

ARIA | CAPITAL

INVESTMENT INSIGHT

A weekly look inside the investment world.



Don't look for the needle in the haystack. Just buy the haystack!



John Bogle

Friday, 10 February 2023

In this week's Investment Insight

An egregious example

The "most egregious example of corporate fraud in history" was how Hindenberg Research described troubled Indian conglomerate, Adani Group. Its shares have lost over 50% of their value in the past month and international investors have been queuing up to sell their holdings. In *The Inside Track* we explain what's going on.

Real or artificial?

As popular investment themes often do, artificial intelligence or 'AI' gained currency among US private equity investors before it became as mainstream as is today. If you are unfamiliar with AI's capabilities, just ask a teenager: the AI 'bot' ChatGPT is reputedly in widespread usage for essay, project and assignment writing, leaving teachers puzzling over whether the assignments they've corrected are real, or artificially generated. With the hype that AI is generating, almost inevitably, endless amounts of speculative capital will be directed towards companies promoting capabilities in that space. This fact is not lost on many of the large tech companies, as we see in *Pic of the Week*.

News wire

Some interesting nuggets from this week's newswires.

Market view

A visual snapshot of recent market performance.

The Inside Track: An egregious example

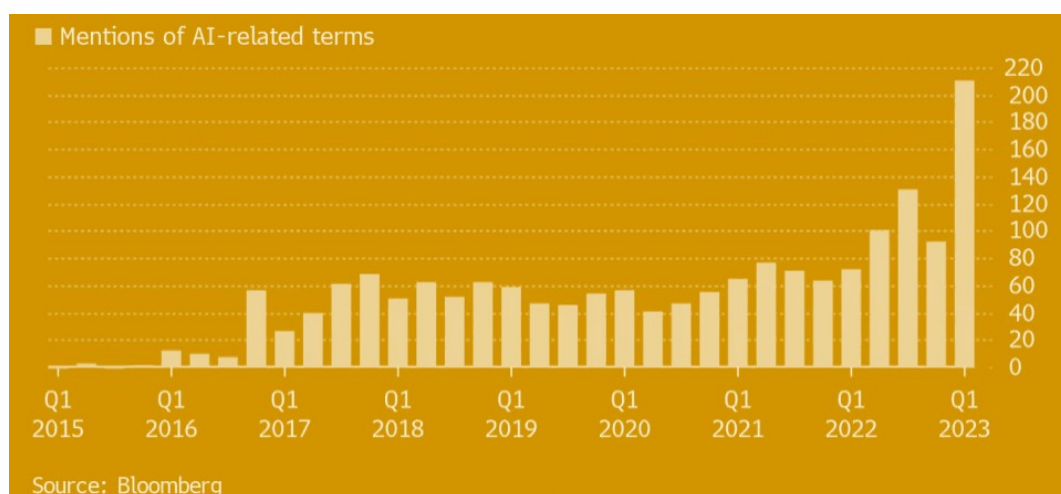
It's a story with financial, political and even national pride ramifications. It all began in late January when Hindenberg Research, a company that makes money when share prices fall, published damning research on one of India's largest and most high profile companies, Adani Group. Hindenberg accused the company of stock manipulation, accounting fraud and corruption. It's not the first time the company has come under scrutiny, however, having been the subject of 4 major government fraud investigations into money laundering, theft of taxpayer funds and corruption, totaling an estimated US\$17 billion.

The company's founder, Gautam Adani, was listed until recently as the world's 3rd richest person. While not quite on the breadline, he no longer ranks in the top 10. Adani is well connected in Indian political circles and is reputedly close to premier Narendra Modi, whose party has been defending the company against increasing outcry from opposition parties. In particular, they are questioning investments made by state-run Life Insurance Corporation of India and the State Bank of India in Adani Group companies.

For international investors, the fraud and corruption allegations have jeopardised the confidence not just in the company, but in the country. India's corporate governance standards, although improving, have long left investors wary. When the Adani share price started to come under pressure a few weeks ago, corporate India rallied to the rescue, buying up shares in an attempt to bolster the share price and shore up flagging confidence in what was characterised as an attack on India. Ultimately the rescue attempts were to little avail and Adani has now lost over 50% of its value in just a few weeks. There was a rally earlier this week with the share price bouncing by about 15%, but that has started to fade and the share price is heading south again. In its efforts to gain credibility and attract international capital flows, this is exactly the kind of story India can do without.

Pic of the Week: Real or artificial?

AI is the hottest investment theme in tech at the moment. Everything from essay writing to image creation to drafting of legal agreements can be done by a 'bot', and to increasingly high standards. Thus it comes as no surprise to find, just as 'dot.com' did over 20 years ago and 'cloud' did over a decade ago, AI is being touted with increasing frequency by big tech firms as the next 'big opportunity'. According to data compiled by Bloomberg, in their latest earnings calls, "AI" was mentioned 62 times by Alphabet (Google), 33 times by Meta (Facebook) and 31 times by Microsoft. As tends to be the case, some founders (and speculative retail investors) will make fortunes from the hype, and many more will lose them!



...on Monday

Oil prices rise on hopes of increased Chinese demand.

...on Tuesday

UK's cabinet ministers undergo re-shuffle to address economic pledges.

...on Wednesday

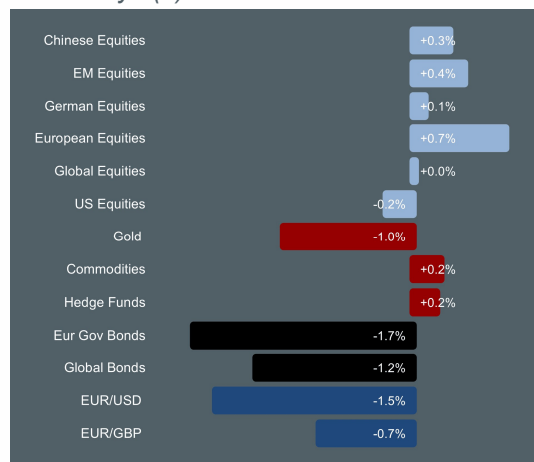
Ukraine's President Zelenskyy asks France and Germany for "game changing" weapons.

...on Thursday

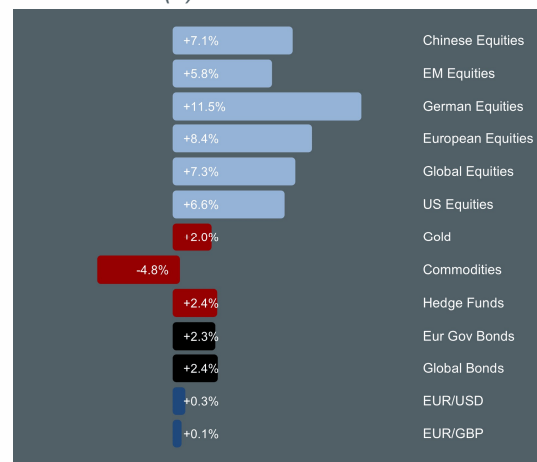
Adani Group's woes continue as the Norwegian Wealth Fund offloads its holding.

Market View

Last 7 days (€)



Year to date (€)



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