



Ubika Marijuana 20 Index

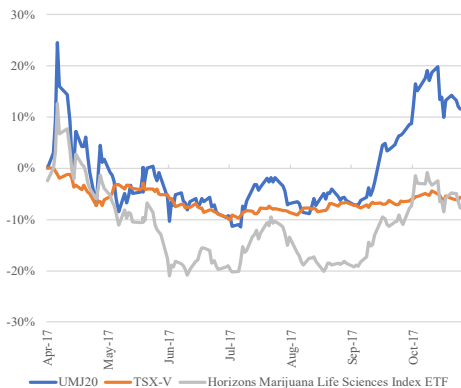
October 30, 2017



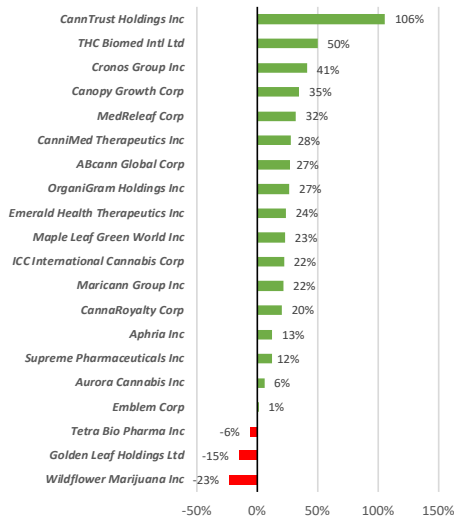
Ubika Marijuana 20 Index September 11, 2017 - October 30, 2017

UMJ20:	18.7% (34.2% Y/Y)
TSX-V:	1.4% (1.0% Y/Y)
HMMJ:	13.0% (N/A)

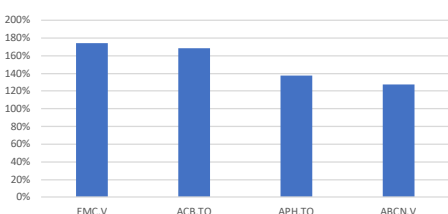
Dollar amounts in CAD unless otherwise stated.



UMJ20: Performance Distribution



Top Volume Gainers (m/m)



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Cannabis Stocks Rise Amid Further Government Clarity

The Ubika Marijuana 20 Index has trended upwards since our last report dated September 11, 2017, returning 19%, as it outperformed both its benchmarks, the TSX-V Index and the Horizons Marijuana Life Sciences Index over the same period, which returned 1%, and 13%, respectively. We highlight that 17 of the 20 constituents posted gains over the last couple of months following significant developments on the regulatory front, which culminated in Ontario's announcement regarding its plans for legalization. Notable Performers in this report include:

1. CannTrust Holdings Inc. (CSE:TRST), which gained 104% following its IPO on August 21.
2. OrganiGram Holdings Inc. (TSXV:OGI), which increased 31% after the announcement of a supply agreement with New Brunswick for recreational marijuana.
3. Aphria Inc. (TSX:APH), whose stock fell 11% on October 17, as the Company announced an equity financing for \$80M at \$7.25 per share.

Industry Highlights

- **New Brunswick unveiled plans for the sale of recreational marijuana; signs agreements with licensed producers for ~\$100M worth of supply.** The provincial government announced it will have NB Liquor (crown corporation) set up a network of up to 20 stores, in anticipation of cannabis legalization in July 2018. In conjunction, the provincial government took steps to secure its supply of recreational marijuana, signing MOU's with two Canadian licensed producers for the supply of a minimum of nine million grams per year. The licensed producers are Canopy Growth (TSX:WEED) and Organigram (TSXV:OGI).
- **Prime Minister Justin Trudeau proposes a minimum \$1 per gram federal tax on recreational marijuana sales.** Under the proposal, each gram of recreational marijuana would be charged a base tax of \$1 and marijuana sold above \$10/per gram would be charged an additional 10% tax.
- **Stats Canada released new data on marijuana production and usage.** During the quarter ended June 30, Canadian licensed producers sold 5,894 KG of dried marijuana and 6,194 KG of cannabis oil. The number of registered patients increased 15% to 201,000, along with shipments to clients, which increased 19%.



- **The Canadian Securities Administrators (CSA) announced a necessary framework and potential risks for medical marijuana companies with operations in the United States.** Given that marijuana is still a controlled substance under federal laws in the United States, the regulators announced disclosure requirements for medical marijuana-related companies operating in the United States. Furthermore, it stated that companies not in compliance with the framework could face de-listing.

Upcoming Conferences:

Lift Expo - Vancouver, British Columbia, January 12 - 14, 2018. Industry participants attend this event to show case their products to attending consumers.

Change in Constituents:

As part of our aim to provide readers with relevant and insightful industry reports, we conduct periodic reviews of our index constituents to determine whether any changes are necessary. As the regulatory framework for marijuana continues to develop, the number of companies in the space has also increased. As a result, we have added 10 new constituents to the UMJ20 Index. The new constituents are:

- Medreleaf Corp. (TSX:LEAF)
- CannTrust Holdings Inc. (CSE:TRST)
- Wildflower Marijuana Inc (CSE:SUN)
- ABcann Global Corp (TSXV:ABCN)
- Maricann Group Inc (CSE:MARI)
- Golden Leaf Holdings Ltd (CSE:GLH)
- ICC International Cannabis Corp (TSXV:ICC)
- CannaRoyalty Corp (CSE:CRZ)
- Tetra Bio Pharma Inc (TSXV:TBP)
- Emblem Corp (TSXV:EMC)

As we aim to shift the Ubika Indices to an investable index model, we have decided to switch to an Equal Weight Index. The new Index is like a portfolio, or an index fund, as it gives each stock an equal weighting.

Notable Performers

CannTrust Holdings Inc (CSE:TRST)

CannTrust is a licensed producer of medical cannabis under Health Canada’s Access to Cannabis for Medical Purposes Regulation (ACMPR). The Company was publicly listed on the Canadian Securities Exchange on August 21, 2017. Since our last report date, the stock has returned 104%, following several positive news announcements, including an earnings release and an updated “license to grow” to accommodate an increase in production capacity.

CannTrust produces dried medical marijuana and oils at two facilities in Canada. The Company’s products are sold online and delivered to registered patients. The Company’s original 50,000 square foot production facility located in Vaughan, Ontario, uses hydroponic technology to produce at an annual capacity of 3,600 KG. Whereas, CannTrust’s latest facility in Niagara region comprises a 46-acre property, where the Company plans a two-phase greenhouse project covering 430,000 square feet. On October 10, the Company announced the completion of Phase 1 (P1) (250,000 square feet) on time and on budget. Furthermore, CannTrust disclosed it received a cultivation license (ACMPR) for P1. While the first harvest from P1 is expected in November, the Company expects to achieve full utilization of 20,000 KG per annum by December 2017. Management expects Phase 2 of the Niagara greenhouse project to be completed by mid-2018. In total, CannTrust expects an aggregate annual capacity of 40,000 KG at its Niagara greenhouse.

CannTrust also signed a joint venture agreement with Apotex (PVT), a leading global pharmaceuticals company, to develop a variety of dosage formats for the sale of medical marijuana.

Furthermore, the Company works with Club Coffee L.P to launch BrewBudz, a U.S. patented dosage product that enables the dosage of marijuana in brewing pods for use in coffee brewing machines such as Nespresso, Tassimo, and Keurig.

CannTrust stock returned 104% over the past couple of months as it posted strong operational performances over the last two quarters. The Company’s list of active patients grew 55% Q/Q, while revenues grew 36% Q/Q. Furthermore, the Company recorded cash costs per gram of \$1.49 during Q2/2017.

Figure 1: CannTrust Operating Performance

	Q1/2017	Q2/2017	Q3/2017
# of Patients	14,000	20,000	31,000
Revenues (\$)	3M	4.5M	6.1M

Analysts have set a price target of \$6.76, representing a 46% upside for the stock. TRST has 4 Buy recommendations, and no Hold or Sell recommendations.

OrganiGram Holdings Inc (TSX:OGI)

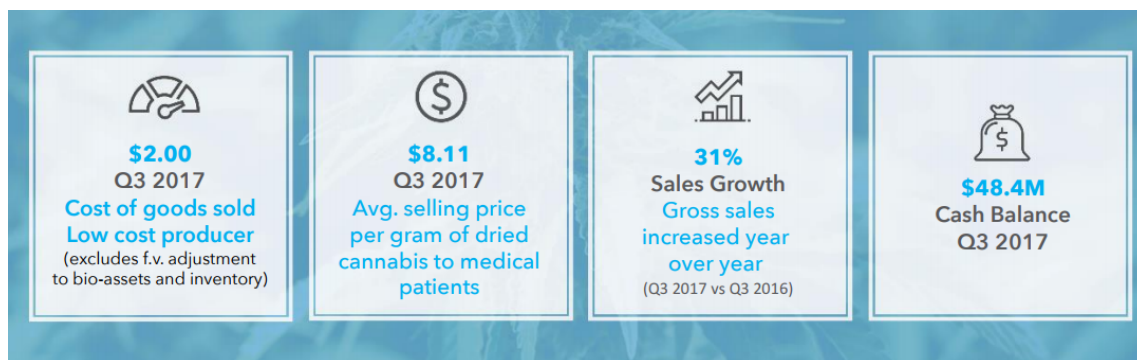
Based in Moncton, New Brunswick, OrganiGram Holdings Inc. is a producer of medical marijuana licensed under the ACMPR. Since September 15, OrganiGram's stock price increased 31% following the Company's announcement of a supply agreement for a minimum of five million grams per year, with New Brunswick's provincial authority responsible for marijuana distribution to the adult-recreational market. The agreed supply amount is expected to have a retail value ranging between \$40M and \$60M.

Similar to its competitors, OrganiGram has significant production expansions in the pipeline leading up to the expected legalization in July 2018. The Company owns a 14-acre property in Moncton, New Brunswick where it operates at 23,000 square foot facility (Phase 1) that can produce 5,200 KG per year. Phase 2 of OGI's facility expansion is expected to add 102,000 square feet of space, ramping up production to 16,000 KG per year. Additionally, Phase 3 will add another 36,000 square feet and 10,000 KG of annual production by mid 2018, bringing OrganiGram's total production capacity by next year to 26,000 KG per year. The Company's ongoing expansion plans are expected to be fully funded by a cash balance of \$48M.

On June 1, the Company acquired Trauma Healing Centers (THC), a clinic that prescribes and sees patients on a referral basis, offering a unique approach to healing chronic conditions. THC focuses on the Canadian Veterans community and aims to set up seven locations across Canada.

The figure below highlights some key performance indicators for OrganiGram as of Q3/2017. The Company recorded a cost per gram of \$2.00 and an average realized price of \$8.11 per gram compared to a peer average cash cost per gram of \$1.80.

Figure 1: Organigram Q3/2017 KPIs



Source: Company Presentation

OGI has an average price target of \$4.04, representing a 43.8% upside for the stock. The stock has 4 Buy, 1 Hold and no Sell recommendations.

Aphria Inc. (TSX:APH)

Aphria Inc. is a licensed producer and supplier of medical marijuana under the ACMPR. The Company operates a production facility in Canada, and invests in marijuana businesses across North America. Aphria's stock price fell 11% on October 17, as the Company announced an \$80M equity financing (bought deal) for 11,034,500 shares at a price of \$7.25 per share.

Aphria's flagship greenhouse production facility is located on a 169-acre property in Leamington, Ontario. The Company's expansion plans at Leamington comprise four stages, of which two stages are complete. Phase 1 comprises a 43,000-square foot facility that produces at an annual capacity of 2,700 KG per annum. Phase II is Aphria's second operational facility that covers 57,000 square feet and has an annual production capacity of 6,300 KG. The Phase III expansion encompasses a 200,000 square foot facility with a production capacity of 21,000 KG per year, which expects to complete its first sale in May 2018. Lastly, the Phase IV expansion envisions a 700,000-square foot facility that will produce 70,000 KG per year. The Company expects Phase IV to be complete by January 2019.

As shown in the table below, Aphria has leveraged greenhouse technology in production to become one of the lowest-cost licensed producers in the region.

Figure 2: Aurora FQ3/17 Highlights



Source: Company Filings

The Canadian Securities Administrators' release of a framework for medical marijuana companies with operations in the United States, raised some concerns within the investment community given that Aphria has significant operations in the United States. As a result, Aphria announced that Company executives met with exchange representatives to discuss the new framework and its expectations, and to ensure that the Company remains in compliance with new policy.

Analysts have set an average price target of \$9.33 for the stock, representing a 38.2% upside. APH has 6 Buy, 3 Hold and no Sell recommendations.

Upcoming Catalysts:

Over the last couple of months, two provinces announced distribution plans for the sale of recreational marijuana. As a result, the possibility of safe and accessible recreational marijuana by July 2018 is increasingly likely. Importantly, New Brunswick's supply agreement with OrganiGram and Canopy Growth has set the precedent for other provinces. Such announcements from other provinces paired with clarity on the taxation front, are expected to be the major catalysts over the coming months.

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