



Why Investing in the Horizons Marijuana Life Sciences ETF (TSX:HMMJ) Makes Perfect Sense

Description

Several cannabis stocks have created significant wealth for investors. **Aurora Cannabis** has returned 1175% in the last five years, while **Canopy Growth** is up 1400% since August 2014. **Tilray** went public in July 2018 and has gained just 10%, while **Cronos Group** is up 1900% since December 2014.

But past returns mean nothing for a potential investor. How does one select the perfect stock to buy and hold for the long-term? Here is where the **Horizons Marijuana Life Sciences ETF** ([TSX:HMMJ](#)) comes into play. It has a basket of top cannabis stocks and diversifies investor risk.

Canopy Growth accounts for 11.8% of this ETF, followed by Aurora, Cronos, and Tilray at 11%, 9.7%, and 9.5%, respectively. Other top high-growth cannabis stocks such as **Aphria** and **Hexo** account for 6.2% and 4.3% of HMMJ. The top 10 holdings in HMMJ account for 71.5% of the ETF.

HMMJ is trading 42% below its 52-week high

The HMMJ ETF was listed in April 2017. It rose from \$10.84 in April that year to \$27 in September 2018. This ETF is now trading at \$15.6 almost 42% below its 52-week high at writing. The recent pullback provides an opportunity for cannabis investors.

The global cannabis industry is estimated to grow at a robust rate. This industry is still in a nascent stage and investing in individual cannabis stocks will also mean a lot of volatility. While HMMJ will have a higher beta compared to traditional ETFs, investors will experience far lower volatility compared to individual stocks.

The HMMJ website states, “Unlike an investment in the stock of a single Marijuana company, HMMJ provides exposure to a diversified group of companies within the industry, reducing single security risk.”

Cannabis stocks have come under the scanner

[We have seen that CannTrust](#) stock has lost close to 80% in market value since March this year due to regulatory issues. Health Canada has suspended its license and the company is in the middle of an investigation by the Ontario Securities Commission as well.

Investors were spooked sending peer company shares lower in the recent past. Will this get other cannabis stocks under the regulatory lens? CannTrust accounts for just 1.9% of HMMJ and again limited significant investor loss.

HMMJ valued the North American cannabis market at \$24.5 billion

The legal North America Marijuana market is estimated to reach \$24.5 billion by 2021. This provides substantial growth opportunities for top cannabis stocks. Sales of Canopy, Aurora, Tilray, Aphria, Hexo, and Cronos are estimated grow by 194%, 369%, 315%, 189%, 1100%, and 288% respectively in the current fiscal year.

These robust growth rates are what attracts investors. Further, there is also significant potential for international expansion. Aurora and Canopy Growth are investing heavily in international markets and other players will look to do the same. The global cannabis industry is estimated to rise from \$13.8 billion in 2018 to \$66.6 billion in 2025.

HMMJ also has an [annualized dividend yield of 4.8%](#) which is more than impressive. This ETF has gained 44% since April 2017 and will most likely be a solid bet for long term cannabis investors.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. HMMJ
2. HMMJ ETF

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

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