

3 Stocks to Invest in for Exposure to Cannabis

Description

Imagine you're sitting on your computer a decade ago, and you're presented with an opportunity to buy shares of **Alphabet Inc.** ([NASDAQ:GOOG](#))([NASDAQ:GOOGL](#)) for US\$297 per share. Would you? You might have looked at the fact that it had gone up by 495% since its IPO and wondering if it could it keep going up.

But let's say that you did buy Alphabet (Google) one decade ago. You would have experienced close to US\$700 per-share growth for a total return of 233%. Alphabet is now one of the most powerful companies on the planet and doesn't appear to be slowing down.

Fast forward to today, and I believe that cannabis companies are in a similar position that Alphabet was a decade ago. The world is beginning to recognize that cannabis laws are not working. Here in Canada, the government is moving forward with legalizing it, and provinces are beginning to release some of their own rules.

For example, in September, New Brunswick agreed to acquire four million grams of marijuana from **Canopy Growth Corp.** ([TSX:WEED](#)) every year. The province will even allow pot stores, which could be a big win for distribution.

Ontario won't allow pot stores, but it will allow specialty stores to sell it. Alberta is putting a system in place that echoes the distribution of alcohol, effectively saying that only a government-regulated distributor can be the wholesaler of marijuana to specialty stores.

The government appears to be fairly regulating marijuana, and as it begins to gain mass production, it could mean major wins for many of the producers around the country.

While there used to be a lot of search engines, now there are really only a couple. In my opinion, a decade from now, there will be a few major players in the cannabis space. But here's the question: which one?

Frankly, it's impossible to know right now. But there are three worth considering. The first is Canopy, and its stock is up 74% over the past three months. You've got **Aphria Inc.** (TSX:APH), and its stock is up 50% over the past three months. And finally, you've got **Aurora Cannabis Inc.** ([TSX:ACB](#)) with the stock up 9% over the past three months.

What's important to understand is that all of these companies are still very early in their life cycles. Canopy seems to have the lead right now, thanks to its distribution deals both domestically and internationally, but anything can happen. For example, **Yahoo!** used to be a major search engine player, but it lost out to Google, even though the former had the head start.

So, here's what I think you should do: determine how much you want to invest in marijuana companies. Take 40% and put it into Canopy, and take the remaining 60% and split it between Aphria and Aurora.

Because Canopy has the lead, you want to be part of the that company. But if you see Aphria and/or Aurora taking the lead, you can reinvest accordingly.

But buyer beware: these companies carry incredible risk. Google is a much safer investment today than it was a decade ago, because you really didn't know just how great it would do. The same is true for these cannabis companies.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:GOOG (Alphabet)
2. NASDAQ:GOOGL (Alphabet Inc.)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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Date

2025/08/25

Date Created

2017/10/13

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