



Forget Aurora Cannabis and Bet on This Marijuana ETF for Massive Gains in 2021

Description

Canadian pot stocks such as **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have been under the pump for quite some time. Shares of the cannabis giant have lost over 90% in market cap in the last two years [burning significant investor wealth](#) in this period.

While investors were extremely bullish on the cannabis sector when Canada legalized pot for recreational use, the slow rollout of retail stores in major provinces, low profit margins, a thriving black market, and rising competition have driven marijuana stocks to multi-year lows.

Due to a slew of structural issues, Aurora Cannabis raised equity capital multiple times in 2020 to boost its liquidity position. But it also diluted shareholder wealth, driving ACB stock lower in the process.

While a Joe Biden win has propelled pot stocks higher in the last two months, it might take a couple of years for marijuana to be legalized at the federal level in the U.S.

Investing in an ETF diversifies risks

We can see the risks associated with investing in individual stocks that are part of a fast-growing but very nascent sector. Investors can instead take advantage of the rapidly expanding cannabis market by purchasing pot-focused ETFs such as **Horizons Marijuana Life Sciences ETF** ([TSX:HMMJ](#)).

An ETF holds a basket of stocks that allows investors to diversify their risks by a significant margin. As the HMMJ ETF is cannabis-focused, investors get access to the largest cannabis companies in the world.

The HMMF ETF provides investors [exposure to companies](#) such as **Canopy Growth, Innovative Industrial Properties, Aphria, Cronos, GW Pharmaceuticals, and Scotts Miracle-Gro**; they account for a cumulative 64% of the fund.

We can see that HMMJ also holds ancillary pot stocks such as IIPR, which gives investors an

opportunity to invest in a fast-growing real estate investment trust. Further, HMMJ has U.S.-based companies such as GW Pharma in its portfolio that have a massive presence in the medical marijuana space.

HMMJ ETF has a management fee of 0.75% and an expense ratio of 0.86%. It has around \$500 million in net assets and a forward dividend yield of a tasty 8.2%. In 2021, HMMJ ETF has gained 19%, and it should be on the radar of investors looking for diversification in the cannabis sector.

Top performers in the HMMJ ETF

Let's take a look at how the top holdings in the HMMJ have performed in the last year.

- Canopy Growth: 43%
- IIPR: 145.5%
- Aphria: 83%
- Cronos: 29%
- GW Pharmaceuticals: 16.6%
- Scotts Miracle-Gro: 117%

We can see that HMMJ's major holdings have easily outperformed the broader markets in the last 12 months. However, these gains have been offset by stocks such as Aurora Cannabis, **Tilray**, and many others that have grossly underperformed the markets in the last two years.

In a nutshell, investors with a medium-risk appetite that want to invest in a high-growth sector like marijuana should consider adding ETFs such as HMMJ to their portfolios. While these ETFs will not rise at an exponential rate, it has the potential to outperform the broader indexes over the long term.

CATEGORY

1. Cannabis Stocks
2. Investing

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1. Editor's Choice

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1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)
3. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)

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