



O' Cannabis! With Canadian Legalization in the Books, Here Are 4 Top Pot Stocks to Play the Budding Industry!

Description

It's a historic day for Canada. Marijuana has finally been legalized, and Canadians from across the nation are going to be flooding into their local pot shops to buy weed legally (without a prescription) to celebrate a joint effort (pardon the pun) that's been many years in the making.

While there are plenty of marijuana options in today's market, I've narrowed the list down to four top names that I believe will see the most upside over the next five to 10 years.

Without further ado, here are four pot stocks (in no particular order) to put in your pipe to smoke.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC)

What a surprise, right? Canada's [largest pot stock by market cap](#) is on the top of the list, and although Canopy stock may seem like it's got the least room to run after flirting with the \$15 billion market cap milestone, I believe Canopy is a likely contender to become one of the few dominant contenders that'll remain after the marijuana industry has the chance to mature and consolidate.

Most of the other pot companies you'll hear about will be scooped up or just plain vanish like so many tech startups did during the tech wreck of 2000. Although the marijuana market has become crowded today, it'll just be a matter of time before weaker players are weeded out (pardon the pun, again!).

With a smart management team led by CEO Bruce Linton and a portfolio of incredible brands, Canopy looks like a market leader with staying power.

Aphria (TSX:APH)

If Canopy is the king of recreational brands, Aphria is the king of operational efficiency. The company is investing a tonne on innovative marijuana cultivation facilities that'll be able to sustain massive growth at industry-low production costs.

When it comes to dictating the price of commoditized marijuana, Aphria is going to be driving prices

down, as other producers look to copy Aphria's operational excellence in the hopes of driving per-gram costs low, as marijuana prices gradually fall year over year.

HEXO ([TSX:HEXO](#))

HEXO, formerly known as Hydropothecary, is a Quebec-based cannabis company with a pretty wide moat around the province of Quebec. If you've ever been to Quebec, you'll know that the province has its own brands that are embedded in the Quebecois culture.

Quebecers are extremely loyal to local brands, and with HEXO's supply deal in the books, I think the company will have the ability to expand outwards without needing to worry about defending its home turf.

Moreover, Hexo is following in the footsteps of Canopy with its own line of pretty compelling recreational- and medical-branded cannabis products. To me, HEXO looks like the baby Canopy, and as the name continues to fly under the radar, I think the stock remains a solid bet.

Canopy Rivers (TSXV:RIV)

The only stock more explosive than Canopy Growth would be Canopy Rivers, the venture capital-like spin-off that aims to [grab a piece of promising up-and-coming cannabis companies](#). Think of Canopy Rivers as a "talent incubator." Fellow Fool contributor Will Ashworth put it best: cannabis companies are on the hunt for intriguing talent. And when it comes to talent, there's no better place to look than the startup scene.

Many smaller, up-and-coming cannabis firms are growing like weeds, and as Canopy spreads its bets, the probability of finding a jack *pot* (pun intended) increases significantly, allowing Canopy Rivers the ability to grow at a quicker rate than most other traditional standalone cannabis companies.

A bet on Canopy Rivers is another way to bet on the stewardship of Bruce Linton and his hand-selected team of VC-oriented cannabis comrades.

Foolish takeaway

The risks are ridiculously high, and all the top pot stocks mentioned in this piece could correct violently by double-digit percentages. It doesn't matter if these stocks are best in breed; unsystematic risks will be unavoidable.

So, if you're aware of the risks and you've got a game plan to weather any volatile times, you may want to place bets on one or all four stocks mentioned in this piece. Spread your buys over time though, because turbulent times are pretty much a given at this juncture.

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1. NASDAQ:CGC (Canopy Growth)
2. TSX:HEXO (HEXO Corp.)
3. TSX:WEED (Canopy Growth)

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