



New Canadian Marijuana ETF Ready to Light it up This Week

Description

This is just what Canadians have been waiting for. Finally, there's a marijuana exchange-traded fund (ETF) focusing primarily on Canadian marijuana companies.

The new **Horizons Medical Marijuana Life Sciences ETF** ([TSX:HMMJ](#)) is slated to begin trading this week, allowing investors to bask in the exposure of 11 Canadian marijuana companies and four U.S. cannabis producers. **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aphria Inc.** (TSX:APH) will be among the companies listed.

This move has been a controversial one for Horizons. The company has noted that this ETF has been one of the "most scrutinized" funds the company has put together, both from regulators as well as investors.

On the regulatory side, recreational marijuana is still illegal in Canada and the United States. Gaining regulatory approval and jumping over unusually high hurdles to add layers of cyber-security and correctly construct and balance the portfolio have made the new ETF one of the most difficult to construct, but potentially lucrative, funds in Horizons's portfolio.

Investors will be analyzing the makeup of the fund from day one, and it is very likely that this ETF will be used as a bench-mark tool for individual investors interested in constructing similar funds.

Due to the nature of the marijuana industry today and the lack of a large number of liquid and actively trading marijuana companies with large market capitalizations, the Horizons ETF will include companies that are not just pure-play marijuana producers but operate in secondary or tertiary industries that support marijuana. The companies included will be added to allow for the necessary diversification such an ETF would require, while remaining within the marijuana realm.

Buying diversification within a sector can be quite difficult, requiring levels of analysis most individual investors are unable to attain. Knowing which companies to put into a portfolio to gain the necessary amount of diversification needed, how to weight each holding according to its relationship with other holdings in the portfolio, and how to (and how often to) re-balance the portfolio are common problems that individual investors who try to put together something comparable have run into.

With Horizons taking the vast majority of the “dirty work” out of constructing and managing such a portfolio, investors who are eager to buy into the marijuana green rush but are uneasy about the specific companies to buy now have a relatively easy entry point to get into cannabis investing.

Making marijuana investing easier for the Average Joe may be just what the doctor ordered for a number of marijuana companies, which have begun to see their stock prices and market capitalizations stagnate over the past few months.

In a relatively illiquid industry with a high percentage of retail investors, increasing interest in the marijuana industry is something that is likely to drive the prices of marijuana companies in the short term. As I have stated in the past, however, the long-term fate of the cannabis industry is still very much unknown and demands a risk-tolerance level much higher than my own.

Stay Foolish, my friends.

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1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
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