



Let's Toke Business



February 9, 2024

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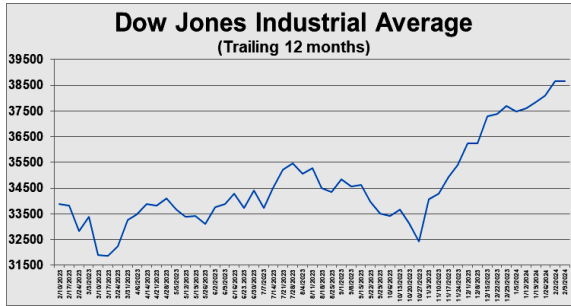
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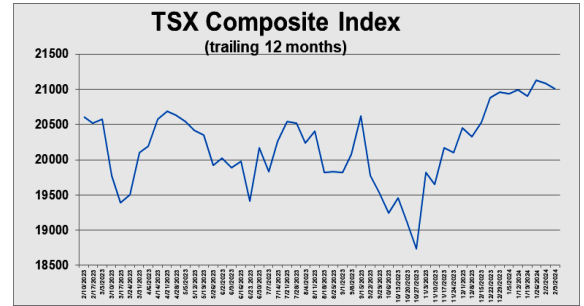
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -2.1% 1 mo +0.5% 3 mo -9.0% 6 mo -21.6% 1 yr -45.3%

The stock markets were in a corrective mode last week although even in a generally down week, there were noteworthy events to the upside. The most interesting is the Standard & Poor's



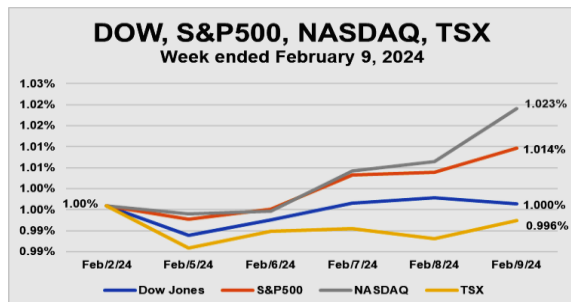
500 closed above 5,000 for the first time in history. Last week, the S&P500 and the NASDAQ Composite closed higher. But we know these two



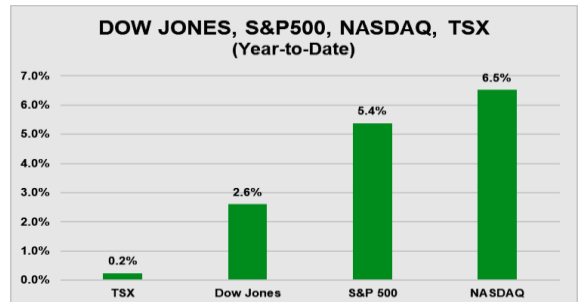
indexes have been carried higher by the “Magnificent Seven,” a set of seven tech stocks that have been riding the wave of Artificial Intelligence companies. On Friday, the S&P 500 closed above 5,000 to set an all time high, more than twice as many of the 500 stocks in the index declined in price than rose even as the index gained +1.1% on the day. The last time this happened was October 20, 1987, the day after the Black Monday drop of -22.6% in the Dow. This is still the largest one-day decline in history. Of course, the 1987 selloff was triggered by a combination of new developments in the markets such as international trading, options trading and computer driven trading strategies. The Black Monday decline resulted in many exchanges instituting the use of circuit breakers, that is, automatic market closures if stock prices moved sharply up or down. It also resulted in the Federal Reserve pledging to support market crashes by pumping liquidity into the markets. My recollection of Black Monday is that it was the best bear market ever. One bad day and it was over. In the next two trading sessions, the Dow recovered over half its points lost on Black Monday. There have been many changes since 1987 to ensure such volatility will not happen again.

There is also a longer term trend that has hit a milestone as reported by the Wall Street Journal. The Dow Jones Industrials, the Standard & Poor's 500 and the NASDAQ Composite have advanced in 14 or the past 15 weeks. This has not happened for the S&P since 1972, the Dow since 1995 and the NASDAQ since 1997. This is a consistently strong period for the stock markets.

The chart below left shows the performance of the markets last week. Prices were led higher by the

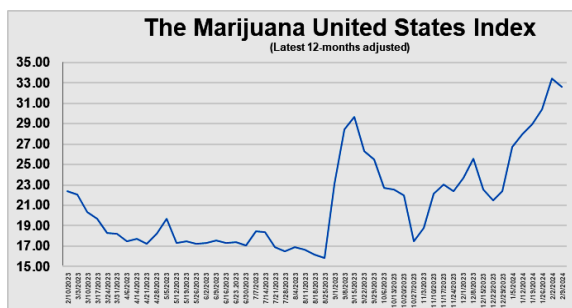


NASDAQ and S&P 500 that are tech heavier. Although the Dow shows as unchanged, it closed higher. The chart to the right

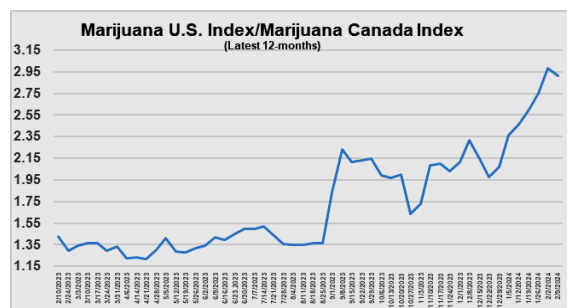


shows the major market indexes are higher year-to-date. After a strong 2023, momentum is following through into 2024. Although there are signs to watch carefully such as the narrow leadership by the tech stocks pulling the indexes higher, it is my experience that such trends last much longer than investors generally expect.

As the charts below show, the U.S. cannabis sector has been every strong and has been outperforming the Canadian operators by a wide margin as expected. The cannabis advocates



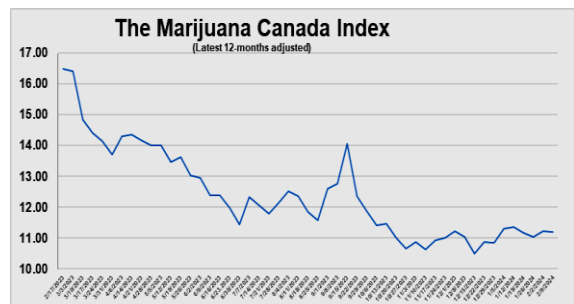
are applying as much political pressure as they can on the Drug Enforcement Administration (DEA). Last week, Democrat Earl Blumen-



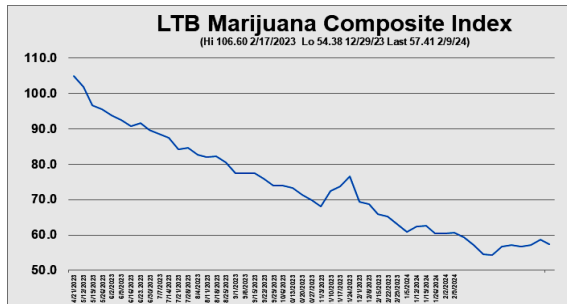
aer, House Representative for Oregon, co-chair of the Congressional Cannabis Caucus and long time cannabis advocate sent a letter to head of the DEA. In the letter, Blumenauer asked five questions that were the same questions I would have asked. Regular readers know I have my doubts about the internal motives of the DEA. Here are Blumenauer's specific questions:

- What is DEA's deadline to publish a draft rule for scheduling marijuana for public comment?
- What is the standard timeline for DEA's drug scheduling reviews?
- On what date did DEA begin its review following receipt of HHS's findings and recommendation on marijuana scheduling?
- How is DEA ensuring the agency's review incorporates the status of marijuana under state laws and regulations in its scheduling decision?
- How will DEA proactively communicate developments and receive feedback from congressional partners as the review proceeds?

The DEA's response to these questions will go a long way to providing the information I need to take a clearer stand on the U.S. cannabis group. In the meantime, I will stick to my current strategy of sticking with the positive momentum in the sector for a few more weeks. In the meantime, the pot Stocks remain hot although the S&P and NASDAQ Indexes moved ahead of the MJ Canada and LTB Composite Indexes last week.

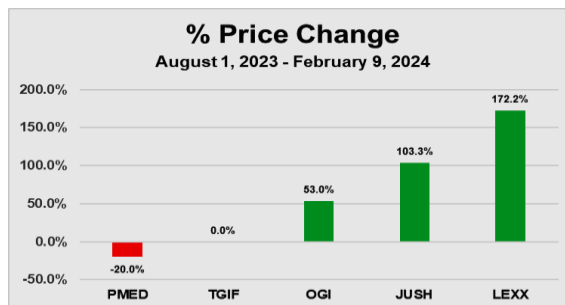


The Canadian cannabis stocks are performing more or less as expected. The group has underperformed their



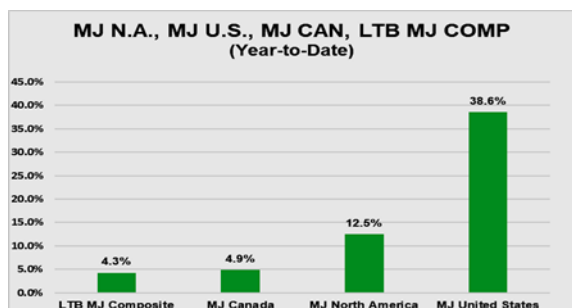
U.S. counterparts on the upside so it is expected they will outperform on the downside. Last week, the Marijuana Canada Index eased lower by -0.1% while the LTB Marijuana Composite Index dropped -2.2% as the Marijuana United States Index eased -2.5%. It is becoming clearer that Canada is still having supply and demand equilibrium problems. Two major Licensed Producers, Canopy Growth and Organigram have taken steps to increase their exposure outside of Canada. What businesses do trumps what management says.

The chart to the right gives you a comparison of the recent performance of our major stocks. The message from a chart like this can change a lot depending on the base period you select. I opted for August 1, 2023 because it was a little before the major cannabis stock price rally that started after the U.S. Department of Health and Human Services recommended rescheduling cannabis from Schedule I to III. I think it provides a fair picture except in one case that I discuss below. The leading performer over this time period with a gain of +172.2% was **Lexaria Bioscience (NASDAQ: LEXX)** as I would have guessed. I think most readers know

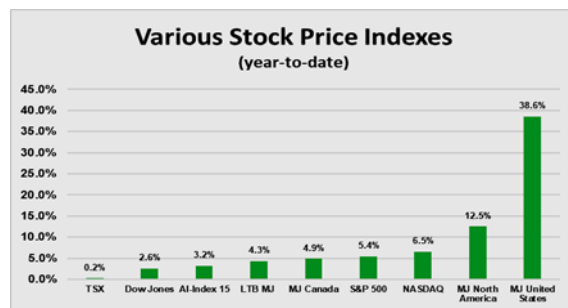


that LEXX has now submitted its hypertension Investigational New Drug application and I expect a positive response in late February or early March. I hope readers have already established their long-term holdings. I still think LEXX is cheap and can be added to portfolios. But time is costing you money so don't procrastinate any longer. **Jushi Holdings (CSX: JUSH) (OTCQX: JUSHF)** is the second best performer of our group over this time frame with a gain of +103.3%. As our representative U.S. Multistate Operator, it should not be a surprise to anyone that JUSH has done very well of late. Rounding out the top three is **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)**, our representative Canadian licensed producer. Again, it should be no surprise that OGI has done well given that its major shareholder, British American Tobacco recently invested \$125 million in OGI most of which will be used to finance international expansion. I must admit I am a little disappointed at the performance of **1933 Industries (CSX: TGIF) (USOTCQB: TGIFF)** being unchanged. I think TGIF has an excellent opportunity to produce some excellent results over the balance of the year and being less known, it is being overlooked by the market. Having missed the cannabis stock rally so far, I think TGIF is a sparkling opportunity. **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** is the one company that is grossly underappreciated on this chart. PMED has done well but most of its return has been realized in 2024 when the stock is up +78%. I alerted readers to the fact that news was overdue and two weeks ago, PMED reported on its new mental health initiative. When I observed this was undoubtedly positive news but I was waiting for progress in India and Indonesia, last week they announced a small, commercial contract in India. As a result, I think PMED warrants an average sized holding in growth portfolios.

These two charts make several points:



First all of the indexes are higher on a year-to-date basis. Second, last week, the NASDAQ Composite and S&P 500 moved ahead



of the Canadian cannabis stock indexes. Third, in terms of year-to-date returns, the U.S. cannabis stocks are still running miles ahead of the next best sector shown.

Conclusion: The blue chip and cannabis markets remain in uptrends which means I continue to expect both sectors to move higher with only small corrections. The U.S. economic news has been more positive than expected which means talk of a 2024 recession are much reduced. In fact, as I reported recently, discussion of a soft landing have turned into talk of a no landing. This also means expectations of the Federal Reserve starting to reduce interest rates in March are also being pushed forward. A stronger economy and declining interest rates could impact the November election. As a result, Federal Reserve Chair Jerome Powell might find himself in a position to have a strong influence on who is the next President. See below for more on Powell and the election.

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 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

Another positive week for the model portfolio which advanced 10% or more for the second week in succession. 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 representative positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

Special Report

Predictmedix AI announces deployment of Safe Entry Stations at Trinity Hospital in India

I must admit to being on a roll with **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)**. Recently, I noted that I was expecting some news from PMED. A week or so later, they announced their alliance with Digital Medical Experts (DME). While I gave the DME arrangement a positive review, I reported the news I was really expecting was from Indian/Indonesia where PMED had invested considerable time and money and was closest to generating meaningful levels of revenue. The result was this announcement with Trinity Hospital that seems to be an agreement with one hospital in Northeast India that represents just 3.5% of India's population in a region best known for wildlife sanctuaries. Not only that, the MGM purchase order was given a value of \$500,000 and the Trinity Hospital order had no value estimate attached. This would typically mean the order was smaller than \$500,000, probably much smaller. Not only that there is a 30% price discount on this sale that was never mentioned before.

I was thinking more along the lines of the \$500,000 purchase order from MGM Healthcare for Safe Entry Stations. Announced on March 30, 2023. MGM Healthcare was described at the time as one of the largest Government hospital groups in India. This offered the possibility of much larger orders to come but it has been nearly a year and not a word. The MGM order was followed by the July 25, 2023 announcement of the engagement of a prominent Indian supplier to mass produce PMED's Safe Entry Stations "...to meet the growing demand for Safe Entry in Healthcare, ensuring its widespread availability and efficient deployment." In other words, to enable PMED to meet the rapidly growing demand for the Safe Entry product sales expected from the likes of one of the largest Government hospital groups in India; not a sale to one hospital in a region representing less than 4% of India's population that is best known for wildlife sanctuaries. Or the June 13, 2023 announcement that PMED was making "...substantial progress in its ongoing partnership with a prestigious Indonesian university...." that we have heard almost nothing from since.

Conclusion: although PMED isn't delivering the results I expected, the stock has done well especially in recent weeks boosted, I guess, by the improved market conditions. On a year-to-date basis, the stock is up +77.7% making it one of the best on our list over this narrower time frame. I said at the outset that I was on a roll with PMED having called for news which came, noting DME was not what I was expecting and getting almost immediate news on a small sale in India. I will keep an eye PMED hoping its performance is sufficient to justify its share price improvement.



Marijuana Matters

In a '60 Minutes' interview, Chair of the Federal Reserve Board Jerome Powell said "We do not consider politics in our decisions." On the surface of it, that is a sensible statement. However, we mustn't forget that the Chair of the Federal Reserve is often considered the most powerful person in the Government, second only to the President who can appoint a new chairman subject to confirmation by the Senate. Many times, the Fed is neither raising nor lowering interest rates and the timing of its activities do not have much of a short term and immediate impact on voters. But sometimes it does and that is potentially the case this year.

Sometimes we forget the obvious and need to be reminded of the words of Clinton advisor James Carvell who said "it's the economy, stupid" as then challenger Bill Clinton upset incumbent President George H.W. Bush. Carvell's words were true then and they are true today. When people enter the polling booth, thoughts of LGBTQIA2S don't drive most to vote one way or the other. They are moved by job security, their bank balances or a recent increase in their mortgage payment. They are driven by the economy or their perception of the economy.

As readers know, the Fed has been fighting rising inflation since 2020. The highest profile weapon the Fed has in its arsenal is raising interest rates to slow economic growth that will ultimately lower inflation. In the scheme of things, the Federal Reserve has some flexibility in the size and timing of interest rate changes. As a result, you can believe people will be interested as they read the tea leaves after the July 30th and 31st and September 17th and 18th Federal Open Market Committee meetings. Although it's a little early, the Consumer Price Index report on Tuesday will give us an idea of what the Fed is dealing with.

The idea that politics do not influence economic policy making is a noble thought. One might even conclude that Federal Reserve Chair Jerome Powell might be the exception that proves the rule. Powell was first nominated to the Federal Reserve Board by Democratic President Barack Obama. He was then appointed Chair of the Board by Republican President Donald Trump. Finally, he was reappointed as Chair by Democratic President Joe Biden. But history tells us that the Fed has not always been clear of political influence. Most of the cases of Presidents trying to influence policy makers are only revealed long after the fact in personal memoirs. Here is a sampling of those events:

- (1) In 1972, President Richard Nixon pressured Federal Reserve Chair Arthur Burns to maintain an easy money policy ahead of his re-election campaign. A study by professor Charles L. Weise found evidence that Federal Reserve policy was influenced in Nixon's successful re-election.
- (2) In 1984, Federal Reserve Chair Paul Volcker was called to a meeting with President Reagan and Chief of Staff James Baker. At the meeting, Baker ordered Volker not to raise interest rates ahead of the upcoming election while President Reagan sat quietly by. Volker says he was "stunned," left the meeting without speaking and said "I wasn't planning tighter monetary policy at the time."

- (3) Fed Chair Alan Greenspan had an off and on relationship with the Bush family. President George H.W. Bush blamed Greenspan for his 1992 re-election defeat. Ten years later, Greenspan unexpectedly supported President George W. Bush's plan to cut taxes.
- (4) In his term President Trump was very critical of Chair Powell and went so far as to say he didn't like him personally.

The situation is difficult for the Federal Reserve. From Powell's point of view, the best outcome is nothing extreme happens. The Federal Open Market Committee meets on July 30th and 31st and on September 17th and 18th which will be the last meeting before the election. Assuming the unemployment rate doesn't drop sharply or inflation doesn't increase rapidly, the Fed should be able to sit on its hands after September 18th until after the election on November 5th.

If Powell feels compelled to change interest rates in the second half of 2024, someone will be upset and someone will be happy. If rates rise, I suspect it will be Trump who is happy and Biden that will be upset. If interest rates decline, it will be the President who will be happy and Trump that will be upset. In fact, Powell's message about politics, has been referred to as "Trump-proofing." In other words, cutting off Trump before he can start criticizing the Fed. In either case, someone will be blaming Chairman Powell in the runup to the election.

Cannabis Quickies

Lexaria Bioscience (NASDAQ: LEXX) continued its pattern of strong stock price advances in anticipation of a favourable decision from the Food & Drug Administration (FDA) on its Investigational New Drug (IND) application. I expect a positive response from the FDA at the end of February or the first few days of March.

The chart to the right shows LEXX over the past six months, approximately the same time frame when I have been reporting the shares appeared to be under accumulation. During this time, LEXX has advanced +131.6%. This tells me the market is adjusting its approach to LEXX for the better. What we might have seen the past is LEXX stay trading in the \$1.00 per share range and exploding upward by 3X to 5X or more when the news is announced. What I see happening now is the market discounting the positive news, that is, rising in price more slowly ahead of the news. I think this also means the "pop" in price when the news is announced will be a little less panicky. This is better for investors in my opinion because it produces less volatility. You get approximately the same return but in a less speculative and frantic fashion so you can make a more sensible investment decision. For example, at Friday's close, LEXX was accorded a market cap of under U.S. \$25 million. This is multiples too low for what LEXX is offering, in my opinion. Not only do I conclude the stock is still greatly undervalued, I think it can still be bought here. But if you have been reading my letter and still haven't bought, don't procrastinate any longer. Buy it now.



Cannabis Recommendations

Lexaria Bioscience (NASDAQ: LEXX): continues to see stock price improvement to go along with management producing the results as expected. The reply to LEXX's Investigational New Drug (IND) application is expected within 30 days of the application being submitted. Because of the work done ahead of the actual submission, I anticipate a positive response from the FDA by the end of February or the first few days of March. Until then I expect the stock price to continue its healthy rate of recovery followed by a pop on the news assuming it is positive as I expect. The stock gained over 32% last week. Since last fall, waiting to act has been costly for prospective investors. I expect this trend to continue and I will hold the position in the model portfolio for the time being. I've waited a long time for this kind of market action and I'm not about to bail as the best is about to come.

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. In 2020, Paul Rosen was parachuted in to rescue the business. This was no easy task. It was in the middle of the COVID pandemic and Rosen could not even travel to Nevada but he took a very hands on approach and worked with the people who were there. When I listened to his plan, I decided he was worth supporting. After four years of an aggressive cost cutting plan that I followed closely and watched Rosen put into action, I can say with some confidence, we are on the upside of the turnaround. TGIF has lagged the rebound to date. There appears to be considerable selling in the \$.01 to \$.02 per share range. This will dry up eventually and shareholders will be rewarded with a substantial return. I would be a buyer while stock is available.

Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP) is a rarity in the markets we have seen over the previous several years. It is a stock that has outperformed its accomplishments. The potential is still there over the long term and the challenge will be for PMED to live up to its promise. The recent announcement of a sale to a hospital in northeastern India seems like more of an outlier than part of the well designed and organized approach to conquering the massive Indian and Indonesian markets. I still await news from the major Indian and Indonesian market sectors where PMED has invested considerable time and money and substantial revenue and cashflow has been indicated. In the meantime, PMED is participating in the market rally so I would hold on until we get more news about their primary markets.

Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF): is a vertically integrated cannabis company, a multistate 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. JUSH has outperformed as the U.S. sector has again shown strength on the expectation of rescheduling of

marijuana. But based on my outlook for rescheduling as explained above, I am keeping an extra close eye on the stock.

Organigram Holdings (NASDAQ: OGI) (TSX: OGI): is a Canadian Licensed Producer of cannabis for medical and recreational consumers with an excellent portfolio of adult use products. 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 will be adding to its international presence. As a result, I expect to see OGI provide superior performance in 2024 which has already been the case.

Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC): has been halted since May 8, 2023. I have been in touch with CEO Alvaro Torres regularly, most recently in February 2024 and I reported KHRN remains in survival mode. The government in Colombia is attempting to nationalize the health insurance business and in this attempt, companies like KHRN are becoming collateral damage. Companies like KHRN are in an ever tightening spot and all they can do is survive until the government is finished is try to survive. Torres is professionally and personally committed to keep KHRN going as long as it can.

Applications Watch

Health Canada issued three new licenses last week bringing the adjusted total number of licenses to 972. Last week, new licenses 9350-7507 Quebec of Quebec for sales, BCG INTERNATIONAL HOLDINGS of British Columbia for nursery operations and Better Bud Botanicals of British Columbia for cultivation, processing and sales. 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](#))

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