



My Top Stock Pick for 2018: Marijuana Investing

Description

With the exception of Bitcoin, marijuana stocks dominated the news headlines. The biggest competitor **Canopy Growth Corp.** ([TSX:WEED](#)) reached a market capitalization of just under \$5 billion, and revenues closed in on the \$70 million mark. The industry remains an emerging industry, and a [fan favourite](#) to boot!

When deciding on the best investment to make for 2018, the marijuana industry proved to be the hardest of all industries to choose from, as the entire sector ran up considerably in 2017. Shares of Canopy Growth Corp. have increased by more than 175% throughout 2017, while **MedReleaf Corp.** (TSX:LEAF), which came to market in early June 2017, still managed to jump by more than 125%.

With so much potential baked in to the share price of each competing firm, the truth is that this remains an unproven market in which most companies are only now starting to move from negative to positive cash flows from operations. Unlike Bitcoin, however, the marijuana industry is actually producing a product, which is in high demand from the consumer, leading to the demand for more production. Are investors getting a fair amount of value for what they are paying for each share?

Fearing that the better-known names may be overvalued, investors seeking opportunity in the industry may need to look at smaller names, such as **Supreme Pharmaceuticals Inc.** (TSXV:FIRE) or **Village Farms International Inc.** (TSX:VFF), which has a long track record of growing vegetables.

In the case of Village Farms, the [company](#) could have been a top pick for 2018, except that shares rose by close to 25% a few days after Christmas, as the company offered a late gift to investors. With such a high demand for anything and everything marijuana related, the best pick for the year may just be the safest.

For 2018, my top pick for the marijuana industry is none other than marijuana exchange-traded fund (ETF) **HORIZONS MARIJUANA LIFE SCIENCES IDX ETF** ([TSX:HMMJ](#)), which is a proxy for the entire industry.

Rather than attempt to pick the winning racehorse, it makes complete sense to be a little more fearful than in other cases. If investors were to buy one or two stocks, there a number of risks (many of which

are still unknown) that could have extremely negative ramifications for companies and investors alike. As an example, should a company fail to be compliant with the standards set out by the government, then the permit to grow marijuana could be revoked or suspended. It's still too early to know how probable or deep the consequences (or risks) could be.

With the ability to diversify in an industry, the ETF market may just be the choice that makes the most sense in this particular case. Here's hoping that 2018 is a repeat of 2017 for the marijuana industry!

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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