Mohnish Pabrai's Presentation and Q&A at the FLAME University on Dec 25, 2023

Durgesh: Good evening to all of you. We are delighted to have Mohnish here as we have shared his annual report with all of you this morning. On the screen, you can see a letter Warren Buffett had written to him. It is a very unique thing about what he achieved at Dakshana Foundation. I am assuming that all you guys are from the field of investing. I do not want to talk too much about all his achievements in the markets, whether in India or the US. Ever since he had that lunch with Warren Buffett, he has become famous and all of us know a lot about what he does and what he says. However, some things are not known about Mohnish and his achievements. For example, when I was trying to get him here, he said he comes to the Dakshana Valley once a year. For all of you who do not know about Dakshana Valley, I will say that it is a must-go-to place. It is just two hours from here. It is a phenomenal achievement of what they do there. Two of his colleagues are here right in front of us who run the place on a day-to-day basis. Mohnish can delegate and monitor so well that if you read the annual report, which I have emailed to all of you this morning, you will see the achievements. We always say that we can blame the government of India for the PSUs and the ROC and all of that, but the best ROC they have got is from IITs and IIMs. In my opinion, even Mohnish's performance on Dakshana is far better than anything he does in the markets. I would say that any of you who have not read the report should read it, and all of you can take the opportunity to visit the place, it is a phenomenal place and one of the best institutions that are run for education for the underprivileged in India. I will now talk about his achievements in India and the markets. When he talks about certain companies, I am quite surprised at the depth of his knowledge about Indian companies. When you see the YouTube videos and he shows you around his office, you wonder how he finds time to manage all the things that he does. He has promised us that his presentation today is going to be about something that he has not talked about before. I do not want to keep you all waiting for that presentation, and I would like to leave as much time for questions and answers about what he is presenting about Dakshana, Indian markets, US markets, China, and most importantly Charlie Munger, his friend, whom I believe he used to play bridge with. Thank you, Mohnish. Thanks again for being here.

Mohnish: Thank you, Durgesh. Durgesh has been a great supporter of Dakshana for many years, and one of his classmates used to be our chief operating officer. Sharmila and you went to college together if I am not mistaken. It was good to have that connection. He had been telling me for many years to come to FLAME and I hardly make it to Pune. I was trying to do that, and I did not think it would work to come here on December 25th, but he said, "It will work," and I said, "Okay, that works well." We were able to do that. I had a wonderful tour of the campus that I am sure all of you have had. This is a surreal place. It is hard to believe that a place like this exists, a true labor of love. It is amazing and quite unbelievable to see something like this come alive in the sense that it is exactly what the vision was, maybe even better. It is great to see that. I have a few slides I will go through. I am more interested in hearing what you guys have on your mind, so we will not be talking much about what is on the slides. We can talk about whatever you would like to talk about. That is perfectly fine.

I would like to talk about two different companies and that might serve as a backdrop. They are both great companies, truly exceptional businesses. One is based in India, Varun Beverages, which I am sure most of you are familiar with. The other one is Coca-Cola Icecek. It is based in Turkey, but they do bottling in about a dozen countries. I was taking a look at Varun Beverages and at some of the numbers; about 2 billion US dollars in revenue, about 250 million in net income, and about 16 billion market cap. I always like to think, "What is this business going to look like in 10-15 years from now? What might be the future of Varun?" India has incredible tailwinds; it has one of the best demographic stories anywhere in the world. We have one of the rare large countries in the world with a growing population expected to be over 1.6 billion in 2038. The per capita income is almost 3x according to what they are projecting. The 7,200 per capita in 2038 is not etched in stone. If that happens, this country will look amazingly different than the way we see it today. That would be quite a welcome change. If you look at Varun, they have about 900 million cases which are 24 units of eight ounces each. Their recent volume growth has been about 15% annually. I just kind of took a stab. I thought, "Okay, let us say they grow 15% a year for the next five years, then it grows a little slower, maybe 10%, and then maybe 8% thereafter. What would the business look like?" One of the things about the bottling business is that we have a lot of companies all over the world. Several bottlers are publicly traded all over the world. They bottle for Coke or Pepsi. The arrangements are very similar and there are commonalities amongst them, even though geography and some other things are different. You can do some comparisons across different bottlers. If those were the growth numbers, you would have five times the volume that you have today. You would have about one and a quarter billion of after-tax earnings growing at 4 or 8%. Maybe you would give it a 15, 20, multiple 19 to 25 billion market cap.

Compared to the 15 or 16 billion today, it would be about 1.3 to 3.2% annualized plus dividends. There is a question that comes up, which is why couldn't volumes grow faster? Why would they slow down? Why can't volumes keep growing at 15% a year? Fifteen percent volume growth with a 7% GDP growth and 0.65% population growth endlessly is not possible. It would just defy reality. But even if you assume that kind of situation, you end up with about a 2 billion PAT and 50-60 billion market caps, and from 8% to 9% annually plus dividends. But this 15%, we can kind of use Munger inversion to see how realistic it is. NARTD is the acronym used for Non-Alcoholic Ready-to-Drink. If volumes grew 15% a year, we would be at about 700 servings per year per capita in India. What that would mean is that every person has two Pepsi products every day. If Pepsi had like 50% market share, then the country would have four products every day. The 700 servings per year, we do have comparisons around the world with that metric. If you look at the per capita servings in several different geographies, the United States is the highest about 1,400 servings per capita. If you look at a country like Saudi Arabia, it has about 885 and the UK is about close to 700. Saudi's per capita GDP today is about 32,000 versus what India would have, about 7,200. We would have a four-to-one delta, and it is a hotter country. Heat and a country's temperature is correlated with the consumption of Coke. Even if you compare it with China, which has a per capita GDP of about 12,500, it would be almost double maybe 80% more. They are at about 337. The 700 servings per day just for Varun seems quite unbelievable to make that assumption. Then, we have Coca-Cola Icecek. It is a bottler based in Istanbul. They have exclusive bottling rights to all Coke products in Turkey, Pakistan, Kazakhstan, Iraq, Uzbekistan, and various other "-stans."

There is a rumor that they will be getting Bangladesh. Coke has got a few problem countries where they want to change the bottler. India is one of those problem countries. Coke wants to change the bottler in India, Vietnam, and Bangladesh. It is rumored because they put out a press release that there were rumors in the market that they might be getting Bangladesh. They just said, "We have discussions going on with the Coca-Cola company in Bangladesh." Bangladesh has about 600 million cases a year. Varun as I said earlier is about 900 and Coca-Cola Icecek across the other geographies is about 1.6 billion cases. It is about twice the size of Varun. If we look at Coca-Cola Icecek, we have about 4 billion in revenue, about 400 million net income, about a 3.7 billion market cap, and a P/E ratio under 10. They are growing at about 6% to 9%. Plus, they may get Bangladesh, and it is possible at some point they might get some part of India and so on. We will have to see. Varun is approximately half that size; a little more than half the income significantly higher trailing multiple and currently has a higher growth rate.

Coca-Cola Icecek is a listed company, but it is 50% owned by Anadolu Efes. The family that owns the bottling business owns half of Anadolu Efes. There are two listed companies in Turkey. One of them is Anadolu Efes which owns 50% of the Coke bottler. If you think about the structure, it is not exactly a holding company because it has operations. The family that owns it, or in other words, the entire shareholding of Coca-Cola Icecek is sitting in Anadolu Efes. The Anadolu Efes beer business has a normalized market cap, but not normalized earnings on the beer side which is about 200 million. But recently there was a transaction that took place. Anadolu Efes is the number one beer brand in Russia, for example. They are in several countries. They are number one in Turkey also, but their biggest business is in Russia. In Russia, their joint venture partners are AB InBev, the Anheuser-Busch people, and 3G Capital. All those guys and all these American companies are divesting the Russian assets. Heineken sold their Russian business for $1 and another AB InBev does not want to sell the Russian business, but they have to. Recently, this has been going on for about a year and a half, when I met the company, they said, "We are negotiating with them and trying to figure out what works." The family that owns Anadolu Efes and Coca-Cola Icecek is probably the highest-reputed family in Turkey from a governance point of view and, reputation point of view. The partners they have in their different businesses are truly world-class partners. For example, the family also has all the McDonald's franchises in Turkey. It is private; they have not listed that.

They just own it. Coke in Atlanta owns 20% of Coke Icecek and they sit on the board and AB InBev owns 20% of Efes and they sit on the board. They just announced recently that AB InBev decided to sell 50% of the business that they did not own to Efes. They did not discuss a lot of things about the deal. What they said is, “Efes is paying nothing to AB InBev; zero.” Over the next few years based on earnings, there will be some payments.

One of the things you have got to understand is a seller agreed to sell with nothing down. Part of the reason is because the reputation of the family is so strong that the seller is not going to have any concerns about not getting their money, or what might happen in the future. They have no concerns about that. The Efes, in their negotiations, would not have squeezed AB InBev because they want a 50-year or a 100-year relationship with them. It is a good symbiotic thing. The bottom line is in that press release, the AB InBev people said, “We think 50% of the business is worth about 1.3 billion.” They did not say anything else beyond that. They are implying that maybe they will get 1.3 billion over a few years or something, though Efes' market cap is two and a half billion. They now have 100% of the beer business, which should be worth at least two and a half billion; the Russian beer business alone. They also have Ukraine, which is about one-fourth the size of Russia. They shut down the operations there. At some point, the war will end. They had closed all their breweries, but they just opened one or two of their breweries recently. We looked at the areas where they were safe to open and they did. They have the number one market share in Ukraine as well. They started producing. They have got a few other countries as well.

If you look at the Efes beer business together in total, it is 34 million hectoliters and just to give you a context, India's entire beer market is 65 million hectoliters. Efes beer business is more than 50% of all of India. UB, which is much smaller than Efes in volume, has a five-and-a-half billion market cap. Efes by itself has a lot of value, but inside Efes is 50% of the Coke bottler. I own shares in Efes and I own shares in Coke. I do not own shares in Varun, just as disclosure. As I said, the market cap is about two and a half billion Coca-Cola Icecek, market cap of under 4 billion.

Tom Gayner is a good friend of mine. Some of you might have heard of Tom Gayner; he is the CEO of Markel Insurance. Tom Gayner is on the board of Coke in Atlanta, and I saw a Facebook post by him. He is very active on Facebook. He was posting some pictures of him in Istanbul. Tom does not venture outside the US. He is a very meat and potatoes American guy. I asked Tom, “Istanbul?” He said, “We have a Coke board meeting in Istanbul, and I had to come.” I understood that since Tom never leaves the US he can only leave for these reasons, and he explained to me that Coke has four board meetings a year. Two of those meetings take place in Atlanta where there is Coke’s headquarters. The other two meetings, take place in New York every year, and the fourth one rotates. It goes in a different geography in the world. They just want to expose the Coke board members to Coke in different countries. This year it happened to be in Istanbul. He cannot tell me anything about what is going on in the board meetings, but he was telling me that they had a presentation in Istanbul, which was made by the CEO of Coca-Cola Icecek to the Coke board. He said that that presentation blew him away. He was expecting it to be a standard presentation by bottlers’ CEOs to the board, but once the guy started talking, he was captivated. Coca-Cola Icecek had hired a new guy as a CEO. He relocated from Chicago to Istanbul. He is half Turkish and I met him in March. I met the Coca-Cola Icecek people for a few years, but this year when I went in March, I met him, and he blew me away. I was just floored when I saw this guy. One of the things that was very impressive to me was that the family was even able to attract some guy like that.

It is hard to explain all the different nuances about this guy, but I concluded that whatever was happening with the Coca-Cola Icecek business before this guy came, and what would happen after he came will be very different. One thing about the Coca-Cola business or the Pepsi business is that they are close to 140-150 years old, and they are an embryonic business. We think of Coke as a mature business–after 140 years, things matured–but it is not. There are three things about Coke that I have tried to learn and understand over the years. I was talking to Tom, and I said, "Tom, I do not have any desire to serve on any boards. I am not a board guy, but if they ever call me to serve on the Coke board, that would be a board I would love to be on." That is because to be able to see what is happening from that vantage point would be just unbelievable. We think of Coke as a 140-year-old company. We think of it as a mature company and we think that everything about it is pretty well-known and well understood, but that is not the case. When you go into the details, it is a very complex business. It appears to be simple. It is a very simple business to understand, but when you get into the different weeds about brands, market share, growth, how much you spend on marketing, and different things, it starts to get complicated. Moreover, you have so many different variables that you can play with.

When I met the Coke CEO last time, he said, "Listen, I do not want to meet you in the office next time. Next time, let us meet in the market. Let us meet in the market in Eastern Turkey." If you think about Turkey, Istanbul, and Western Turkey, it will be like New York. Go to Eastern Turkey, which will be more like Iraq. There is a big difference. Even though Turkey is one market, in that market, there are a lot of differences. To give you a little bit of a flavor for how Coke works, they had a bottler in Uzbekistan, and they had a joint venture with the bottler. Fifty percent of that bottler was owned by the Coca-Cola company and 50% was owned by the Uzbek government. The government is their partner there, and that comes from the Soviet Union times. Uzbekistan used to be part of the Soviet Union, and this bottler was part of that whole Soviet apparatus. Their whole way of running that business was the way the Soviet Union ran things. They are only bottling three products of Coke. Coke has hundreds of products, but they are only bottling three products. They do not have any trucks. If you want Coke or Coke products in Uzbekistan, you show up at the factory gate, pay cash, and take the Coke. The Coca-Cola Company was quite pissed off with the Uzbekistani situation, and they kept trying to get them to sell the stake; try to get another bottler there or something, but they were not interested. Finally, one day the Uzbek government wakes up and tells Coke, we have decided to divest our stake. Coke thought, "There is a God." But they said, "We do not have an interest in selling it to you. We want to sell it to the highest bidder." Coke replied, "Look, we have partnerships with our bottlers. We do not want some random third party coming in." They then said, "No, we are just concerned about the Uzbek citizens. We want the highest price for our citizens and we will give it to the highest bidder. What happens after that is your business." Coke went to Coca-Cola Icecek and said, "No matter what the price you have to pay, buy the business." Icecek replied We have a business to run. We cannot just pay any price." Coke said, "We own 50%, we will sell our 50% to you at a very discounted price. The overall price would look okay to you. Just make sure you are the highest bidder, and you take it." They went to Icecek because it is a trusted entity. They have had a long history.

When the deal finally took place, the Uzbek side was bought at an equivalent value of 430 million. Then Coke sold their part of it to them at 230 million. On average, around 300-odd million. They paid for something of a net income of around 15 million, about 20 multiples. It was not growing; it was a flat business. The analysts were upset at Coca-Cola Icecek. They said, "What are you doing? This is a ridiculous multiple. Even with the Coke discount, it is very high." The first year that they ran the business, the net income was 80 million. I asked them, "How did it go from 15 million to 80 million?" They said, "We bought some trucks, painted them red, put our logo on them, drove into the town, and just shook everyone's hand. When we shook their hand, we put one cooler in their shop. That is all we did. We have not increased the range of products; we have not done anything else yet." You look at a place like Uzbekistan and the Coke business there is embryonic. There are a lot of places like that where you have this weirdness going on. It is kind of a fun company to study.

All three of these businesses have great management, great value, great brands, and terrific businesses. This is a chart that shows the trailing P/Es of different countries; on one end, India with more than 25 times earnings. On the extreme other end of the curve is Turkey at seven times. I started making trips to Turkey about five years ago. I have a friend in Istanbul, Hayder, who is a hardcore Ben Graham disciple. He comes to the Berkshire meetings and is a very nice guy. I am trying to make him a Munger disciple. I am trying to convert him from Ben Graham to Charlie Munger. I will explain to you the progress I am making with him. I told Hayder, "Listen, I want to come to Istanbul. I would like to meet the companies that are in your portfolio. I do not want to meet companies that you do not have money currently invested in. Do not take me to meet some random company, even if you think it is a great one. If it is not in your portfolio, do not take me there. Let us start with the first company being the one that you have the highest position in. Then we take the second one, third one, fourth one." My first trip was in 2018. He had sent me information about the businesses, but I had not looked into them. I said, "Let me meet these companies, then I will do some work on them." I was sort of trying to do the work in advance. I am too lazy for that. When we were driving to the first company, which is a bank, I said, "This bank is your biggest holding?" He said, "Yes, this is my biggest holding." I asked him, "Why do you like it?" He replied, "The P/E is 0.1." A 0.1 means one month's earnings. The whole market cap is equal to one month's earnings. I said, "What is going on here?" He replied, "No, no. It is a perfectly normal bank, but there is some hair on it." I said, "Before we go into the meeting, can you tell me about the hair? What is causing this?" I was wide awake; with a P/E of 0.1, we were ready to go. It is one of the largest banks in Turkey.

He explained that there are these UN sanctions where they cannot do wire transfers and different things with Iran. There are a lot of restrictions on that. The chairman of the bank was routinely doing all kinds of transactions back and forth, and the US got wind of that. The CFO of the bank had gone to the

US with his family for a vacation to Disneyland. When he landed in New York, the Feds picked him up and put him in Rikers Prison. At that time, Trump was the president. Erdogan calls Trump and says, “Please, release the guy because he is not involved in all this. He is a normal guy. It was the chairman. Trump replied, “Let me explain something to you. The US president has no powers. The state of New York has acted on this. I have no control over the state of New York. If I call them, because they are all Democrats, they will make sure he will never leave the prison. There is nothing I can do. I am sorry. I would like to help you, but I cannot do anything.” Anyway, we went to the meeting and I met them all. They were perfectly honorable people, a good bank, prudent lending, and everything. We came out and I said, “This is too much for me to handle. I cannot make such kinds of investments. Let us go to at least P/E of two or three, so we can see something more normal.” He said, “No problem. In Turkey, we have everything for you. A full range of things that you want to look at is available.” The following year, in 2019, I went again and, on that trip, I must have visited around 15 businesses. It was so much fun because in the evenings there was blue fish on the Bosphorus River; nicely grilled, olive oil, great weather, great everything.

Next year I told Hayder I am going again to him and I would like to look at some more businesses. He was happy and thought this was a lot of fun. He was driving me to another company, and I asked him about it. He said, “This company has a market cap of $16 million and the liquidation value is 800 million.” I told him this was a fraud. He said no because he invested in that company. I asked what they do and he explained that it is a very simple business. They have warehouses. They are the number one warehouse operator in Turkey, and they have 12 million square feet of warehouses, 99% lease, 10-year leases, inflation-indexed, or they are Euro leases, Amazon, IKEA, Carrefour, Mercedes, Toyota; these are all the tenants; AAA rated tenants. I was curious to know why the stock was sitting where it was sitting, and he explained that is how things are in Turkey; everything is cheap. But I was thinking that this is beyond cheap. I met the father and son who own and run the business. I found them good and smart guys. I went and visited the Istanbul warehouses. They have about 70 warehouses and I went to around 20 of them. Everything looked great to me. It was simple because those warehouses have value. Any realtor will tell you what they are worth. The warehouses, when you add up, were about a billion dollars and there was about 200 million in debt. There was a 16 million market cap. One of the things that was happening at that time is that in Turkey, even today though it has improved, the currency is very unstable, a very high inflation rate. All the foreign investors were exiting. I thought 16 million market cap, who knows what you can get, what liquidity there is, what is there? But I tried to buy the stock and I found that there is tremendous liquidity. For $8 million, I got one-third of the company.

There is a company I met in Turkey, which is kind of like Tata. The CFO was talking to me and he said, “I want to explain Turkey to you. You do not understand Turkey. Every country has a national game, a national sport. In the US it is poker, in China it is baccarat and in Russia it is chess. Do you know what the national game in Turkey is?” I said, “No, I do not know what the national game in Turkey is.” He said, “It is backgammon.” Turkey has all these different kinds of little backgammon rooms. Men come and play there. If you look at poker, it is a mix of skill and luck. If you look at chess, it is all skill. You look at baccarat; it is all luck. Backgammon is pure gambling. There is no skill. It is based on luck. Turks are addicted to backgammon, and the way they treat the stock market is the way they treat the game of backgammon. Turkey is an unusual place in the sense that if you take out what the foreign investors own and you take out what the promoters own, for most companies, the average time to cycle through the entire float is nine trading days." When I told my Turkish friend that this guy was saying it was nine trading days, he said, "I am surprised it is nine days. The normal model of branding for all the Turks is they want to invest at 10 o'clock. They want to close the position at 3 o'clock and they want to make 10%. That is their model. Again, go the next day make another 10%, and good luck with that." When I was buying this stock, I saw massive volumes of brokers offering 1 million shares and 5 million shares. I said, "Okay, keep taking, no problem. It is the people who are willing to give it to me." Then there was a block that came, which was a 5% block. The broker said, "Look, the rumor is that Templeton Fund is selling. I just want to let you know that there is a good fund in New York that is selling just in case you want to rethink whether you do not want to buy." I said, "Please take the million 5% position." Some guy in New York at Templeton issued an order to exit Turkey. They did not care what they owned. Reysas was a holding. Some poor Templeton analyst did some research on this company and bought the stock. His boss and his boss's boss overruled him and it ended up with the Indian guy, no problem.

Very quickly, I owned one-third of the company. Fast forward four years, when I was buying the stock, the Turkish lira was five liras to the dollar. It is now 29 liras to the dollar. The lira collapsed. In dollars, our market cap has gone from 16 million to 500 million in the last four years. But those guys are extremely good operators. The business is probably worth at least a billion and a half. It may be worth more. My billion-and-a-half number is at least six or eight months old. It may be worth more now. It might be 2 million. We will see. The way I look at it is that we just have to sit there. My friend Hayder, who took me to this company, owned the shares when the market cap hit 40 million. He told me he had completely sold the shares. I said, "Hayder, you told me the liquidation value is 800 million." He said, "Yes, I am a one-bagger guy. I have a simple rule; anything doubles, I sell it." At that point, I understood that a major intervention was needed. Just talking is not enough. I sent him a bust of Charlie Munger with my compliments for free. I said, "Before you start your work, just go to the bust, learn, say two, or three Munger quotes then go sit in your chair." He said, "I will do that." I talked to him. He has made some progress, but it will take some time. I told Hayder, "Listen, I visited with you about 60 Turkish companies so far, and what I decided in Turkey was that in all of the markets I have to make a compromise.

In India, for example, if I look at a truly great business with truly exceptional management, with great corporate governance, the P/E for sure will be nosebleed. If I get all those three things, I have to pay a lot. If I want to pay, and I am just telling you I am an outsider, you guys have far more experience here. If I want to pay something resembling a normal multiple, then I have to compromise. I have to compromise either on business quality or management quality or governance quality, something or the other I have to kind of play with to try to make the numbers work. But in Turkey, because there is all this madness going on, I am just going to do one very simple filter; the highest quality business and the highest quality management, whatever the price is, I will buy it. If you see a business of P/E of three and you see a business of P/E of two, and the P/E of three business has better management go for the business of P/E of three." He still goes for the two and I am still working on it. Now he is willing to go to 2.5. We are getting there. Eventually, we will get there. I found Turkey.

The Efes and CCI and the quality of the governance and the management and when you have a bottling business with Coke or Pepsi as a bottler, as a partner, clearly the Coke and Pepsi business is vastly superior, much higher returns on capital. But the bottling business can be really good because both these companies want the bottlers to do well, and they set up the bottlers to do well. For example, in Pakistan, the unit case volume that Coca-Cola Icecek had was about 40 million cases a year, 15 years ago. Now it is 400 million cases in a country with a lot of problems. Right now, the issue is that getting foreign exchange in and out is difficult because Pakistan has no foreign exchange. Somehow, they are trying to make that work. With all of that stuff, it is still a 400 million cases market. But in the Pakistan market, for example, Coke set up Coke Studio. They have it in India too, but the Coke studio in Pakistan has been enormously successful.

Coke Studio Pakistan, for example, is completely paid for by the Coca-Cola company. It is not paid by the bottler. All that branding is done by the Coca-Cola company for the benefit of the bottler. It also benefits the Coca-Cola company. It is a symbiotic relationship. I want to share some of my thoughts. I look at India and I see a lot of positives versus Turkey. We have a stable currency, we have proper leadership, we have amazing growth, and a lot of great demographics going on, but we also do have not cheap valuations, my vantage point. We can just stick to where it appears more of a no-brainer to me, and we see this play out. For example, if you look at Microsoft in 99, it was 22 billion in revenue, 8-9 billion of net income, and the market cap was 600 billion. The trailing P/E was more than 70. Sixteen years after that, they had a lot more revenue. The revenue had gone more than four times. The net income had not changed much, but it was still higher, and the market cap was one-half of where it was.

If you look at the Microsoft chart from 99 to 2015, including all the reinvested dividends, the return was zero. It is a great business. It has been a great business throughout that time, but it was just too expensive. If you look at Coca-Cola itself, in 98, 19 billion in revenue, three and a half billion of net income, and as I said, trailing P/E 62. In 2011, the business had more than doubled. The net income has more than doubled, the P/E has shrunk, and the market cap has shrunk. It went again from 98 to 2011, like 13 years with zero returns, even though there is another great business. Buffett's quote, you pay a very high price in the stock market for a cheery consensus, and this is my pickup truck in Texas. When I moved to Texas, I bought a pickup truck, and we could put whatever license plate we wanted on it. I put Efes as a license plate, and I am trying to make my neighbors rich, but they do not seem to be interested. That is okay. Those were some of the thoughts I wanted to share with you. Thank you. We can talk about whatever you would like to talk about.

Speaker: One-month P/E bank you are talking about?

Mohnish: Yes, 0.1 P/E.

Speaker: What changed in that bank? You said the true values are 1 billion, and 1.5 billion, and you see the investors started respecting the performance, understanding the performance or better investors. You came into the company, what changed actually?

Mohnish: You are talking about the warehouse company, not the bank?

Speaker: Yes, the warehouse company.

Mohnish: What changed is exactly what Ben Graham says, that in the long run, the Stockwell Market is a weighing machine. It made no sense to have a valuation like that. I talked to the promoters at the time, it was 16 million. I told them at that point, "Why don't you buy back the shares?" They are not financial guys. They are operators and for most management teams, buybacks make no sense. What happens is the cash leaves the company and you see nothing. The cash is gone, and the stock price may not change immediately. Management teams always look at this and say, "If I give a dividend, somebody got the money, but if I do a buyback, where does the money go? It disappeared somewhere. It did not go back to my shareholders." They do not say they have money. They have no money. To me, the bigger question was how it could sit at that value, at that price in such a market and even now one of the things that has not changed is that the local Turkish ownership in that business has only gone down. It is foreign investors who have bought the stock, but it has not been local Turkish investors. I have not participated at all. We have had zero trading activity in that stock for four years. Some things are mysteries, and that is exactly what Ben Graham said to Senator Fulbright when he was called. He said that Senator Fulbright told him, "A stock is trading at $10. You think it is worth $20. What are the market forces or what are the forces that make it go from 10 to 20?" Ben Graham responded that this is one of those mysteries that we do not know the answer to, but what we do know is that in the long run, if it is worth 20, we will get to trade at 20. Even for myself, when I invested in Reysas, I knew that the currency was a major problem, but the assets are really in land, steel, cement, and concrete. That is what a warehouse is. All of those are inflation indexes. My take was if the currency goes crazy or whatever happens, we have those prime assets in a major city. They should be able to retain their value because all of these things will increase in price. That is exactly what happened. The value of building a warehouse kept going higher and higher, and therefore their warehouses, ' rents kept going higher, and it kind of worked that way.

Speaker: Hello, sir. My name is Nikunj, and I have two questions: one on Dakshana and one on investing. We have heard you saying that you do not have analysts because you do not like to dismiss ideas that will keep bouncing all the time. We also heard that now where you live, sometimes you wake up even after the markets are on. I just wanted to understand your process, the team, the structure, and the thought process behind it for the Pabrai Investment Funds per se. I am sure there is an intention behind it. If you can talk about how you operate, how you are structured, and the routine.

Mohnish: I never worked in the industry. When I started Pabrai Investment Funds, it was my first job in the industry. I never worked in any other place. All of my thoughts and perspectives on how to structure things came from Warren and Charlie. One of the things I looked at was that neither of them had any help. They did not have help then, and not even today. Berkshire can easily afford to have a whole army of analysts that they want, but they have zero. If that is the way they are doing it, then I will just copy that. The issue we have in investing anyway is that the data set is too large. Even if you have a team of 10 analysts, how many stocks can they cover or go through in a year? It is just a handful; really kind of tearing apart. A company might take a few months. It might take a few weeks, a few months. One guy can maybe do 5, 10, or 15 companies at the most, and if you have 10 people, maybe you can do a hundred companies in a year. There are 50,000 companies globally, so even if you do a hundred companies, you are not even 1% of the data set. The issue is that the data set is too large; there is no way to look at the entire 50,000 and figure out where the opportunity is. In my opinion, you have to have some kind of hack or shortcuts. It may not be much of a handicap to have a small team versus a big team. If the small team is employing some acts that get them to a smaller data set, which the big team may not get to, they may be going through a bigger data set. My thinking was that there are places like Value Investors Club in the US, SumZero, Dataroma, and others where you can start trimming the data set. If I say that I am only going to buy the top two or three holdings of 20 investors I admire, that trims the data set a lot. That would make my universe look into about 60 companies. The first thing I do with the 60 companies is I would say, "Which one is outside the circle of competence?" That might throw away 40, or 50 of them. Now that data set is only 10, 12 companies. You do not need a big team of 10, or 12 companies. You can get to that pretty much on your own. I operated Pabrai Investment Funds on my own, for most of the time. I had started another insurance business and I had hired a couple of guys for that business. It was a mistake. We sold the company and we moved on, but I like the guys, so I kept them. Two of them help me now. They are good, but they do not generate ideas. I told them, "Please do not generate ideas so I can tell you what to do." It is a very good compliment because they are good at deep dives, and they are good at identifying what might be blind spots for me, and that works well. It was a good mix, but I do not think you need teams to do this; this is not a team sport. Other questions?

Speaker: I am Gurthalya. When you saw Turkey being so cheap and abundant in supply as well as rising and good quality companies and you had a view, how did you size up the position, how did you execute the whole thing and what was the consideration in position sizing? How many companies do you take up and can you just give some flavor of what it is?

Mohnish: My sizing is really simple. If I am going to take a bet, I ideally want to make it a 10% position. I do not want to have 50 stocks in my portfolio. I will not be able to come up with 50 ideas that I am excited about. For practical purposes, it is a 10 by 10 portfolio. If I am going to make a bet, I would like to make a 10% bet. In the case of Reysas, I was managing about 700 million, and our bet size was 8 million. It was a little more than 1%, but I had no choice. I could not put more into it; that was the max. In that particular case, I would have loved to have a 10% allocation to Reysas, but the market cap is 16 million, so we cannot do much. Efes I could take a full 10% position, no problem. We only have three bets in Turkey. We have another company, which is TAV Airports. They run airports in about a dozen countries. They have an incredible management. I like the team, and I like their assets a lot.

Those two businesses were large enough that I could put 10% of my assets into them.

On the other side, if it becomes a large position, I will not trim it because it is large. One of the issues that came up was that I have three different funds in the US and the reason I have three different funds is that the regulations require me to separate the investors into different buckets. One of our funds is an offshore fund that is for non-US investors and endowments and foundations and so on. As it turned out, when we were making the bet in Reysas, a lot of the money came from one of the funds. Twenty percent of Reysas, the warehouse company, is inside one fund, which now has about 270 million or something in assets. The Reysas' position in that fund is about a hundred million. It was a very small investment, but it has gone up a lot. The value of the fund is close to 40%. Every quarter, I remind all my investors that we have a concentration situation here, and I am not planning to trim the position. If you are uncomfortable, you can exit, but because we are still sitting undervalued—the business is sitting at probably one-third of what it should be sitting at—they will increase the value and that is very smart. That company may be worth 4-5 billion in 5, 10 years, or something. We just want to escape that.

Most investors are very comfortable; they have understood what it is. I do not have a large portion of their assets, so they are kind of okay with it. That is how we have tried to allocate it; make a 10% bet, becomes more in value, then that works out fine. To digress a little bit, I will tell you some interesting things that take place outside India. To give you a little bit of a flavor, the airport business is not such a great business, and the reason is that it is a negotiated transaction. They are BOT models. What happens is that the government entity or whoever is giving you the deal, number one, is competitive. When the bidding takes place, it is competitive, and there are animal spirits involved. Usually, those auctions will end up at above intrinsic value price because these assets come up for sale. Rarely, if you have Bangalore airport, or Mumbai airport or something come up, a lot of people have an interest in those assets. You do not tend to get great deals on them. Business is interesting. It is a complex business because parts of the business are regulated, and parts of the business are not regulated. For example, in the case of duty-free, it is not regulated. You have an airport, you have space for duty-free, pretty much most of the deals around will let you charge whatever you want and do whatever you want with a duty-free area. Just to give you a little bit of a flavor of what happens in duty-free, which might help you in your duty-free shopping, if you are looking at a hundred-dollar bottle of liquor in a duty-free shop, just FYI, the factory gate price of that liquor is about 25 to $30. The airport operator charges 40% of the selling price as their rent. One of the only places where no one is telling them what they can do. What they are saying is that this is the place to make money. When you buy a hundred-dollar bottle of liquor, $40 goes to GMR or whoever is running that airport. The duty-free operator has to have staff and inventory and all of that. They have some costs, so they will make 5 to $10. The rest is the expenses to run the place. That is just the economics of how duty-free works.

However, what happened in TAV Airports, according to two Harvard case studies that drew me in, is that there is an airport in Almaty Kazakhstan. The person who owned it wanted to get rid of it. Some oligarchs owned that airport. He had a lot of oil assets, and airports are very management-intensive to run, so he just wanted to get rid of it. It was too much of a headache. That airport was not a BOT airport; it was an outright purchase, which means that whoever bought it just owns it forever. There is no negotiation about anything after that charge. Do whatever you want, it is free for all. TAV had negotiated to buy that airport in 2019, and they were going to close the deal in 2020, but then COVID happened, and air traffic went to zero. Because all of the airport's revenues went to zero, they were facing their issues. They told the seller that due to a force majeure; they did not want to do the deal. The guy who owned the airport said, "I will drop the price, let us do the deal." They talked about it, and that deal closed in 21 at a discounted price. It was 80% financed with 4% interest for 25 years. It was only 20% equity. They had agreed to build a new terminal. The economics of the whole thing was they put in about a hundred million of equity. That airport probably in the next couple of years, will be making about 200 million a year after tax and all interest payments. That 200 million is going up about 10% a year as far as I can see because Kazakhstan is a rich country; a lot of growth happening. It is a landlocked country. Its size is bigger than Europe. Air travel is the best way to go and it is going up like crazy. TAV was interesting to me because the market cap was 800 million, the Almaty airport alone. In my opinion, if it came on the market today, it would probably go for 5 billion or something, maybe more. They will never sell that. But they have 12 other airports and 40% duty-free. The interesting thing is all of their revenue in all the airports, including Turkey, is in euros. The contracts are all in euros; nothing is in the lira currency. Because it trades in Istanbul, it is being handled by gamblers like bank gamble, which makes my life very easy, and that is where we end up.

Speaker: Just your thoughts on China. There is a sort of fire sale going on there. What are your views on China?

Mohnish: I find China a lot harder. We have had some investments that have not worked in China, but we also had some that have worked extremely well. One of the things that happened was that I was forced to make changes in the way I was operating during COVID-19 because I could not travel; I could not go to China and a lot of other places. I took it off the radar and there are limited bullets in the gun. I have only so many hours in a day and so many things to do. Something showed up on the radar, which was in the US and looked good. The US was a good place to be for the things we were looking at. I have not spent much time on China in a while. One of the things that comes up from my vantage point is there is a significant headwind if you go into a country where the population is declining. You have to look at businesses where they are more export-oriented. For example, Japan always trades very cheaply, but there is a very intense drop in population taking place, an aging workforce, and not that much interest in immigration. Japan can work if you look at businesses, their fortunes are tied to things outside Japan. As Buffett thinks, bets work well because those five companies have a lot of their assets outside Japan. There are not that many places in the world where you have a rising population. India has that big Trump card that it has a rising population, and it has a significantly rising per capita GDP. Those are very good ingredients. However, we have not spent a lot of time in China lately.

Speaker: My question is, when does one sell a stock in your opinion? Let us say, Varun Beverage is fired, bought, or somebody has bought it for 2-3 billion dollars. The companies are delivering above expectations, and they are trying to add more deliveries for growth. It became very expensive, 6-7 billion, but in your opinion, how should one think?

Mohnish: Selling is a lot harder than buying. Buying is easy, selling becomes hard, and something like Varun becomes very hard. If you have a big gain, usually it is a mistake to sell a great business because of valuation. I would say that if I were the owner of Varun and I was sitting on a 5x gain or something, I would give it a lot of rope. It might be a mistake to give it a lot of rope, but that a lot of mistakes I made have been where a lot of money was left on the table because something looked optically expensive. Varun has tailwinds in the sense that Pepsi loves them. Pepsi will give them more geographies, and depending on where those geographies are and what the economics of those deals are, it could work extremely well and I may be wrong about the NARTDs of India. Around 700 looks high to me. For a country like India, it is less than a hundred today; it will be 100-120. Go up 7x, that is a lot. I would say that if you are in the happy position of owning a great business, you should give it a lot of growth. That is what I learned. I regret a lot of sales that I made of good businesses because they looked at what I considered overvalued, and it turned out I was wrong.

Speaker: Good evening. When you made all these three investments in Turkey, were dividends a part of the consideration? There is cash flow generation, but how does it come back to you?

Mohnish: I have usually never paid that much attention to dividends because I view it as if the company keeps it and uses it prudently, that is fine. In the case of Efes, the family only gets paid through dividends. Because they have a joint venture partner with two different international companies, Coke and AB InBev, cannot change their ownership because they have agreed to, "I am at 50% and you are 20%, and we are not going to change that ratio." Even if the stock goes low, they will not buy shares or any of that. What the family is doing is they are saying, "Okay, what does the business need to run? Let the business keep that, and the rest, it can be pushed out to the family, which is fine." If that is what they want to do, that is okay with me.

Speaker: I just wanted to go back to the Icecek example. If you look at the balance sheet, the net debt to EBITDA is 0.6, so there is some leverage on the balance sheet. Given the volatility of earnings, if you take 2038 as your terminal value, how do you assess the predictability of cash flows when you look at interest expense on the debt side as well as revenue versus cost of goods sold mismatch for Forex? When you look at 10 years forward in such a volatile currency, how much value do you assign to the predictability of cash flows?

Speaker: In the case of FS, and Icecek's case, the net debt is close to zero for both. They hold a lot of cash, have debt, and try to kind of balance those things with the different currencies they are dealing with. At the end of the day, that falls in a noise category. It does not matter that much, because if they just paid off the debt right, they would have very little debt left. If you look at it on an adjusted basis, it should be okay. The business is inflation-indexed. What Coke sells will adjust for inflation. They may face some issues, because one of the things that happen with a high-inflation economy like

Turkey, is the wage earner gets screwed. Wages are not going up at the rate of inflation. That is a real issue in Turkey. The population is getting impoverished, and their buying power for products like Coke is going down. But I doubt Coke would have a problem raising prices. They may have some issues with volumes, but what we have seen in the last few years has been that volumes are growing, or they have been very stable, and their earnings have been stable. The other thing is that because they are in so many different countries, around 35% of their total volume is coming from Turkey. There are other countries, and it is a mix of countries. For the most part, you are dealing with a basket of currencies. In effect, with a product like Coke, you end up with a margin independent of the currency.

Speaker: This goes back to the question, the chart on India versus many of the other emerging countries, Turkey on the other end. How do you look and study or build competency around other countries, where on one hand, you have India with its growing population and a lot of opportunities versus the other? I would love to hear your thoughts on how you evaluate.

Mohnish: I would say that in a country like India with 5,000 listed companies, there should be a lot of opportunity even with those elevated PEs because if you are looking at the small cap, midcap space and you are digging into those businesses, you may be able to identify businesses where you can see around the corner, but the market cannot do that. You can see that this business may triple in a few years and the market does not understand that. Optically it may appear expensive, but when you adjust for what might happen in the future, it does not appear expensive. If you are a hardcore value analyst, and if you are limited to India, then you roll up your sleeves and do the work, and I am sure you would find plenty of opportunities because the growth is there. There will always be mispriced bargains, if you are someone like me who is lazy and does not want to do the work–for me it is really hard to justify spending a lot of time on Indian equities when there are these low-hanging fruit in other places. I feel like I am going to make another trip to Turkey in a few months and I just want to make sure that I have pretty much met with every company that is worth meeting with. But I will just do one more pass on each one just to make sure that I have not missed something. What is also possible is that a business could be truly great, but I did not understand that the first time. The thing with investment analysis is there are so many things taking place inside each business, and if you have a really good understanding of the companies, you may be able to see things that others cannot see because you have just got the depth of knowledge and then that can give you an edge. That is very possible in India, but it is much harder for someone like me not to be here. I am not spending all my time looking at Indian equities. I am not meeting with them. I am not kicking the tires, all the scuttle, but a lot of things are much more removed so it makes it a little bit harder. It is a perfectly good market, but I would also say that if you are an investor and now India has the rules that you can send a quarter million a year out for a family member, I believe some of you should look at equities outside India. Especially that currently it is not the greatest place to be looking. You may have a better view than I do because I am outside looking in. You do not need to go to Turkey, but I believe it is worth looking at other markets. One of the things I was trying to do with the Varun example was to show a similar business in another geography with very similar characteristics. We did not talk about this, but Coke is a much stronger brand. In Europe, I was surprised that Coke volumes are five or six times the Pepsi volumes. It is a huge delta. In India, it is the reverse, which is probably why Coke is upset. Coke does not expect any country where they have a lower market share than Pepsi. In the US it is about three to one. Pakistan used to be Pepsi majority, but now it is 50/50; they are both neck to neck. Icecek has done a good job of bringing that up to par. As an investor in Indian equities, it is worth looking at things outside sometimes from a comparison point of view. To the extent that you have capital that can go into some of those ideas, it may be worth looking at those.

Speaker: I have another question regarding Dakshana in the report. Congratulations on the wonderful success. But EMRS on the SC/ST category, where $3.5 billion is expected to be put in by the government of India, and you mentioned over there that it could take 10 to 15 years before we see some success or some growth. How do you approach the milestones over 15 years when you are looking at that?

Mohnish: We get the kids after 10th standard. If the government opens a new school, an EMRS school, these are schools for tribals and the government has made a big step in terms of the amount of money they are putting into the tribal school, which is wonderful to see. If they want to open a new school, it is going to take three or four years to open it. You will buy the land, or you get the land, build the infrastructure, spend the money, and create a school. Then you will take the first batch in sixth standard and after five years or six years, that batch will come to 10th standard, which is when Dakshana can deal with them. I am already 9 or 10 years from today before I see that first batch show up and now it is a new school; they have no history, they have hired new teachers, and the quality will not be that good. That will also take time. It may be 20 years, or even 25 years before we can see the real thing, and that also depends very heavily on the quality of the people.

The problem here is that you are talking about government employees, the principal of a government school, and administrators of a tribal belt school in a rural area. For them to get quality teachers, even if they had the best management, would be extremely challenging. Whether they can make this money work with all the best intentions, we do not know that. There are a lot of challenges. In Dakshana, one of the things that Buffett says about charity and investing is that they are so different from each other. In investing, we do everything to minimize risk. In charity, in baseball terms, he says that we should swing for the fences. If you want to make a difference in charity, you have to go high risk, high return. You cannot take the low-risk, high-return approach that we take in investing. It is a completely different mindset where we should be very willing to lose money, and that is what we are doing. Right now we just started a partnership with EMRS and two of the guys who are running Dakshana are here, and they were telling me that we have had a long partnership with the Navodaya Vidyalayas school system. For 16-17 years, we had a partnership with them, and on a 1 to 10 scale, if the Navodaya management is a 7 out of 10, the EMRS management is a 4 out of 10, so that is an alarming statistic right there. You must know that I have a lot of problems with Navodaya management. There are a lot of issues we have run into with them which makes us roll our eyes. But at the same time, the thing is that the scheduled tribe population of India is more than a hundred million, and the scheduled caste population of India has been helped a lot by all the affirmative action programs. They can almost get rid of the SE things; they can reduce that schedule by 80%, no problem. It will not happen, but they could reduce it if they choose to. But for the tribes, there has been no real progress in their per capita healthcare, different metrics for 70 years, even with all the different reservations, everything that has happened. The tribal situation is bleak. I was happy to see that the Modi government is at least putting money behind it, but it will take more than money; it is very challenging. At Dakshana, this will be probably 5-10% of our spending. We can take a chance at 5-10%, no problem.

Speaker: I am Harsha Sogi, a student at FLAME. My question is about Coca-Cola and Pepsi, a can of Coke as a product. You mentioned India has a lot of these tailwinds growing population and, a growing economy, but we Indians have a lot of diabetes as well. Ten percent of India has diabetes, 23% if you include pre-diabetics as well, and the number is 2x if you are looking at the urban Indian population. What that does for a can of Coke is, it takes it from being a complimentary good to my dinner to a substitute, essentially wherein you have to think whether I eat that extra Bhatura or have that can of Coke. In that sense, how do you look at this dynamic playing out in the projections that we make for these guys?

Mohnish: They have had this tailwind for a while, but they got a big tailwind when they came out with Coke Zero and Pepsi came out with Pepsi Zero because the taste differential was relatively minor, and you wiped out the sugar. The funny thing is the bottlers were telling me sugar is a big portion of their total cost. They say that the margins are higher on the zero product than the regular Coke product because the sugar is gone. It is around 3-4% better margins. The product is healthier, and they make more money, and they charge the same; there is no price differential. The other thing to keep in mind about both these companies is that they have about 200 brands and it is a diverse portfolio of things beyond the regular Coke product. These companies are offering alternatives that would allow you to sidestep those issues, so it should be okay. These concerns about sugar and diabetes have been around for a while, but it has not impacted the businesses. The businesses are continuing to do fine, and part of it is because Diet Coke, Coke Zero, and some of these other products have taken off a lot, so that has worked out.

Speaker: Have they taken off? Do you have any data on whether they have taken off in India?

Mohnish: You are talking about Coke Zero?

Speaker: Yes

Mohnish: You need to tell me. Is Pepsi Zero doing well in India? Coke Zero, and Pepsi Zero, how are they doing in India?

Speaker: Diet Coke and the regular Pepsi are.

Mohnish: Yes, but you have a concern that they are killing everyone.

Speaker: No, no. I just wanted to know because that wipes out 20% of the targeted.

Mohnish: Yes, but what I am saying is that I do not know what the ratios in India are of Pepsi Zero versus Pepsi. It is not something I have studied, but it is probably something worth looking at.

Speaker: I have two questions. The first is, can you tell us about some mistakes that you made and how that happened? And the second is, when you look at Turkey, not talking from any data, but headlights, doesn't it scare you that you are going into a country like that? The kind of move that you saw in the currency from 5 to 29 to a dollar, do you see that happening again? Do you see that stabilized? Do you have a view on that? Have you looked at it like that or you do not care?

Mohnish: Let me take your second question first. I assumed when I was investing in 2018-2019, that the currency would get decimated. I assumed that would happen. In one of the businesses, which was the airport business, all their revenue is in euros. It is based in Turkey, but they have no exposure. They have a tailwind because their staff is paid in Turkish lira. Their earnings have been going up as the lira has been collapsing because the wages have not gone up at the same rate. In their case, the Turkish inflation helped them. In the second case of the Coke bottler, there were two issues. One is that 60-70% of the business was outside Turkey, and even the business inside Turkey, it is hard to imagine Coke not being able to make money because they would adjust the price if the volume adjusted. We have not seen any volume drop off and we have not seen any margin drop off. It has been benign. In a place like Turkey, probably 97-98% of businesses are not investable, and I took a pass on this.

The first filter I used was, what is the impact high inflation would have on this business? The answer came back in 10 seconds that it would be audible. It was very easy to filter out the businesses and that was what the play was; the baby got thrown out of the bathwater. What I was going after was the babies that were thrown out, and I did not want to buy the bathwater, but I wanted to look at the rest. But I would also say in investing, going to mistakes and also correlating with this is that a 50% error rate on what we buy would be par. Half the things that we invest in are unlikely to do for us what we think they should do. The reason is that we are trying to look into the future, and there are so many variables that are going to affect the future. That 50% error rate in data of activity is perfectly normal. Even when I look at my portfolio today and look at different things that are in the portfolio, and I can see that they all look okay to me, I still know at the back of my mind that there are mistakes in there that I cannot see that will manifest themselves over time. If I look back at the mistakes, probably the biggest area that I have had trouble within the past has been leverage. I invested in a subprime mortgage lender in early 2007 and it went to zero. We had a 10% bet it went to zero. We had a bet on a zinc producer, which was transitioning from an old plant to a new plant. They ran into a lot of issues with the new plant. They tried to get a commission and they had a lot of debt, and it went to zero. It went to bankruptcy and went to zero, another 10% loss. Pabrai Investment Funds will be 25 years old in six months. There will be a long list of mistakes. We will be here till midnight if I go through the mistakes, but I would say that what I have tried to look at is what are the themes. For example, I try to avoid leverage businesses, because I know that any time a business has debt, they have taken away some anti-fragility.

Fiat Chrysler took ownership of Chrysler during the financial crisis. The market cap of Fiat Chrysler was about $5 billion, and their revenue was about 140 billion. Chand met Sergio in Detroit and he was lighting one cigarette with the next. That is what Chand was telling me, that before one cigarette was over, he was already on the next cigarette. Anyway, the fair price was low. It was 140 billion in revenues. It was a 5 billion market cap. We had this rock star CEO who had come in, Sergio Marconi, and he had issued guidance. We told the world what he would deliver in 2018. In 2013 he was saying, this will be my revenue, this will be my net income. The net income he was projecting was more than the market cap of the company. He was saying that in 2018, "I produce like 7 billion after tax, and the market cap of the company is 5 million." I spent about three months studying Fiat Chrysler, and I concluded that this was a very unusual CEO, probably one of the best CEOs I had seen. Kerem in Coca-Cola Icecek reminded me of Sergio. It was a big home run for us. I had put 70 million, and we eventually collected more than 350 million on that investment. It was a good return. But what I did not appreciate is that inside Fiat Chrysler was 80% of Ferrari. At the time when I invested, Ferrari was making like 200 million profit a year. In my head, I said, "Okay, it is worth 2-3-4 billion or something. Even if I take out 20 multiples to it, it is worth about 4 billion. I thought the Fiat business was worth more than 50 billion because it just was so mispriced. I did not pay attention to Ferrari that much.

After a few years, they took Ferrari public at a valuation that looked quite rich. I thought this management team was smart. They have looked at this business; they are getting a good price for it. The market cap at that time when Ferrari was going public, was around 8-9 billion and they were making 300-400 million in profit at the time. I said, that if it is going public and it is sitting at this value, it does not look like they would do that if there was a lot of value still in the business. I did not understand the business well enough. In the meantime, while I owned the stock, I got to know the Agnelli family quite well. John Elkan, who is the chairman of the group, became a good friend. Every time I would meet John, we used to always meet for a long walk. He never wanted to meet for lunch or dinner. He is kind of Italian royalty with the Agnelli and all that. We would always have these long walks in different parts of the world. One time it was in Santa Monica Beach and twice it was in Central Park. One time it was in Colaba in Mumbai. I asked him if he was okay with it and he said, "Yes, we need all experiences in life." I got to know John very well over the years and I told him that I made so much money in Ferrari so I should get the car. He said, "Look, I can help you with delivery. I cannot help you with the price. We do not give discounts to anyone." I said, "I am not looking for the price discount. I have made enough money on the company that I can pay full price." Ferrari does not produce any cars which are not already preowned. They do not produce cars to display in a showroom to sell, and there is usually a 2-3-year waiting list to get a car. He bumped me up and in four months I got my Ferrari. But by the time I got the car, I had already sold most of the stock and I understood the value of Ferrari and the value of that brand after I got the car.

When I ordered the car, I asked the car dealer if I should give them a deposit and he said no, no deposit is needed. One day he called and told me that my car had arrived. I went to pick it up. He said, "Look, I want to just let you know that if you do not take delivery, I will give you a hundred thousand dollars right now." I asked him to explain to me his side of the equation. He said, "Look, there are people who want Ferrari's, but do not want to wait for two years for a new one. They want a new car, and if you drive it off the lot and you put a hundred miles on it, I cannot give you that offer, because they want a brand-new car with zero miles. They cannot get a brand-new car at zero miles for two and a half years, so, the hundred thousand is a compression of that time to two days from two and a half years." I said, "You are giving me one hundred thousand?" He said, "Yes, I have a markup on top of that. I am taken care of, do not worry, but I can give you a hundred thousand." I did not take the deal, I took the car, but I understood the kind of brand value as I was kind of going through the ownership and driving it and all of that. We made a $70 million investment in Fiat.

Effectively, the Ferrari portion of that investment was about 16 million. We probably made like 70-80 million on that 16 million when we sold it. If I held it till today, it would be more than 500 million on the Ferrari portion. The Fiat portion was another couple of 100 million, and that is 500 million and counting. We are not done, because now I understand that brand and the value of that brand will keep growing. It is kind of like they have a factory that produces Picassos.

I remember a friend of mine in California told me he needed to come and see me right away and I agreed. He came and said, "You are friends with the chairman of Ferrari, and I need you to ask him for a favor." I said, "I am not going to ask him for any favors but tell me what you are looking for." He said that he wanted the Ferrari Monza. Ferrari Monza is a one-seater car, not even a two-seater. That means you cannot take a date on it. What is the point of a one-seater Ferrari? I cannot understand what is the point. He said, "They are producing 300 Monzas and they are only giving them to people who own 20 or more Ferraris each." They went through their Ferrari customer list, for example, number one on the list has 70 Ferraris. It is by invitation. The funny thing about the Monza is that in the United States is not street legal. You cannot get it registered and you cannot drive it on a public street. First of all, the price of the car is two and a half million. If you buy a Monza in the United States, they will not deliver the car to you. They will keep possession of the car. When you want to drive the car, they will deliver it to a racetrack. You will then go around the racetrack alone. Then whatever thrills you are getting from that racetrack driving, you will give them back the car and they will put it in their storage and every month they are going to charge you about $1,500 for the storage of the car. Every time you tell them to deliver the car and take it back another $5,000 charge for your joy ride around the track. What I realized is that the rich are getting richer, and rich men have very few ways in which they can express their wealth. Rich women have more ways to express their wealth, but rich men have very few ways and Ferrari is one way you can express that. That is why these guys have 70 Ferraris and 30 Ferraris.

When I bought my Ferrari, I used to get these interesting emails from Ferrari, and one of the emails said that we have something known as Ferrari Driving School. We are inviting you to come to Ferrari Driving School so we can explain to you how to drive the car. I thought this was a good idea because I needed some training. Their offer was that for $18,000, for two days, they would train me on how to drive the car. I was learning about the brand, so I thought let me go for two days for Ferrari driving lessons. The good news was, because we were going to drive it on a track and all that, I did not need to bring my car. They have several Ferraris, several Ferrari drivers, instructors, very five-star accommodation, and five-star food. My partner and I went to Thermal California. Thermal, California is a very interesting place. I do not want to take up all your time, but I will just say this quickly. You know how there are golf courses and there are homes around golf courses. The Thermal racetrack had homes around the racetrack, and all the homes on one side had these huge garages where you open the garages and there is parking for 30 cars, and each car is several hundred thousand. On the other side, you have a balcony, which looks onto the track, and each plot of land is $1 million. People built their homes and garages. That is where this thing was taking place. A whole new world for me. I went and there were around 30-odd Ferrari owners who had come like me, to learn how to drive. I realized I was asking them the wrong question when I used to get these puzzled looks. I used to go up to some random guy and would ask, "Which model do you have?" I would get a puzzled look. I realized it was the wrong question. "How many do you have" is a better question. After two, or three of these confused looks, I learned to ask the right question, and then they would say, "Oh, I have so many, and I have this and that." Many of them had the Monza. There were several Monza owners there. That whole world I saw there, I did not even know that world existed, because it was a different world. Ferrari can keep going. There is no limit to what they can do. They come up with some special edition, a hundred-unit car, they can price it for 5 million, 85% margin, 90% margin, and it will all be sold out five minutes after they announce it. How do you value a company like that?

Speaker: Sir, how do you approach international investing, because India itself is so heterogeneous that because of familiarity, we still have confidence. Every nation, every country, and every company work in different dynamics US, Turkey, India, China. How do you approach international investing in that place? And second, I wanted to know your thought process. What is Mohnish's thought process when he sells a stock?

Mohnish: Regarding the selling of the stock, I have a lot to learn. Forums like this help me learn, so, that is good. The differences are not as large as you might think they are. I would say that if you were looking at markets like the US, UK, or Germany, you have a lot of things on your side. I can almost assume in the US that if I lose money, it will not be because of fraud. We have had some fraud, but it is so few. Every time I am going to lose money in the US, it is going to be because I made a mistake, or missed something, but not because the company financials were inaccurate, or something was misstated. In other places, like Turkey or China, then yes, you have to handicap some of those things, but that is not hard to do. You can try to kind of get your arms around it. In Turkey, I feel like these businesses that I have invested in, I had to make a judgment call on the people. People are people so I do not think those judgment calls are off. Like Buffett says, "You can tell few people are exceptional, few people are not so good. The vast majority you cannot have an opinion on." Sometimes you can look at a situation and know that the people are great. That can also transcend boundaries and borders and all of that and work out fine. If you dig in, some of these things will in effect, reveal themselves eventually.

Durgesh: I have a question. What can you tell us about Charlie that we already do not know?

Mohnish: The thing with Charlie was that it was a very unlikely friendship. I did not ever expect it. Charlie and Warren are like icons. I never expected really to have any kind of friendship or anything with either of them. With Charlie, the friendship went on for about 14 years. We met for the first time in 2009. I used to meet him four or five times a year for dinner, and on average about once a month for bridge. For bridge, we would meet on Friday afternoon. We would first have lunch at the LA Country Club, and then there would be about four or five hours of bridge after that. I remember sometimes I would go to the LA Country Club and four of us would sit down for lunch. I am sitting, and across the table from me are Rick Guerin and Charlie Munger. I would tell them, "You realize that this is surreal that this Indian guy is sitting with Charlie Munger and Rick Guerin." Rick passed away a few years before Charlie and I used to ask them different questions about the early days of investing. With both Munger and Buffett, there is so much in the public domain, and they have been so open that you really can learn everything you need to learn about them from the public record. The public record, in my opinion, is great. What I learned a lot from Charlie was not so much what he said to me, even though sometimes he would say just very amazing things. It was watching him and observing him in terms of how he went about his life. He has eight kids. He has many in-laws, many grandkids, and now some great grandkids. He has all these different business partners and friends. I used to meet many of those people, and sometimes I would meet some of his kids. The kids are on a spectrum, in the sense that there is a range.

What I realized in his interactions was that he was able to navigate through all of that with a lot of ease. There were a lot of diverse range of personalities, and they all loved him. They all got along well with him, and I learned a lot from the way he navigated through all of that. The other thing I noticed very frequently about him was that he never looked back, and I learned a lot from never looking back. I used to bring up with him frequently that he has had an amazing life, accomplished so much, and done so much for Berkshire and all of these different things, but he would just brush it off. One time he was working on the succession of Daily Journal, finding the next CEO and all of his attention was on that particular problem. When I met him, it was all he wanted to talk about. All his energy was focused on the problem at hand. A lot of us as humans, have had great lives. We look back and say, "Oh, I went to a great school. I had a great job. I got these great promotions. I built this business. There is this and that." He had so many things to look back on, and he just never looked back on any of those things. He just kind of brushed it off and said, "Okay, what is the next problem?" The exact words he used were "We just have to soldier on." A few years back, I was really surprised when this happened. He had already lost sight in one eye because he had a cataract operation that went bad probably three decades ago. He was already just with one eye. About five, or six years ago, there was some optic nerve issue on the good eye that almost took out all the sight. There was a period when he could not read. He could almost see nothing. I met him during that time. They were looking at some experimental treatments and trying to figure out what to do because the only thing that Charlie cared about was reading. The most precious thing to him was reading and I was observing this guy who probably reads 500 books a year, spent all his time reading, and he is facing the prospect of his eyesight going away. I did not see any self-pity. I did not see any concern. He even mentioned that he may have to learn Braille. Braille would not have helped Charlie, because the way he reads a book is he keeps going back and forth; even an audiobook would not work for him. It has to be a physical book, and he needs to be able to go back and forth pretty quickly. For all practical purposes, it would pretty much destroy him. But even when that was going to happen and possibly going to be permanent, he was not bothered. I learned a lot from that. His wife fell backward down the stairs and passed away, and she suffered a lot. She went through several surgeries for 18 months. For several months he was by her hospital bed at Mayo Clinic. I knew him before she passed away. I knew how important she was to him. I saw him after that and again I saw no self-pity; he just moved on.

Sometimes he would tell me that 99% of his friends were dead, and I would tell him that he has new ones now like his Indian friend, so it is okay. He said, "Yes, I have a lot of younger friends now, which is better." But I just saw a very stoic guy; who never felt that life had given him any misfortune. He had a male servant who lived with him and took care of him. His family and kids would visit from time to time. They had put a restriction on how many See's Candies he could have. Their rule was that about three times a month when there was someone who had come over for dinner, See's Candies would be served as dessert. Charlie likes See's Candies a lot, and I would see him attack the See's Candies like a kid. But I never saw him ever question them, and I never saw him ever question any food that was put in front of him. I am a very picky eater, but Charlie did not care. You could put any food in front of him and he will just eat it. He does not care. He likes See's Candies, it is coming, he will enjoy it. It is not coming, it is okay. The guy has no kind of preferences or regrets or any of these things. The thing is that he was so evolved that he was focused on things that mattered. A lot of us get focused on things that do not matter. He was also an encyclopedia of jokes. One time we were talking about math, and he said that there is a Jewish couple, who had a kid who was very distracted, not doing well at school, and getting poor grades in math. They were very concerned, and they found that there was a good Catholic school in the area. They admitted the kid to the Catholic school hoping that a better school would make him a better student. They noticed almost immediately that this kid used to come home, go straight to his room, and start working on his homework. He would finish all his homework starting with the math homework. He never used to do his math homework before. They were saying that this was a great school, the kid transformed, the grades improved, and everything was going great. They sat down with the kid and asked him if he liked the school. He said the school is good. They said, "We noticed that you are very interested in the different subjects. You are doing well in school. Your math grades have improved. You are doing all the math work." He replied, "Look, when I went to the school and I saw that they had pinned the guy on the plus sign, and he was dead on the plus sign, I knew that these guys were serious about math, and I had to step up."

Charlie would always have these jokes about different things and lots of great advice over the years. One time I was just about to take a flight from New York to LA and his assistant called me. I was just about to board, and she said Mr. Munger would like to talk to you. Charlie had not called me before. Usually, she would call me and say, "Are you free for dinner?" But I never had a phone conversation with Charlie. So, I thought "Okay, let us see what he wants to talk about." He had just read one of my letters to investors where I was explaining to them the mistake I made on Horsehead Holdings, which was a company that went to zero. He told me, "I have a concern that you are beating yourself up too much about that loss. We are going to have losses, and we must learn from those losses. We must make sure we do not learn too much, and we have to move on. I noticed in your language that you have not moved on and you seem to still be beating yourself about it." It felt to me like my grandfather was calling me and just saying, "It is okay." He did not need to make that call. That is the kind of person he was. He was very kind.

We did not see the kind Charlie at the Berkshire meetings, but behind that kind of hard exterior, was a very kind and soft soul. Warren is the same way. They both have a little bit of a hard exterior to protect themselves, but if they are interacting with people that are in their inner circle, and there is a lot of trust, then you see through that layer and you see a wonderful soul, really trying to live a good life, do a good job, and be a good citizen. I had never in all the 14 years that we had a friendship, asked Charlie to meet me for dinner or something. I never wanted to impose on him. He has got enough going on, so I would always just be in reaction mode. They would call me and ask if I was free. But in September of this year, I felt that I wanted to go see him. I reached out to the assistant and said that I would like to come and see Mr. Munger, so what date would work for him for us to have dinner? She immediately gave me three, or four dates and picked one. I went, and it turned out that that was our last dinner. It was exactly one month before he passed away. Even a month before he passed away, he was always complaining to me that Berkshire had too much cash and that they were not able to find anything. There would be constant complaining and I would always tell him, "You guys always find something. You keep complaining that there are no ideas, no this, no that. Apple will happen, Burlington Northern will happen and different things will happen. The phone will ring, and something will happen, do not worry about it." I was talking to him about a couple of my recent stock ideas, and he got very interested. In those talks, we had a discussion. He kind of agreed with my thesis, so I said, "I want to read about this a little bit more." He said, "Yes, send it to me. I want to read what is going on here." I had to send him stuff using 24 as the font size. That size is very huge, but it was the smallest size that he could read. I was sending him about 50 pages, which became around 600 pages or something. Those were some of the last things he read. But, even at that time when he was blind, and could not read, because the books do not use that font size, there were no complaints. I asked him at dinner, "Charlie, bridge went away, golf went away, going to the office went away, a lot of your mobility went away, what bothers you? Is there anything that bothers you? All these things have gone away from your life." He said, "The only thing I wish I had is better eyesight." But even then, it is only because I asked him that he brought it up. He did not complain about it. In my opinion, he truly embraced Ben Franklin as a hero. We had a lot of discussions about Ben Franklin. We had a lot of discussions about Costco. Costco would always come up. Every time I met him, at least 20 minutes would go on Costco, like the love of his life. These are some of the memories I have of Charlie.

Speaker: Regarding Rick Guerin, I heard about him only when you wrote. There is not much public domain on Rick Guerin.

Mohnish: Yes. Rick was a really good guy.

Speaker: First you will need to explain, because some of us here also may not know enough about who Rick was.

Mohnish: We know that Warren and Charlie were partners, in many ways, there were three of them. There was Warren, Charlie, and Rick Guerin. Rick Guerin and Charlie Munger were very close friends and they used to share investment ideas and look at different things together in the fifties and sixties. It was Rick who brought See's Candies to Warren and Charlie. That is how they got introduced to the family and then they were able to buy. Even Blue-Chip Stamps was an idea that came through Rick Guerin. Rick was a very down-to-earth, simple, straightforward guy. In 73-74, when the stock market crashed a lot, he had a lot of margin loans. The market crash was so extreme that he got a bunch of margin calls and he was forced to sell his Berkshire Hathaway stock to Warren at about $40 a share. The stock that is today at 550,000 per share was at that time $40 a share. Warren brought it up when I met him for lunch, saying that those are the pitfalls of leverage. Warren was saying that even if you are a slightly above-average investor, you cannot get rich over a lifetime if you never employ leverage. You really can never get hurt. Then he gave the example of Rick Guerin saying that he never got to play out his hand because he got these margin calls. Rick was able to recover from that bottom.

Later he and Charlie Munger together bought Daily Journal and Rick had the majority ownership in Daily Journal. He did fine. He was quite wealthy at the time I met him. I remember once Rick, a guy named Michael, a good friend of Charlie's, and I were sitting across from Charlie. Charlie had just found out that I owned a Ferrari. He was saying, "Listen, Mohnish, I know it was a spur-of-the-moment decision. You made a mistake, it is okay. Sell the car." It was the only time I did not do what Charlie told me. I told him at that dinner when he was telling me to sell it, "No, Charlie. I do not think I can do that." He let it go and never said anything after. The next day we were meeting for bridge and there were three of us sitting across from him. Rick Guerin had a Ferrari, I had a Ferrari, and the third guy Michael drove a Rolls Royce. He looked at the three of us and said, "What kind of people do I hang out with? What kind of people?" I told Rick, "Listen, Charlie is telling me to sell the Ferrari." He said, "Just ignore." Charlie believed that his Hyundai Genesis was so well made that it was the equivalent of a Bentley at a non-Bentley price. He loved his Hyundai, and he could not understand why everybody else would just not buy a Hyundai and be happy with it. But the interesting thing was that he also was able to understand. He never brought up the Ferrari with me again. When I moved to Texas, I replaced it with the RAM, because I live in the hills and the Ferrari would kind of bottom out, it would hit the bottom. I thought that I needed to get rid of the Ferrari; it was too low. I switched to a Texas car, which is much better, and a small fraction of the price. It has worked fine. Rick was a very good down-to-earth, simple guy. The three of them, Warren, Rick, and Charlie, in my conversations with them, that period was kind of like what we see in Turkey today. We did not have competition, things were cheap, and nobody was interested in all these things. Things were mispriced. We could do the research, find the deals, and kind of keep going. He said that what we have going on today, is completely night and day from that situation at that time. Anyway, that was the history with Rick Guerin. Rick was an interesting guy because he had joined the Los Angeles Sheriff's Department. At the age of 85, he became a Sheriff, in a uniform, carrying a gun. He used to coach soccer till he was past 90. He was a very nice and fit guy. At 90 he was at his high school weight; the same weight as when he was 18. All of them were just very nice down-to-earth people. It was just great.

Mohnish: Yes, One of my problems is, which I am still in kind of, I would say remedial school on it, is I am not able to pay up. One of the issues is that we should be willing to pay up for great businesses. I have a lot of difficulty with paying up. What ends up happening is I have to find places like Turkey where I do not have to pay and then it works, or I have to find something where there is something the market has missed; there is some anomaly that is causing a mispricing and then it can work. As I said, I am Mohnish Pabrai, and I am an alcoholic. I still have a lot of learning to do, and one of the learnings I have yet to do is, in many, many cases it is worth paying up. But I cannot. The Ferrari, for example, for me to go pay up for it at four times as price I sold it at would be too painful.

Berkshire's market cap would be less than 1% of what it is today. Charlie would not take credit for it, but even today, Warren struggles. Warren is a very smart guy. He has come a long way. He has paid up for a lot of great businesses, but he still has a lot of mental blocks on that front. For example, Charlie was never able to convince him to buy Costco. Many times, Buffett says that Charlie is the ultimate abnormal "no" man. He would always say "no." His big contribution to Berkshire Hathaway was that Warren would bring up some idea to him, and Charlie would run it through a quality filter. If the business was cheap and not that great, and he knew it would make money on it, he would still tell Warren, "Do not do it. We need to keep the focus on the great businesses." In the end, even in this year's letter, Buffett said 12 decisions have led to most of the value creation of Berkshire in 60 years. That is about one decision every five years was what happened. One of the good learnings in the market is that great investment ideas are probably not going to come up that often. We see them come up every five years or seven years or something. We are doing well.

Speaker: In terms of capital investments.

Mohnish: No, Munger was not involved much in the Apple decision. That was Ted Weschler who made the Apple bet initially, and then Buffett looked at it. The interesting thing is that Ted sold out the position and Buffett kept on with it. He understood that business because that it is consumer behavior. Buffett's understanding of consumer behavior is very strong. He was able to kind of get there on that front. But Charlie's contributions to Berkshire are huge. There is no Berkshire without Charlie, but he would never say that. He would never want to take credit for that or say that.

Speaker: Good evening, sir. I am a student at FLAME. I was going through your book *Dhandho Investor*, and you mentioned two, or three formulas to value a business, but I am sure that is a bit of the entire picture. Do you have a particular framework or something on how to value a business?

Mohnish: Like the Kelly formula, no?

Speaker: Yes, the Kelly formula and the John Burr Williams formula.

Mohnish: If I were to do another edition of the Dhandho Investor, I would take out the Kelly formula; the inclusion of the Kelly formula is a mistake. The Kelly formula does not apply to value investing the way we do it, because we do not get the opportunity to make 1000 bets. For example, if heads are 51% and tails are 49%, and you give me 10,000-coin tosses, then the Kelly formula is going to tell you how much of your net worth, you should bet on each coin toss for optimization. But in the stock market, we do not get that approach. I do not get to make the same bet with those odds, and I do not have a clear view of those odds. John Burr Williams is a definition of intrinsic value, so that is timeless. It is just present value, all future cash that will come out of a business. That is always going to be there. The difficulty with that is that calculating the number is hard. For a lot of businesses, it is hard. One of the shortcuts we like to take is that calculating future returns and future cash flows can be hard. But if a business is valued at a billion dollars, and we know that next four or five years it will make 500 million a year, we do not need to know more than that. We are okay. The way you can get around John Burr Williams is that you do not need to calculate it. It is just so obvious. Like in the case of Reysas, it is so obvious we do not need to calculate it. In the case of TAV Airports, we do not need to calculate it. There is a good argument that even Warren and Charlie talk about, and that is never run DCF. Munger says that Buffett talks about all the DCFs, he has never seen him run one. The correct way to do things is to never run a DCF.

Speaker: One more question out of curiosity. You said that you went to Turkey, and you talked to different businesses, so what exactly do you talk about?

Mohnish: What I am trying to do when I am meeting a company for the first time is I am trying to get a picture in my head of how that business works. If we have a Coke bottler, we know that they must pay royalty to Coke, and we know that they have CapEx expenses and all of that, but they have a very strong brand, so if you can get the distribution, there is a pull; the market will pull it. We have a lot of models around the world, which tell us what kind of returns those businesses generate. I am always asking companies how the business works, what the business is all about, how it makes money. What I am trying to figure out in my head is, is it easy for me to understand? My questions are along the lines of just trying to get an understanding of how the business works; and what makes it tick. Let us take one last question.

Speaker: My question was related to something which you were just mentioning. When William Green's book came out, you mentioned that you were inspired by what Nick Sleep mentioned in the interview about the flywheel effect, and you also wanted to kind of change your investment journey according to that. But it seems like that is still a work in progress.

Mohnish: The one big learning that I got from Nick Sleep is that when you identify and have ownership of a great business, or partial ownership of a great business, you are done. You do not need to do anything beyond that. If you look at Nick Sleep's portfolio, there are a lot of mistakes, but the mistakes do not matter, because the fact that he invested in Amazon drops everything. It does not matter what the rest of the portfolio does. That is the nature of investing. You could make a 5% bet on a company, and you could be wrong on the other 95% of your portfolio, and the 5% could become a hundred bagger, and the rest will not matter. The asymmetric nature of investing makes that possible. That is why that if you own an overvalued business, which is a great business, but appears overvalued, you should give it a lot of hope. For example, when I sold Ferrari, I did not have a problem anymore, withholding a great business at a high valuation. I have made some progress, no problem with that. The problem I have is paying up for a great business. I have to learn to do that. For Mohnish, the business has to come in cheap. After that, we are okay. But a lot of great investors can. For example, I talked to Charlie about Costco. I said, “Charlie, you are so madly in love with Costco, should I buy Costco?” He said, “If you were running a pension fund with a 40, 50-year life, it is not bad holding 3, 4, 5% of the portfolio. But for you, Mohnish, no, you do not need to buy Costco. because it is a fully priced or even overpriced position. The investing business is very forgiving. Even though I have all these imperfections, it still works out. We have so much suboptimal execution, and we still have things to learn, which makes it fun. We will keep learning and moving along and take it from there.

Durgesh: Thank you for that.

Mohnish: Thank you, thank you very much.