



## Marc Cohodes Doesn't Appear to Be a Warren Buffett Fan

### Description

The infamous American short-seller, Marc Cohodes, made a great move with his short on shares of **Home Capital Group Inc.** ([TSX:HCG](#)) as the financially distressed alternative lender plummeted following a series of scandals including fraudulent mortgage applications and a lack of disclosure. It appeared that Home Capital Group was destined to go bankrupt, but then shares surged following the news that **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) was jumping in to make a deal.

Berkshire Hathaway acquired \$400 million worth of HCG shares at a huge discount and also provided a \$2 billion line of credit on better terms than the emergency loan that Home Capital Group took out months earlier. The \$2 billion line of credit was repaid earlier than expected and shares continued to soar as investors quickly gained confidence following the Oracle of Omaha's involvement.

### Marc Cohodes: Still short, still bearish on HCG

Mr. Cohodes' took a short-term hit on the chin following the deal, but he's still short HCG and is confident that shares will eventually get back to their negative trajectory. Mr. Cohodes started shorting HCG at the \$50 levels, and at the time of writing, HCG is trading at the \$13 levels, so he's still up pretty big despite the recent Buffett-inspired upward surge.

Mr. Cohodes said that, "Home Cap will be revealed as one of North America's great corporate fraud, lack of disclosure, un-shareholder friendly companies out there," and that Warren Buffett was in for a "loan-sharking deal."

Although Home Capital Group appears to be back on the right track with its liquidity stabilization, Mr. Cohodes doesn't think the pain is over for the alternative lender and that the recent Buffett deal will just delay Home Capital Group's inevitable downfall. Mr. Cohodes stated, "I think if they run this thing like a legitimate outfit, the company will not make any money ... their loan-loss provisions will go through the roof."

### What should investors do?

I think it's pretty much guaranteed that Mr. Cohodes will continue to attack Home Capital Group until

the end. There are still many unproven allegations coming from him and the management team at Home Capital Group has been denying everything.

### **Buffett vs. Cohodes**

Mr. Cohodes is making bold claims, and he's not going to back off, even if Berkshire Hathaway were to take a larger stake in HCG. Mr. Cohodes is clearly not a fan of the Oracle of Omaha, and he recently predicted that Buffett would get a "sweetheart deal to do other Canadian investments with a pat on the back from the Canadian government."

That's definitely a far-fetched claim, but one thing is for certain, shares of HCG are an extremely risky proposition and Mr. Cohodes will do everything he can to spoil a potential turnaround. Unless you want to take a speculative gamble, I'd avoid shares of HCG because there's likely a lot more downside from here, even if Warren Buffett stands in their corner.

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### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:HCG (Home Capital Group)

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1. Investing

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