Let's Toke Business

The Commerce of Cannabis   **www.letstoke.biz**   **Ted Ohashi MBA, CFA**

Week Ended August 11, 2023
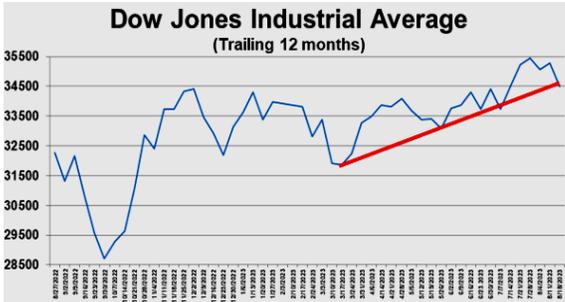
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Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -2.1% 1 mo -5.5% 3 mo -17.6% 6 mo -33.5% 1 yr -51.7%

The major markets have been drawn back toward their long term channel as investors sttruggle to decide whether the bear still prevails or whether a new bull maket has begun. In the case of

the Dow Jones Industrials, if the current pullback reaches around 33,750, a lower low will have been attined and change in trend to
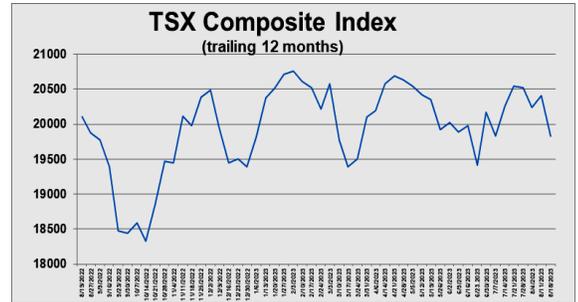

downward will be threatened. The recovery from recent highs are: the Dow -2.4%, the S&P500 -4.7% and the NASDAQ Composite -6.2%. Given the 3% - 5% range I gave as a normal correction range, only the NASDAQ has fallen outside those parameters. As I like to wait for the market to tell us what to expect, we will wait to see what happens: will the Dow and S&P500 turn higher before exceeding a 5% correction or will they proceed to breakdown by penetrating their -5% levels.

We haven't looked at Arthur Okun's Misery Index in a while. Created by ecomomist Arthur Okun, it is calculated by adding the unemployment rate to the inflation rate. The higher the index, the more


miserable the life of an average American. As the chart to the left shows, the Misery Index has been improving for the past year or so
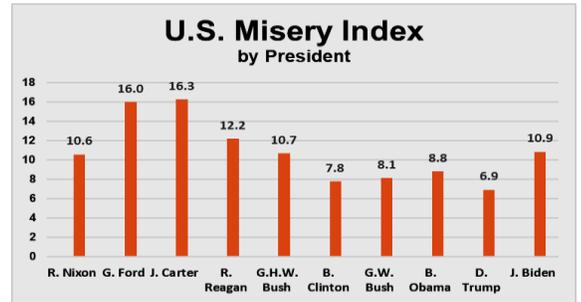
and then we had a small bump up in July. The chart to the right shows the Misery Index by president measuring back for as long as the statistics have been kept. The chart above right shows Americans have been most miserable under Presidents Carter and Ford and least miserable under Presidents Trump and Clinton.

The chart below left shows last week was as bad for markets as we have seen for several months. the correction continued. As is often the case, the sectors that rise the most, correct the most
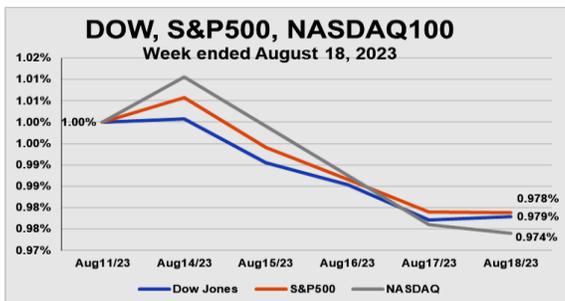
and that was the case last week. Leading the way down were the tech heavy NASDAQ -1.9% and the S&P 500 that lost fraction-

ally. The Dow managed a small gain. The chart above right shows, a slight compression between the
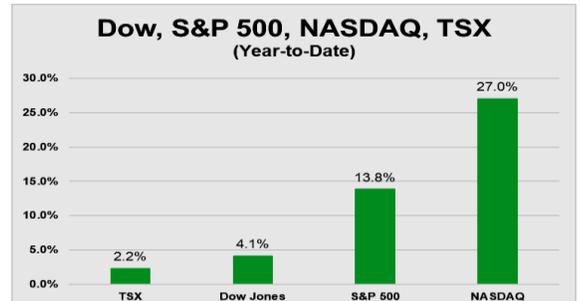
leading sectors and laggards. At this point, If the two leading sectors put together a rally over the balance of the year, the NASDAQ and S&P 500 will make 2023 one of the better market years in history. The Dow and TSX are poised to record good years.
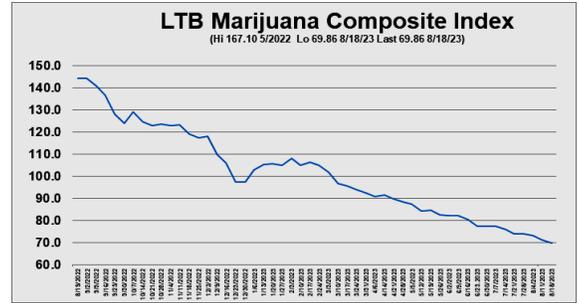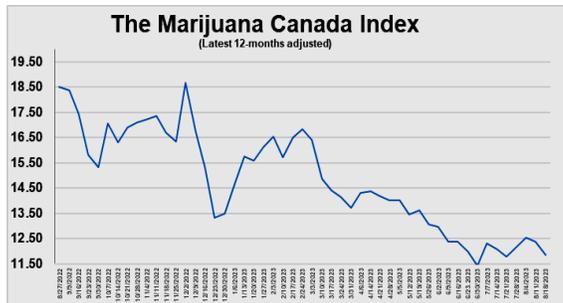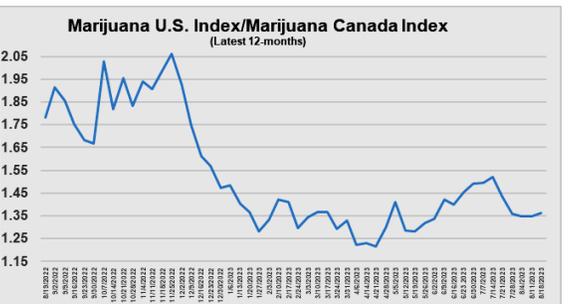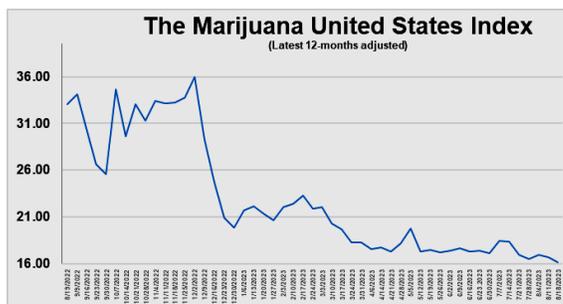
In the cannabis sector, stocks were generally lower. The American and Canadian operators came in down -1.3% each. With the U.S. Congress on summer break there isn't much on the legis-

lative front that we can expect until September. In Canada we will see some earnings reports but these have not

been a stock price booster of late. I conclude the next few weeks will reflect what is often called "the summer doldrums." But it is surprising how quickly a few weeks goes by and at least this year we have some U.S. legislative activity to look forward to.

Shares in the U.S. operators have been sailing with the political winds in the Senate. First it appeared more optimistic and there was some hope that SAFE Banking might pass before the sum-

mer break, the U.S. sector rallied. Then it became obvious that wasn't going to happen and the stocks cor-

rected. I think the investor psychology will allow cannabis supporters to believe one last time that the legislation will pass. I mean when I think about all those people running for the Democratic Presidential nomination and making all the promises about their support for legalization, it is almost unfathomable to be almost three quarters of the way through this administration and nothing has been done to further the cannabis cause.

The chart below left shows the cannabis sectors continue to run in negative territory in 2023. The chart below right reflects the down markets generally and a decline of -3.0% in the Artificial Index –
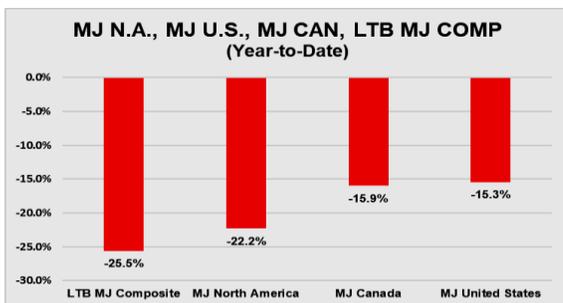
15 Index last week. Both the TSX and Dow are close to falling into the red for the 2023 y-t-d. This somewhat
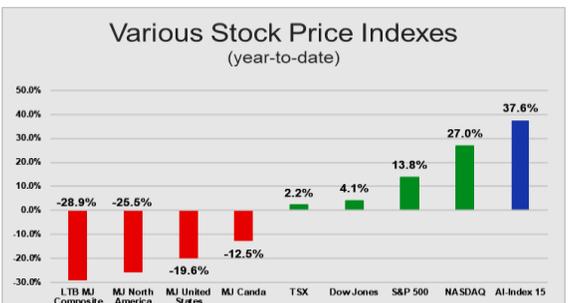
expected as the sectors that rise the most tend to correct the most. We expect the AI cycle to prevail

much longer than a few more months or even a few years, so I anticipate seeing a recovery in the AI-15 Index in the near future to above previous cycle highs.

Conclusion: Lexaria Bioscience (NASDAQ: LEXX) continues to close in on their Investigational New Drug (IND) filing with the FDA for the treatment of hypertension. If you watch LEXX on a regular basis during the trading day, I am sure you have noted clear signs of accumulation. Again this is very much expected and I think will grow stronger over the next few weeks. Recently, LEXX published a report based on human testing of its DehydraTECH™-Nicotine formulation that was 15.0% faster than Altria's product and 20.2% faster than Swedish Match's in delivering maximum nicotine concentrations in the bloodstream. Both of the competitor's products are the world's leading brands of nicotine pouches. As Chris Bunka, LEXX CEO said, "With just five short years of R&D and product development, Lexaria has been able to develop an oral nicotine product that meets or exceeds the performance of the world's leading existing brands." LEXX is more than a one trick pony. **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** has also hung in very well considering the general market correction especially in the AI sector. Through its recent emails, PMED COO Dr. Rahul Kushwah has more or less laid out their plan to be a leader in the healthcare industries of India and Indonesia. A major government hospital in India is using PMED AI's Safe Entry System to screen patients for 15 vital signs in 17 seconds. I believe we will see continued growth in the number of vitals and diseases the Safe Entry Systems can detect and the efficacy with which it can be done. I believe we are nearing the time of seeing a breakthrough purchase order that will launch PMED AI toward breakeven cashflow and/or profitable operations. Orders equal to a tiny percentage of hospitals in the region have the potential to establish PMED as a very profitable entity. If we are talking about the passage of pro-cannabis legislation in the U.S., **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** belongs in the conversation. As I said last week, TGIF is a very attractive investment in the U.S. cannabis industry in my view. **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** is included in the second half of the top ten holdings of the MSOS Exchange Traded Funds as outlined below. Although this may result in some overhead supply in the weeks ahead, I believe it ensures JUSH will participate in the pro-cannabis fueled rally in U.S. cannabis stocks I expect in between Labor Day and Christmas. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** continues to suffer as a Canadian licensed producer but remains our pick to represent us in this sector while **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** continues to complete the documentation of the sale of its European assets and the completion of its audit.

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 will 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 **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** and **Lexaria Bioscience NASDAQ: LEXX** followed by **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)**. The two smallest positions are **Kiaro Holdings Corp.**

(TSXV: KO) that has undergone a major overhaul of ownership and **Speakeasy Cannabis Club (CSX: EASY), Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** provides portfolio exposure to the Canadian market while **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)** is our choice for the U.S. market. and income guidance numbers and **1933 Industries (CSX: TGIF) (USOTCQB: TGIFF)** is, in my view, a turned around company. Cash is around 15%.

Special Report

Introduction: One of the advantages of the approach employed by **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** is the non-invasive (contactless) nature of the Artificial Intelligence-powered technology. Traditional healthcare instruments like thermometers, blood pressure cuffs, penlights, and stethoscopes required contact with the patient but are being replaced with PMED's faster and more efficient AI-based methods. There is significant value that non-invasive contactless AI brings to healthcare, revolutionizing vital parameter measurement and positively impacting patient outcomes.

Enhanced Accuracy and Precision: Non-invasive AI systems have proven to be highly accurate in measuring vital parameters. Traditional methods often suffer from human errors or variations but AI-driven technologies consistently deliver reliable results. By employing machine learning algorithms, these systems can adapt and improve their measurements over time, ensuring optimal performance.

Increased Efficiency and Speed: Gone are the days of time-consuming and cumbersome manual measurements. Non-invasive AI streamlines the process allowing healthcare professionals to assess vital parameters in a fraction of the time. This enhanced efficiency not only reduces the burden on medical staff but also enables quicker and more accurate diagnoses and treatment decisions, ultimately leading to improved patient outcomes.

Remote Patient Monitoring: One of the most significant advantages of non-invasive AI systems is its ability to facilitate remote patient monitoring. Patients can be monitored in real-time from the comfort of their homes, enabling healthcare providers to keep track of their condition and intervene promptly when necessary. This technology is especially vital during pandemics or in situations where regular hospital visits may be challenging. This is important in a country such as India, for example, where a large proportion of the population resides in rural conditions.

Non-invasive is more Comfortable for the patient: Traditional vital parameter measurement methods is invasive and can often be uncomfortable for patients leading to potential discomfort and anxiety. Non-invasive AI solutions eliminate the need for physical contact making the measurement process non-intrusive and more pleasant for patients of all ages.

Early Detection of Health Issues: AI-driven systems can analyze vast amounts of data and identify subtle patterns that may go unnoticed by human eyes. This capability allows for the early detection of health issues, enabling healthcare providers to intervene at the earliest stages of a condition's development. Early diagnosis can significantly improve treatment effectiveness and patient prognosis.

Personalized Medicine: Non-invasive AI facilitates the collection of vast amounts of patient data, allowing for personalized and tailored healthcare approaches. By analyzing an individual's specific vital parameters over time, AI can identify unique health patterns and develop customized treatment plans for better health management.

Conclusion: The value of contactless AI in measuring vital parameters cannot be overstated. By discarding traditional instruments like thermometers, blood pressure cuffs, penlights, and stethoscopes in

favor of AI-driven technologies, healthcare is experiencing a transformative shift. The enhanced accuracy, increased efficiency, remote patient monitoring capabilities, non-invasiveness, early detection, and potential for personalized medicine are all contributing to improved patient care and outcomes.

This means **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** has not only selected one of the fastest growing and most disruptive sectors in the economy, PMED AI has also chosen to focus on healthcare, one of the segments of the AI sector that is projected to grow fastest. If we combine these two factors with a focus on India and Indonesia, the incredible growth potential for PMED shares is almost undeniable. I think an investment in PREM will result in your grandchildren having their financial needs looked after for their lifetimes and more. By the way, if my expectations for PMED are substantially realized, the same result might apply for short term investors as well.

(This article is based on material from Steve Singh, a venture capitalist and investor in PMED.)

Marijuana Matters

Last week I reported on one fundamental difference between the economy and the market. In the economy, changes in supply and demand drive the economy toward equilibrium. In the financial markets, changes in supply and demand often lead to disequilibrium that results in upswings and downswings resulting in extreme changes. Unlike the vast majority of the economy, with stocks, falling prices create additional selling. Higher stock prices, on the other hand, tend to result in increased buying.

Here is a chart that was published in an article titled, Myth-Busting: The Economy Drives the Stock Market, by Nicolas Rabener. The chart compares the change in the Standard & Poor's 500 and real

Gross Domestic Product (the economy) going back to 1948. It shows that over this long period of time, the U.S. economy and the U.S. stock market performed in a similar fashion. It shows the market and the economy tracked closely for around 1948 to 1962 but were synchronized from 1962 to the 1970s and returned to a closer relationship after. During this time, there were shorter term periods when the markets and the economy parted ways such as the years leading to the technology bubble that burst in the early 2000s and then again in the early 2020s when COVID struck. Although it won't be recognized as a serious divergence in a league with the tech stocks from 1990 to 2000, the smaller cannabis sector has gone through a negative divergence in the past five years.

Here is one example that has been and will continue to impact the cannabis sector. MSOS Advisorshares (MSOSETF) is an actively managed cannabis exchange traded fund (ETF). As a guideline, (MSOSETF) will invest at least 80% of its portfolio in companies that derive at least 50% of net revenue from the marijuana and hemp business in the U.S. and at least 25% of its investments in the pharmaceutical, biotechnology and life sciences industries.

The way MSOSETF is structured, when investors redeem their investment, the fund is forced to sell portfolio shares to satisfy the redemption. The selling of shares by a large fund pushes stock prices

down that results more investor selling that creates more redemptions and so on. In the long bear market in cannabis stocks, there is at least some evidence that has been happening.

Here is a recent look at the MSOSETF portfolio on August 17, 2023:

MSOS	Advisorshares Portfolio [August 17, 2023]						
Country Allocation: 100% United States							
Sector Allocation: 99.3% Multistate Operators							
Fund charateristics do not include cash							
	Stock				Cumulative		Cumulative
Top Ten Holdings:	Ticker	# of Shares	Share Price	Value	Value	% of Portfolio	% of Portfolio
GREEN THUMB INDUSTRIES SWAPS	GTBIF	12,024,652	$ 6.80	$ 81,767,633	$ 81,767,633	25.6%	25.6%
CURALEAF HOLDINGS SWAPS	CURLF	23,307,048	$ 2.79	$ 65,026,664	$ 146,794,297	20.3%	45.9%
VERANO HOLDINGS SWAPS	VRNOF	14,530,358	$ 2.74	$ 39,813,181	$ 186,607,478	12.5%	58.4%
TRULIEVE CANNABIS SWAPS	TCNNF	10,045,375	$ 3.88	$ 38,976,055	$ 225,583,533	12.2%	70.6%
TERRASCEND	TSNDF	18,731,742	$ 1.73	$ 32,405,914	$ 257,989,447	10.1%	80.7%
1. top holding exceeds 25% of the portfolio							
2. top three positions exceed 50% of the portfolio							
3. top five positions exceed 80% of the portfolio							

This table shows that the top five holdings in the portfolio represent over 80% of the portfolio. What isn't shown is that the top ten holdings that include Glass House Brands, Columbia Care, Jushi Holdings and Ayr Wellness, represent over 95% of the portfolio. In other words, if MSOSETF is hit by redemptions, there are really only five or ten stocks it can sell and in terms of raising money to meet redemptions, really only the top five. So as long as investor psychology toward cannabis stocks remains so negative, the mechanics of MSOSETF will continue to promote further declines in cannabis stocks especially the top five listed here.

Of course, there is also the reverse side of the equation. If something should change and investor psychology improves or begins to improve, then it can spiral upwards. When this happens, prices rise that attracts more buying that pushes cannabis stock prices higher that generates more buying. In this case, I think there is reason to expect an event that will turn cannabis investor psychology from negative to positive and that is action on pro-cannabis legislation in the U.S. I think after all the promises leading up to the 2020 presidential election, the Democrats are feeling real pressure to act. They cannot go into the next election having done nothing for the cannabis sector. As a result, there is a real will to take action on SAFE Banking or 280E, for example. There are now 88% of Americans who believe cannabis should be legal. But the financial markets do not require full blown legalization to benefit. Progress in cannabis legalization has always been a step-by-step process.

In the short run, I'm talking weeks, there may still be pressure on the cannabis stocks for the reasons provided above. But after Labor Day and before Christmas, I think the Democrats will pass something, probably a SAFE Banking Plus act that will kick start a massive rebound in the cannabis sector.
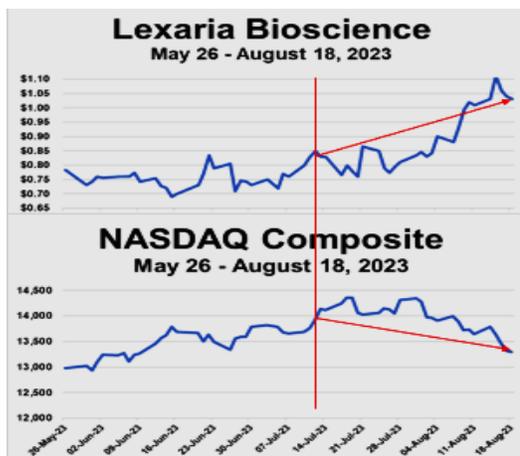
Cannabis Quickies

Lexaria Bioscience
April 17 - August 18, 2023
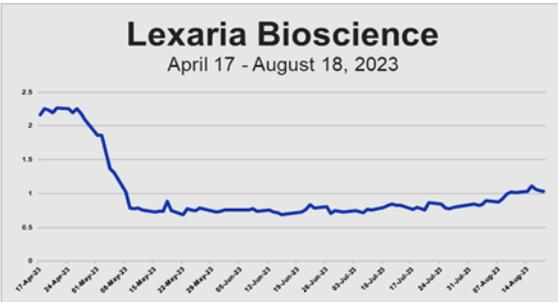
As someone who follows several stocks, checking on prices many times per day, I sometimes notice a change in the (buying) or distribution (selling) in a stock I am interest in. I have detected such a change in **Lexaria Bioscience NASDAQ: LEXX** in recent weeks and the difference is positive. I wanted to show the two charts above as a lead-in to this comment. In my independent opinion, the sharp decline In LEXX in late April and early May 2023, was activity on the part of a prospective underwriter to influence LEXX's stock price lower to the disadvantage of LEXX and the advantage of the prospective underwriter.

NASDAQ Composite Index
April 17 - August 18, 2023

Lexaria Bioscience
May 26 - August 18, 2023
NASDAQ Composite
May 26 - August 18, 2023

With that as background, there is what I have observed since mid June 2023. As the chart shows, since around the middle of June marked by the vertical red line, LEXX has appreciated in price as the NASDAQ Composite was declining. In fact, from June 22nd to August 18th, LEXX appreciated in price by 23.4% compared to the benchmark NASDAQ Composite Index that was down -2.4%. This strong period of outperformance by LEXX leading up to today is a strong indication of accumulation of their shares. The fact that it occurred during a period of overall market weakness as indicated by the decline in the index makes this an even stronger indicator.

As I have said for many months, I believe this buying is being done in advance of the expected application for an Investigational New Drug (IND) to treat hypertension. We are in a Missouri Market, that is, a show me market, that is, one that discounts very little of the future into the stock price. I have been expecting the application in August and I have no reason to doubt that except the application is totally in the hands of others so it might be delayed until after Labor Day. Generally speaking, the pattern has been that the rally upon making the IND application is substantial but less than when anticipated FDA approval is received a month later. In LEXX's case, I think the response might be more equal between the two events. There are still some lingering investors who are skeptical of CEO Chris Bunka's ability to deliver and I think the IND application will be last box to check for the few remaining doubters.

Conclusion: It has been a long wait for **Lexaria Bioscience NASDAQ: LEXX** to start to monetize its technology but I think we're finally there. I first published on LEXX on November 3, 2016, so for me it has been almost seven years but now shareholders are very close to their first significant financial reward and it could very well be the first of several from the hypertension IND application that is about to go to the FDA, LEXX has the potential to advance work on nicotine delivery using pouches, strong indications for antiviral drugs and PDE5 inhibitors. When I look back at that first report, I see many of the pillars that were in the business plan are there today. This was not a plan that was thrown together as they went. It was a basic plan that was in place prior to 2016 and that has been brought to fruition today. If you're a shareholder, it has probably been a long wait but we're very close now. I think an addition to your holding would serve you well moving forward. If you're not a shareholder, you have not had a long wait and the way it looks, today's buyer will not have one.

(NASDAQ: LEXX)

Applications Watch

Health Canada issued two new licenses last week for an adjusted total number of licenses of 987. This week new licenses were issued to Nacerna Life Sciences of Nova Scotia for sale and Trichoma microculture 2nd site 0f Quebec for micro-cultivation, micro-processing and sale. 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)