



Why Cannabis Stocks Are Among the Best Choices for Young Investors to Buy in Their TFSAs

Description

Many investors may not be aware of it, but over a short time horizon, it tends to be volatility that will dominate the level and direction of investment performance.

Yet it's a much different story when using a longer time horizon, with an investment's prospects for future growth ultimately proving to be the primary determinant of its chances for long-term success.

Take, for example, the case of an investor who had bought stock in [Royal Bank of Canada](#) nearly forty years ago in 1981.

On July 1 of 1981, RY stock closed the day's trading at a price of \$3.50 per share.

Less than a year later, RY stock price had fallen in value all the way to \$2.41 per share, representing what would have undoubtedly been a significant loss for the investor, a one-year loss to the tune of - 31.1% , to be exact.

At that moment, it would be fairly easy to rationalize the investor's decision to exit their investment mitigate those losses from mounting further in an attempt to simply survive, move on and fight another day.

But it's also important to keep in mind that had that same investor had the courage (and foresight) to stick it out with their investment, having the confidence and belief that over the long-term things would ultimately work out in Royal Bank's favour, that same investment would have ultimately produced a 2862% positive return were they still holding on to their RY shares today.

Aurora Cannabis Inc ([TSX:ACB](#))(NYSE:ACB) meanwhile, is clearly one of those companies that while in the short-term its prospects for volatility – in other words, risk – remain fairly high, it's also a company that if you've been following the cannabis industry relatively closely for the past year or so, does appear to have a pretty alluring growth trajectory in front of it.

ACB stock is the second most valuable of all the **TSX**-listed pot stocks, second to only global market

leader **Canopy Growth Corp** in that respect.

Some – including me– have been [critical](#) of some of the company's decisions in the past, yet the one thing Aurora has continued to do is invest in itself in hopes that those investments will pay off for its shareholders at some point (hopefully not too far) down the road.

Those investments include developing what is now the capacity to produce up to 500,000 kilograms of cannabis per year.

Leading up to last October's legalization date, there were still a lot of questions about supply and demand issues and how the yet-developed market would ultimately sort out those issues.

But thus far, it appears as though the largest problem is delivering supply to meet the burgeoning demand for legal cannabis products, including flower, creams and concentrate oils.

Not to mention of course, that the other major development taking place over the past eight to 10 months has been the progressively liberal attitude that many other major G-20 nations have begun to adopt with respect to their own policies around the drug.

Most notably, that includes the United States, a market that could frankly end up dwarfing that of Canada's own.

Foolish bottom line

Even if the cynics are right and the market for cannabis stocks does end up correcting to the downside, (and even if that correction would feel downright *scary* at times), one could easily make the argument that it would still be difficult to find a TSX-listed publicly traded company that would be able to match the type of growth prospects currently on offer with an investment in Aurora Cannabis stock.

Meanwhile, Canadian's Tax-Free Savings Accounts (TFSA) are in theory offer the perfect venue for these types of investments, allowing owners to generate unlimited capital gains in their accounts tax free, with the ability to use those gains toward future years contributions.

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