



1 Marijuana ETF That's Up an Insane 119.8% in 1 Year

Description

Experts and market analysts believe that the maturing marijuana industry will see a [significant advance](#) in 2021. Momentum is building as political preferences, particularly in the U.S., are shifting toward federal legalization. Some people think M&A activities or consolidation globally could even accelerate.

Choosing individual marijuana stocks is a challenge. Industry giants like **Canopy Growth** and **Aurora Cannabis** under-delivered in recent years. Massive cash burns and mounting losses were the standard features of cannabis producers. Fortunately, a marijuana exchange-traded fund (ETF) offers an alternative if you want to secure footing in this shaky sector.

Investors in the **Horizons Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#)) are a happy lot. The marijuana ETF is up an insane 119.8% (\$5.55 to \$12.20) from a year ago. Had you invested \$10,000 on March 9, 2020, your investment would be worth \$21,981.98 today.

Index ETF requirements

Putting up an index ETF, fund managers or companies must meet eligibility and volume requirements. The index's market cap must be more than \$75 million. At present, Horizons net assets stand at \$570.54 million. The second hurdle is a monthly daily trading volume of more than 75,000 shares and an average daily trading value of over \$250,000. Thus far, Horizons meets both.

What the index tracks

The marijuana Index ETF seeks to replicate the returns of the North American Medical Marijuana Index. Canadian companies comprise 74% of the fund, followed by American (16%) and British (10%) firms. The primary focus is on companies that derive earnings or income mostly from medical marijuana.

Latest holdings

Horizons has 27 stocks in its portfolio as of March 5, 2021. Since 2018, the fund's value comes from the top five holdings, although managers invest 85% of the fund in the top ten holdings. **Aphria** (19.75%) is the top holding, followed by Canopy Growth (13.75%) and **GW Pharmaceuticals PLC** (12.75%).

Cronos Group (10.6%) and **Innovative Industrial Properties** (8.76%) round up the top five holdings. Aphria's future mega-merger partner **Tilray** (8.44%), is on the sixth spot. Aurora Cannabis, **Charlotte's Web**, **Neptune Wellness**, and **Village Farms International** belong to the ETF's portfolio basket too.

Bubble could pop soon

Market observers warn of the cannabis bubble popping soon. Some weed stocks saw a parabolic surge in early 2021. One analyst said speculation, not fundamentals, is driving marijuana stocks higher. Also, the cannabis sector is likely to form bubbles. The [new breed of retail investors](#) that feasted on **GameStop** could funnel money into cannabis stocks.

Marijuana ETF advantages

The investment pitch of Horizons Marijuana Life Sciences Index ETF is simple. HMMJ provides exposure to a diversified group of companies within the marijuana industry while reducing the single stock risk. Because the industry is growing and evolving rapidly, there's a quarterly rebalancing of the portfolio.

The index ETF must, at all times, reflect changes in the leadership positions and industry growth drivers. Last, HMMJ refrains from investing in any Index constituent that engages in the cultivation or distribution of marijuana in the U.S., where such activities are illegal federally.

However, one drawback to investing in HMMJ is the expensive annual fee or management expense (0.75%). Besides the high cost to invest in the basket, be sure you understand the elevated risks. Most cannabis stocks are overvalued and not quality stocks, for that matter.

CATEGORY

1. Cannabis Stocks
2. Investing

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

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