



## Are Magic Mushroom Stocks the New Cannabis?

### Description

Early investors in cannabis stocks generated unbelievable returns in 2017. The legalization of a popular substance for medical and recreational use unleashed a multi-billion-dollar industry. Now, a [similar wave could engulf the magic mushroom](#) or psychedelics sector.

Here's a closer look at the promise of this emerging industry and the stocks that should be on your radar as this research progresses.

### Magic mushroom research

Of the 14,000 different species of mushrooms, only a tiny fraction (200 or so) contain a substance known as psilocybin. It's an active ingredient that causes hallucinations and intoxication. It's also the base chemical for several "party drugs" such as LSD and MDMA (also known as ecstasy).

As you can imagine, it's a tightly controlled narcotic across the world. Consuming magic mushrooms isn't legal anywhere. But scientists and medical researchers have found that tiny doses of the substance could be effective against mental illnesses such as anxiety, opioid withdrawal, seasonal affective disorder (SAD), and attention deficit hyperactivity disorder (ADHD).

In fact, some studies suggest magic mushroom micro-doses could also reduce drug dependency. However, all this research is in very early stages and it could be a while before efficacy is medically established.

Meanwhile, medical research companies have already started raising funds on the public market, which means you can add magic mushroom stocks to your portfolio right away.

### Psychedelic stocks

Most stocks in this sector are microcaps that haven't received much mainstream media attention.

**Mind Medicine (MindMed)** (OTC:MMEDF) may be the rare exception. The company is backed by *Shark Tank*'s Kevin O'Leary and legal marijuana pioneer Bruce Linton, the founder and former CEO of **Canopy Growth**

. MindMed stock is up a whopping 1,000% over the past six months.

MindMed's rivals **Champignon Brands** and **Numinus Wellness** (TSXV:NUMI) have had similar runs over the past six months. However, since the industry is still so nascent, none of these stocks are available on the main Toronto Stock Exchange. Instead, they're listed on the venture exchanges and available over the counter.

In fact, even the magic mushroom exchange-traded fund that was launched this week was listed on the NEO Exchange. **The Horizons Psychedelic Stock Index ETF**, listed as PSYK, started trading yesterday. It tracks the performance of the entire sector. For most investors, this ETF could be the best option, since it's too early to pick out winners in this emerging sector.

Despite their recent performance and future potential, I recommend approaching magic mushroom stocks with some caution. Until the market matures and research is thoroughly concluded, this sector remains deeply speculative.

## Bottom line

The legalization of marijuana has greatly enhanced Canada's economy and created tremendous wealth for early investors. Magic mushrooms, or psychedelics, could be in a similar position today.

Although I can't see LSD being legalized for recreational consumption, the substance could certainly help address the mental health crisis. If these treatments prove effective, medical stocks in this sector could surge the way marijuana stocks did in 2017.

You could get in early, but I'd recommend a cautious approach and a diversified bet through an ETF to mitigate any downside risks. Good luck.

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