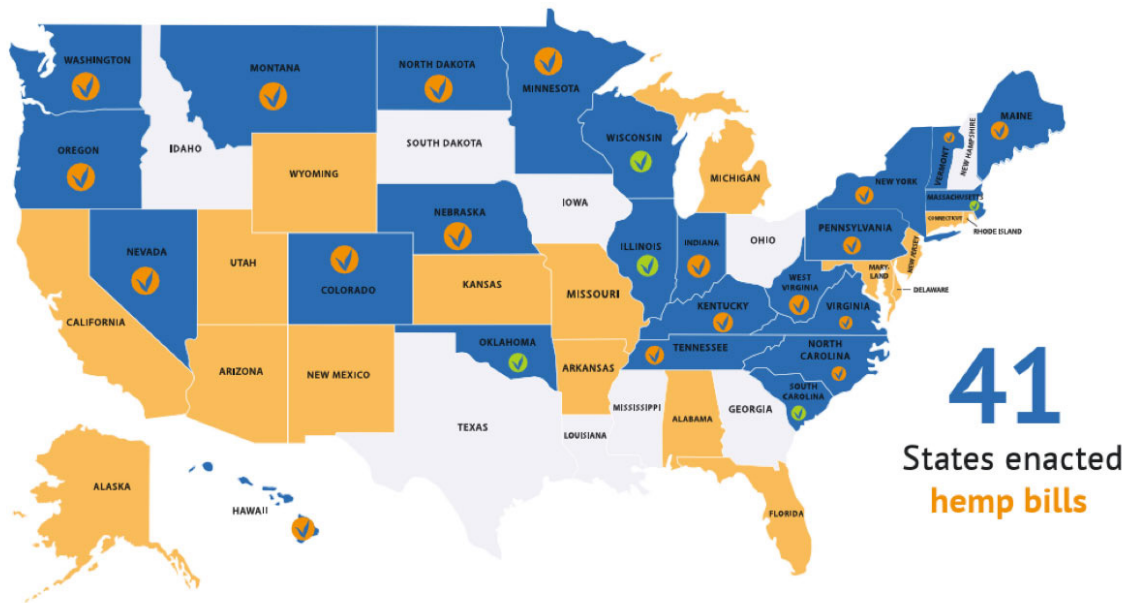


May 2019

CBD: Coming to a Store Near You

While the newly legalised recreational marijuana industry in Canada and many US states has garnered a lot of investor attention and funding lately, derivatives of a closely-related cannabis plant, hemp, have been given the green light by the US government and are just starting to make their way into consumer products across the country. Industrial hemp was legalised via the passage of the Agriculture Improvement Act of 2018 on December 20, 2018. Specifically, it removed industrial hemp from Schedule I status under the Controlled Substances Act. This made it possible for products derived from hemp, such as cannabidiol (“CBD”), to be sold legally so long as tetrahydrocannabinol (“THC”) content is under 0.3%. While regulatory clarity is still needed, particularly with the Food and Drug Administration (“FDA”), 41 out of 50 states have enacted hemp legislation and many consumer products’ manufacturers and retailers are moving forward with plans to incorporate CBD into their businesses. (Exhibit 1)

Exhibit 1: State Hemp Bill Enactment



-  New states which started in 2018 (5 states)
-  States which grew hemp in 2017 (19 states)
-  States with enacted hemp legislation (41 states)

Source: Vote Hemp [www.VoteHemp.com](http://www.VoteHemp.com)

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CBD has long been of interest to consumer products' manufacturers because of its medicinal properties. Unlike THC, CBD does not have psychoactive properties and is believed to be useful in the treatment of pain, arthritis, anxiety, depression, seizures and many other health problems. These beneficial properties are prompting many observers to predict that CBD consumer products can grow into a multi-billion-dollar market. An analysis by Cowen Research estimated retail sales of CBD consumer products at \$600 million-2 billion in 2018 with potential to increase to \$16 billion by 2025. In March, as a sign of CBD moving into the mainstream, Walgreens announced plans to sell topical creams, patches and sprays containing CBD in nearly 1,500 stores. Similarly, CVS disclosed that it will begin selling hemp-derived CBD products in over 800 stores in eight states to meet consumer demand for alternative care options. Opportunities for active investors to pick winners and losers should be abundant as numerous companies compete for their slice of a market at the cusp of significant growth.

Source: Michael Buck of Driehaus Capital Management LLC

To learn more about VAM Funds, please contact us at [sales@vam-funds.com](mailto:sales@vam-funds.com) or on +230 465 6860.

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