



Early-stage ventures in psychedelic medicine-powered mental health, addiction, and pain treatment

"The power of psychedelics, however, is that they often reveal, in the span of a few hours, depths of awe and understanding that can otherwise elude us for a lifetime." Dr. Sam Harris, Ph.D. – Neuroscientist, Philosopher, Author

Over the next decade, the mental health, addiction, and pain treatment industries will be fundamentally transformed by psychedelic drugs. Yes, you read that correctly — psychedelic drugs. While this may sound like a strange notion to the uninitiated, the reality is that we are currently witnessing the birth of a multi-billion-dollar industry with the potential to drastically improve patient safety and treatment outcomes for indications including depression, anxiety, PTSD, OCD, cluster headaches, nicotine dependence, ADHD, alcoholism, chronic pain, and even suicidal ideation, to name a few.

While psychoactive hallucinogenic chemicals have been a cultural cornerstone of human societies for millennia, they only became a focus of scientific research in the early 20th century. Following the discovery of LSD in 1938, interest in psychedelic research rapidly accelerated over the next three decades. It reached a peak and fully entered mainstream consciousness in the 1960s when Timothy Leary and Richard Alpert (later known as Ram Dass) conducted the now famous studies at Harvard that ultimately led to their dismissal from the University and arguably catalyzed the counterculture movement that defined much of the decade. A combination of bad press and misinformation throughout that period created a great deal of stigma around

these substances, culminating in a full research moratorium following the passing of the Controlled Substances Act of 1970.

Now after almost 50 years, renewed research interest is beginning to change the narrative. Initially led by a handful of nonprofits buoyed by generous philanthropic support, research focused on psychedelic drugs such as psilocybin, LSD, MDMA, DMT/ayahuasca, ketamine, and mescaline has accelerated rapidly over the last five years and the preliminary results are very encouraging. Since 2017, studies involving MDMA for PTSD and psilocybin for depression have received three separate "Breakthrough Therapy" designations by the FDA and the first ketamine-based mental health treatment was approved, fueling further donations to continue advancing this branch of research.¹ In 2019, following a \$17 million donation, Johns Hopkins announced the establishment of the Center for Psychedelic and Consciousness Research.² In that same year, Imperial College London founded the Centre for Psychedelic Research, following a £3 million donation.³ University of California, Berkeley and New York University have announced plans to open similar research centers in the near term.^{4,5}

Sources

¹ FDA, Multidisciplinary Association for Psychedelic Studies, Usona Institute

² Johns Hopkins University

³ Imperial College London

^{4,5} University of California, Berkeley; New York University

As major studies progress into Phase III and commercial viability becomes increasingly likely, for-profit interest in the space has also begun to rapidly increase. While outsiders may understandably assume that the focus of the industry is around the cultivation of psychoactive plants and fungi and then hoping for the best from a legal and regulatory standpoint, the reality is that the actual focus of startups in the space is primarily centered on developing 2.0 versions of the classic psychedelics and taking the most promising candidates through established approval pathways. In addition to drug discovery, other psychedelic sub-sectors that have attracted entrepreneurial attention include mental health clinics, addiction treatment centers, and ancillary support industries such as data-focused SaaS, machine learning, and media. Over the past few years, these psychedelic startups have raised nearly half a billion dollars and have attracted major blue-chip backers like Peter Thiel and Y Combinator.⁷ Some of these companies have even begun to provide returns for early investors through public listings. This past October, UK-based COMPASS Pathways successfully completed a NASDAQ IPO where they raised over \$140M and saw their market cap surpass \$1B as the stock price more than doubled within a week of trading.^{8,9} Germany-based ATAI Life Sciences is expected to follow within the next year at a similar \$1B+ valuation.¹⁰ Dozens of major new entrants are launching Seed and Series A rounds as we speak and the industry as a whole is making headlines through major features in the likes of Fortune, Forbes, and The New York Times.

While we are still in the very early days of this nascent industry, it is becoming increasingly clear that psychedelics are gearing up to disrupt a combined \$300B+ mental health, addiction, and pain treatment market.¹¹ To help fuel this psychedelic renaissance, The Conscious Fund is making early-stage venture capital investments to back brilliant entrepreneurs that are developing life-changing psychedelic medicine technologies and product offerings; to date we have already backed some of the industry's leading names like ATAI Life Sciences, Cybin, Numinus, and Gilgamesh Pharmaceuticals. Beyond the fund, we have also incubated several projects including Microdose, the industry's leading media platform, and Hive, a clinic and R&D platform. We also recently helped launch the Psychedelic Medicine Association as founding members and established the first centralized industry jobs board.

There is a long and winding road ahead and a great deal of uncertainty remains, however we are very optimistic about the future of psychedelic medicine and the promise it holds to address the mental health, addiction, and pain epidemic and materially improve our world. We are just getting started... stay tuned.

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Sources

⁷ Pitchbook

^{8,9} COMPASS Pathways, Yahoo! Finance

¹⁰ Sifted EU

¹¹ BCC Research