



Let's Toke Business

The Commerce of Cannabis

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Week Ended August 25, 2023

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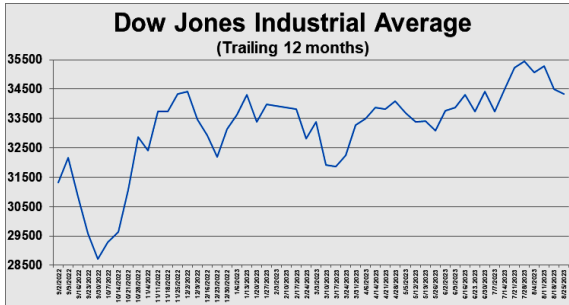
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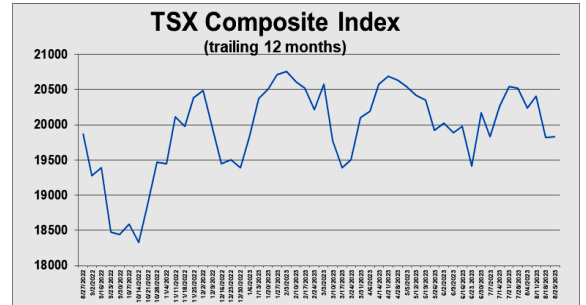
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk -2.5% 1 mo -8.0% 3 mo -17.6% 6 mo -36.1% 1 yr -52.7%

Uncertainty dominated the markets last week ending with a doozy of a trading session on Friday. The markets were lower to start the week, posted a small rally on Wednesday before



dropping back on Thursday. On Friday came the even everyone was waiting for – Federal Reserve Board Chair Jerome Powell's

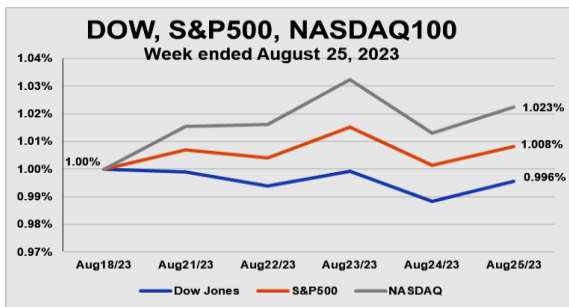


speech at Jackson Hole, Wyoming. This is a routine presentation during the Fed's summer schedule break. This year, you could almost see traders parsing Powell's every word and reflecting that in the market. In the end, the Dow finished a bit lower while the Standard & Poor's 500 and the NASDAQ Composite finished higher buoyed by a strong recovery in the AI/tech stocks. The AI-15 Index advanced +3.1% on the week.

In my opinion, Powell's speech was a little underwhelming. He talked the talk but fell short of walking the walk. The Chairman reiterated that the goal was 2% and they would pursue that target until it is met. He said "...at upcoming meetings we are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks," and they would "...decide whether to tighten further or, instead, to hold the policy rate constant and await further data." It basically means they will watch to see what happens before they make their next mover.

After Powell's speech, the odds of a rate hike in September doubled but to a low odds of 21.5% while the odds of another rate in 2023 hit a two month high of 52.1%. The market is not expecting an interest rate decline until the middle of 2024.

The chart below left shows last week shows a trendless pattern leading up to Federal Reserve Board Chair Jerome Powell. A rebound in the Artificial Intelligence sector pulled the S&P 500 and

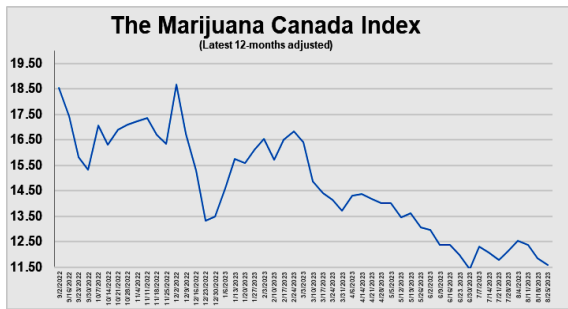


NASDAQ higher while the Dow languished in moderately negative territory. The chart to the right shows the year to date results for



some of the major indexes. It shows the tech heavier S&P 500 and NASDAQ extending their gains e the Toronto Stock Exchange and Dow that are tech lighter lag further behind.

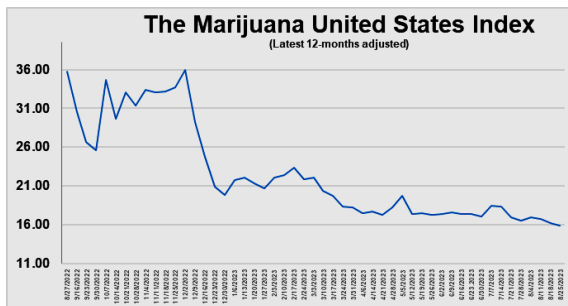
In the cannabis sector, stock prices were lower as I warned last week. As the U.S. legislative summer break came to an end, we moved closer to a more promising period that would take the



Canadian sector with it. But it wasn't close enough to reflect in higher cannabis stock prices. I would expect more of

the same until a week after Labour Day. Until then, we are at the end of the summer doldrums so expect Canadian cannabis stocks to continue to lay low.

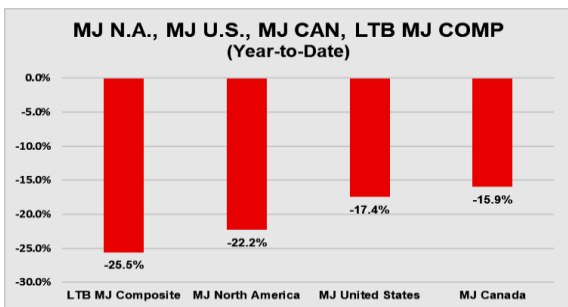
The U.S. operators performed a little better than their Canadian counterparts. Since it became clear that pro-cannabis legislation was not going to hit the Senate floor before the summer break,



the U.S. operators have been easing lower. But there is evidence that the industry is getting ready for a big push post

Labor Day. Cannabis Wire reports that a "major financial services company," "a major insurance company" and an MSO (Multistate Operator) have registered recently to lobby on the SAFE Banking Act. I have lowered my expectations that the Democrats will deliver on their promises in a timely fashion but from currently depressed levels, I think the expectation of SAFE Banking or SAFE Banking Plus will pass before year end will be enough to give this extremely depressed market a kickstart toward higher levels.

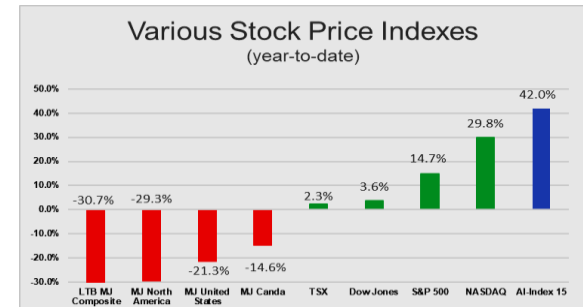
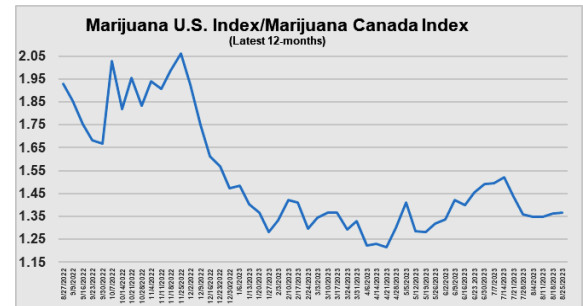
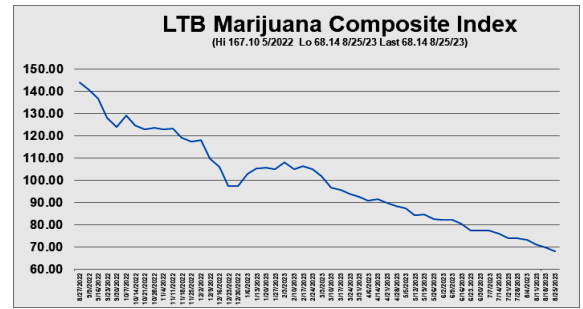
The chart below left shows the year-to-date returns from some key indicators of cannabis stock market returns. These returns have been sinking to lower levels in the past weeks. The chart below right



shows 2023 is shaping up as another bad year for cannabis stocks, a mediocre year for the tech lite

TSX and Dow Jones Industrials and a much better year for S&P 500 and NASDAQ Composite pulled higher by the Artificial Intelligence – 15 Index. Things can change in four months and I see a recovery in the cannabis sector as well as continued leadership from the AI group.

Conclusion: Lexaria Bioscience (NASDAQ: LEXX) continues move higher quietly and steadily higher as they approach the Investigational New Drug (IND) filing with the FDA for the treatment of



hypertension. It wasn't that long ago that the profitable trade on LEXX was sell into strength. Long term holders got killed. Remember LEXX is a stock that traded between two and three times its market cap in one day and ended the day close to unchanged. That is now changing in my opinion. The accumulation I have been talking to you about is a much healthier trading pattern. On the announcement that the IND has been filed, I expect a very healthy pop in the stock price followed by another pop a month later assuming FDA approval to proceed is given. As I keep reminding readers, LEXX has more to it than this IND application. 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. **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** had a strong week fueled in part by the strong rebound in the AI-15 Index. I look forward to seeing the pattern of trading in the next few weeks. Again, PMED has had a habit of trading up to the \$0.15 range and falling back. I think this pattern may be coming to an end. As I report separately below, PMED AI's net major move could be strongly higher. For that reason, I think the stock remains a "hot buy" at current levels. See the report below. As I have been saying for several months, if we talk about the passage of pro-cannabis legislation in the U.S., **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** belongs in the conversation. I continue to believe TGIF is a most attractive investment in the U.S. cannabis industry with many growth options at this time. **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** and **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** are representative holdings for the U.S. and Canadian cannabis sectors. I will reach out again this week to **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** to report on progress.

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

How to Invest in Artificial Intelligence

The Artificial Intelligence (AI) industry is expected to experience record setting growth moving forward. The total market is forecast to grow from \$450 billion in 2022 to 2,575 billion in 2032. That is a staggering growth rate of nearly sixfold in ten years or an almost 20% per annum compound annual growth. What does this kind of growth rate imply AI will accomplish in the next few years?

1. Attain artificial human level intelligence.
2. Revolutionize healthcare in diagnosis, treatment and remote (robotic) surgery and treatment.
3. Totally change education by developing personalized teaching plans.
4. Accelerate scientific discoveries.
5. Disrupt the job market including medical diagnosticians, accountants and legal and paralegals.
6. Change geopolitical balances, that is, the winner of the AI race may become the world power.
7. If AI adds a projected \$15 trillion to the global economy in the next decade, there will be many investment winners and losers. People cannot afford to sit on today's long-term investment plans that do not take the impact of AI into account.

Change is one of the most difficult things for people to adjust to and the speed of change can make matters even worse. The AI revolution is going to overrun society and the economy. As that happens there will be opportunities for those who are able to take advantage of them. We are in the early stages of the AI revolution and already the "Magnificent Seven" of the AI industry: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla have witnessed their market caps rise to a collective \$11 trillion or three times as large as the economy of Germany. Soon we will begin to hear the names of the next generation of founders like Bill Gates and Elon Musk. We are already hearing the name of Cathie Wood, founder of Ark Invest who is making a name and fortune based on investing in AI stocks.

That brings us to the individual investor. You can deny an AI revolution is happening which would put you in the category of buggy whip makers who were blind to the potential for the horseless carriage. Overwhelming technological and economic change can create massive wealth but it can also result in extreme financial loss. AI brings with it vast opportunities but equivalent risk. Unfortunately, we all know the opportunity all too often accrues to those situated further up the food chain and the risk often falls on those nearer the bottom of the food chain.

As an individual investor, one way to shift the risk/reward ratio more in your favour is finding an early stage IA company and investing in it. From my list, **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** and **Lexaria Bioscience (NASDAQ: LEXX)** fit the bill. At this time, LEXX is driven by the expectation of its Investigational New Drug application so I will focus on PMED for the AI perspective.

Why is PMED an excellent candidate for exceptional investment returns over the next ten days to ten years?

1. **Directly engaged in AI** with a focus on the medical field, that is, the fastest growing AI industry +19% Compound Annual Growth Rate (CAGR) and global healthcare IT at almost 18% CAGR.
2. Today, **healthcare gathers approximately 30% of the world's data** and that is expected to grow to 36% by 2025. Data is the key to AI.
3. **India has just become the world's most populous country** which means it will have a large healthcare need. India has a over one-third of its population in non-rural settings. The government recognizes the need for improved healthcare for both urban and remote communities.

4. **For perspective, India has approximately 69,000 hospitals while Indonesia has almost 3,000.** As indicated in point 6 below, 100 installed units will generate more pretax income per share than the current stock price. Yet 100 units is a market share of less than 0.00%. The upside potential for PMED could be spectacular.
5. **PMED's technology is at the commercialization stage.** In addition to further healthcare advances, initial purchase orders are expected in the comparatively near future. When that happens, I look for an explosive response in the stock price.
6. **PMED is a high profit margin opportunity.** I estimate only 30 installed units will generate \$1.4 million in revenue and make PMED cashflow breakeven and 100 units will generate \$4.8 million in sales and produce more pretax income per share than the current stock price. The potential sales in India and Indonesia is orders of magnitude larger than this.
7. **I'm not saying this will happen to PMED but it provides perspective.** NVIDIA that is the current Wall Street AI darling is trading at 37 times sales and over 200 times earnings.
8. **For individual investors, stocks like Alphabet (\$129.88 per share), Amazon (\$133.26 p/s), Apple (\$178.61 p/s), Meta (\$285.50 p/s), Microsoft (\$322.98 p/s), Nvidia (\$460.18 p/s) and Tesla (\$238.59 p/s) are not really attractive for portfolios on price alone.**
9. **A stock like Predictmedix AI (\$0.13 p/s) provides far greater potential leverage.** I can see PMED going 10X to \$1.30 per share or higher. I can't see Apple going to \$1,786 per share or a market cap of \$28 trillion.

There is one final question to answer. Why don't famous investors such as **Warren Buffett of Berkshire Hathaway (NYSE-NASDAQ: BRK-A) (NYSE-NASDAQ: BRK-B)** or **Cathie Wood of Ark Invest** own companies such as Predictmedix AI if the return potential is so much better? One part of the answer is portfolio size. Last quarter, BRK's investment assets hit \$1 trillion. It owned \$178 billion of Apple stock, one of the AI "Magnificent Seven," at the end of the second quarter. Ark Invest is much smaller but is still \$60 billion. Investors like Warren Buffett or Cathie Wood invest in mega-cap stocks because they have no other choice. It is a question of liquidity and the associated portfolio risk.

Conclusion: I see **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** as a Canadian small company with big cap ideas for the following reasons:

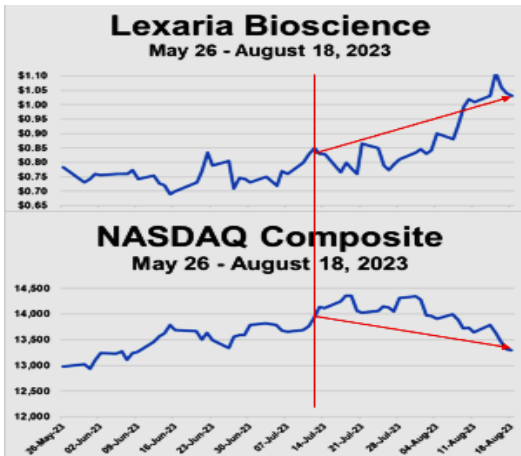
- Engagement in the highest growth AI sector.
- Operating in healthcare, the fastest growing segment of AI.
- Serving India and Indonesia, two of the most rapidly growing economies in the world.
- India has 69,000 hospitals and Indonesia has 3,000 more.
- Ready to commercialize.
- High profit margin business model
- At \$.13, shares ideally priced for individual investors.
- These are still the early days of Artificial Intelligence.



Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP) checks all the boxes for individual investors. PMED should be in the growth portfolio of every aggressive growth investor.

Marijuana Matters

Last week, I pointed out the accumulation trading pattern that has been dominating **Lexaria Bioscience NASDAQ: LEXX** since late May 2023. This is the main chart I used to make the point. It shows that since May 26th, LEXX has gain +23.4% while the NASDAQ Composite Index, the primary index for the market where LEXX is listed, declined -2.4%. That is a significant disparity indicative of strong accumulation of LEXX stock.



This outperformance on the part of LEXX continued again last week as the stock rose +4.7% compared with the NASDAQ Composite that was up +2.3%. There was no news to explain the strength in LEXX. It was an extension of the trend shown in the chart which I think will continue until the Investigational New Drug application is submitted at which point, I expect a much larger bounce. A month after that I anticipate a positive response

from the U.S. Food and Drug Administration (FDA) after which I anticipate a further bounce. It is my expectation that the return on LEXX from current levels will be some version of X. I think 2X, 3X and 4X are certainly in play which would see the stock priced at roughly U.S. \$2 - \$4 per share. This is not some outrageous, speculative forecast. LEXX was trading in this range just a few months ago.

I can think of three groups of investors who might be accumulating the stock:

- When LEXX crashed during the equity underwriting fiasco in April – May 2023, I think there were some American-based pro-traders that shorted the stock to knock the price down. A month ago I expressed the opinion that LEXX is a stock I would not be short at then prevailing prices. There might be some short covering here.
- LEXX has an extensive list of loyal shareholders who saw what went on and think the stock is artificially depressed at current prices. This group could be averaging down at current prices. I think this is a good idea.
- There may be new investors who see what LEXX has accomplished and believe the stock is grossly undervalued at a market cap of under U.S. \$9 million. They may be establishing new positions in LEXX for their personal portfolios.

Conclusion: I expect **Lexaria Bioscience NASDAQ: LEXX** will continue to move up positively until the IND is submitted when we should see a larger bounce and then again a month later when I anticipate the FDA will give its approval. As the chart shows, my expectation for a 2X to 4X bounce is not overly optimistic. This would only see the stock back at the levels it was trading at prior to the underwriting fiasco in April/May 2023. In fact, it would be reasonable to expect the stock to move much higher than it was earlier this year. In any case, buyers at current levels can still look forward to an exceptional rate of return in the second half of the year.



Applications Watch

Health Canada issued five new licenses last week for an adjusted total number of licenses of 992. This week new licenses were issued to 13936708 Canada of Quebec for micro-processing, 2400753 ALBERTA LTD. of Alberta for micro-processing, Belsa Inc. of Quebec for micro-cultivation, Crystal Clear Labs of Ontario for processing and PINNRZ Inc. of Ontario for 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 [\(here\)](#)

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