



PAUL COHEN'S

Marijuana Hub

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HOW TO MAKE MONEY IN THE MARIJUANA STOCK MARKET

MORE ON THE STRUCTURE OF THE BENZINGA 420 INDEX

The last thing I have wanted to do is to be the messenger of gloom and doom for this industry.

There are many facets of the industry's growth that are encouraging. However, I simply cannot sidestep the issue of the Crash of the Marijuana Stock market and pretend it is not there. This industry has looked the other way, sweeping it under the rug in favor of touting the hype. This Index is key to investor perception which in turn affects the financing of a whole industry. In my view the index because it is referred to by an entire industry is both misleading and deficient.

The industry relies on Brockstein's 39 company Index, not the 280+ public companies in the industry. It does not represent the breadth of the cannabis industry as is the DJII or Standard and Poor's 500. First, it arbitrarily assigns weights to the stocks without any logical reasoning that I can determine. For example, Cannagrow Holdings, Inc. (OTC Markets: CGRW), a \$1.53 million market company is given a 3.03% weight in the index, whereas GW Pharmaceuticals Plc (NASDAQ: GWPH), a \$2.70 billion market capitalization company is assigned a weight of only 2.65% in the index.

In addition, Brockstein's trading recommendations include VWAP (Volume Weighted Price Average), a trading benchmark used in larger liquid stock markets, not penny stock markets where the bid and offer spread might be as much as 50% - 100%. A VWAP calculates dollars traded for every transaction (price multiplied by shares traded), and then is divided by the total shares traded for a day. If a buy trades at lower than the VWAP, its theory might be a good trade. If a stock trades higher than the VWAP it might be a good sale. Using VWAPs as a justification for buying or selling thinly traded cannabis penny and sub penny stocks may make no sense to me at all. Rather VWAP is being used as an inducement to justify a trade recommendation as undervalued or overvalued.

It would be beneficial for this industry if Brockstein created a better index, and folded up his trading platform. If something does not work, fix it or scrap it.