



## Why This Marijuana Fund Manager Is Warning Investors About the “Scary Down Days” That Lie Ahead

### Description

Just a day before launching the StoneCastle Cannabis Growth Fund, its founder Bruce Campbell warned investors in an interview with *Bloomberg* that he “wouldn’t be surprised if we saw a steep, sharp pullback” among marijuana stocks.

Campbell’s concerns stem from the fact that some investors have gotten into cannabis stocks very late in the current rally and, as a result, might be scared by a sudden pullback, which could cause them to sell their shares in a panic, despite the potential he still sees in the market.

Campbell’s Cannabis Growth Fund will be actively managed using technical analysis to track momentum in the sector. And while he acknowledges the sky-high valuations facing the sector right now, he also believes there will be companies that will do “phenomenally well.”

Campbell says at this point he [prefers smaller companies](#) that haven’t risen by as much as some of their larger peers, such as the stock of companies like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), **Tilray**, **Aurora Cannabis** ([TSX:ACB](#)) or **Cronos Group**, which have seen their values double, triple, or more over the past year and a half.

A couple of the companies that Campbell says he plans to own in his fund included **CannTrust Holdings** and **OrganiGram Holdings**.

However, part of the problem in holding these smaller companies and cannabis stocks in general is the extreme volatility and price swings that investors are forced to endure.

For example, the same day that Campbell’s interview was published, a report surfaced from *Fortune* with the headline “Canadian Cannabis Investors Could Be Banned From U.S. for Life, Immigration Experts Say.”

That report suggested that U.S. border officials had the right to question Canadians crossing the border about their current and past drug use. It also included the suggestion that even those participating as an investor in the Canadian marijuana industry could be seen as “facilitating the

proliferation of the legal marijuana industry in the U.S.”

And while that report goes on to say the guidelines are far from finalized, it fails to lay out a specific minimum threshold of investment that would be deemed problematic and that border agents will still be required, from a practical standpoint, to manage the flow of border traffic crossing into the U.S. It’s easy to understand how those types of headlines can lead to impulsive or reactionary selling — particularly when those investors involved may be [newer to the public markets](#).

### Bottom line

Shares in Canopy Growth sank more than 13%, while ACB stock declined just shy of 10% in Thursday’s trading the day those headlines were made public.

While most weed stocks have stabilized in the days since then, it does shed light on just how fickle the markets can be sometimes, and why Foolish investors may want to exercise a fair degree of caution if they are considering getting into the sector at this stage of the game.

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### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Msn
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