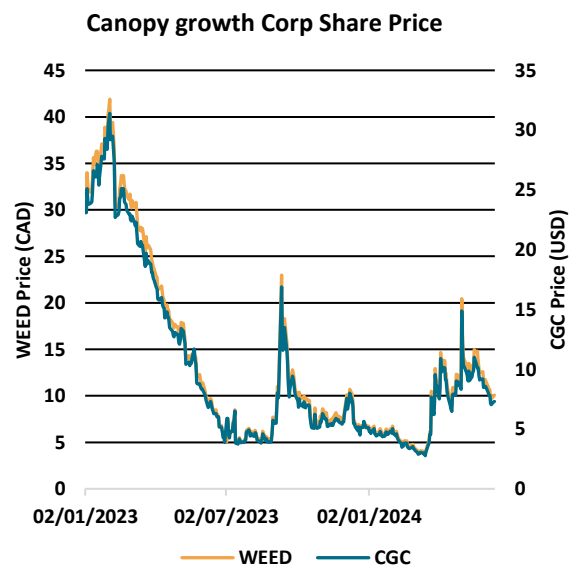
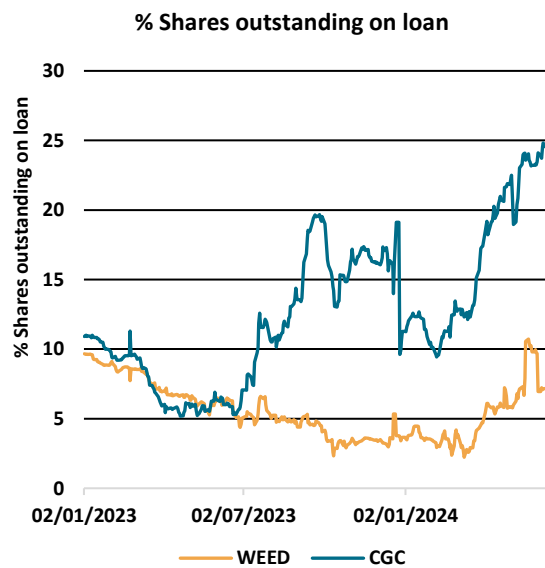


Weed woes...short sellers remain addicted to cannabis stocks.

Cannabis stocks remain a target for short sellers as stock prices continue to reflect the difficulties that the industry faces.

Marijuana stocks have the potential to be the next multi-billion-dollar industry as countries around the world start to decriminalize and legalize the drug for both recreational and medicinal purposes. Canada legalized the substance in 2018 and several US states have since followed suit in the ensuing months and years. Despite remaining illegal at a federal level, the substance is legal for recreational use in 23 US states and for medical use in 37 US states.

In August 2023, the U.S. Department of Health and Human Services recommended easing restrictions on marijuana. "Pot-stocks" jumped as a result, but following the slower-than-forecast progress in legalizing the substance, uncertainty continues to hang over the potential profits that can be generated by the industry.



Canopy Growth Corp (WEED Canadian line and CGC US line) was once Canada's most valuable marijuana company with a market capitalization of \$25B at its peak. This has now shrunk to \$557M. The company recently announced a follow-on equity offering of \$250M, to spend on acquisitions, working capital and general corporate purposes. This news sent the company's share price lower by 7.6%. Short Interest continues to climb in the stock, recently reaching its highest level since 2023, as a lack of profits, due to the high costs associated with the level of regulatory compliance needed to produce the product, continue to weigh on both the company and the broader sector. To the end of May 2024, lenders of the stock have received \$57M in securities lending fees.

When looking at ETF flow data for some of the largest Marijuana ETFs (by assets under management), a dichotomy can be seen across the investment flows. Those ETFs focusing on the US market appear to be experiencing sustained positive quarterly inflows whilst those investing across the global marijuana market appear to be less attractive to investors. Any concentration in US "pot stocks" could offer investors greater potential for growth following the recent easing of restrictions at the state level. Any ETF heavily weighted towards Canadian cannabis companies is expected to suffer from the impact of US federal cannabis laws. This prevents foreign companies from entering the US cannabis market whilst retaining their listing on a US exchange as long as marijuana is illegal at the federal level.

Cumulative quarterly ETF flows

	HMMJ	MJ	MJUS	MSOS
Q1 2023	-3.7M	-7.5M	N/A	-21.8M
Q2 2023	-2.2M	3.6M	N/A	17.4M
Q3 2023	-0.9M	2.5M	N/A	78.0M
Q4 2023	-2.6M	-6.8M	N/A	95.8M
TOTAL 2023	-9.4M	-8.2M	N/A	169.4M
Q1 2024	-3.9M	-3.4M	N/A	211.9M
Q2 2024	-1.5M	3.0M	15.6M	101.3M
YTD 2024	-5.4M	0.5M	15.6M	313.2M
% Shares outstanding on loan	0.17%	6.02%	0.46%	6.56%

©2024 S&P Global Market Intelligence

Source: S&P Global Market Intelligence ETF and Benchmarking Services

HMMJ: Global X Marijuana Life Sciences Index ETF

MJ: Amplify Alternative Harvest ETF

MJUS: Amplify U.S. Alternative Harvest ETF

MSOS: AdvisorShares Pure US Cannabis ETF

Despite the cannabis industry growing and its use becoming more accepted, the industry still faces major challenges. Cannabis producing companies continue to face competition from illegal operators who do not have the same regulatory costs and do not pay taxes. They also face the on-going challenge of keeping prices low in a heavily regulated environment to ensure that they remain competitive. This creates difficulties in scaling operations and controlling costs. Until these trends change significantly, it is likely that cannabis stocks will remain on the radar of short sellers.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Market Intelligence or its affiliates (each and together “S&P Global”) and/or its third-party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global Market Intelligence’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global Market Intelligence to update the foregoing or any other element of the Property. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.