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Trump Win Clouds High Expectations For Cannabis Stocks

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The marijuana industry was among the big winners in this year's presidential election as several states voted to legalize the drug. The move bodes well for funds investing in marijuana stocks as the space may see an increase in new startups and mergers and acquisitions. There's uncertainty around how President-Elect **Donald Trump** will treat with this industry, however, as many members of the Republican Party have been vehemently against legalizing marijuana.

California, Maine, Massachusetts and Nevada voted to legalize recreational marijuana while Arkansas, Florida and North Dakota approved medical cannabis initiatives. Montana early this morning also passed a measure that would expand the use of medical cannabis. "The industry is going to really blossom in the future," **Timothy Taggart**, portfolio manager of the American Growth Fund Series Two ([AMREX](#) ^[1]), told *FA*. The fund primarily invests in companies involved in the legal cannabis industry.

While the moves are expected to boost the industry, Trump has been vague on his stance, **Chris Walsh**, editorial director of *Marijuana Business Daily*, told *FA*. "The big shocker of the night has created a lot of confusion and even concern about where things are going to go in the marijuana industry," Walsh said. "If [Trump's] going to take the reins of the industry and fight all these states that legalized, that's going to be a huge battle and I don't know if that's what he wants to do—that's what gives people hope. The uncertainty of that for investors is it will somewhat limit, at least in the near term, their enthusiasm and potential participation until they get a better idea of how he's going to approach this."

Walsh added Gov. **Chris Christie** has been staunchly against the marijuana industry. "The big fear is he will appoint Chris Christie to head the DOJ and Chris Christie has been on the record saying he would go after the recreational marijuana industry," he said. "He has also not been very friendly in general to medical marijuana in New Jersey although that program has loosened up recently."

The passed provisions may, however, ease the hurdle of banks being hesitant to accept money made from marijuana sales, according to Taggart. He added if banks reclassify this industry, more startups will be encouraged to enter the space and there will be more research around the medical effects of cannabis, particularly Cannabidiol, also called the CBD drug. This drug is currently being researched in relation to treating diseases such as epilepsy.

Many pharmaceutical companies are also looking to acquire marijuana startups which will create more investable opportunities, Taggart said.

The industry is likely to see \$7-\$8bn in additional annual retail cannabis sales, according to estimates from *Marijuana Business Daily*. "The industry is going to reach a critical mass that is going to make it much more attractive to main street and Wall Street investors," Walsh said. "You're going to see some companies scale up quickly in the next couple years and become fairly large."

The revenue generating opportunity is huge, particularly in California. "With the state having 40 million people, that itself is going to be a massive market," he said. "It's a hub of investment activity, Silicon Valley, it's a global center of innovation and it's a high-tech powerhouse and all those factors are really going to open the doors for companies and entrepreneurs and investors."

Companies supporting the industry including those providing equipment, research labs, real estate and energy resources are likely to benefit first, according to **Greg Falls** partner at law firm **Sherman & Howard**. This is because marijuana is still illegal in most states. Banks, for example, are reluctant to take cash from these firms because it may be considered money laundering.

"If it's a service business that supports the industry, probably those will be the first to benefit and take off," Falls said. "Because it's a state by state process I don't think the actual producers, the sellers, the shippers, the people who are touching the product, I don't think we're quite ready for that to be in for the same reason as the banking system, we're not quite ready for that to take off. The Federal government could turn around tomorrow and change that or not."

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