

CHIEF INVESTMENT OFFICER
 T: 416-915-2442
gregt@purposeinvest.com

**Nawan Butt, CFA**

PORTFOLIO MANAGER
 T: 416-583-3865
nawanb@purposeinvest.com

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CANNABIS FUND PERFORMANCE & MARKET OVERVIEW

Consistent fundamental success continues to fall on deaf ears in the US cannabis sphere, with investors looking to regulatory reform as the sole driver of cannabis valuations. The Purpose Marijuana Opportunities Fund (MJJ) is down just under 3% for the month, and under water by 5% year-to-date. The multi-state operators (MSOs) are now trading at multiples last seen prior to Chuck Schumer's announcement regarding prioritization of federal cannabis reform. As investors continue to ignore fundamentals, the inevitability of federal reform is now poking through legislative chambers and a ripe buying opportunity has appeared as politicians count down towards the mid term elections next year.

The context of the US cannabis story is set in incremental reform

as individual states continue their paths to proliferation. In recent days, New York has approved the sale of flower in their medical cannabis program. Flower is by far the most popular and effective form factor for cannabis users both medical and recreational use. This development significantly increases the total addressable market size in New York. In Ohio and Pennsylvania, legislation is being introduced by bi-partisan committees to legalize the sale of recreational use cannabis. California is well ahead of the pack and has recently passed a bill which builds on federal inaction after the Hemp Bill of 2018. Effectively, California has now legalized the use of hemp extracts and cannabidiols in food and beverages, dietary supplements, cosmetics, and pet food. This

provides framework for many states to follow, where the hemp industry has been burdened with lack of guidance from the FDA.

In February of 2021, the promise of regulatory reform super-charged the cannabis space as investors expected immediate action from Chuck Schumer, the Senate Majority Leader. Schumer has called for comprehensive regulatory reform and discouraged the passage of piecemeal legislation such as the SAFE Act, which only addresses the financial services access of the industry. This stand has discouraged investors as the prospects of comprehensive reform passing a tightly contested Senate seem bleak. The reprieve lies in the fact that Chuck Schumer has made the Cannabis Administration & Opportunity Act (CAOA) his marquee bill and will be keen to act before the mid-term elections highlight the lack of action from his office.

NOTABLE OPPORTUNITIES

However, there are two other notable political moves to keep on top of in coming months that could provide

a much-needed boost to cannabis stocks. The first is a rider attached to the National Defense Authorization Act (NDAA), which introduces language similar to the SAFE Act into a bill of national importance. The NDAA is expected to be voted upon in November by the Senate and could bring much needed financial alleviation to US operators. The second move was a request from notable Senators Cory Booker and Elizabeth Warren to US Attorney General Merrick Garland urging that Department of Justice de-schedule cannabis. This action would allow states to regulate cannabis as they see fit and open the restriction related to cannabis investing and financial services.

Legislators continue to push for cannabis reform and any of the draft bills would provide strong support for cannabis investors, as a clear path to proliferation is chartable. Current draft legislation includes the SAFE Act, MORE Act, CAOA, rider to the NDAA, and the request from Senators Warren and Booker to the Attorney General. Current valuation multiples deeply discount the growth

available at hand, even though the fundamentals and numbers are consistently hitting it out of the park. There is certain opportunity to accumulate at current valuations for the long-term inevitability of cannabis proliferation.

The Fund has deep exposure to the largest US operators, with a focus on identifying improving fundamentals on a state level and participating in any under appreciated opportunities. This means capitalizing on merger arbitrage opportunities, identifying up and coming operators with low visibility, and helping operators jump from private to public. The Fund provides outsize exposure to tier 1 names such as Trulieve, Curaleaf, Green Thumb, and Verano. In addition, we continue to support the mispricing in lower tiers and use option structures to add value on downside deviation. Current valuations are very attractive relative to the growth prospects of this industry and a move forward with any of the above legislative initiatives could provide huge upside to the currently discounted state of valuations.

FUND PERFORMANCE

ALL PERFORMANCE DATA AS OF SEPTEMBER 30, 2021

PURPOSE MARIJUANA OPPORTUNITIES FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
SERIES A	-3.01%	-22.11%	-21.22%	-6.19%	59.12%	-1.96%	-	9.33%
ETF	-2.92%	-21.89%	-20.78%	-5.41%	60.88%	-0.87%	-	10.49%
SERIES F	-2.92%	-21.89%	-20.78%	-5.40%	60.89%	-0.76%	-	10.69%

All data sourced from Bloomberg unless otherwise noted.

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