Growth Investors: Don’t Sell This Cannabis Stock Yet

Description

With the rollout of its First & Free brand, **Canopy Growth** (TSX:WEED)(NYSE:CGC) shows that it is still banking on growth across the border. Canopy is a leading cannabis stock with a few things that set it apart from other players in the legal weed space: a big stash of cash, that partnership with **Constellation Brands**, and the option to own Acreage as soon as the United States legalizes cannabis.

Three reasons to hold onto Canopy

Having cratered this year, and amid comparisons to the dotcom boom and bust, the cannabis sector has seen wildly oscillating share prices. At points, big names in the marijuana space were losing double digits, only to reclaim them again days later. Bullish investors still have the chance to snap up some potential market leaders on weakness, therefore, though the road to upside is likely to be a rocky one.

Canopy Growth is an especially strong play for three reasons: U.S. exposure, partnership with a leading drinks company, and capital. The company is also currently testing the CBD market in the U.S. with its First & Free operation. Spread across 31 states, Canopy’s U.S. coverage includes oils, creams, and softgels that cater for everyday use.

Could cannabis be a recession-proof investment?

There’s also the suitability for cannabis to fall in line with the so-called sin stocks, such as tobacco and alcohol, a group that enjoys some measure of defensiveness since their products are resistant to market forces. Incredible as it may seem, given the huge peaks and troughs that investors have witnessed on the stock markets, cannabis could eventually be seen as a low-risk sector.

As well as the sin stock factor, long-term cannabis investors may find their investments shielded from market uncertainty for another reason: the alleged therapeutic qualities of medicinal marijuana that connect the sector with those of pharma and healthcare. Should cannabis see an increase in legitimacy in this arena, investors would have another reason to play it for defensiveness.

Combine the recession-proof qualities of tobacco with the similarly stalwart health sector, and you have a potentially solid play for big sky investing, suited to the broadest of financial horizons. This is one reason why currently discounted cannabis stocks could be a strong addition to the speculative segment of a long-range personal investment portfolio.

For investors coming to cannabis stocks from a defensive point of view, companies such as **Village Farms** offer a way to spread the risk of an investment in a legal marijuana company and can add the reassurance of another classically defensive asset class. Village Farms stands among the best consumer staples stocks, such as food and drink companies **Alimentation Couche-Tard** and **Saputo**.

The bottom line

While Canopy faces the same pressures and uncertainties as the rest of the cannabis sector, the industry favourite still has a few aces up its sleeve. With plenty of cash on hand and the backing of a major drinks company, Canopy is in as good a position as any to become one of the first market leaders in a crowded space.

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