



Why Did Horizons Marijuana Life Sciences Index ETF (TSX:HMMJ) Fall 13% in August?

Description

Horizons Marijuana Life Sciences Index ETF ([TSX:HMMJ](#)) fell over 13% in August 2019. This ETF has returned -25% in the last three months and -19% in the last six months. HMMJ's top holdings include **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)).

Aurora Cannabis accounts for 10.3% of HMMJ, followed by Canopy Growth at 9.4% and Cronos at 8.8%. The top three holdings account for 28.5% of the ETF and are primary drivers of HMMJ's stock price. So, let us see how each of these stocks have performed last month.

Aurora Cannabis

Shares of Aurora Cannabis fell 11.4% in August 2019. The stock has lost close to 41% since April 22 this year and has burnt significant investor wealth. Aurora declined in August due to an overall weakness in the cannabis industry. The cannabis stocks were rocked by **CannTrust's** scandal and underwhelming results of Canopy Growth last month.

Investors are also wary about Aurora's cash burn driven by its [aggressive expansion efforts](#). There are enough encouraging signs for investors though. Analysts expect Aurora's sales to rise by 370% in 2019 and 174% in 2020. They have an average target price of \$13.23 for the stock, indicating upside potential of 81% from the current price.

Canopy Growth

Canopy Growth lost 25% last month. While it [beat analyst earnings and revenue estimates](#) in the fiscal first quarter of 2020 (ended in June), analysts were unimpressed by expanding losses. Canopy Growth posted a loss of \$1.28 billion in the first quarter.

Similar to other cannabis companies, Canopy too is targeting aggressive growth via acquisitions. It

acquired Acreage Holdings — a vertically integrated cannabis company — for \$3.4 billion in April.

Canopy shares also fell last week when its largest investor **Constellation Brands** estimated a loss of \$54 million in the August quarter. Constellation attributed this loss to its investment in Canopy Growth. Constellation has increased its stake in Canopy from 10% in 2017 to 35.6% in 2019.

Canopy shares have now fallen over 50% since the start of May this year and are trading at a discount of 81% to average analyst price target estimates of \$56.67.

Cronos Group

Shares of Cronos Group fell 19.5% last month. This stock was negatively impacted, as it continues to trade at a hefty premium. The overall weakness in the cannabis sector has driven stock price lower in the last few months. Cronos is valued at \$5 billion, which is 114 times its 2019 sales. This valuation is insanely high, despite its expected revenue and earnings-growth rates.

Cronos investors have lost over 50% since March 2019, and despite this pullback, analysts have an average target price of \$15.28 for the stock. Cronos shares are trading at \$14.6, implying upside potential of just 4.7% which is not attractive at all for cannabis investors.

What next for HMMJ investors?

It's very likely that HMMJ will gain in market value in the coming months and end 2019 at a higher price. We have seen that two of its three top holdings have significant upside potential and will drive the ETF higher heading into 2020.

The growth story for cannabis stocks is far from over, and HMMJ investors are likely to benefit from the expansion efforts of several companies. Further, this ETF also provides a dividend yield of 5.5%, which is impressive.

A diversified, high-growth ETF with an attractive dividend yield makes for an enviable investment.

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1. Cannabis Stocks
2. Investing

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1. Cannabis

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. TSX:ACB (Aurora Cannabis)
5. TSX:CRON (Cronos Group)

6. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
7. TSX:WEED (Canopy Growth)

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