



Alert: Magic Mushrooms: The New Weed Stocks?

Description

This title would have been far more scandalous 10 years ago. But it's 2020 and nothing is surprising anymore. In recent weeks a new sector has emerged that could be as promising (and perhaps as lucrative) as legal marijuana: magic mushroom medical treatments.

Public perception about these substances could be on the verge of shifting as the medical community uncovers their benefits. If you're an investor looking for the next big hype cycle before it's too late, here's what you need to know.

Magic mushroom science

To be clear, psilocybin — an active ingredient in magic mushrooms — is banned across the world. The substance is used to create party drugs you may have heard of, such as LSD and MDMA (also known as ecstasy). Because it's contraband, scientists and medical experts haven't had a chance to study the substance enough.

However, the regulations on medical research in this field have been relaxed in recent years. This has allowed some scientists to uncover evidence that psilocybin could be effective in treating psychiatric conditions like anxiety, opioid withdrawal, seasonal affective disorder (SAD), and attention deficit hyperactivity disorder (ADHD).

The opportunity to create a drug that can treat these remarkably common mental health diseases is potentially worth trillions of dollars. In Canada alone, 3.7% of the general population (1.37 million people) could suffer anxiety disorder at some point in their life. Any chance to treat these grievous diseases deserves more attention.

In recent years, new companies have emerged to study the potential benefits of magic mushrooms and bring them to market through medical approvals. Investors looking to bet on their success may soon have a shot.

Industry stocks

The most noteworthy startup on the scene is **Mind Medicine** (MindMed) Inc. (OTC:MMED). The company is backed by *Shark Tank*'s Kevin O'Leary and Cannabis titan Bruce Linton, the founder and former CEO of **Canopy Growth**. The [stock is up 292%](#) since I wrote about it in early November (I'm kicking myself for not buying).

Over the past month the company has launched a new phase of clinical trials known as Project Lucy in Switzerland. The trials should evaluate the effectiveness of using LSD as a treatment for anxiety. Results should be published in early 2021.

Meanwhile, the company is also in the process of seeking approval from the Food and Drug Administration in the United States. Yesterday, it launched a \$50 million equity raise to secure funding for these efforts.

If these trials and approvals are successful, the stock price could surge much higher. There's plenty of appetite for risky, cutting-edge biotech in this market environment. However, the company is already worth \$1.6 billion. Meanwhile, experts estimate the market for magic mushroom treatments could be worth US\$6.8 billion by 2027, so the upside isn't as huge as medical marijuana.

Bottom line

Companies studying the use of psilocybin for treating mental illnesses are now publicly listed. As medical evidence mounts and investors become more aware of this nascent sector, valuations could surge. Keep an eye on this intriguing space.

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