

Hello Everyone,

The cannabis stock craze began two years ago. I avoided it. Sometimes I regretted that decision. Many stocks soared. But the companies weren't making money. Oh, and state and local governments wanted all the pot company profits. Still, the stocks roared higher (no pun intended)-----until they didn't.

In the last half of 2019, reality has crashed in on weed stocks. That industry is financial mess.

I know this is kind of an odd topic during the Christmas and Hanukkah seasons, but news is slow so...

Oh, and if holiday party conversations bog down, once you read today's missive you can always talk convincingly about marijuana stocks. Or not. :>)

Signed, Your-Concerned-The-Overnight-Lending-Market-Is-Still-Frozen-And-Overt-Printing-Of-Money-To-Pay-Our-Debt-Is-Underway Financial Advisor,

Greg

KKOB 12.20.2019 Cannabis Crazy

Bob: So, Greg, this morning we're to discuss a topic that's been very popular for a long time----but you've never addressed it. And, that's cannabis stocks. My question is----why did you avoid it for so long?

Greg: Three reasons:

- First, was the timing. Bob, when everyone is talking about an investment, it's rarely a deal. And everyone was talking about weed stocks. It reminded me of Bitcoin.
- Second, while I understand the legitimate medical uses of cannabis, I think we all know about the abuses, too. I didn't want to be part of that.

- And finally, the government's role in all this made me uneasy.

Bob: I can see that. Still, it is legal---and didn't a lot of people make money by buying these stocks?

Greg: Maybe they made money, but I have my doubts. And to back up my claim, let's look at the North American Cannabis Stock Index. And yes, there is an index that follows weed stocks.

So, Bob, let's pretend it's two years ago---just before the mania began---and you hit it just right. You invested \$10,000 at the exact low in cannabis stocks in October of 2017. Three short months later, in January of '18, your \$10 grand had grown to \$36,000. You were one happy investor.

By August of '18 though you were back down to \$23,000. But then Canada legalized recreational pot! Cannabis soared and by October of '18 you were back to \$33,000. That's wasn't quite the old high of \$36,000, but still great. Are you with me so far?

Bob: Sure, even with my ups and downs, after a year, I've gone from \$10,000 to \$33,000.

Greg: Right. And then you had a setback. Two months later, you were back to \$20,000. But five months after that, you were back to up \$30,000. Yes!

But, Bob, then the wheels fell off. Today, your original \$10,000 is worth only \$11,000. And, again that is assuming you

invested at the very bottom two years ago.

Bob: But if I didn't hit it just right, I'm probably underwater right now.

Anyway--- just listening to those numbers makes me think investing in cannabis is kind of like smoking it. You get a big roller coaster ride of ups and downs---- but every high gets a little lower.

Not that I know that personally of course.

Greg: Of course not. And that's a pretty good observation because that's exactly what happened. Each cannabis stock high did get a little lower. And now the lows are flirting with going lower as well.

So, the question is this, "what happened?" And here are some answers:

First, many States are taxing the daylights out of cannabis companies. For example, recently California announced a 60-80% excise tax on pot companies. That means the legal businesses had to raise prices...a lot. Thus, the black market is thriving, which of course, takes away the legal guys' customer base.

Oh, and if you think the cops are going after black market cannabis dealers in marijuana-legal States---ha! Not a chance.

Next, wall street is starting to figure out these companies don't make money. For example, America's largest cannabis stock is Curaleaf. Bob, their operating income has

been negative since 2015 while their debts are soaring.

Bob: So, I guess you could say their profits are going up in smoke.

Greg: Very funny...it's kind of like that old Clinton joke. **Q:** What do you call a pothead who doesn't inhale? **A:** Mr. President.

But we're getting off track! The investment lessons are these:

If everyone is talking about it, you probably missed it. In other words, don't chase a stock that has a great story, but without the numbers to back it up.

And two, if the government sees your business as a cash cow to be milked, you're doomed. And, we all know the main reason States approved this stuff for the money.

Bob: Good stuff. But before you go, do you have time for one more joke?

Greg: Sure.

Bob: **Q:** Why did the cows return to the marijuana field? **A:** It was the pot calling the cattle back!! How do people reach you?

Greg: (Laughing) That was so bad. Just go to my website at zanettifinancial.com. You can learn all about me there.

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