



This Marijuana ETF Offers 4.8% Dividends and Potential 5 Times Growth

Description

Scandals and controversy have dented investor confidence in the marijuana sector this year. Top producers have lost billions in value and well-known leaders have resigned as misdeeds and missed expectations were uncovered by the public market.

Now that the sentiment has swung negative, I believe that savvy, contrarian investors finally have a chance to find value and add some great marijuana stocks to their portfolio. Legal cannabis still presents a massive economic opportunity.

According to estimates by market specialist Grand View Research, the global legal marijuana industry was worth US\$13.8 billion in 2018.

By 2025, the firm forecasts the market to expand to over US\$66.3 billion, implying a five-fold return for investors willing to take a long-term bet.

This long-term bet is made easier by the fact that the largest market for cannabis products, North America, has already substantially legalized the substance.

Canada, of course, has made recreational and medical marijuana legal on a federal level since last year. Meanwhile, in America, 11 states have legalized and 15 states have decriminalized marijuana over the past few years.

As the legalization wave spreads across the world and new companies emerge, it could get harder for investors to pick winners.

Instead of looking for needles in a haystack, I believe investors should buy the entire haystack through an exchange-traded fund that tracks the broader market.

The obvious choice for Canadian investors is the **Horizons Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#)).

Launched two years ago, the ETF is designed to replicate the performance of the **North American Marijuana Index**. It currently holds a basket of major Cannabis producers listed on the Toronto stock exchange.

The two largest positions in the Horizons portfolio are Canada's two largest producers, **Aurora** and **Canopy Growth**. However, the portfolio is well-diversified, which limits exposure to [any individual stock](#).

Altogether, the basket includes 64 stocks, ranging from the most well-known producers to recently listed penny stocks. No individual stock contributes more than 11% of the overall portfolio.

This level of diversification helps make the Horizons fund more robust than any individual stock in the sector, limiting volatility and downside while retaining the exposure to the market's potential upside. The results are clear in the ETF's performance over the past two years.

Since inception in April, 2017, HMMJ has delivered an annual compounded return of 29.25%. For comparison, its benchmark index has delivered a 17.92% return over the same period.

Similarly, the ETF was down 19.8% in 2018, while the benchmark was down 24.67% over the same period.

In other words, Horizons has managed to beat the market since its launch. But that isn't the only factor that makes the fund appealing. The ETF also provides a quarterly dividend distribution.

The annualized dividend yield is 4.8% at the current market price, making it one of the most lucrative dividend stocks in the marijuana sector.

Bottom line

With its well-diversified portfolio, track record of market-beating performance, and lucrative dividend yield, Horizons Marijuana Life Sciences Index ETF could be the best way for contrarian investors to bet on the long-term potential of the marijuana industry.

CATEGORY

1. Cannabis Stocks
2. Investing

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1. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)

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