



# Let's Toke Business



December 29, 2023

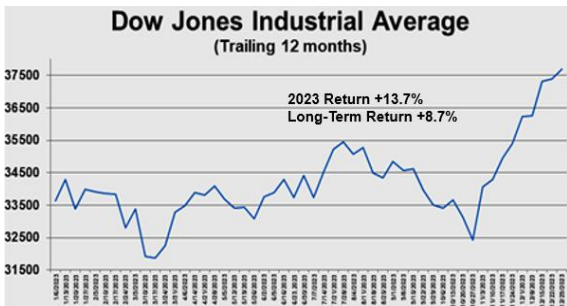
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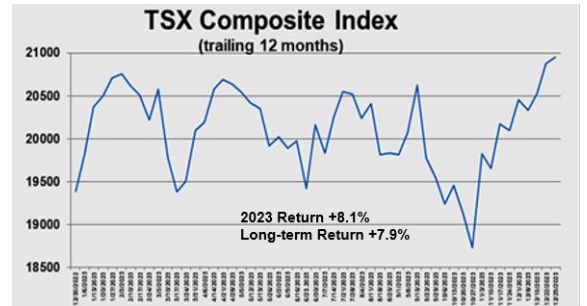
## Stock Market Review & Outlook

**LTB MARIJUANA INDEX: 1wk -0.5% 1 mo -10.2% 3 mo -21.5% 6 mo -29.8% 1 yr -44.3%**

The market year 2023 has ended and the record will show, it was an excellent year for equity investors. The following charts give you an idea of the relative performance of the stock markets last



year. To the left is the Dow Jones Industrials that lagged in performance for most of the year but rallied strongly late in the year to produce a



return of +13.7% compared to a long term of +8.7%. The Toronto Stock Exchange above right turned in a similar pattern for 2023. Below are the S&P 500 and the NASDAQ Composite. These indexes had a different pattern as I pointed out most of the year. Because of their content of Artificial Intelligence



stocks that led the markets in 2023, these sectors had much higher rates of return: The S&P 500 was up +24.2% compared



to a long-term average return of +10.1% and the NASDAQ gained +43.4% compared to a long-term return of +10.4%. It was a year worth reflecting upon.

In February 2023, as I looked ahead to the year that has just passed, I talked about the old stock market adage that says at the end of a bear market, the next bull market ***“has to climb a wall of worry.”*** Well having come through those months, we have seen the market deal with those worries: the large cap markets fought off the highest inflation in decades, rising interest rates, a recessionary outlook, international political tensions and social changes that test the sensibility of anyone over 50 years old.

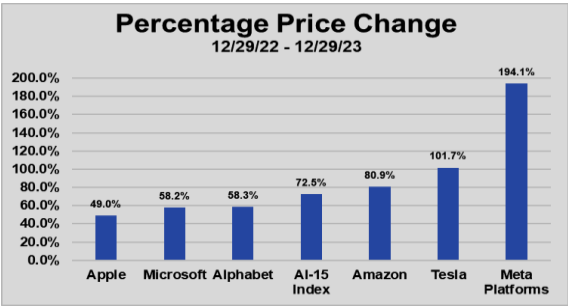
As readers know, I don't try to forecast the market. What I do is try to identify the trend in stock prices and stick with that until the market tells me otherwise. As I sit here today, the market trend remains upward and I will remain optimistic until the market gives me reason to believe the trend has reversed. As I look ahead to rising stock prices in 2024, I see the wall of worry is still there. Some of the items include higher inflation, (inflation is lower but still high) and higher interest rates, (interest rates are flat to slightly lower but still high). There is still the possibility of a recession. Also, a new concern is about to move to the headlines – the U.S. Presidential election. Will the Democrats be able to use the press

and the Department of Justice to prevent their main political threat, Donald Trump, from running for President? Will the Democrats be forced to change their second greatest political liability, the Biden/Harris ticket? How nasty will the campaigns be? I suspect electioneering will be worse by orders of magnitude. Finally, will there be rioting in the streets if Biden wins? Will there be rioting in the streets if Trump wins? Will the 2024 election outcome do irreparable damage to the United States? If stock prices continue to rise in 2024 as I suspect will be the case, equities will be climbing a wall of worry.

The major market news in 2023 was Artificial Intelligence (AI). In fact the stocks that dominated the headlines were called the Magnificent Seven. Here is how the Magnificent Seven performed in 2023.

The Magnificent Seven performance ranged from +49.0% at the low to +239.0% at the high. I have included the AI-15 Index that would have been fifth out of eight in

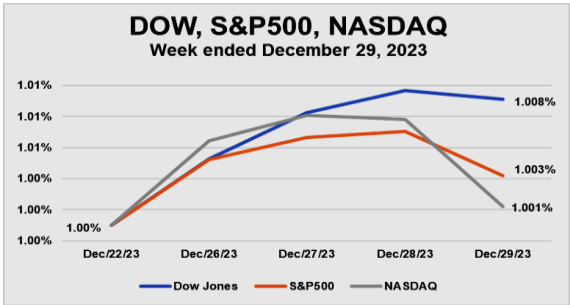
		12/30/22	12/29/23	%Δ
Nvidia	NVDO.O	\$ 495.22	\$ 146.08	239.0%
Meta Platforms	META.O	\$ 353.96	\$ 120.34	194.1%
Tesla	TSLA.O	\$ 248.48	\$ 123.18	101.7%
Amazon	AMZN.O	\$ 151.94	\$ 84.00	80.9%
AI-15 Index		2235.33	3855.80	72.5%
Alphabet	GOOGL.O	\$ 139.69	\$ 88.23	58.3%
Microsoft	MSFT.O	\$ 376.04	\$ 237.71	58.2%
Apple	AAPLO	\$ 192.53	\$ 129.21	49.0%



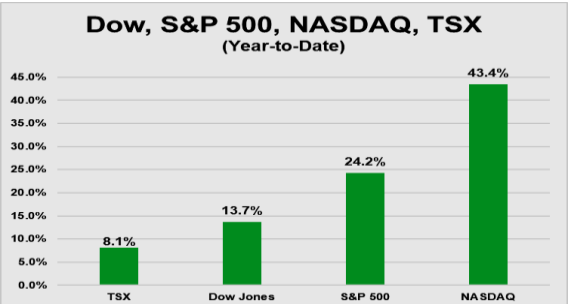
terms of performance at +72.5%. It is worth noting at the AI-15 does not include any of the Manificent Seven in calculating the index and the worst performing Magnificent Seven stock (Apple +49.0%) would have outperformed the best of the major indexes (NASDAQ Composite +43.4%).

Based on my experience, in circumstances such as this, Artificial Intelligence (AI) will continue to dominate because that is what is actually happening in the economy. Investors, on the other hand, will see that the Magnificent Seven may not offer the best values for portfolio so their interest will move down the line to smaller AI companies. I think the larger cap sector will produce positive returns in 2024 but the highest returns will come from a lower tier in size.

As the chart below left shows, the last week of 2023 was a holiday shortened four-day trading week. The market was stronger at the start of the week but finished lower on Friday heading into



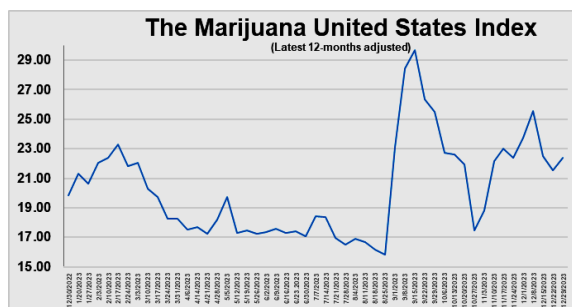
another three-day weekend and four-day week to start 2024. This may have been nothing more than pro trader's reluctance to go



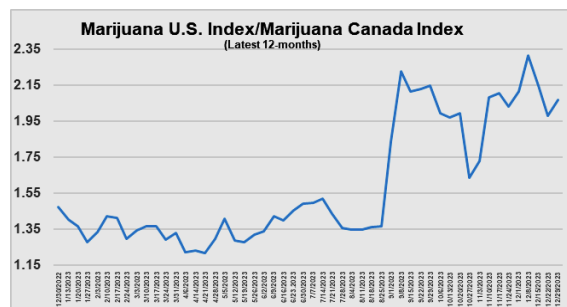
into a long weekend with long or short positions outstanding. The chart above right does point out once more that 2023 will go down as a strong year for stock owners. The Toronto Index indicates a moderately strong year while the Dow had a positive year, the S&P 500 had a strong year and the NASDAQ

recorded an excellent year. I follow what the market tells and that is positive upward momentum but it is important to recognize that following strong Novembers and Decembers, markets may trade sideways to a bit lower in January.

**The U.S. marijuana group made a weak attempt at a rally to close off 2023.** This group does trouble me in that I can't believe we are now three years into a Biden administration that started with control of



the White House and full control of congress for the first two years and the White House and the Senate for the next two years



and they still have not passed any pro-cannabis legislation to assist the operators. I think this must be one of the major failures of the past three years. Before Christmas I left readers with some tax loss selling guidelines. For **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** I suggested the stock was a buy at \$0.015 per share and a hot buy at \$0.01 per share. The stock did not get sold down to the lower level but it is trading at \$0.015 where I think it is very buyable. I suggested a buying range for **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** in the \$0.50 to \$0.60 per share. JUSH did trade in this range briefly before and after Christmas but closed the year above \$0.60 per share and I would not chase it.

CuraLeaf Executive Chairman Boris Jordan spoke over the holidays in conjunction with CURA's listing on the Toronto Stock Exchange. Jordan believes the TSX listing will allow larger institutional investors to invest in the group. However, he doubts no one will make a significant move back into the U.S. marijuana sector until rescheduling takes place. It appears Jordan has given up on the senate passing SAFER Banking and has turned his attention to the Drug Enforcement Administration (DEA) rescheduling marijuana from a Schedule I to Schedule III drug on the advice of the U.S. Department of Health and Human Services (HHS) in October 2023. This would provide the industry with many advantages, one of which would be the reduction in the average tax rate cannabis companies are paying from his estimate of 70% to a more normal average corporate tax rate which I would estimate at around 20%.

The weakest link in Jordan's argument is the expectation that rescheduling will happen on or before April 2024. The DEA has long exhibited an anti-marijuana bias. Most recently the DEA kept marijuana as a Schedule I drug even after the Food and Drug Administration (FDA) had approved marijuana-based drugs. When HHS responded to President Biden's request to review the scheduling of marijuana in a year that was the equivalent of bureaucratic light speed. In expecting the DEA to move even faster than HHS is questionable. I am aware of the fact that much of the science the DEA needs to make a decision has been done by others but I also know they might opt to do it themselves. Also, the DEA will consider U.S. obligations under international drug-control treaties. Finally, I know the DEA has never moved contrary to an HHS recommendation.

Initially, it was speculated that the DEA could provide a draft response by the end of 2023. The end of the year has come and gone and I haven't seen anything yet. It could still happen but it hasn't so far. An unfriendly DEA is not a stupid DEA. They can work out the time line as well as anyone. If they drag out a decision past April 2024, there won't be time for all the required changes to be made before the upcoming election. This is a presidential election year and while I am not predicting it, power could shift back to the Republicans that are far less cannabis friendly. Meanwhile, bills such as SAFER Banking will die with the current congress and will have to be reintroduced by the next congress. If that congress is Republican dominated, SAFER Banking might be gone forever.

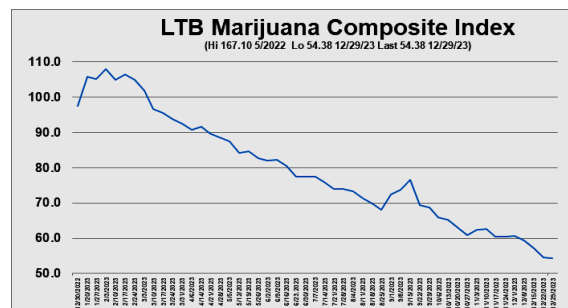
It isn't all bad news because Republican Nancy Mace has the States Reform Act (SRA) ready to go and it is a more business positive bill but it is lighter on social issues than SAFER Banking for example. If the election results mean the Republicans need Democratic votes to pass SRA in the senate, it may be a difficult task.

If it gets messy and delayed, I am compelled to remind you that it was all created by Democratic senators Charles Schumer, Cory Booker and Ron Wyden. The House sent a version of SAFE Banking to the Senate nine times and it was blocked each time with all recent rejections engineered by the team of Schumer, Booker and Wyden. Schumer and Booker were quick to support SAFER Banking but by then it was too late. Their moves were simply political to make you think they tried their best. They didn't. They blocked pro-cannabis legislation at every opportunity.

**The Canadian cannabis stocks finished the year on a modest losing note.** The Marijuana Canada index dipped -0.3% in the closing week of 2023 and -19.6% on the year while the Let's Toke Business



Marijuana Composite lost -0.5% in the last week of the year and -44.3% on the year. The difference in performance during the

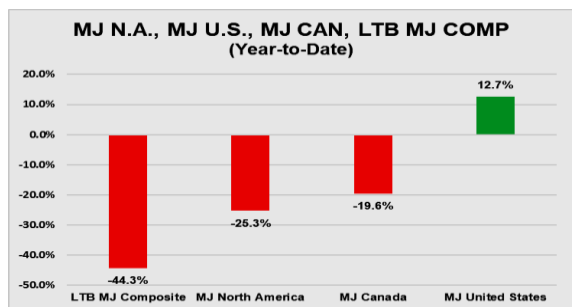


year can be attributed to the greater weighting of smaller cap cannabis stocks in the LTB Marijuana Composite. I also left some bottom fishing guidelines should tax loss selling hit some stocks. I indicated that **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** would be a short-term trading opportunity at \$0.04 or lower. PMED did not reach these rock bottom price levels which can be seen as a positive. I continue see excellent prospects for the stock over the next twelve months and longer based on its fundamentals plus its involvement in Artificial Intelligence and I would continue to be a buyer at current levels for the next one to three years. I also mentioned **Lexaria Bioscience (NASDAQ: LEXX)** as a buy candidate if tax loss selling took it below U.S. \$1.25 per share which it did briefly. Given the potential for some positive developments starting within weeks with the receipt of the final data needed to file its Investigational New Drug (IND) application, the filing of the application and receiving

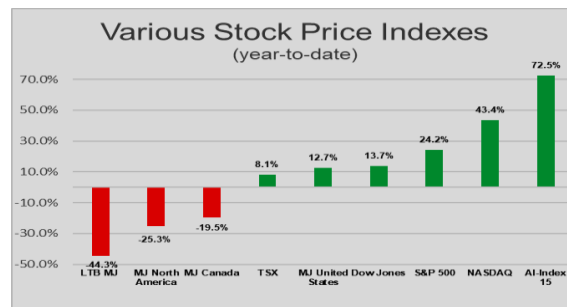


a response from the FDA in the first quarter of 2024, there is the possibility of some highly attractive returns staring shortly and lasting through the first half of 2024.

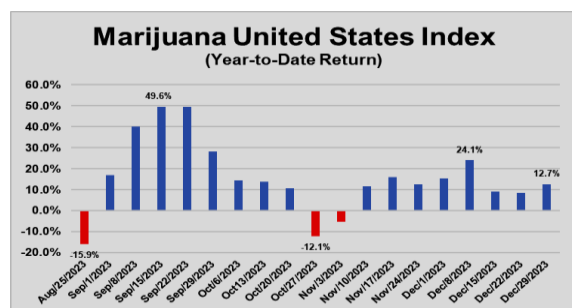
The chart below left shows the year-to-date (y-t-d) returns for the major cannabis indexes. It is worth noting that the U.S. sector was able to post a positive return for 2023. All sectors were in the red all



year until the recommendation was made to the DEA that marijuana be rescheduled from Schedule I to III. This news triggered a rally in the



cannabis group generally and the U.S. sector in particular as the latter group swung from a year-to-date loss of -44.3% in late August to a gain of +49.6% in September back to a loss of -12.1% to a return



of +12.7% for the 2023 year. What is interesting to me about this chart is how quickly the MJUS index return changed. The index return moved from -15.9% to a gain of +49.6% in a period of three weeks. From there it dropped to -12.1% before closing at +12.7%. From a portfolio point of view, this demonstrates why it is important to establish portfolio positions before news is published. If you wait for the news, you

will be late and/or you will be dissuaded from buying because the stock is rallying strongly. Of course, your personal investment objectives will determine your hold period. If you are a very short-term trader, your hold period might be a few days to a few weeks. If you are a long-term trader, your hold period might be much longer; from a few years to several years. In this case you must continue to follow the progress of the companies you have selected to own.

**Conclusion:** 2023 was a boisterous year that produced outstanding stock market returns. I was certainly a year that proved the rule that bull markets climb a wall of worry as I pointed out in February 2023. This year, 2024, will be a little different in my opinion. In the year ahead, we will transition to a market that is focussed on the presidential election. As I sit here today, I cannot say who will be leading either party into the 2024 U.S. election.

I am not an American so I don't have a vote that means I effectively don't have a horse in this race. However, as a Canadian and a cannabis investor the results matter to matter me. Here is my unvarnished assessment:

(a) Over the past three years, I have watched President Biden change from a man whose mental acuity was being negatively impacted by the passage of time to a person that I do not believe has the capacity to fulfill the role of President. The American people seem to know this as his latest low approval rating of 39.3% as compiled by fivethirtyeight.com and a relatively high disapproval rating

of 55.4%. Sometimes I feel the only reason he remains in office is because the alternative is Vice President Kamala Harris with an even lower approval rating of 37.1% and a disapproval rating of 53.7% presents a Hobson's Choice – you must keep Biden because Harris is even worse. If the Democratic powers that be decide the Biden/Harris ticket has to be removed before the voters do it in November, it will come as a heavy blow to the U.S.

- (b) Something that really bothers me about the Democrats is their actions line up with what any tin pot dictator would do in their position. They appear to be using a complicit press and the power of government such as the Department of Justice, the Federal Bureau of Investigation and the courts to remove their political rivals. I think many Americans agree with me. The more the Democrats do, the more popular Trump becomes. If they manage to throw him in jail, Trump will be almost unbeatable in November.
- (c) Former President Donald Trump seems destined to be the Republican candidate although it is still remotely possible that someone could beat him in the battle for the nomination. My problem with Trump is he seems more determined to make up for his loss in 2020 than he is to be President in 2024. The most interesting decision on the horizon is who Trump will choose as a running mate. This could be a choice that makes or breaks his chances in November.
- (d) Something I don't like about Republicans currently is they seem to be in a state of complete disorganization. For example, it took fifteen rounds of voting to elect Republican Speaker of the House Representative Kevin McCarthy when 8 Republicans joined 208 Democrats voted on a motion to vacate put forward by another Republican. Now it's bad enough to remove your own Speaker without have a replacement ready but after an eight-day recess, it required four different candidates voted on over three weeks during which time the House could not conduct business until Mike Johnson, a little known Republican Representative from Louisiana, was finally chosen. It does not give you much confidence in a Republican led Congress.

**Conclusion:** 2024 is shaping up to be an interesting year for investors. The issues are mostly the same but we'll be coming at them from a different angle. With interest rates, we spent 2023 arguing about how high they will go and when they will stop rising. In 2024, we will be looking at when interest rates will start falling and how fast they might decline. With respect to the economy, we spent 2023 wondering if the Federal Reserve was being too hawkish and whether that would result in a hard landing. In 2024, the discussion will center around if there will be a recession at all. Of course, it is an election year and apart from the issues I discussed above, I am worried about how nasty the campaign attacks will be. I am concerned about the post election events, that is, the Democrat's ability to cede power if Trump should win and the possibility of Republicans rioting in the streets if Biden wins. The answers to these questions will determine the course of American politics for years to come.

### Question of the Week

Thank you for sending in your questions and I hope you will keep them coming. It's your questions that keep this feature interesting and useful. Send your questions to: [ltbletter@gmail.com](mailto:ltbletter@gmail.com) Include your initials or a pen name we can use along with your city and country of residence. Questions might be edited for clarity and brevity.

The objective of the 'Question of the Week' feature is to allow readers to ask questions about investing about investing that is on their minds rather than have me guess what you are wondering about.

## The Cannabis Report Model Portfolio

The two largest holdings are **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** while **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** and **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** remain prominent holdings. The two smallest positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

## Special Report

### A Glimpse Ahead to Large Cap and Marijuana Stock Performance in 2024 – an Update

As we look ahead to 2024, we may be at a point where politics dominates the market. Regular readers

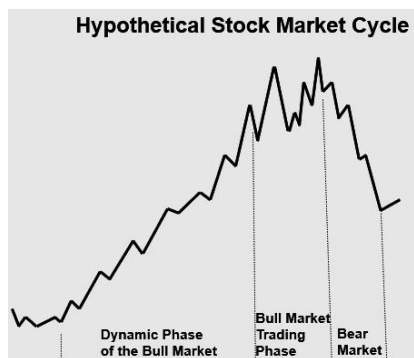


Figure 1

are familiar with the way I choose to frame the markets. **Figure 1** to the left lays out the hypothetical model I have developed for a complete stock market cycle. It breaks the full cycle into three parts: (1) The Dynamic Phase of a Bull Market, (2) The Trading Phase of a Bull Market and (3) The Bear Market. **Figure 2** shows the cycle in its three parts a little more clearly.

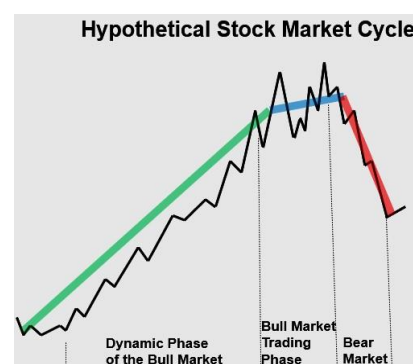


Figure 2

This is not a predictive model, that is, I am not trying to forecast where the market is going. Over the years, it has been established that market forecasting does not add value to the portfolio management process. In this approach, I try to identify the phase we are in. Since each leg has some duration, if we identify the stage we are in, we can set up portfolios for what is to come.

The most difficult part is identifying the transition points where we are moving from one phase to the next. I think that is where we are now. As illustrated in **Figure 1** above, a Bull Market is made up of the Dynamic Phase and the Trading Phase in which the market is generally rising whereas the Bear Market stands alone as a period of declining prices. The average Bull Market lasts around 33 months or 2.7 years. Of this total, the Dynamic Phase traditionally lasts longer than the Trading Phase. The average bear market lasts approximately 9.5 months or 0.8 years. As a result, the complete stock market cycle runs an average of about 42.5 months or 3.5 years. On a rule of thumb basis, a typical stock market cycle is said to be 4 years long made up of a 3-year Bull Market and a 1-year Bear Market. The Bull Market represents a little over 75% of a full cycle with the Bear market lasting a little less than 25% of the full cycle. As a result, investors often describe the stock market as three steps forward and one



step back or as Professor Burton Malkiel is reputed to have said, “The stock market is a random walk up a 9% grade.”

Another variable is the average Bull Market rises over +110% while the typical Bear Market declines around -36%. This relationship of Bull Markets reaching higher new highs and Bear Markets falling to higher new lows has been true for almost all of the past 100 years. That is why a long-term stock index chart such as the Dow Jones Industrial Average or the Standard and Poor's 500 always rises to the right over time.

What characteristics predominate in each of the stock market cycle's different phases? The main difference is in the volatility and size of corrections in stock prices both up and down during each phase. In the Dynamic Phase of a Bull Market, stock prices are generally rising strongly. Because the Dynamic Phase is the longest of the three phases, there may be more corrections but they tend to be smaller; typically in the 3% to 5% range as illustrated in Figure 3.

As the cycle transitions from the Dynamic Phase to the Trading Phase, the volatility increases. In fact, this is the defining characteristic of a Trading Phase compared to the Dynamic Phase. In the Trading Phase, the corrections become much larger; generally, in the 5% to 10% range. This is why I call it a Trading Phase because it favours shorter-term investors.

Assuming you cannot perfectly time the top and bottom of a market precisely, you will miss the top and bottom by, say, 2.5% each. That means if the market is only giving you 5% swings as is the case in the Dynamic Phase of a bull market, short-term trading is probably not the best idea. In the Dynamic Phase, it may be better to buy and hold. But in a Trading Phase, the market is more volatile and it provides more opportunities to trade profitably. In addition, once you recognize you are in a Trading Phase, you want to accumulate cash and raise the quality of the holdings in your portfolio. The better approach may be to sell into strength, buy on weakness but spend less money thus raising cash and accumulate higher quality stocks that will be more defensive in a declining market.

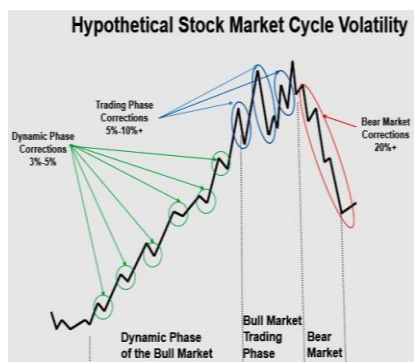
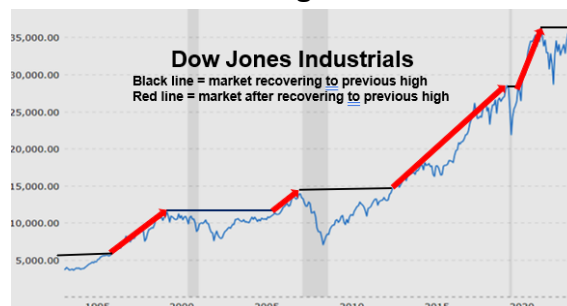


Figure 3

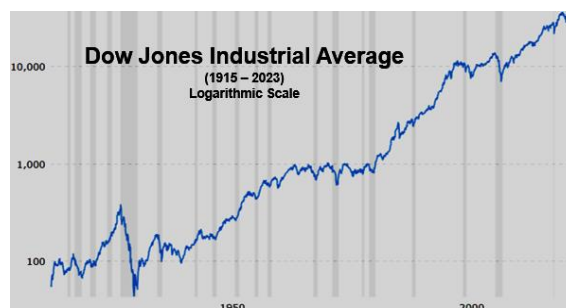
As we move into a Bear Market, the pattern evolves and becomes almost the direct opposite of the Dynamic Phase. In other words, in a Bear Market stock prices tend to decline relentlessly with very minor and occasional rallies of 3% to 5%. A sign of the end of a bear market is an unexpected disaster such as a high-profile bankruptcy and investor capitulation, that is, a market that experiences a sharp decline on high volume, also called a selling climax. Such an event is not necessary for a bear market to end. By this time, your portfolio should be defensive with cash reserves and higher quality holdings.

I reported that the Dow Jones Industrial Average (the Dow) hit its all-time high last week. Let's take a look at what typically happens after the Dow hits a new high. The chart noted **Figure 4** shows what has happened over the previous 30 years. The black lines show how long it took for a new high to reach the level of the previous high. The record length of time for this to happen was following the Great Depression when it took the Dow from September 3, 1929 to November 23, 1954, or over 25 years to recover its post-depression loss. But as the chart shows, it is typically much shorter than this. The longest in more recent times for the Dow Jones Industrials shown in **Figure 4** are the four and one-half years following the Dotcom bubble and the four years following the 2007 – 2008 Global Financial Crisis. The red lines on **Figure 4** show the recoveries after the Dow has recouped its previous losses. It shows the market continues to rise for long after.



**Figure 4**

Here is a look at the long-term Dow chart. Two points to note. First, this chart is plotted on a different scale than the chart of the Dow above. The reason is this chart covers over a century of history and the data from a chart this long nearly eliminates the ups and downs in the early years. The logarithmic scale shows the rate of change in the data which gives us a more revealing picture to look at. What is critical is the chart steadily rises to the right. This is likely to happen with listed common stocks as long as the underlying economy keeps growing. The growth does not need to happen on a daily, weekly, monthly or yearly basis. As I mentioned above on rare occasions such as the Great Depression of the late 1920s and 1930s, the recovery of losses took as long as 25 years but it did come. If you are a long-term investor, your return over a 30 or 40 or 50 year period should provide a return of close to the long-term compound annual average return of approximately 10.5%.



The economy can also help us identify the phase of the market. But this is not as easy as it might seem for reasons that are under discussion at present. Here are some of the issues:

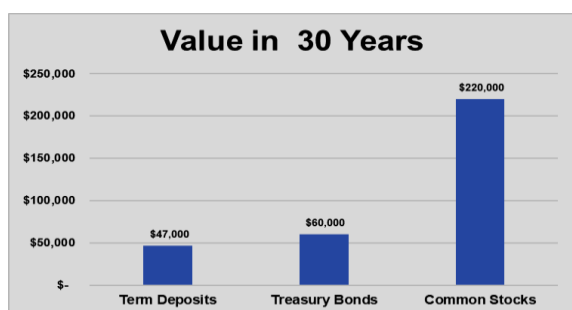
- As we have seen of late, economic data is often published after the fact and is almost always revised six and nine months later. On the other hand, the stock market is accurate on a real time basis. If you receive a stock price quote, that is the price it was trading at a few seconds ago in most cases. That is why economic forecasts are not as helpful when used in relation to stock prices.
- The Federal Reserve Board tries to engineer or manage the economy from time to time. When it is attempting to move the economy higher or lower by moving interest rates lower or higher, investors hang on the Chairman's every word. This has been the case over the past two or three years. But this is not always the case. The markets can go years at a time in which the Federal Funds rate and the Fed Open Market Committee meetings are only of passing interest. It is sometimes said, "Investors see a trend and try to get on it. The Fed sees a trend and tries to change it."

- One issue for the past year or two is whether the Federal Reserve Board will be able to engineer a soft landing, that is, raise interest such that the economy slows enough to reduce inflation to the 2% range without slowing the economy so much we have a serious recession or depression. This was the self-imposed task the Federal Reserve and economists were quick to jump on board. The economic conversation addressed questions such as: how much will the Fed have to raise interest rates, when will the Fed be able to stop raising interest rates and when will the Fed be able to lower interest rates. Statistically, in the past century, two out of three bear markets have been associated with recession while one out of three were not. Another way of looking at it is through economist Paul Samuelson's comment that "the market has predicted nine of the past five recessions." In other words, bear markets and recessions don't always go hand in hand.

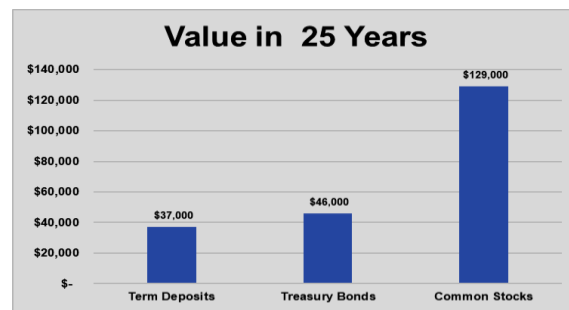
- Perhaps the most egregious error in judgement not just in the U.S. but pretty much around the world was the spending binge justified by the need to offset the negative economic effects of the COVID pandemic. In the U.S. for example, the cumulative federal budget deficits in fiscal years 2020 – 2023 were \$9.0 trillion or 9X the federal deficit for fiscal 2019, the year before COVID. At the same time, the Fed ran an expansive monetary policy by lowering interest rates and buying billions of dollars in treasury bonds off the market. This also pumped dollars into the economy. With so much liquidity pumped into the economy from both fiscal and monetary policies, it is no wonder the economy remains stronger than expected. I also would be surprised if the inflationary problem has been totally resolved.

- The major economic lesson of the war in Vietnam is that fighting wars is inflationary. President Biden campaigned on the platform of keeping the U.S. out of "forever wars." This was similar to the policy of President Trump that was to force NATO members to pay their fair share of the costs and for the U.S. to stop trying to solve everyone else's problems. Staying out of wars was a promise Trump was able to keep and Biden wasn't. The U.S. is now engaged in supporting Ukraine against Russia, Israel against Hamas/Palestine, has made a commitment to support Taiwan if Russia initiates a conflict and the Philippines Defense Treaty with the U.S. could drag Americans into a dispute with China over islands in the South China Sea also claimed by Japan and South Korea.

There are two ways to accumulate more money faster. One is to invest for a higher return and the other



is to invest for a longer period of time. At the end of the day, why do people invest in common stocks looking for that 10.5% long-term



return? The chart above left shows the amount you will accumulate at retirement if you invest \$1,000 per year for 30 years in a non-taxable retirement savings account and invest in term deposits at 2.5% per annum, treasury bonds at 4.0% and common stocks at 10.5%. The chart above left shows the value of earning the higher long-term return from investing in common stocks. The chart above right shows how much less you will have at retirement if you start saving five years later, in other words, the

cost of procrastination is high. Starting five years later at \$1,000 per year means you will have \$91,000 less at retirement in common stocks. Get started. The sooner, the better.

**Conclusion:** I expect 2024 to be a positive year for common stocks. The returns might not be as high as 2023 but I think they will still be strong. It looks very much as if the economy will have a “soft landing” or even more likely “no landing” in 2024. Based on the final Fed Open Market Committee (FOMC) meetings in December 2023, the Federal Reserve has now built in three interest rate reductions for 2024. I will continue to measure the trends in the major indexes and the momentum. I am not into forecasting the markets as much as I am into letting the market tell me which phase it is in. I then apply the characteristics of that phase and act accordingly.

The chart to the right illustrates where I think we are in terms of my hypothetical model. There is evidence that we are not at the very bottom of the cycle. For example, the major indexes have already recovered well off the lows and the Dow has moved into new highs. However, as I have shown on this graph to the right, my assessment leads to the conclusion there should still be considerably more upside to the market moving forward from here.



As far as the cannabis sector is concerned, I can't think of any industry that has been more let down by the Democrats. In 2020, pro-cannabis voters supported President Biden and the Democrats in the voting booths. Leading candidates like Vice President Kamala Harris and Senate Health, Education, Labor and Pensions Committee Chair, Bernie Sanders, made some strong pro-cannabis statements while campaigning but both have been very quiet on the topic ever since. As I have said repeatedly, the destructive triumvirate has been Charles Schumer, Cory Booker and Ron Wyden that used the Senate to block the many attempts by the House Democrats to pass the pro-cannabis SAFE Banking Act. The early optimism based on the Democrats taking over Congress following the 2020 election has turned into pessimism with respect to passing pro-cannabis legislation and now depending on the Department of Health and Human Services and the Drug Enforcement Administration to reschedule marijuana from Schedule I to Schedule III. My concern is this will be a longer wait than the market expects.

With the next Presidential election less than a year away, it should be no surprise Republican support in the senate is much harder to come by. I first identified this as a possibility over a year ago. I'm not saying my worst-case scenario is likely to happen but it is at least clearly possible and may even be probable. As a reminder here's how that goes. With the election now on the horizon, Republicans can smell victory and see no reason to pass pro-cannabis legislation in congress before the election results are known. Even if they round up the necessary votes in the senate, since the 2002 midterms, the Republicans have regained control of the House so it might not pass that hurdle. If the Republicans regain power in the 2024 election that might move cannabis to a lower priority. The recommendation from the Department of Health and Human Services (HHS) together with the Food and Drug Administration (FDA) reportedly recommended to the Drug Enforcement Agency (DEA) that marijuana be

moved from Schedule I to Schedule III. But the DEA has been decidedly anti-cannabis reform. For example, they did not change marijuana away from Schedule I even though the FDA had approved drugs based on cannabis thus establishing medical applications for marijuana. From the time President Biden asked HHS to review the Schedule I classification of marijuana, it took around ten months to get a response and this was considered light speed in terms of Government bureaucracy. Going into an election year, an unwilling DEA could stall for an additional few months that would carry the decision to the end of August 2024. This might be clearly too late to reschedule and because marijuana could be a hot issue in the election, they might consider this too close to the election to make an announcement. This could push the decision forward to the spring of 2025 and if there is a Republican controlled congress, the pressure would be off to even make a change for some time after that.

I think the cannabis sector will continue to recover but to the extent that the new-found optimism is based on rescheduling before the 2024 election, there may be some risk especially if it becomes clear the Republicans are going to make further political gains.

### Marijuana Matters

Most of this letter has been dedicated to the markets in 2024. But due to the holidays, it has been a couple of weeks since we talked about the individual stocks I cover. So here is a quick comment on these specific stocks:

**Lexaria Bioscience (NASDAQ: LEXX):** If I look at the flow of information that lies ahead in the first quarter of 2024, I believe LEXX will be higher in price and perhaps much higher. Here is the schedule as I see it:

1. **January/February 2024:** LEXX receives the remaining data needed to submit the Investigational New Drug (IND) application on hypertension to the Food and Drug Administration (FDA).
2. **January 2024:** LEXX will likely announce details on a new follow up study to the GLP-1 study relating to weight loss and diabetes. This will be the largest study LEXX has undertaken.
3. **February 2024:** LEXX reports submission of the IND application for hypertension to the FDA.
4. **March/April 2024:** receive a response from the FDA on the IND application for hypertension submitted in February and I anticipate a positive response.
5. **March/April 2024:** start receiving initial data from the new GLP-1 study started in January. Confirmation of initial results would be positive. An improvement is potentially spectacular.

**Conclusion:** I expect minor variations in this timeline but if the next three or four months produce results along these lines, I anticipate the shares will be trading significantly higher than they are today. If you don't own LEXX, I think you should. If you do own it, I would caution against selling too quickly if the stock starts to respond favourably to the news flow.



**Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** provides rapid health screening solutions and remote patient care solutions powered by proprietary artificial intelligence (AI). The PMED system is totally non-invasive meaning the individual does not have to provide bodily fluids or blow to the results to be generated. I think PMED is great opportunity because:

1. The most advanced product to date is the Safe Entry Station that can be used to analyse and identify 19 physiological vital parameters such as heart rate or blood pressure, fatigue, various mental illnesses including depression and anxiety and impairment by drugs or alcohol.
2. PMED has targeted the healthcare industry for its initial market which many AI experts agree will be one of the early, high growth markets for AI.
3. PMED is focussing on high growth Asian markets like India and Indonesia. AI requires data to base its predictions on and data is easier to collect in these markets. PMED recently reported completing 250,000 scans. Over time, Intellectual Property (IP) has the potential to be an important asset.
4. The business model is one of relatively high gross margins that mean PMED can be cash flow positive based on the sale of a comparatively small number of units in the field.

**Conclusion:** The next important step for PMED is a meaningful commercial order that I believe will be sourced from India or Indonesia and 2024 is the year I expect it to occur. Also, I believe investor interest in Artificial Intelligence will start moving downstream to the smaller companies and PMED could benefit from this trend. At its current price of \$0.045 to \$0.05 per share the stock is depressed and at a market cap of under \$7 million, PMED is underappreciated and undervalued.

**1933 Industries (CSX: TGIF) (USOTC: TGIFF):** is a Nevada-based cannabis company focussed on the cultivation and manufacturing of a large portfolio of cannabis consumer-packaged goods in a variety of formats for both the wholesale and retail markets. Its in-house branded products include: wholesale flower, pre-rolls, and extracted products under the AMA and Level X brands for the Nevada market; and Canna Hemp™, a national cannabidiol (CBD) brand of wellness products that includes tinctures, gummies, topicals and sports recovery products. TGIF owns 91% of Alternative Medicine Association, LC (AMA) and 100% of Infused MFG (Infused).

In June 2020, in the midst of the COVID pandemic, Paul Rosen already the largest individual shareholder of TGIF was parachuted in on a rescue mission as the interim Chief Executive. For the past three and one-half years, I have watched Rosen methodically turn the business around. During this time, he told me what he was going to do, he did it and I interviewed him regularly to go over what he had done. So I can report with confidence that if it was not for Rosen's efforts, TGIF would not have survived. In the latest financial report for the year ended July 31, 2023, TGIF reported record revenue of \$18.3 million. During the year, TGIF upgraded and retrofitted the irrigation and humidification systems. This activity had the effect of increasing production and cultivation costs, delayed harvests and lowered yields.

**Conclusion:** Upgrading the grow facility had the effect of holding back revenue and raising costs for TGIF. Having watched Rosen operate since 2020, I expect to see higher revenue and improved profit

margins in the current fiscal year that ends July 31, 2024. In fact, the first quarter report is due momentarily. I have actively recommended buying TGIF shares and if the Q1 report provides evidence to support my general expectations, I will double down on my buy recommendation.

**Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF):** is a vertically integrated cannabis company, a multi-state operator (MSO) with a strong management team schooled in Investment Banking. As a result, JUSH's growth strategy includes "...opportunistic acquisitions, distressed workouts, and competitive applications." I am concerned that the U.S. operators are overly optimistic about rescheduling of marijuana and there may be some disappointment ahead. But I am more than comfortable having a representative U.S. operator in my portfolio and JUSH is my choice. As a tax loss bargain opportunity, I saw the \$0.50 to \$0.60 per share range and I would stick to the lower end of that range for the time being/

**Organigram Holdings (NASDAQ: OGI) (TSX: OGI):** is a Canadian Licensed Producer of cannabis for medical and recreational consumers. OGI has a partnership with British American Tobacco (BAT) that is currently in the process of increasing its ownership through a \$124.6 million equity investment. A substantial share of this cash will be used to expand OGI's international footprint. The Canadian cannabis market is coming into supply/demand balance and with BAT's support, OGI stands out as an excellent Canadian representative holding.

**Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC):** has been halted since May 8, 2023. I have contacted CEO Alvaro Torres regularly, most recently in December 2023 when I noted a small improvement in operating conditions. KHRN is certainly not out of the woods yet but for the first time in over a year, there is some reason for hope.

### Applications Watch

Health Canada issued five new licenses last week for an adjusted total number of licenses of 1,006. Last week, new licenses were issued to Christina Lake Cannabis 2<sup>nd</sup> site of British Columbia for cultivation, 1391470 B.C. LTD of British Columbia for micro-cultivation, BC GREEN FARMS LTD. Of British Columbia for cultivation, processing and sale, MOST WANTED CANNABIS INC. of Alberta for micro-cultivation and Sathiananthan Farms Inc. of British Columbia for micro-cultivation. Over 40 public companies are LPs or own an interest in one or more LPs. For a complete list of LPs and related information, Ctrl-Click (here)

***(For a free copy of this newsletter or to have your name removed or to contact us with feedback, industry and corporate news, email [ted@letstoke.biz](mailto:ted@letstoke.biz))***

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