Why it’s Not Too Late to Put a Little Pot in Your Portfolio

Description

If you haven’t been living under a rock for the past year, you may have heard the news that Canada is legalizing marijuana. While this may have caught your eye as a casual media consumer, it may have gone under the radar when it comes to potential for investment. Then again, perhaps it occurred to you to invest, but you thought you’d missed the boat. Well, the good news is, you haven’t! Here’s why.

Marijuana stocks are set to go evergreen

People have been smoking weed in Canada for decades, and as a consumable product, it’s not going anywhere anytime soon. While this means that you could effectively join the party at any time, signs are that you would be wise to get in on the action as early as possible before stock prices rise sharply after the LCBO starts carrying marijuana products.

Before we take a look at the five heaviest hitters in the field, let’s go over a few reasons why having pot in your portfolio is a good idea.

Legalized weed takes diversification to another level

If you want a well-balanced portfolio, it makes sense to have a little of everything to cover all bases—think umbrellas and sunscreen. Well, now there is a whole new market to invest in, and trust us, it is going to be *big*.

Putting a marijuana producer in the basket will give you a fun, new commodity that is also a fairly safe bet; you will most likely be cashing in on this one either in the mid to long term. Summer 2018 would be a good time to sell if you want to make a quick buck, while holding on to marijuana stock long term will pay dividends, as the bigger companies start to really expand—and they will.

Stick with the Big Five if you want to play it safe

There are a lot of smaller marijuana companies looking to make it big—as well as a whole other market south of the border, where local laws will make things a little trickier for you—but my advice is to look at the following players:

Cronos Group Inc. (TSXV:CRON)(NASDAQ:CRON) has recently made inroads in the emerging German market, as has **MedReleaf Corp.** (TSX:LEAF), though it remains to be seen whether an international approach is too risky this soon. Of the two, Cronos has the smaller market cap at present, while MedReleaf did well at the 2017 Life Awards and seems intent on having the better product. Either represents a hungry, determined choice with the potential to cash in on the huge overseas market.

If you want to stick with the current big league, **Canopy Growth Corp.** (TSX:WEED), **Aurora Cannabis Inc.** (TSX:ACB), and **Aphria Inc.** (TSX:APH) would be your safest bets, with market caps of $6 billion, $4.9 billion, and $2.3 billion, respectively. All three are well placed to hold their own in the coming year.

The bottom line

For the long-term investor, either Aurora Cannabis or Canopy Growth look to be safe bets in terms of market share, and therefore dividends, as both look set to dominate. However, if you want a quicker turnaround, or a potentially greater mid-term return on investment, try riding one of the smaller, hungrier contenders. If pharma is your thing, MedReleaf may be your guy, as its focus is on medical-grade cannabis—a great two-for-one if you want an already diversified asset in your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. TSX:ACB (Aurora Cannabis)
3. TSX:CRON (Cronos Group)
4. TSX:WEED (Canopy Growth)

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