hoy Crow's Nesters,

You simply cannot think of Baltimore without thinking of our historic port. The harbor is one of the main attractions of our city, and throughout America’s history, it has provided us with work, goods, and food.

It was on our harbor that Francis Scott Key wrote the “Star Spangled Banner” while gazing at Fort McHenry from his captor’s ship. And while that may be the most famous tale from Baltimore’s harbor, it is far from the only one...

Between the end of the Revolutionary War and 1797, around 60,000 tons of commerce passed through Baltimore’s ports, helping it become the third largest city in the country by the turn of the century. Baltimore’s stellar reputation for building the fastest and sturdiest sloops around was the reason it maintained such a status.

Many of these ships were built and christened in the Fell’s Point Shipyard.

Why should you Crow’s Nest readers care?

Well, there’s a lesser-known fact about Baltimore: It was once a “nest of pirates.”

When the war of 1812 began, our Navy was simply outmatched. According to Cindy Vallar, author of *The History of Maritime Piracy*, the U.S. had around 17 modest gunships at that time.

The British Royal Navy had a hell of a lot more. Here’s the rundown:

- Thirteen ships with seventy-four guns each,
- One frigate with forty guns,
- Five ships with thirty-eight guns each,
- Three frigates with thirty-six guns each,
- Fifteen brig-sloops with eighteen guns each,
- Ten brigs with twelve guns each, and
- Five rated vessels smaller than a thirty-six gun frigate.

To say we were outgunned would be the understatement of the century. So how did we manage to fight off the British invasion?

Vallar goes on:

To compensate for this lack of firepower, the American government issued letters of marque to privateers. Within six months, forty-two Baltimore vessels had commissions. These privateers were armed with three hundred thirty guns and carried three thousand men. It’s estimated that a total of one-hundred eighty-five Baltimore privateers carried letters of marque, a sufficient number to do significant damage to British trade.
These privateers did indeed wreak some serious havoc to British ships, leading them to dub Baltimore a “nest of pirates.”

So what better place to launch our first annual Crow’s Nest Pirate Cruise than the historic Anne Street Pier in Fell’s Point?

Last week, our entire company became the harbor’s nest of pirates and set sail on the Fearless for a night that will not soon be forgotten.

Joining us on this cruise was fearless reader Jan, who was the lone reader bold enough to board the ship with us. To the other two contest winners who didn’t show up, I say to you: Slag off, you bilge-sucking blaggards!

I kid, I kid. You guys are welcome next time...

To say we had a good time would be an understatement.

There was sailing:
There was dancing:

There were sea shanties sung:

But overall, there was a strong enthusiasm for all things pirate — and the booty that comes with it. Over shots of rum, mugs of beer, and the din of sea shanties, we discussed everything from silver to dividends to stock market crashes — and everything in between.
It was such a success that we will be making it an annual event for our subscribers. We’ll let you know when the next contest will launch. In the meantime, I’ll share some thoughts on all of those topics in this issue.

We also have a new industry that we’ll be digging into, along with the rest of the Warren Buffett’s Will portfolio.

But first things first, let’s chart the course and look at some of our current positions.

**Charting the Course**

**IRM(72) Positions**

**Abbott Labs (NYSE: ABT)**

Abbott Labs has been paying off already; we’re up 20% since I recommended it.

There has been some big news recently that I think you should know about: Abbott sold off some of its generic drug division to Mylan Inc. for around $5.3 billion in stock.

Why did they do it?

For one, there are serious tax advantages. Because Mylan is headquartered in the Netherlands, the new company will have a much lower tax rate, going from 25% to 21%. It should drop even further in years to come.

This isn’t unlike what [Pfizer did last year](#).

Abbott also wisely kept hold of its generic drug businesses for emerging markets, where it has a ton of upside. As the middle class rises in emerging economies, the company’s generic drug sales should rise with it. There’s a marked difference in its developed economy generic drug sales, which have been stagnant.

Abbott will also be selling off its Mylan stock from the deal pretty quickly to start buying back Abbott shares and also acquiring even more medical devices to bolster revenues.

All in all, I think it’s a smart move. The market did, too; after the announcement, Abbott shares added 1%, while Mylan shares rose 5%.

**We still think Abbott is a bona fide long-term addition to any retirement portfolio.**

**HCP, Inc. (NYSE: HCP)**

HCP, Inc. is an independent real estate investment trust. The fund invests in real estate markets of the United States. It primarily invests in properties serving the health care industry including senior housing, life science, medical offices, hospitals, and skilled nursing.
HCP is up a healthy 13.65% since it was recommended. We’ll take that any day of the week. But I think things will continue to grow for this health care REIT.

Here’s a brief rundown from its latest quarterly earnings statement:

- Second quarter funds from operations applicable to common shares rose to $339.88 million from $330.99 million in the previous year.
- Net income applicable to common shares for the second quarter increased to $218.40 million from last year’s $213.02 million.
- Earnings per share improved to $0.48 from $0.47 in the prior year.

These aren’t gangbuster results, but they are all heading in the right direction. And with IRM(72) positions, we prefer slow and steady to rapid and rocky.

That being said, analysts at Jefferies Group boosted their price target for HCP shares from $45.00 to $47.00 in a research note last week. Shares are sitting at $41 right now, so we’ll take that kind of quick growth any day of the week.

We’re still buying long-term under $45.

Aqua America (NYSE: WTR)

Aqua America is one of the largest U.S.-based publicly traded water utilities and serves nearly 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana, and Virginia.

Aqua America just announced its new financials as I write this. I’ll keep it short and sweet:

- The dividend has just been increased 8.6%, a $0.013 increase over the previous quarterly dividend of $0.152
- Operating revenues for the quarter increased to $195.3 million compared to $193.9 last year’s quarter.
- Aqua has completed seven acquisitions in Virginia, Illinois, New Jersey, and Pennsylvania, including the Penn Township, Pennsylvania wastewater system and Summit Lake, New Jersey water system, marking the twenty-fifth and twenty-sixth municipal acquisitions completed since 1992.
- The company’s acquisition success should help overall customer growth exceed 1.5% in 2014 — the highest growth in customers served in more than six years.

The dividend increase marks the 24th increase in the past 23 years. As I’ve said from the start, that is what you want to see in DRIP positions. As your position increases from the DRIP, you already get more cash from your dividend... increasing the dividend speeds the Rule of 72 along.

Analysts at Argus Research Company have raised their price target on shares of Aqua America from $26.00 to $29.00 on the news.

I see no reason it won’t hit $30. We’re buying as a long term DRIP below $28.
Tying Down the Mast

Last month, we introduced you to the Warren Buffett’s Will strategy. In a nutshell, this strategy allows you to beat out almost all active money managers by simply setting up a portfolio of low-cost index ETFs.

Uncle Warren told investors at his shareholders meeting that when he passes on, he’d rather his heirs put his fortune in low-cost index funds than leave his wealth to high-priced financial advisors:

“My advice to the trustee couldn’t be more simple: Put 10% of the cash in short-term government bonds and 90% in a very low-cost S&P500 index fund. (I suggest Vanguard’s.) I believe the trust’s long-term results from this policy will be superior to those attained by most investors — whether pension funds, institutions or individuals — who employ high-fee managers.”

While Warren suggested just buying one fund — the Vanguard S&P 500 (NYSE: VOO) — I believe diversifying even further will give you the best protection against market corrections and bear markets. We already recommended the following, based on the below “Choice Cuts” diversification chart:

**Bonds:** Vanguard Total Bond Market Index Fund (NYSE: BND)

**Emerging Markets:** Vanguard FTSE Emerging Markets (NYSE: VWO) and iShares MSCI Emerging Markets (NYSE: EEM).

**Real Estate:** Vanguard REIT ETF (NYSE: VNQ)

**Commodities:** PowerShares DB Commodity Index Tracking Fund (NYSE: DBC)

This month, we’re going to tackle the rest of the cow.
International Stocks

Emerging markets shouldn’t be your only form of exposure to international stocks. Exposure to stocks in developed countries will broaden your portfolio while limiting the volatility of your international position in emerging markets.

There are a number of ETFs available that cover this need, but one stands out by tilting towards small- and mid-cap foreign companies. The unique focus will increase profit potential while developed international economies gradually pick up steam.

The **FlexShares Morningstar Developed Markets ex-US Factor Tilt Index (NYSE: TLTD)** is the ETF to use.

This ETF’s allocation currently contains 58% large-cap, 16% mid-cap, and 25% small-cap companies, with a few micro caps thrown in.

Here are the sector and country allocations:

![Sector Allocations](image)

![Country Allocations](image)

TLTD has about $640 million invested in it and is currently trading at a slight discount to the net asset value of $648 million.
The expense ratio is a reasonable 0.43% and distribution yield is 1.13%, with 10 million shares outstanding.

**Corporate Bonds**

Corporations have issued $18.2 trillion worth of bonds worldwide since 2008, and outstanding corporate debt is just under $10 trillion. Yet for all of the bonds being issued, it is much harder for retail investors to get in the game. ETFs are the most flexible and accessible way to diversify beyond lower-yielding U.S. Treasury bonds.

There are a slew of corporate bond ETFs out there with different weighting for sectors and length, but one stands out above the crowd...

The iShares iBoxx $ Investment Grade Corporate Bond ETF (NYSE: LQD) invests in a very wide basket of about 1,200 holdings. The weighted average maturity is 11.84 years, with a mix of short and long maturities.

By sector, LQD holdings are: 33.28% financials, 11.92% oil & gas, 10.83% consumer services, 8.62% health care, 7.96% telecomms, 7.58% consumer goods, 5.33% tech, 5.29% basic materials, 4.38% industrials, 1.55% utilities, with the remaining 1.96% spread around elsewhere.

The top 10 holdings by company range from Verizon at 2.97% to Wells Fargo at 1.39%, with large-cap companies filling the entire list.

Virtually none of the holdings are rated below Baa or BBB, ensuring that the ETF — and investors — isn’t taking overly risky and yield-chasing bets.
Alternate Investments/ Collectibles

Alternate investments and collectibles have reached new heights of popularity in recent years.

Dozens of reality shows on television feature pawnshops, pickers, antiques, and collectibles.

Inevitably, these shows focus on people finding obscure and highly valuable items that they will be able to resell at a steep profit.

Of course, there are those folks who bought items for far more than they are worth and those who are forced to sell far below a fair price.

Investing in antiques and collectibles is not easy, especially if you want the items you purchase to retain value or appreciate over time.

First and foremost, you should consider the personal satisfaction and enjoyment you gain by amassing any collectible. With the width and breadth of collectibles that can appreciate in value over time, there is bound to be something you want to collect and display.

If you are selective and do plenty of research, you will be able to find items that you enjoy collecting and can sell at a later date for a gain.

In a way, you should consider it something of a non-monetary hedge: Even if the market collapses for what you collect or if the value of it drops, at least you're getting something out of it.

The key is knowing the upsides and downsides of the antique and collectibles market, along with what makes an item valuable in dollars and cents — not just in sentiment.

Upsides

There are a number of unique upsides to collectibles as investments that you cannot replicate with anything else:

- **Tangible assets:** Collectibles are not influenced by inflation or interest rate headwinds.
- **Low correlation to the stock market:** Collectible markets rarely move in tandem with the economy.
- **Growing rarity:** It is all supply and demand. Over time, historic collectibles become scarce, as they are lost, damaged, or enter museums and institutions.
- **Tax differences:** Many items that are collectible are considered as “wasting assets” and do not factor into inheritance or capital gains tax calculations.
- **Personal control:** You hold onto the assets; you don’t have to worry about a Bernie Madoff figure bilking you out of your money or anything like an investment bank run.

Another potential upside is the ability to capitalize on arbitrage situations. This approach has been glorified by TV shows such as American Pickers and Pawn Stars.

There are all sorts of reasons why people are willing to sell items for less than they are potentially worth.
Sometimes, they simply don’t know an item’s true value. Other times, they desperately need the cash.

Estate and yard sales, along with flea markets, often hide massive profit potential. You really have to know exactly what you are buying and what it is worth. Dealers and sellers prey on overconfidence in buyers.

**Downsides**

The main problem with investing in collectibles stems from the knowledge (or lack thereof) of what is rare and what a fair price is for the item.

The level of research and experience is a huge barrier to entry for anyone who wants to get in and turn a buck.

Just consider sports memorabilia... Many know what sports memorabilia will be coveted based on the player or team, but it took years of watching games and following leagues for them to acquire this knowledge.

Even if you know quite a bit, unless you are an expert, there is always the chance that someone else has more knowledge — and is playing you for a fool.

Here are some other drawbacks:

- **Markup:** If you go through a dealer, you will pay a hefty markup for the retail price. If you sell to a dealer, you will essentially be selling at a wholesale price.

- **Maintenance:** Some collectibles just need a simple protective case. Others, like wine and art, may need special rooms or sensors to monitor moisture, heat, and light. Anything exceptionally valuable should be insured, adding a constant cost while you hold it.

- **Wear and tear:** Accidents happen. Unfortunately, they can catastrophically affect value. Anything that isn’t in pristine condition will often sell for half of the potential value, if not less.

- **Counterfeits and fraud:** High-quality forgeries can fool even experts. Shady dealers will sell something worthless for a small fortune.

- **Low returns:** As a whole, most collectibles appreciate at a slower rate than stocks, bonds, and other investments.

- **Liquidity:** A collectible is only worth what someone else is willing to pay for it. Sometimes, that means a previously hot collectible market will dry up and prices will plummet.

- **No tax-free option:** You’re going pay sales tax on your collectibles. Period. The fact is you cannot shield money used to invest in collectibles from income taxes the way you can when investing through an IRA, 401(k), or other retirement accounts.

**Popular Collectibles**

There are far too many kinds of collectibles to list here. And they all differ based on how they are handled and the interest in them.

The best way to think about collectibles is by their overall type and then a subcategory...
Here are a handful of the most popular types and specific concerns you should have regarding them.

**Sports Memorabilia:** Estimated $10 billion global market, with several billion in the United States.

- **Regional demand:** Depending on the team or player, different items can command wildly different prices. Anything associated with a home team or local sports hero is likely to be in greater demand.

- **Type of sport:** European soccer jerseys sell well... but only in Europe. Hockey collectibles won’t do well in the South, where there aren’t any teams... etc.

- **Condition and maintenance:** Vintage baseball cards, signed balls and bats, and jerseys can degrade if they are exposed to too much light, moisture, or wear. Unless it is really prized, anything less than pristine will be worth far less.

- **Fakes and money-grabs:** There are plenty of forged signatures, fake cards, and “collectible” items that are mass-produced to capitalize on demand. If it is new and made to be collectible, the only people making money are the manufacturers.

**Music Memorabilia:** Estimated at $10 to $20 billion per year worldwide.

- **Recordings:** First-print vinyl records will be worth far more, and vinyl is worth far more than any other type of media. Collectors will want the album cover to be unopened or in otherwise pristine condition, including the cover and any materials that were included with the album. First albums are always produced in a small batch, and then later, a second print is issued if there is demand. Later albums are mass-produced. A first print of an early Beatles album is worth far more than anything made in their later years.

- **Equipment:** Some high-end collectors and musicians want instruments or equipment used by a musician. But authenticity is exceedingly hard to prove. A guitar used by a famous musician is hard to authenticate. Make sure a third party confirms it. Reproductions and imitations of famous instruments far outnumber anything legitimate.

- **Shifting tastes:** Vintage rock and roll, Motown, and country memorabilia is in high demand because baby boomers who grew up listening to music from the ‘50s through the ‘70s have money to burn. In several decades, all but the most iconic of items will be virtually ignored.

**Pop Culture and Consumer Memorabilia:** This includes everything from movie memorabilia to toys and lunch boxes to advertisements...

There are only a couple consistent rules:

- **Buy vintage:** A new Coca-Cola sign is worthless. An old sign or poster in great shape is worth far more. The same goes for any consumer items. Anything from the last couple decades was mass-produced on a much larger scale, and there will be no scarcity.

- **Make sure it is complete:** Anything missing parts is only worth a fraction of a pristine item. A lunch box without a thermos or anything similar will not be in demand.

- **Originals only:** Just like albums, it has to be an original to have any value. Replicas and massive secondary production are rampant. For example, a 100-year-old copy of *Moby Dick* may be old, but
the first edition was published in 1851, so it’s all relative.

• **Iconic brands:** People are far more interested in Coca-Cola or Disney than the obscure competitors they put out of business... At the same time, they produced far more items because of past demand and the companies’ sizes.

• **Fickle demand:** Hummel figurines were once treasured and coveted; these days, they fetch far lower prices... Beanie Babies imploded within a couple years...

• **The collectible trap:** A “limited edition” cup plastered with the characters from recent movies was only limited to how many they could sell to fools before there was no more interest. With product placement deals and mass media frenzies, nothing marketed to collectors is for anyone serious about collecting memorabilia.

**Wine:** $164 billion total, $4 billion in extremely high-end fine wines, $300-400 million of auctions

• **Extreme learning curve:** Yearly crop differences, labels, regions, and maturity times make knowing what will be in demand extremely hard to learn or predict.

• **Global demand:** Rapidly expanding middle and upper classes in China are fueling demand for European wines. On the high end of the scale, rich Chinese are snapping up prestigious vintage wines. Prices are high, but they are dependent on emerging market growth and fortunes.

• **Storage:** Seemingly minor changes in light, temperature, or heat can destroy a wine. Any signs of poor storage will dramatically affect taste and send potential buyers running.

• **Fakes:** Recently, a famous chef at a Michelin-starred restaurant in Chicago sold a $45,000 bottle of wine that was counterfeit. Depend on third-party verification for high-end wines.

• **Costs:** Storage and insurance are not cheap... nor is the 15%-25% cut an auction house will take.

• **Funds:** There are wine funds that provide opportunities without a need for personal expertise in choosing wines or knowing how to maximize sale value.

**Art:** Estimated $60 billion global market

• **Style:** Certain styles of art move in and out of fashion quite regularly. Post-War Contemporary art is hot, while Impressionist works appreciated far more slowly in recent years. Tastes can change overnight.

• **Impossible to predict fame:** A good artist may never produce anything with value beyond aesthetics. No one can predict which contemporary artists will be “the next big thing.”

• **Fakes and reprints:** Countless near-identical copies of the works of famous artists have been produced. Some fool the best of experts.

• **Extreme volatility:** You’re dependent on auctions to sell, and prices depend on demand. The new rich of China and India are catapulting prices, and the market may be overly hot for years to come...

• **Costs:** Insurance and maintenance to control light, heat, and moisture add up fast. Drop artwork, and you’ll be lucky if it doesn’t become worthless.

• **No transparency:** Art markets are murky and byzantine. There are no protections to a buyer or seller.
• **Funds:** For private equity investors, there are plenty of art funds that provide opportunities without a need for personal expertise for individual investors.

There are plenty of other categories that could be listed. For example, antique furniture, vases, and firearms can all be collected and appreciate in value over time as they become scarcer.

If you invest in collectibles that you are passionate about — and dispassionately evaluate the price and market — you can maintain an alternative store of wealth that you will enjoy far more than owning shares, bonds, or precious metals.

**Editor’s Note**

Personally, I love collecting certain things: vintage records, aged whiskeys, and more baseball cards than my wife would like to see claiming precious closet space. But those are really all for fun; I don’t expect to ever sell them.

As far as investments go, I get my collectibles exposure from our Collector’s Universe position. Not only does it pay a huge dividend, but it also has some serious upside with its recent move into China. It covers everything from collectible coins to autographs to sports cards and more.

I urge you to read the [entire company report here](#).

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**Plundering**

Now, let me start off by saying I’m not one to get starstruck...

I know celebrities are people just like you and me — but with a penchant for self-aggrandizing and promotion. But when Montel Williams made his way into the office, I dropped my airs and made my way to the conference room.

For children of the ‘90s (like me), Montel made up the triumvirate of television at the time. Anytime I was home sick from school, I vividly remember watching either Sally Jesse Rafael, Maury Povich, or Montel Williams. Montel was always my favorite...

He just seemed more genuine than the rest of the daytime talk show circuit.

And when I got a chance to sit down with him, I was even more convinced: This was no gimmicky Geraldo opening Al Capone’s vault. This wasn’t some half-wit paternity-testing huckster like Maury Povich. And it wasn’t the ringmaster for a freak show like Jerry Springer.

He was a smart, genuine, fired-up guy who was passionate about his projects.
When I spoke with Montel, let’s say I had an ulterior motive in mind. I am very, very interested in medical marijuana for investing purposes. And I know that medical marijuana is one of his most cherished causes.

Marijuana stocks have gotten a lot of press over the past year. A new frontier of profits has opened up courtesy of the widespread legalization of both medicinal and recreational marijuana. Colorado and Washington now allow the sale of recreational marijuana, and 20 other states allow it for medical purposes.

Many more will follow in the coming years.

Now, a whole lot of people are getting rich... quickly.

Just take a look at some of the gains:

- **1,910% on CannaVest**, which had a 52-week low of $10 and a 52-week high of $201 a share.
- Next Gen Metals’ stock rocketed from $0.05 to more than $0.70 after it announced plans to invest in marijuana companies. **That’s an insane 1,300% gain.**
- Hemp Inc. went from a penny to $0.34 a share, a **3,300% gain.**

Unfortunately, at this point, it’s mostly smoke and mirrors...

Now, the market for marijuana stocks will certainly have some long-term winners that will make plenty of people rich. But plenty of others will get burned in the meantime.

It’s no secret that legalized marijuana will eventually be a massive industry. It already has a built-in market that has been paying artificially inflated prices due to the illegal nature of the habit.

It’s actually one of the fastest-growing markets in the country. Sales of legal marijuana should top $3 billion by the end of 2014. That is more than double what it was the year before.

And it won’t be slowing down anytime soon... *Medical Marijuana Business Daily* predicts total sales could
quadruple to $6 billion by 2018. All told, the entire market could get higher than $10 billion by 2018.

That’s because America seems to be embracing it with open arms...

A recent survey revealed that 7.3% of Americans aged 12 or older regularly used marijuana in 2012, up from 7% in 2011. That’s 7.6 million Americans that light up almost every single day of their lives. Countless millions of others use it occasionally...

Even non-smokers have come around to support legalization. A recent Gallup poll showed 58% of Americans support total legalization. The percentage soars to 72% approval when those under 30 are asked.

And that number doesn’t include the large infrastructure and auxiliary products needed to support such a massive industry.

But right now, there are some companies using tactics dirtier than Tommy Chong’s bong water...

CannaVest (OTC: CANV) is perhaps the biggest “success” story in the legal pot arena. According to CEO Michael Mona Jr., its “sole focus is to source and supply the highest-quality industrial hemp available on the market.”

Here’s the chart on the way up:

![CANN Price Chart](chart.png)

That is an incredible 1,400% gain. But now check out the immediate aftermath:
To quote reggae legend Jimmy Cliff: “The harder they come, the harder they fall...”

In short, some of these “pot stocks” may make you a bunch of money. But most will leave you with nothing.

That’s why I generally stay away from the fly-by-night operations that may net you 500% — but more likely will leave you with nothing but vapors...

So I wanted Montel to help me understand the straight story. Which of these companies is actually going to make money?

When I asked him, I could see the gleam in his eye. He was fired up...

You see, Montel has been the de facto spokesman for medical marijuana since he began using it to treat his multiple sclerosis over a decade ago. And believe me, the guy looks great and is as energized as ever. He told me he’s been using medical cannabis daily for the last 12 years and attributes much of his current good health to his medical marijuana prescriptions.

“It is just like any other plant-based medicine on this planet — just like aspirin came from the willow tree,” he told me. “I can’t for the life of me understand why anyone would want to keep it from those truly in need.”

Medical marijuana is a natural substance that comes from the cannabis plant — which has a medicinal history that goes back thousands of years. In fact, archaeologists have found evidence of medicinal cannabis use in China dating all the way back to the Neolithic period, around 4000 B.C.

It was only modern scare tactics and government overreach that banned it in the first place. Thankfully, those
philosophies are going the way of the buffalo...

With the overwhelming number of addiction problems coming from medications based on opiates, medical cannabis has much to offer as a completely natural treatment, without the horrific side effects and addiction issues of most prescription medications.

“Marijuana does not have the physical addictive components that opiates do,” according to Shelley Stormo, clinical psychologist at the largest addiction treatment clinic in Cape Cod. “It does not have the propensity, as opiates do, for overdoses. There’s no documented death by overdose of marijuana.”

It is basically a medical no-brainer. As the stigma begins to lift, this will be big, big business. And that’s why we’re digging into it as a long-term investment.

That’s why Montel advised me to look into the medical side of the marijuana business, where companies are actually required to answer for themselves — through rigorous testing, regulations, and, best of all, results.

Montel even divulged to me that the United States government is growing tons — that’s right, tons — of marijuana right now for eventual widespread medical uses. With the recent legal victories piling up, they see it as an inevitability. That’s why now is the time to start diving into these rising companies before they let the cat out of the bag.

And widespread legalization is far more likely in the near term for medical marijuana than it is for recreational marijuana. Right now, 23 states have legalized medical marijuana, while only two have opened up their shops for recreational use.

That number will continue to grow — not just in the U.S., but globally as well.

There is a built-in audience of patients who can benefit from such use. While Montel uses it to manage the pain resulting from his MS, there are other far-reaching medical uses:

- Cancer
- Parkinson’s
- Glaucoma
- Epilepsy
- Chronic Pain

Those are big markets. And the list goes on and on.

So as more and more states in the U.S. open their doors to this groundbreaking treatment, more companies will crop up to meet the huge demand. Just look at these projections from the *Marijuana Business Factbook*:
So while plenty of money will be made in both recreational and medical marijuana stocks, I firmly believe that safer, bulletproof profits will be coming from the medical sector.

**The first one we’re digging into is GW Pharmaceuticals (NASDAQ: GWPH)**

GW Pharmaceuticals is a UK-based company that has the fundamentals to prosper as medical marijuana becomes more and more accepted. It specializes in the research, development, and commercialization of a range of cannabinoid prescription medicines.

Its main product is Sativex, a spray that helps treat multiple sclerosis symptoms, cancer pain, and neuropathic pain. Upcoming products will target epilepsy, schizophrenia, and diabetes.

Its epilepsy drug Epidiolex could be a huge seller if approved. Epilepsy affects over 50 million people globally, and current drug therapies are not effective in 30% of epilepsy patients.

Marijuana-derived medications for epilepsy got some media attention recently when Paula Joana confronted Governor Chris Christie at a town hall meeting. Sabina, her 15-month-old daughter, died from an epileptic seizure caused by her Dravet syndrome. She chided Christie for holding up medical marijuana in New Jersey, shouting that her daughter would still be alive if the marijuana-derived medicines had been legal.

Epidiolex targets Dravet syndrome...

The company itself got some high-profile media coverage when CNN’s Dr. Sanjay Gupta visited its labs for his popular broadcast *Weed*. Management gave him an exclusive look at their operations. You can watch the video [here](#).

And unlike some of the fly-by-night pot stocks, these guys actually make money...

- Their most recent financial report shows revenues of $12.4 million
- They currently have around $55 million in cash
This helps explain GW Pharmaceutical’s billion-dollar market cap while the bulk of the other marijuana stocks are relegated to the OTC markets.

Most telling is that it has partnered with pharmaceutical giants Novartis and Bayer to help tap into the U.S. market as marijuana policies become more relaxed. When the U.S. market opens its doors for marijuana-derived medications, GW Pharmaceuticals will be primed for a healthy payday.

Now, this isn’t to say that GW Pharmaceuticals is a low-risk play: it sports a 52-week range of $10.46 - $111.46, so we’re not exactly talking about a solid blue chip here.

It currently has plans to gain FDA approval to sell its marijuana-derived medications in the U.S., and much of its success hinges on that approval.

But it has all the fundamentals to become a budding company in the marijuana space, something that the penny stock scams have no chance of doing. Personally, I’d rather give my money a chance to grow than just watch it all go up in smoke...

We’ll send out an alert when the stock price corrects a bit from its stellar year. But long term, this company is leading the way for many others in the medical marijuana space.

I also spoke with Montel about some real ground-level projects he’s involved with that may be able to deliver those penny stock-style gains, without buying the farm. But I’ll only pull the trigger when it is the right time.

We’ll bring you these others in upcoming issues.

Godspeed,

Jimmy Mengel
Investment Director, The Crow’s Nest