Mohnish Pabrai's Session with Columbia Business School (CSIMA) on February 14, 2024

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Qian Wang: Mohnish, it is such a pleasure to have you here in the Columbia Student Investment Management (CSIMA) club at the Columbia Business School. I know many of the students read your books and watched your YouTube videos.

Mohnish: It is a pleasure and honor to be with you guys. I always feel like Columbia is hallowed ground because of Ben Graham and the legacy there, and Buffett being a student. It is always wonderful to be with the students. In the pre-zoom era, I used to come to Bruce Greenwald's class and that was always a lot of fun. I am going to speak for 5 to 10 minutes and then we can go to Q&A; just a little bit of a preamble, then take it from there. You might have seen in Buffett's letter last year, he had mentioned that 12 ideas or 12 investments that he made for Berkshire over 58 years, were responsible for most of the outcome. Of these 12 decisions, one of them might have been hiring Ajit Jain; the Coke investment, Amex, and See's Candies. Over 58 years, I estimate that Buffett probably made at least 300-400 important investing decisions. The hit rate, if you will, was around 3 or 4%. A 3 or 4% hit rate for Warren Buffett does not leave a lot of hope for the rest of us, mere models.

One of the questions that comes up is why it would take even someone like Warren Buffett to find one good idea approximately every five years. I thought about that, and I believe that the five-year period might be almost like a law of value investing and the reason is that for us to get to a conviction level on a particular investment or idea that is going to move the needle means that we have a differentiated view from most of the market. Because if our view was similar to the market, then that would be reflected in the market and there would not be super normal results possible. It is kind of a differentiated view that causes outsized returns. The differentiated views fall into two categories. They fall into categories where we were delusional, which means that we thought that we had a differentiated view, but in reality, we were wrong, so we made the investment thinking that we had figured out something the market has not and this is going to be great, and it does not work. Those do not count in his 12 decisions in 58 years, but he may have had probably one or two dozen of those types of situations where he had very strong convictions, which ended up not being accurate. The second is that you are right on the money where you have got a differentiated view, and lost outsized returns. One of the things that Charlie Munger used to say was that if they had not been learning machines over those 58 years, then their record would be a shadow of what it was. Nobody would even talk about them. The knowledge base, information, and understanding about the way the world works that they started with 58 years ago was relatively small and simple versus what they figured out over

the years. To give you an example Warren invested in Burlington Northern Railway. First, he invested in the stock where he bought some portion of the company, and then a few years after that, he made an offer to buy the whole company. They mentioned a few times that they were always negative on railroads; they were a poor investment. They had very high taxes, were very regulated and unionized, and had a lot of inefficiencies. But what happened is that they noticed a few things which caused them to change their mind. One of the things that happened is the railroads over time, redid the bridges. They had thousands of bridges, and they redid them one by one, and that allowed double-stack cars to go underneath them. So instead of having a single stack, you could do a double stack.

The second is that with diesel costs and all of that, the railroad also started becoming more efficient in terms of how they were running the level of employment, the length of the trains, and so on. A tipping point came where it became a much better alternative to the best alternative, which would have been trucks. Trucks, of course, were a lot of labor, they could go anywhere, and they could go short distances. But anytime you had to go long distances, then the railroads had an advantage. Both Warren and Charlie said that they were late to the party. The guy who runs Bill Gates' money at Cascade Investments figured it out a few years before them. I believe even Bill Ackman may have figured it out a few years before them. The thing is that to go through this learning about railroads, for example, where you have a view and then you go through a change in that view, that does not happen overnight and that takes a lot of drill down to get to a conviction level. When you look at a five-year timeframe, it could have easily taken them two or three months or more to get their arms around railroads. First, they would have decided that there is meat on this bone, so it is worth studying and it is worth looking at, maybe destroying one of our best-loved ideas which is “railroads are stupid.” Then you go into the rabbit hole of railroads, which might be 2, 3, 4 months, or something. There are also a lot of rabbit holes you go down, which end up being dry wells; you go down the rabbit hole and there is no meat on the bone and there is no differentiated view, but the time is gone.

If you think about these three-month type deep dives in five years, you can do 20 of them. If you had something to do every three months, and maybe one out of three that you think is great turns out to be great. If you did 20, you might have three or four that look interesting. Then one is a good idea if you look at their investment in See’s Candies. See’s Candies was a major eye-opener for Warren and Charlie because the only thing Warren did in terms of interfering with management every year was on January 1st, he changed the prices of all the candy himself. He would sit down with the See’s Candies’ price list, he would look at the inflation rate, and he would increase it at two times the inflation rate. What they noticed year after year was that there was no push. They increased the price by 15% and volumes were fine, then they increased it another 10% of 15% the next year. And volumes are still fine. It was a huge learning for them. There was a huge step function learning for them; they were in shock that there was no drop in volumes. See’s Candies is mostly a California story. It is mostly in California and the period from 1970 to 1990, in those 20 years, California's GDP probably grew at a higher rate than the US GDP because it was going through so much growth. Maybe it grew at like 4% a year or something.

Based on data that Berkshire has given about how many pounds I sold and all that, See's volumes from the time they acquired till now have gone up less than 2% a year. In that period, from 70 to 90, it probably went up around 2%, which is half of California's GDP growth. Part of that might have been pushback against these huge price increases Warren was shoving down people's throats along with the candy. But he saw that, "Hey, I am pushing this down and it is not declining." Maybe he knew that it would have been 4 or 5% growth if I did not push the pricing up. But probably in that math equation, it worked better to have higher volumes. That learning with this annual tweaking of See's price list eventually led to the investment in Coke. I am pretty sure their investment in Coke was at least six months in the rabbit hole because Munger wrote that essay which is about how Coke becomes 2 trillion eventually and all of that, but the Coke investment took about two decades to figure out. They would not have been able to make the Coke investment in 75, 80, or 85. It was really in the late eighties when they had enough time screwing around with See's that they got a big education on brands.

Buffett never understood brands at all and suddenly there was this whole new area of this intangible moat which was tremendous. Then he was able to leverage that into other consumer packaged goods. Even now, the Apple investment is a brand investment. The Apple investment is 40 or 50 years in the making. I just wanted to share that it is very much worth going down the rabbit holes because the payoffs are so big. It is also very okay if we hit a lot of dry wells; that is perfectly fine. You only need to get rich once, and one of these rabbit holes could be a motherlode. You do not need a lot of differentiated views on a lot of things. I would say that Buffett and Munger coming up with this one dozen differentiated things, like insurance is a terrible business. It was a terrible business for Berkshire for 20 years, from the mid-sixties to the mid-eighties. Ajit Jain showed up, and when Ajit left the scene, that business would shrink for them. There is no successor for that business. They had an anomaly in Ajit Jain showing up, and they had a second anomaly in GEICO showing up, which is more brand insurance. Even that was a situation that took a long time to figure out what you can do and what is going on and so on, and it worked out. What I wanted to share is that what we are looking for are anomalies. The anomalies are not just sitting there ready to be given to us on a platter. We have to go into different rabbit holes. We have to decide which rabbit holes may hold some promise because there are 50,000 rabbit holes to go down. If each one took three months, that is 200,000 quarters, which you do not have. You have got 100-150rabbit holes if you are lucky. Go down and make them count. You do not need to make all of them count, but you need to make some of them count. Those were some thoughts I wanted to share with you about why even Buffett and Munger only had 12 hits in 58 years.

Qian Wang: Thank you Mohnish for the insights. We will kick off with some Q&A. To build up on your thoughts here, I read your book, *The Dhandho Investor*, a few years ago, and it does not sound very similar to the philosophy you are talking about now. How has your investment philosophy evolved during these 25 years?

Mohnish: The evolution that I have gone through is I started in the mid-nineties as a "great businesses" investor, and then there was this mega bubble, the dot-com bubble. From 99 to 2000 was not just dot-com; it was tech and a lot of

things. Most of my portfolio was tech in the nineties, and I got concerned that these valuations and numbers made no sense. We had Microsoft at 600 billion and with single-digit billion cash flows; 600 billion market cap, seven trailing earnings, 70 times earnings or something. I just did not think that was going to lead to the Holy Grail. It turned out that that was the case. Microsoft then flatlined for the next 13 years. It did not flatline, it was a pretty violent ride, lost a huge portion of its value, and then came back. But, you held it from 99 to 2012, then you had zero returns. And so in the 99, 2000 timeframe, I switched to hardcore Graham. The reason I switched is because that is where I was finding opportunities. March 7th or March 9th, 2000, was the day that Berkshire hit a multi-year low. The NASDAQ hit 5,000 for the first time in March 2000, and Berkshire went down to around 40,000 from 70,000. It dropped a lot. People were selling Berkshire to buy bets dotcom; that is what was going on at that time. I thought the great businesses and the tech businesses were very high risk at those valuations, so I moved to buy funeral homes at two times earnings and steel mills at three times earnings and that sort of thing. That worked well. What I should have done in hindsight is in around 2012 or 2013, I should have switched back because by then the great businesses and the valuations had come into line. They have gone through all their corrections and everything, but I had become so comfortable in the wonderful world of Ben Graham. I was late by about five or six years; I started to make that switch in 2018 or something. Moreover, in this business, just like I talked about with Warren and Charlie, you have to be a continuous learning machine. On a broader basis, this is kind of how my journey was; Munger, Graham, Munger. That is how it went, but that would be too simplistic. Also what happens over those 30 years is that we learn a lot of things about how things work in many different places or many different industries that we did not know. Knowledge is cumulative, and that helps as well. *The Dhandho Investor* is around 17 years old, so clearly I have gone through some evolution since then. If I were to rewrite it, then I would have a little different take on it.

Qian Wang: Thank you. I am going to turn the stage to some questions from the students.

Student 1: Mohnish, my name is Chris. It is a pleasure to meet you. I know you are a dear friend of Charlie's, and we are going to miss him a lot. I would love to get your take on the future of Berkshire now that Charlie is not there.

Mohnish: Warren has said, “Berkshire has been built to the blueprint of Charlie Munger, and my role has been that of a general contractor.” What Warren is saying is that Charlie is the architect of Berkshire, and Warren was told what to do, and he executed. He is repeatedly used to saying that he would call Charlie the abominal no-man because Charlie would say no to everything. The reason Buffett said that is that there are so many things Warren wanted to do. And of course, he was the senior partner, and Charlie was a junior partner. Sometimes a senior partner did things without talking to a junior partner, like the purchase of Gen Re, for example, which did not work well for the senior partner for some time. There was some indigestion. However, because the senior partner knew that the junior partner would shut him down most of the time, and many times a junior partner would tell the senior partner, “Hey, listen we need to go big on Costco.” Warren has such an aversion to paying up and then Charlie would tell him, “Warren, some things are worth paying up for.” Warren just could not get there. I do not

know whether you guys have heard the joke; it was in the 2011 annual meeting and it is in the footage. Warren and Charlie come back from lunch and Warren says, "Charlie and I were on this airplane that got hijacked." Charlie can only see with one eye. The first eye that looks at Warren is a glass eye, so he completely turns over looking at him saying, "We got hijacked?" Warren ignores him and says, "We got kidnapped and the kidnappers made a demand of several million dollars to our families to release us." The families told the kidnappers, "Look, these two guys do nothing. They sit around and they are useless. You can do what you want with them. We are not sending a few million dollars because we would rather just keep the money." The kidnappers get pissed off, and they tell Warren and Charlie, "Not only are we not getting paid, we are going to lose two bullets to kill you guys. Before we kill you guys, do you have any last wish?" Charlie raises his hand and says, "I would like to speak one more time about the virtues of investing in Costco." Warren raises his hand and says, "Shoot me first." We had the junior partner and senior partner interesting dynamic, and I had a lot of discussions with Charlie about the dynamic of that relationship. I told Charlie, "You are a type A guy. You are not the kind of guy that I see as someone who plays second fiddle to anybody. In all your other relationships with business partners, you are the senior partner. You are not only the senior partner, but you are also the dictator. You pretty much run everything and call all the shots. But here in Berkshire, you are junior." So he replied, "Well, Mohnish, it was very smart of me to become the junior partner to Warren Buffett." They had a great relationship. I do not think Berkshire will be anywhere near what it is today. It would not even be, in my opinion, 10% of the current market cap, 5% of the current market cap if there was no Charlie Munger. But I also feel that going forward, these two guys are such iconic figures. It is kind of like the founding fathers of the US are gone more than 200 years back, and the system still running all the deadlock in Washington, everything else, the system keeps running. The country is cranking and everything is at all-time highs and everything else. The culture and the ethos of the place are so deeply entrenched with what Warren and Charlie have put together, what they have preached, what is in the record (written record and videos), and all the culture and the board. It is as close to bulletproof as you can get. I do not see any issue with Berkshire in a post-Charlie era. The issue they have already faced and they will face in the future is the size. At some point, it will become a dividend-paying entity or heavy buybacks.

Student 2: Hi there. You were talking about how we only have so many rabbit holes that we can go down in a lifetime and how we should sort of make them count. I am wondering; how do you know which rabbit holes are worth going down before you go down? How do you decide what rabbit hole to go down, knowing that some will not pan out and some will, but can only choose so many? Thanks.

Mohnish: The way I have done it is by being a harsh grader. Most companies I look at, I reject in 60 seconds or less; sometimes in 10 seconds. There are whole sections of value line, which are outside the circle of competence. I just take whole bunches and am not interested in them. I do not know anything about BioTech. I do not know anything about Pharma. I do not know anything about a lot of things. We just discard those. If something makes it past the first minute or two, I will give it 5 or 10 minutes. Then again, the idea is to reject it and move on. If it makes it past the 5 or 10 minutes, then I will

give it an hour, and see what is there for an hour. It is a gradual process where the idea is most of them die. Most of them die within five minutes, then what is left dies within an hour and then what is left dies within a few hours. Once you have done a day or two of work, a lot of things have gone through your brain. Like Elton John says, "I'm still standing." The idea is still standing. We can let a lot of balls go by and we only need to swing at the fat pitch. If I looked at Google or maybe Microsoft 10 years ago, and even then felt that it was too rich in valuation, which would have been a mistake, and I took a pass, which is probably exactly what happened, it would not be the end of the world. Many more pitches are coming at you. So it is okay.

Student 3: Hello, Mohnish. I appreciate you coming by. To kind of build on that question, what red flags do you look for once you start digging to know when to stop, and then secondly, where do you see areas of opportunity today? Thanks.

Mohnish: The red flags can come from anywhere. For example, you have a thesis in your head about why this thing looks exciting. The moment you run into data that is telling you your thesis is completely wrong, then you are done. That happens all the time. For example, with publicly traded car dealerships, which is a rabbit hole I am currently in, we do not know what the result is going to be. There is a view the market has that in the end, the world is going to be all EVs and those do not need many parts and services. New auto dealerships have something like 40% of their profits coming from parts and services, and that could go away. The second threat in that space is that EVs could be sold directly. What they are making with new cars also goes away. If that viewpoint is accurate, new cars not being sold by the dealerships are okay because they only make 4 or 5% of their profits from new cars. New cars are so commoditized, and the comparison shopping is so easy that the margins are very low for all of them. They do not try to make money there. They know they have to just be a service provider there without much margin. My view on that is that for an OEM to go directly past the dealer, the OEM does not gain much advantage because they have to service those folks now directly, and other facets of the business are subsidizing the tiny margin that the dealer makes on the new cars. An OEM going direct may have more than 3, 4% in cost to sell directly. The second is that we get to these early adopters and all that. A lot of people in the end may still want to have a more kind of brick-and-mortar experience with how they purchase a car. Also, some of the new EV players are finding that they are better off setting up a dealer network. I am not sure that that notion carries that much weight, but it does not matter that much because the margins are so low. Then the second piece is that EVs do not need parts and services. What I found in the deep dive so far is that EVs do need a lot of parts and services. If you take a 20-year life of a car, each EV has four or five battery modules, and after around 10 years, you might need to replace one or more. If you take out one module and replace it, it is about $7,000. You are not going to go to Jiffy Lube to do that. You are going to go to the dealership and there is specialized equipment and there are high margins and all of that. If a car gets to be 13, or 14 years old, it might make sense to change the entire battery pack. The entire battery pack is like 20 to 25,000. All cars, EVs or non-EVs, need brakes. They all need tires. They all have a bunch of other parts that are still going to be needing service and replacement. I concluded that that was wrong and that I did not think that the parts and service would

go away. Then there are a few other aspects to some of these large players, the way they are scaling and optimizing their businesses. The valuations of these big guys are based on those assumptions being true, which is that there will be no parts and services, and in the end, these businesses will cease to exist because everyone will be selling directly. That causes a differentiation. Now we will see whether the differentiation makes it through the rabbit hole or not, but that is an example of trying to look at things in a little different way and taking it from there.

Student 3: Thanks for speaking to us, Mohnish. When Warren Buffett and his mentors started investing, 50 to 70 years ago, not many people were looking and analyzing data about what is inside companies. There was a lot of shooting from the hip, looking at the brand. Now, there is so much data, that everyone is looking at data perhaps too much. Sometimes there is a massive amount of data. What is the edge you would say that might be out there that we younger investors should look into to get that kind of step up or that leg up when against everyone else in the market?

Mohnish: If we go back in history with the US markets, after the crash of 29 to 32, and then again the crash of 38, stock prices did not even come back to the level of 1932 or 34 till the mid-fifties. The Dow was 400 then and 400 in 1954. There was a whole generation raised on the notion that the stock market is not a place to make money, because it did nothing for two decades. Of course, those are the types of conditions that set up the best conditions to do extremely well. The US market was an extremely good place to invest in the fifties and the sixties until we got to the nifty 50s and all of that. Then it became an exceptional place to invest after the 73-74 crash. More recently, things are kind of overheated. I do not think it is so much an issue of data and what is available. There is always a bear market somewhere. There is always opportunity somewhere. If you broaden your horizons, you look at other geographies, you might find wide gaps between price and value. Even in those markets, there is incredible data available and incredible speed with which you can get that data. Charlie used to always lament to me that we cannot find anything to buy; things are so priced to perfection or overpriced. That is true, but it is also not true. For example, the large publicly traded car dealers traded mid-single digit multiples Of course it depends on whether the differentiate view is correct or not, or whether they deserve to be at that multiple. I do not think it is so much data. I would say that it is more qualitative thinking versus quantitative data that is going to give you the edge. If you can qualitatively think through different businesses and industries and find some aha moment somewhere that tells you that something is different here, for example, another rabbit hole that might be worth going down might be something like Delta Airlines. These top four players have a very good lock. They have got monopoly oligopoly-type situations in the different airports, and they have got pricing power. On the other hand, you have got unions and jet fuel prices that give you some headwinds. But when you sift through all that, should they be worth more? I do not know because I have not been down that rabbit hole yet but it might be a good rabbit hole to go down at some point and try to get a better sense of what is going on.

Student 4: Hi, Mohnish. Thanks again for your time today. Correct me if I am wrong, but I understand you have a pretty significant coal exposure at the moment. Do you mind talking us through the thesis and then perhaps a differentiation between your thoughts on metallurgical versus thermal?

Mohnish: I mostly duck that question because I do not want you guys to miss out on all the fun by not having the joy of going down the coal rabbit hole. But I will just say that in the last six or seven months, I spent about 11 days in various coal mines. I went to four large US coal mines and spent two or three days with each of them. I went 200 floors underground; about 2000 feet down. It was an orgasmic experience. I enjoyed it. I was a little sad when it came to an end, but the good news is that I am not done yet; I still have some more mines to go down. In some cases, it would be better to go in the summer, so I have got a few more things to do. But besides those 10, 12 days in the mines and with the management teams and miners and all of that, I would just say the miners are the best people on the planet. I just had the most fun time with them. Besides that, I spent about seven months in that rabbit hole. It was a beautiful seven months. Mostly, it has come to an end because I have learned what there was to be learned. I would say that the rabbit hole you want to focus on between the two would be Met coal. We do not have a practical alternative to making steel other than through the usage of metallurgical coal. If you want to have a civilization we will be mining metallurgical coal and in my opinion, we will be mining meteorological coal for at least five to seven more decades. There are brand new blast furnaces that will be commissioned in different places around the world in the 2030s, and these blast furnaces, which produce iron and steel, that use met coal have a 50-year life. If we build one in 2035, it is not going anywhere till 2085; it is going to be cranking at that point. Beyond that, I will leave all the joys and pleasures to you.

Student 5: Thank you, Mohnish. Previously you mentioned that the key component or a key character for an investor is continuous learning. Can you share with us some of your techniques or routines when you learn something new?

Mohnish: This is a very random business; it is very opportunistic. There is no game plan, in the sense that there is no strategy. You are reading, you are looking at different things and you are looking for an aha moment. I will give you an example of the aha moment, which led to the seven months. In the world of coal, someone put a Twitter post and they put my handle in the post saying, "Hey, this David Einhorn bet on Consol Energy. It looks like Mohnish's IPSCO bet from the early 2000s." One of the most orgasmic experiences besides coal that I had was the IPSCO investment, and the problem is that these orgasmic experiences do not happen often enough. I do have to savor them when they happen and make them last. The IPSCO investment, which I look back very fondly on, is that there was a Canadian steel company. I had made this investment in 2003 or 2004 thereabouts, where they made tubular steel that went into pipelines and they had given guidance. They said that for the next two years, we will produce $15 a share in free cash flow. In each of the two years, the company had $15 a share in cash on its balance sheet and it had no debt. When you added the next two years of the $15 cash flow, you were at $45 and the stock was at $40. I thought, "Okay, I know this is a very cyclical business. I know that after year two that

cash flow could go to zero, it could even go negative. But why fill your head with morbid thoughts? I am going to take a 10% percent position in this company, and I just want to see how Mr. Market prices this company after 24 months when there is $45 of cash from the balance sheet. I just want to see what it does with the stock price." That is all the analysis that I did on that company. I had no idea what the cash flows would be in the third year. I made that bet and then a year after I made that bet, the company announced that for one more year, we would have $15 a share in cash flow. They used to sell their product to people who were putting up pipelines. They would get advanced orders. This was not some estimate of earnings based on some blue sky. They had actual purchase orders with contracted stuff to be delivered with margins very well known. That is why they were telling the market; that it was set in stone. So I thought, "There is a God. It is awesome, and now I am going to be $60 in cash." The stock had kind of started drifting northwards; it had gotten to $80-90 by that point. I had only held the stock for about 12 or 13 months, and it was almost double. I am thinking, "We do not know what happens in year four and we are getting a hundred percent return in a year. I think we just sell and move on; ring the register." While I was thinking through all of this stuff, it had been like 14, or 15 months since I bought it. There was an announcement that some Swedish company was buying this company for $160 a share. I woke up one morning and the stock is at 152 and I am not looking for the arbitrage. About 10 seconds after that, it was all sold. As you can see, I have very fond memories of IPSCO and I thought IPSCO was one and done, and I was never going to see this kind of orgasmic experience ever again. Then I read on Twitter last May, that someone is saying, Mr. Einhorn with Consol Energy, which I have never heard of before, is IPSCO. I thought to myself, "Let me look into the rabbit hole called Consol Energy. It is someone talking about IPSCO. Then, let us see." The first thing I do is I go to David's 13 F and I see that Consol Energy is his largest position besides the green brick or something that he is himself the founder of, but it is the largest position. I said, "Wow, David loves coal. Why does David love coal and why is it like IPSCO?" It turns out that what Consol does very similar to IPSCO, is they forward sell all their production with locked-in prices one year in advance. In the year 23, they sold off half of 24, half of 25, and maybe 40% of 26. The numbers weren't exactly as good as IPSCO, but when I started to go down that rabbit hole and Consol the thermal producer, is not in the Met coal business; it is a small part of the business. But I was just looking at it from an IPSCO mental model point of view, which is here is a business that forward sells, just like IPSCO forward sells. They have locked in cash flows; coal is a four-letter word. Nobody wants to say the four-letter word, much less own it. No endowment will invest in a manager heavy on coal. You might guess that I have no endowments invested with me such as life, because I am not just invested in coal. My 13F, which came out today, has nothing else but coal. I said, "Okay, this is like a coupon clipping IPSCO bet. I just care about coupon clipping. I do not care about anything else." But what they were doing that IPSCO was not doing, is Consol was doing buybacks. Now, when IPSCO was sitting at two times earnings or three times earnings, if you take out the cash, they were sitting at two times earnings. With the two coming in the next two years, what they should have done is buy back every share. Of course, management teams have a really hard time with buybacks. You will hit your head against a brick wall trying to convince them over buybacks. I do not like to hit my head against a brick wall. It is just not very pleasant. But

I saw that Consol was already doing buybacks. I met them and I became friends with them. I said, "Listen, the dividend is so lame. Why not go all buybacks?" Next quarter, I saw they announced, "We are all buybacks." I thought, "Oh, they love Mohnish. It is so nice." What I started to do with coal was just to replicate what I did with IPSCO. Then when I was digging into coal, I ran into Met Coal and then I started digging into the Met Coal players and that opened up a whole new world. As I said, this is a business where there is no strategy. You just go where your nose takes you and then you just keep going wherever the rabbit hole goes.

Student 6: Hi Mohnish, thank you for being with us. My question is, because you mentioned our time is very limited, we have to balance between breadth and depth. As a junior investor, do you recommend us to look at a variety of businesses or do you recommend we should dig deep into one rabbit hole, maybe one per month? What are your suggestions for us as young investors?

Mohnish: That is a great question. I would recommend you be an inch wide and a mile deep. I would also recommend that the areas that you start with are the products and services that you use and love. If you are in love with Apple, you can take a look, but I can already tell you that rabbit hole just does not have much meat on that bone. It used to, but not now. Look at all the different products and services you use; what banks you are banking at, what clothes you are buying, what food you are eating, and all of these brands you are using, because for any business to be able to get even a dollar of revenue from you, it has to be a spectacular business because you are so discerning. If they were able to get a dollar from you, then they were able to get a dollar from many other people. That is the starting point because if you are using the product already, you already have a base level understanding as a consumer and then you go from there; keep broadening from there. Beyond that, like Charlie and Warren say, "Read everything in sight." Read things like Value Investors Club; look at the write-ups there. See if some write-ups speak to you, or that look like there is a lot of meat on the bone and a lot of value. Then take it from there. There is a lot of brain power that goes into putting those write-ups together; be the shameless cloner.

Student 7: Hi Mohnish. Thank you so much for your time. I have a two-part question. First off, you mentioned that we should try and go through very few rabbit holes in our lifetime and that if these rabbit holes pay off, you could probably become rich and you have to become rich once. But to do something like that, you probably need to be a little bit concentrated into some of these rabbit holes, sort of like all in. My first question is how do you protect from that risk if the rabbit hole does not work out? The second part of the question is, when you look at an opportunity and you see that there is a long timeframe for it to pay off, what are those timeframes that you work with?

Mohnish: When a first-generation Chinese couple decides to open a Chinese restaurant at some corner in Queens or Manhattan, they have gone all in and they have 90, 95, or maybe 98% of everything they have. Not only all in on all the money they have; they are all in on all the time they have. It is not just the Chinese couple that opens a Chinese restaurant. This is the situation

with about 10 million entrepreneurs who are running businesses in the US. They are all "all in." Most of them would not understand what a diversified portfolio is. They have never thought about life that way, and they do not seem to have trouble sleeping at night with all in on the Chinese restaurant. They are just so tired after the day's work, they probably had the best sleep of all of us. When we look at entrepreneurs, they are not balanced; they are unbalanced. When we have a portfolio that is concentrated, even if we concentrate, we are still going to have four bets or five bets. I am not asking you to go a hundred percent. I have never gone a hundred percent. I do not even go with five bets. Usually, I go with ten bets. I do not see much issue with the concentration issue at all. As for your second question, the timeframe depends on whether it is your money or other people's money. Whether you have an investor base that is going to let you play your handout, or you are playing with your own money. An ideal situation is that you get to hold things for a very long time. You have found a great rabbit hole and you do not need to do anything for 10, 20 years. It is going to keep moving. The returns may take a few years to show up, but then they keep coming for two, or three decades. That is what we are hoping to do. It was such a pleasure to hang out with you guys and thank you for having me.

Qian Wang: Thank you so much Mohnish for your time at the CSIMA Club and see you sometime soon.

Mohnish: Bye.

Raghav: Hi Mohnish, this is Raghav from your birthplace Mumbai.

Mohnish: Hi Raghav.

Raghav: Hi, nice to meet you in person. I met you in Omaha in 2019. We have a photo together and I graduated from Columbia last year. I have a quick question if you do not mind me squeezing in.

Mohnish: No problem.

Raghav: Investing is an apprenticeship business. One is fortunate if one can learn and polish aircraft under an experienced investor. But during this journey, how do you think about the right time to sort of start on your own?

Mohnish: Well, I would say the earlier the better. We want long runways. The other thing about the apprenticeship part is you can be like Ekalavya. You do not necessarily need to be like Arjun; Ekalavya is fine. The thing is a body of work that these great giants who have come before us have documented and put forth makes it relatively easy to learn at a distance. If you are serious about learning, the content is there and the teachers are there and that should work out just fine.

Raghav: Sure. Absolutely. Appreciate it. Do you mind if I just drop you a quick line on your email ID to connect?

Mohnish: No problem, mp@pabraifunds.com.

Raghav: Great. Thank you so much. I was fortunate to meet Charlie. He talked very glowingly about you as well.

Mohnish: Thank you very much.

Raghav: Thank you.

Mohnish: Bye.

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