



A Detailed Look at My Top Stock Pick for November

Description

Each month, contributors of the Motley are asked to select the stock they believe will perform the best in the coming month. As I selected shares of **Aurora Cannabis Inc.** ([TSX:ACB](#)) which [performed extremely well](#) in October, there was little reason to look too far for another fantastic opportunity for [November](#). My top pick for this month is **Canopy Growth Corp.** ([TSX:WEED](#)).

The reason I chose this name as the top performer for the month was partly due to the wildfires in California, which destroyed a large part of the marijuana supply within the state. Although the marijuana grown in Canada will not be shipped to California for consumption, the truth remains that as the product becomes more mainstream, the supply and demand factors will become more important than ever.

Canadians enter their local liquor stores (mostly run by the provinces) and purchase a number of alcohol-related products. Supply is not an issue, as the chain of distribution is well established. Given that this setup for alcohol makes perfect sense, it stands to reason that marijuana, another “adult substance,” will need to have the same kind of dependable supply from either the province or, in the case of the United States, a licensed distributor.

As the product reaches a point of maturity, a market capitalization of anything less than \$1 billion will be considered small for these emerging companies. Essentially, the production of marijuana, which is accommodated by the warmer climate in the southern states, is going to be under the spotlight as the supply chain has recently been impacted in a very negative way.

In addition to the opportunity for larger companies to enter the market and aid in fixing the supply chain, the opportunity for investors who are long shares in the marijuana industry is the potential for other uses of the substance. For example, in comparison to alcohol, there are many types of beer for consumers to enjoy. And for those who are extremely passionate about it, wine is even more complicated with many different varieties of grapes and a number of categories of vintages. The age of the vines and year of the vintage can also significantly contribute to the value of each bottle. Essentially, product differentiation could lead to significantly higher profits in the marijuana industry.

With huge potential still waiting, investors have already started to reap the rewards of medical

marijuana, as the producers have started to learn the most efficient way to deliver the highest-quality product. As the industry remains in its infancy stage, the evolution of the finished product (and profitability) remains to be seen.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

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Category

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