



## Why Cronos Group (TSX:CRON) and Canopy Growth (TSX:WEED) Are My Top Pot Stock Picks for 2019

### Description

In the speculative (and dangerous) world of marijuana, **Cronos Group** ([TSX:CRON](#))(NYSE:CRON) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) appear to be the only two investments worthy of owning for long-term thinkers who aren't just interested in flipping pot stocks to make a quick buck.

The disturbing lack of transparency and stomach-churning amounts of volatility that exist within the marijuana market are enough to turn off any prudent investor, however. While many pundits may claim that the entire industry is [uninvestable bubble](#) that's comparable to the 2000 tech wreck, there's still opportunity to be had for those who are willing to stick with quality firms with the ability to survive and rebound from a potentially violent crash that could very well wipe out many higher-upside up-and-comers.

Determining which pot firms will remain upright after a potentially severe industry-wide bubble burst is a nearly impossible task due to the lack of transparency, shareholder-dilutive M&A deals and the "crazy cannabis accounting practices" in the industry.

You may think that finding tomorrow's cannabis leader is akin to spotting **Amazon.com** in the 1990s, and it very well may be if you ignore the obvious clues that are out there.

Unlike attempting to spot the survivors prior to the tech bubble burst, however, two players in the cannabis market are already marked for survival. Both Canopy and Cronos Group have massive votes of confidence from well-established firms (Constellation Brands and Altria respectively), and you can be sure that these big firms aren't just investing in cannabis to make a quick buck.

I believe the sheer existence of Canopy and Cronos Group's dance partners (established investors) are an indication that both firms will be around in many decades — assuming they're not bought out entirely by their respective big-name investors on the next big dip.

So, if you're an investor who's looking for the Amazon.com of the cannabis market, I'd recommend looking to Canopy Growth and Cronos, the two pot players that already have dance partners and will

be ready to tango while most other pot firms are left distraught on the sidelines.

## **Riding on the coattail of two behemoths**

We don't know [what's coming next](#) in the crazy world of cannabis.

A majority of pot stocks could crumble like a paper bag as soon as tomorrow. While you could spread your bets across various pot names to improve your odds of investing in a cannabis company with staying power, you'd be doing little to nothing to reduce the massive amounts of unsystematic risk that you'll be exposed to.

Instead of betting on a generic marijuana ETF, I think the more prudent approach would be to copy the investment strategy of Constellation Brands and Altria by buying dips in Canopy and Cronos Group. Why reinvent the wheel in such a dangerously speculative industry that many of us know little to nothing about from the outside?

Both Constellation and Altria have already put their money where their mouth is, and their respective management teams have been doing plenty of homework in the background for months (or even years) prior to pulling the trigger.

For Canopy and Cronos, their dance partners will allow them to survive the rough waters that lie ahead. Both firms will have deeper pockets and the expertise of an established firm that I bet will become more involved as time goes on.

With that in mind, I believe it's best to think of Canopy and Cronos Group as the "pot proxies" of Constellation Brands and Altria, respectively.

I'd bet on these pot proxies over some other pot stock because it's these proxies that will be the names with relative levels of support. They're also being backed by dominant powerhouses that I believe will secure the long-term success of each pot proxy.

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1. Investing

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

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**Date**

2025/08/03

**Date Created**

2018/12/14

**Author**

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