Mohnish Pabrai's Conversation with Lauren Templeton on July 25, 2022

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Lauren: Today's guest on Zenvesting Podcast is Mohnish Pabrai. Mohnish is the Managing Partner of the Pabrai Investment Funds. He's well known for his Buffett like style and investing, and he's a quote, shameless cloner. Today, I'm hoping to talk to Mohnish about his investment philosophy, his background, and his wonderful philanthropic endeavors, the Dakshana Foundation. Welcome Mohnish.

Mohnish: Thank you, Lauren. It's a pleasure and honor to be with you. I have a lot of respect for you as an investor, as one of the very few women investors, and that's wonderful to see.

Lauren: Well, now there are a few of us. You have a daughter in the investment industry, is that correct?

Mohnish: Yeah, but still very underrepresented. I think women are temperamentally better investors.

Lauren: There is some evidence to suggest that returns from women are higher due to the low turnover and portfolios managed by women, which is often attributed to a lack of confidence, or overconfidence bias on the male side, which is very interesting. But since you brought up women in investing, tell me how you got your daughter interested in investing?

Mohnish: I have two daughters. I never, ever tried to influence either of them to go into investing, to become investors, or even spend much time talking about investing and such. What I always encouraged them to do and focused on when they were growing up, is that we wanted them to hone in and focus on what they thought was their natural calling. I thought my job as a parent was to help in the discovery of that calling. I just assumed that it's not going to be investing. Then the younger one doesn't have much interest in investing as such.

Monsoon surprised me when she expressed an interest and then she went to work for an Asia hedge fund. When I started to look at how she approached things, I actually found that her approach was superior to mine.

Lauren: Really? How is that?

Mohnish: Well, I mean, I think there are inborn traits, and then some learned traits. I think in investing, if you try to go against what is your natural temperament, that's an uphill battle. You know who we are, what our traits are, and all of that. That is hard coded at the age of five or six. Between our genetics, what happened the first five or six years of our life, when we are at age of six and age of 96, it is not going to change much. Basically, if we are a hyperactive person that needs a lot of action you're not going to do really well in value investing. What I notice with Monsoon is she has traits that are much stronger in her than they are in me. One trait is, she hates to sell anything she absolutely hates to trade, which is a great trait. The second trait is, she's very biased towards very high quality. She wants to find and buy these extremely high-quality businesses and then never touch them.

Lauren: Well, those are really great personality traits. It reminds me of a quote from one of your favorite books, *100 to 1 in the Stock Market* by Thomas Thomas Phelps. He has a great quote, I can't recall it right off the top of my head, but it's about the tendency for investors to sell investments too soon and that you should leave them in the portfolio.

Mohnish: I think that quote is something like, every sell decision is an investing mistake. Basically, he's saying, look, if you bought it right, it would never need to be sold.

Lauren: Scott and I have gone back and looked at all of our buy and sell decisions over the course of our history, and I would say the most common error we make in selling securities. I do think there's a lot of validity there. It's just really exciting that your daughter has gone into the investment business. She was at Dalton, I believe, and now has launched her own fund, Drew Investment Fund. I wish her a lot of success. It gives me great joy to see the two of you together at different investment conferences. As you know or you may not know, my dad really influenced me and we're terrific friends. It's wonderful to see that relationship with another father daughter team.

Mohnish: Actually, this is a dimension to our relationship that I never expected because it's not part of the game plan. I think that Monsoon and I have been in different. We visit a lot of companies together. I used to just take her along. Once I was going to China to speak at the Peaking University, I think 2017 or something. I asked her if she wanted to come in terms of a China trip for her. Guy was coming there too.

Lauren: Guy Spier.

Mohnish: Then the folks at Peaking University arranged a translator and a guide who knew Maotai well. At that time, I had an investment in Maotai. We flew to the middle of nowhere in China from Beijing, and he spent a day at Maotai. The thing is, I had bought Maotai many years before that. Monsoon went and bought Maotai after the trip. I thought it was expensive at that point. But she bought it. Then later, just a short time after the trip, Li Lu called me and said, "Look I know when we bought Maotai, we were going to hold it forever. But there's stuff going on, it needs to be sold." He said, "I just want to let you know that I'm going to be selling and I've already been selling. I said, "Well, if Guy is selling, then who am I?"

Lauren: Li Lu calls you and tells you to sell. You might want to think about it.

Mohnish: One femtosecond after that call, I placed my multi sell orders. None of this data meant anything to Monsoon. I talked to her about it, and it just bounced off. Still today, she has not sold Maotai. As it turned out, I think Li Lu and I sold that for 700, or 800, 900 RMB per share. It's over 2,000 per share now. Whatever was bothering him didn't seem to affect the core franchise the way he thought it might have affected it.

Monsoon, I think, when she went to that trip and she saw the place, I mean, it was extremely clear on that trip that this was a very, very special business. This was a business where the cost of sold was less than $2 and the selling price was like $1,200. This is an incredible business. She understood that. She didn't care what I was saying, she didn't care what Li Lu was saying, and she still owns it.

Lauren: Wow. She had the conviction to stand.

Mohnish: Very strong conviction, yeah. It was surprising for me to see that. It was surprising.

Lauren: Now, Mohnish, my guests may not know that in 2007 you purchased a lunch with Warren Buffett for about $650,000. You were the top bidder, and I believe you took your girls with you on that lunch. How old would the girls have been at that time?

Mohnish: They were 10 and 12 years old at the time. I think it was the absolutely perfect age and just happened to be they were that age. I had been trying to win that auction for a few years and I kept failing. Then, finally prevailed in 2007. Basically, when we had that lunch, they sat on either side of Warren, and he was having a lot of like side conversations with the two of them. I think he pulled out a Johnny Rockets card from his wallet and he showed it to both. He said, look, the holder of this card is entitled to a lifetime of free burgers from Johnny Rockets for him and his friends. He must have made some offer to buy the business. It didn't work. Maybe they gave him a card for a consolation prize. I'm not sure what the speed was, but he says that there's a Johnny Rocket's in Irvine. When I come to Irvine, we are going to go to Johnny Rockets. We are going to order one of everything from them because it's all free.

Lauren: Oh, my goodness.

Mohnish: Anyway, I think one of the things he said to them at lunch was the most important decision you will make in your life is who you decide to marry. They were not a marital age at that time. They still remember that clearly. That sentence had a much greater impact on them than one million other sentences that their mom and I have said to them.

Lauren: Well, that's a lot of pressure.

Mohnish: I think they have dwelled on that sentence quite a bit over the years. I think they're both very smart about their dating choices.

Lauren: Well, that's very good. I will advise the same of my girls. That's good advice.

Mohnish: Actually yeah, it is. I think, if I ignore everything else about the lunch, that alone is worth many times over.

Lauren: Absolutely. What other valuable advice did you take away from the lunch?

Mohnish: This year for example, was the last year the lunch was auctioned. This year it went for the low price of like $19 million or something. One of Warren's big focuses at these lunches is that he wants to make sure that the winners or the buyers of these lunches feel that they got a bargain. He tries hard to try to add as much value as he can.

I'll give you another example. I'll be very direct. Someone invited me to lunch. They had one with Eric Schmidt, the CEO of Google. We met Eric on the Google campus. We went to the cafeteria and then went to a private conference room. There's no comparison between the two. He's a very good guy. But this ethos of wanting to have the winner think he got a bargain was not part of the equation in his mind. I don't think it would be part of the equation in most people.

One of the things Warren said to us when we met was, "Look, I have nothing going on all afternoon. I'm here with you guys for as long as you want". He said, "when you are completely bored of me and you want me to leave, just let me know, and I'll leave". He didn't set a timeframe on the lunch. After about two hours and 45 minutes, we said, I think we are done here. We were the ones who ended the meeting, not him. The lunch was over, and I later made some notes. I think 54 different questions with a very wide-ranging set of topics. Tremendous value.

He would take anything I mentioned or the people asking questions mentioned, and he would try to answer it in a way that would add tremendous value. I would ask a very kind of basic question. I said, "Look, I don't know what happened to Rick Guerin, he was with you guys in the '70s. We knew that the three of you did a bunch of deals together in the '60s and '70s, but he kind of fell off the face of the earth after that". I asked him, "what happened to Rick? Are you in touch with him?" He says, "Yeah, I'm in touch with Rick. I play bridge with him all the time. I get holiday cards from him".

Then he proceeds to talk about '73 and '74, margin calls. It was a big drop in the stock market at that time, the biggest drop. Rick was forced to sell his Berkshire

Hathaway shares to Warren at the time for $40 a share, which is when they were changing hands at that time, which is now over $400,000. He said, "Look, if you are even slightly above average investor and you spend less than you earn, you use no leverage, you cannot help but get very wealthy. I mean, just think about that. How simple is that, right? Take out leverage from the equation, be patient, go at it one day at a time. Compounding works."

Lauren: It does. The magic ingredient is time. I always tell investors, we have some control over the rate of return, not as much as we'd like, but that magic ingredient really is time. If you remove leverage from the equation, you're taking away something that could potentially take you out of the game, which is not helpful when you're trying to compound. But compounding is truly magical. Now, I know what came out of that lunch, you have a special friendship with Charlie Munger, correct?

Mohnish: Well, I think the lunch was buy one and get one. When I was waiting for lunch and I talked to my wife, this is kind of ridiculous, but she says, "You want to do it, go for it". Later she said, "Other than marrying me, it was the best thing you ever did. Like the smartest thing you ever did."

Warren was joking at the lunch. I mean, I think what happened is I mentioned to Warren that my wife, my ex-wife now, but my wife at the time, Harina was obviously a fan of his. But her true love and life was Charlie, and Warren got competitive. He said that "Charlie is really a boring guy. Between the two of us, I am far more interesting. We would not really enjoy hanging out with Charlie." He also said, "Just to prove that I'm going to set up both of you guys to meet Charlie for lunch. Then, you're going to know who's the more interesting guy." I thought it was kind of a joke, but a couple of days later I got copied on an email from Warren's assistant to Charlie's assistant, basically saying, "hey, I met this couple, and they were wonderful. I really enjoyed meeting them and I think you'll enjoy meeting them. They seem to have the misunderstanding that you're more interesting than me. That is also going to get cleared up when you meet them. Please set up to meet them for lunch." Then we met Charlie for lunch. The funny thing is, I found the Munger lunch way more interesting than the Buffett lunch.

Lauren: Really?

Mohnish: I think the thing is that Warren still has a veneer of diplomacy. I think he just assumes if he meets anyone, everything is in the public domain. Charlie really doesn't have those filters. It's like what you see, is what you want.

I found the conversation much more kind of without boundaries with Charlie. It was just wonderful. We hit it off and then I started to meet him every few months for dinner, usually at his place after that. I used to meet him for bridge on Fridays at the LA Country Club. Basically, I was a substitute. When one of the old people would get stuck in bed, they'd call me. I told him, "Listen, you call me Thursday night or Friday morning, I'll just drive over. I don't need advance notice." Those bridge and lunch afternoons used to go from like two to about five or six p.m. The funny thing is Rick Guerin was one of the bridge partners. Rick would show up and now I got all my questions about Rick answered directly by him. It was surreal. I'd be sitting there at the LA Country Club and sitting across me would be Charlie and Rick. I'd have to pinch myself.

Lauren: I agree. I would have to pinch myself. I think you got your money's worth out of that lunch with friendships that have been with you for many years and lots of contacts. I'm sure you've learned a lot from all of that. I was hoping you could share a bit with the audience about your childhood. You grew up in India, correct?

Mohnish: Yeah, I grew up in India, in Mumbai and Delhi.

Lauren: What year did you leave India?

Mohnish: I left India when I was 16. I spent about two years in Dubai and finished high school. Then after that, I tried to go back to India for college, but there were strikes and such in the college I joined. My dad was very keen that we should go to the US for our education. I went back to Dubai and then applied to US University. Basically, lost a year, but then I came to South Carolina after that for my undergrad.

Lauren: Yes. I will always remember that about you. That you went to Clemson in South Carolina. I don't know why.

Mohnish: Just like you, I'm from the deep South.

Lauren: I know. So, so funny. I have been to Clemson once to watch a football game. It was a big deal. But tell me a bit about your parents in India. What were they like?

Mohnish: Both my parents have passed away. We all look, look up to our parents as role models. Most of us think we had the greatest parents. I think in my case, I was especially blessed.

There were a couple of things that happened by accident. My dad was this entrepreneur who was good at identifying gaps in the market and creating businesses that went after those niches. He was extremely good at starting from zero. All the businesses he started were usually after a bankruptcy. He had no money, and he would magically get things going with nothing. He was also an eternal optimist. The common theme in all these businesses was that he would usually be right about the opportunity. Some of these businesses scaled to a few hundred employees, but he would always try to grow as fast as possible. They were always very highly levered with almost no equity. Then when the first headwinds showed up, it would crumble like a house of cards.

What was amazing about both my parents is that they were very poor savers. Pretty much they spent whatever they earned. When the bad times came, there was no money for rent, groceries, or anything. They were literally hitting bottom. The business going away meant that we personally had a lot of financial issues. After the age of 11 or 12, my dad started treating my brother and me as his kind of defector Board of Directors, especially when the business was in trouble, we'd sit down at night, and we'd have to figure out how to make it last for one more day. Then we'd make it last for one more day, and then the next night we'd look and try to figure out how to make it last for one more day again.

When I was 15 or 16, I started going on sales calls with him. I felt like I had several MBAs before I was 19. I never realized that there are a couple of quirks in the way the human brain develops. It's the most underdeveloped organ when we are born because the birth canal is too narrow. The brain is the fastest growing organ in the first five or six years of life. Then from the age of about 10 or 11 until about 20, there is a culling of neuron collections. The brain cuts down the number of connections in that period. It's ideally set up in that age to specialize. The problem that we have in our education system, in a modern US education system, from 11 to 18 you are the opposite of a specialist. You are required to be a generalist, generic kind of high school curriculum and all of that. These people like Warren Buffett, Bill Gates, or Michael Angelo, who by weird circumstances start specializing at 10 or 11. I think Gates had done more than 10,000 hours of programming before he was 19 or 20. Buffett bought his first talk at 11. I think even you also did that.

In my case, what happened was accidental. I had a lot of business acumen developed in that period, which was outside of the school curriculum. None of this was part of the school curriculum. Later what I found is that when I became an engineer, I was working at this telecom equipment company, I would ask my boss all about R&D, hardware, software design, and engineering. I would ask my boss all these questions about the business end of stuff we were doing. He would just say, that's not our concern. The other guys in marketing and sales and whatever else are just to design this product and deliver it in this time. I found that ridiculous. I said, well, I want to know the big picture. I want to know what economics are. I heard how much money we are going to make and all of that and I found it bizarre that there were like 200 engineers working on stuff and no one had any interest in any of that.

I then switched after about two and a half years. I switched to the business side. Of course, knowing engineering was a big advantage, but then I could finally start seeing the whole picture. I didn't realize at the time that very few people could crack businesses or business models as quickly as I could. It was because of that time when I was a teenager. If you spend that time in your 20s or 30s, you will probably spend five times the amount of time or even more, still not getting the same benefit as what you would get in your teen years.

Lauren: Yeah. That's a very interesting childhood. I'm sure that it developed you in many, many ways. At Clemson you studied engineering and then left to go work for an IT consulting firm. But in 1991, you started your own business with $30,000 from your 401k and $70,000 as credit card debt. You then sold that nine years later for $20 million, which is just incredible. Did your experience as an operator affect your investment philosophy and strategy? I'm assuming it did.

Mohnish: Well at that time, when I started my business in '91, I had not yet heard of Warren Buffett, and I did not even know what investing was. What I understood when I started my business was, I had all my models from my dad, and I knew how to get a business off the ground with zero money. I mean, I can still do that. My dad used to joke and say, you can put me naked on a rock with nothing and I will start a business. Basically, I would say the framework and mental models I used at that time were things that were so natural to me. What I found is a lot of entrepreneurs don't know how to do that. I'd later learned that all these things I can do for granted there because I had this front row seat at a time when my brain was just wired to absorb fast. My dad had literally given us these lessons.

I remember the very first business he started was selling magic kits by mail. This was like 1962 or something. Basically, it was even before I was born, but he had explained what he had done. He said, "Look, I took 250 rupees. I placed an ad in a magazine called *Illustrated Weekly* of India." It was a really small display ad, no more than like four inches by two inches or something, explaining that you could order these magic kits by mail. You could learn to entertain your friends and stuff. He said that from that ad, a bunch of inquiries came in, and a bunch of people wanted to buy it. When the dust settled, he was left with 1,400 rupees. He put in 250, he sold a bunch of these kits, including the cost of goods sold, his profit was 1,400 rupees. Then he said, okay, I'm going to place another ad, another 250 rupees. Boom, he was in business, right? He didn't have any expenses because he still was at his job. He was running this from home. My mother would like to pack everything to be shipped out. I understood how he got all these businesses off the ground with nothing. It's really easy to do. In the IT business, it's a capital-like business was fine, not a problem.

Lauren: Yes. You talk about some of these business models in your book, *The Dhandho Investor*. I should tell my listeners that Mohnish has published two books, *The Dhandho Investor, the Low-Risk Value Method to High Returns* and *Mosaic: Perspectives on Investing*. They're both wonderful books and worth reading. When you sold your business, how did you become acquainted with the Warren Buffett style of investing and Berkshire Hathaway?

Mohnish: I started the business in '91. In '94, I accidentally heard about Buffett. I was just looking for some book to read on the way back from vacation in London. I picked up one of Peter Lynch's books and I was really intrigued. I wanted to kind of explore that area. Then I read a second book, and then I was out of Peter Lynch books. In the second book he was talking about this guy Buffett in kind of reverential terms. Then I started to dig into who Warren Buffett was. I was lucky because the first two biographies on him had just come out. I read those. Then I got to the books, the Berkshire letters, and then that opened this whole big world.

The big aha moment that went off for me when I read all that was the framework that my dad and I used to start and run a business is really the same mental models he used. He used to figure out whether an investment makes sense or not. It's really the same. The difference is that when you're doing it in terms of creating or running a business, you have a lot of operational heavy lifting to do. Whereas in investing, you just must do the analysis and you're done. Someone else does all the lifting. I always knew that I enjoyed this process of figuring out these offering gaps in the market. I found that you would spend like two or three percent of your time figuring out the business strategy or the direction of your start up or whatever. And then 95, 97, 98% of the time, the heavy lifting will make it happen. I enjoyed the 95 to 98%. I really enjoyed two or three percent. What I realized when I read about Buffett is, wow, this converts the two percent time to 80% and you don't have to get your hands dirty.

My dad passed away soon after that. I never really got a chance to discuss the model with him. I wish he knew about these things. Because the two are very interrelated. Buffett says, “I'm a better investor because I'm a businessman. I'm a better investor as businessman.” Basically, anytime I'm looking at a business or investment, I put myself in the shoes of the operator. I look at that business through the shoes of the operator, the shoes of the CEO, and say, okay, what are the two or three variables that drive the outcome here? Are those two or three variables predictable? Because no CEO runs a business through a spreadsheet. They've got the models in their head. They've got relatively simple models. I mean, they've understood exactly what their competence is, what their competitive advantage is, and all of that. They just hone in on that and keep going. As long as you as an investor can get to the same models that the CEO is figuring to run the business, you have a basis to figure out where it's going to go.

Lauren: Very interesting. Mohnish, there's so many fascinating things occurring in today's markets and the economy today that it's hard to choose one topic to discuss today on the call. We've got asset bubbles, winding, inflation, geopolitical chaos. Like many of our guests, you've been an active investor for decades now and have the benefit of historical perspective. Do you see an opportunity brewing for value investing? Where are you finding opportunities today?

Mohnish: Yeah, I mean, what I think is useful for investors is to ignore the noise. All this macro stuff going on is hard to forecast and predict. I mean, if you just go back three years, who would've thought we'd have a pandemic and who would've thought that Russia's going to invade Ukraine? All these huge stimuluses caused all this inflation. All these things were not on anyone's radar.

I think the macro stuff is hard to predict or have any kind of basis for. At the same time, if you look at, for example, a business like Maotai or Starbucks or Microsoft, you know they are going to transcend all this. All this stuff is mickey mouse noise for Starbucks. With Starbucks, it is, are they still a delight for their customers? The micro aspects of what happens around the business triumph whatever macro stuff is going on. Micro is the important thing always, I think. It is to focus on specific businesses within your competence and so on.

One of the things I realized in the last few years as I started going to Turkey, Istanbul I made a few trips. In fact, earlier this year, I spent like three weeks in Istanbul in Airbnb, which was good. I started visiting different businesses basically in Istanbul. There's a good friend of mine who is hard core Graham oriented value investor. He had come to my annual meeting, and we became friends and so on. I just told him in 2018, "Listen, I just want to visit every company that you have an investment in." I saw that Turkey was very unstable and people were exiting and so on. I found a few amazing businesses there where, the core business is great, and people have fled because of macro. I would say probably like 97 or 98% of listed businesses in Turkey, I think are un-investible because it's crazy inflation and all that. But there's a sliver, two or three percent that transcend all that and they're extremely cheap. In that case, I would say some understanding of where to fish I found useful, and I think we do really well on our Turkey investments.

Lauren: Yeah. It's interesting, John Templeton was well known for coming out with these big calls and they sounded like macro calls, but really, he was just focused on areas and regions around the world where he found companies trading at depressed valuations. Is that like how you allocate capital? You're looking at valuations to tell you where to invest in the world?

Mohnish: Yeah. What I did with Turkey is not the way I usually approach it. There's a good way to approach it and I never really used to be a purely US investor when I started. I was that way for a long time. Then I was starting to find that it's getting harder to find American businesses that fit. Fit kind of competence and valuations and so on. I noticed, for example, in 2012 when I invested in Fiat Chrysler, it was based in Italy. It created at a much lower valuation than Ford or GM for no good reason. There was no logic to it. In fact, what I realized is it was a vastly better business than those other two businesses, a much better leader. I said, "Wow." Just to give you a sense at that time, Fiat Chrysler market cap was $5 billion, and their revenues were $135 billion. They were trading at less than four times; I mean less than four percent of revenue. Inside that $5 billion was 80% of Ferrari, which now alone is $40 billion. Ferrari was this itty-bitty thing inside that, and they spun out. They sold these parts, businesses, I mean, anything they spun out was sold for the billions. All of that was in that $5 billion. It was just crazy. The Jeep franchise and the Ram franchise and all of that. You sometimes get these weird things.

In the case of Turkey, it was very extreme. Like in 2019, we made an investment in this company, which is the largest warehouse operator in Turkey, 12 million square feet. They've got about a hundred warehouses, very prime areas in Istanbul and around. You could go to any real estate broker, show them that portfolio, and they would tell you in their sleep in six months they could liquidate the whole thing for something like a billion dollars. At the time, 2019, I think liquidation value was like $900 million or a billion. There was $200 million of debt, about $700 million net and the market cap was $20 million. You were buying at three percent of liquidation value. I'm not even getting to intrinsic value, liquidation value. They've increased the value that business in dollars since then. We own a third of that business now. Bought ridiculous value. It's gone up like four or five times in dollars in the last few years, but still cheap. But the thing is that I would never find anything like that here.

Lauren: Sure. Right.

Mohnish: It just weird things where the local Turks are gamblers. I mean, the Chinese are gamblers, but they got nothing on the Turks.

Lauren: Okay. I did not know that.

Mohnish: I met a CFO at a very large Turkish commemorate in Istanbul. He was telling me, every country has a national game. He said in Russia, the national game is chess. The US, the national game is poker. In China, the national game is Baqarah. He said, do you know what the national game in Turkey is? I said, why don't you educate me? He said, the national game in Turkey is Backgammon. He said, chess is purely skill. Poker is skill and luck. He says, Baccarat and Backgammon are pure luck.

Lauren: Pure luck. Yeah.

Mohnish: There's no skill. In Turkey, you have these parlors where these men go and spend the whole afternoon playing Baqarah. That is when they talk about the Turkish market. They don't talk about investing in the market. They talk about playing the market. 80% of the Turkish market is held by insiders or foreigners. That doesn't trade much. The 20% that's held by locals, turns over every nine days.

Lauren: Oh, my goodness.

Mohnish: The entire 20% turns over every nine days. And most Turks invest in the local market. They want to invest at 10 o'clock and be done by two o'clock.

Lauren: Goodness. Wow.

Mohnish: They want to buy by 10 and sell by two and make their eight percent or whatever, and then do the same thing the next day.

Lauren: Well, that is certainly not investing the Templeton way. John Templeton talked about holding back 200 years.

Mohnish: There's a quote by Buffett, he said, "The stock market is a mechanism to transfer wealth from the active to the inactive."

Lauren: Yeah. That's a great quote.

Mohnish: I don't think Warren has been to Turkey. But I think it fits that. I mean, I was shocked at this $20 million. I thought I wouldn't even get $50,000 of stock. I said this would be some illiquid nonsense that I'm never going to buy. And there's massive volume, unbelievable volume. I was shocked at the volume.

Lauren: Oh, that's very interesting. We are seeing lots of opportunities in international markets. I mean, international markets are very depressed compared to the US market. Are you still allocating capital to India?

Mohnish: Yeah. I mean, I got a little bit sidetracked because you couldn't go anywhere for a couple of years. I can't really invest in India or Turkey or anywhere until I meet the people.

Lauren: Management.

Mohnish: Right. That was really kind of kyboshed with the pandemic. Now we're getting back on track. I haven't had any new investments that have come up in India. I found a couple of great businesses in Turkey earlier this year. I think that if I were starting out with a small amount of capital, I would put all my time and energy into Turkey. Because that's just the way that market is. There's a company, I don't have an investment in this company yet, but a company called Dogus Automotive that imports all the VW brands into Turkey. They have a monopoly on Volkswagen and Porsche and Bentley and all the other brands that VW has. The car business is useless. But the car dealership business is great, especially the parts and service. That does exceptionally well. They are sole importers; nobody competes with them on the price of a new VW. They have a very great relationship with VW. What I'm saying is that it is kind of like one of those franchises that just does and is like 14% market share of VW brands in Turkey. You get these businesses and they trade at like three times earnings type things and it's good.

Lauren: Very, very interesting. I would love for you to spend just a minute or two talking about your philanthropic endeavors the Dakshana Foundation, which I have been very impressed with. You are kind enough to send me your annual report every year, which is well done and produced. If you could tell everyone what the Dakshana Foundation is, what your goal is, how you became inspired to fund the Dakshana Foundation, and the important work you're doing in India?

Mohnish: Yeah. Well, I think you might find a lot of this resonance with your grand uncle. He did a great job with philanthropy. I think the issue is that if you are any good at investing, like Buffett says, you can't help but get rich and at the end we can't take it with us. Giving it to your gene pool, large inheritances to your gene pool is just going to do more harm than good. I think Buffett says, if you're Jesse Owens's son, you know the sprinter, it's okay to start a hundred-meter dashes at the 10-meter line, but not at the 40-meter line. You're not going to become a great sprinter starting at the 40-meter line. If you're going to not give it to your gene pool and you're going to give it back to society, I really was disillusioned. When I started looking a few years back, I said, okay, if I had to do this today, who would I give the money to? But I really wanted to just write a check. I really found that most charities have great hearts, but they don't have great heads. They don't understand social return invested capital and how to measure outcomes and all those sorts of things.

I was actually really forced to start Dakshana out of like necessity. I said I had to learn this piece and become good at it so that by time I'm 70 or 80, losing my marbles, I'm not just looking to write a big check and be done. Because I would probably do a worse job then than today. That now is really set up as a way to experiment and hopefully if the wealth grows, to scale up over time.

We identify very gifted, but really poor kids in India, and we try to get them admitted into the IITs, which is the kind of the MIT of India. These schools are really good. They're almost free to attend. They're subsidized by the government, but they're very difficult to get into. It had turned into such that unless you were middle class or higher, more like upper middle class, you really couldn't afford the coaching and the prep to take the exam. Even though the government set it up to be egalitarian across, it really became for middle class and higher. What we did is, we basically levelled the playing field. We identify poor kids, and then we basically bring them in for one or two years for intense prep. It worked really well. The IITs have like a one, one and a half percent admit rate, and we have like a 70 to 80% success rate.

Lauren: Unbelievable. Now, how many kids do you work with every year?

Mohnish: We typically take about a thousand kids a year, and about 700 or 800 of them get to the promise land. Even the rest of them, they get to second year colleges, which are also pretty good.

Lauren: Do you have a particularly inspiring story to share with us about one of your students that you've helped along the way?

Mohnish: Well, no. Every year I visit the homes of the scholar. We have many, many stories. But we had one kid, who's now in Mountain View with Google. When he was growing up, his dad was a tailor, but he was a tailor kind of in a slum of Hyderabad and he's kind of like an entrepreneur. Just depends on whether he got any tailoring jobs that day or not. Sometimes they would go to bed, all they would have, is some boiled rice. Sometimes when they go to bed, they couldn't even have boiled rice, like they'd go to bed hungry. Sometimes he got sent back from school because they couldn't pay the school fees, which was 20 rupees.

20 rupees is 25 cents. The monthly school fee of 25 cents, even that his parents couldn't pay.

Lauren: And this is a private school or is this the school through your foundation?

Mohnish: No, this is like a government or private school. But private is also very low end. It was a private school.

Lauren: Yes. But private schools are very common in India. Even very poor children attend private schools in India.

Mohnish: Yeah. He cleared our test and then we took him on. The IITs, they have about 1.3 million kids who apply to get in for like 15,000 seats. There's a very tough entrance exam and you get ranked like rank 1, 2, 3, and so on. He was ranked 63. It's 63 out of one and a half, 1.3 million. He went to IIT Bombay Computer Science. Then when he was going to graduate, I told him, listen, just send your resume to Google by email and just make sure you put your rank. Forget everything else, just put your IIT JEE rank. That's it. That was what Google is reading, probably IIT grad anyway. They Skyped and then they brought him over to the states. His family used to be at like $70 on a good month, $2 a day type of thing. He's risen so much now, he's like level six, like north of 300 to 400 thousand a year.

Lauren: Wow.

Mohnish: He says like the first paycheck he got exceeded the sum of all paychecks, all savings of his family for like decades.

Lauren: Mohnish, that's really a wonderful story and I think it's such a great thing that you're contributing back through the Dakshana Foundation. And if my listeners want to learn more about Dakshana Foundation, about your books, about your investment funds, what is the best way they can contact you? What is the best way they can learn more?

Mohnish: The best way is to Google. God Google will tell you.

Lauren: Okay.

There you go. You heard it from the horse's mouth. Go to Google and it will direct you to Mohnish. Mohnish, you've been very kind to my husband and I over the years. You're always so friendly, include so many things. I can't tell you how much we appreciate it. It has been a pleasure having you on today. It has been a pleasure getting to know you and your beautiful daughter. I haven't met the other one, but I'm sure she is beautiful as well. Thank you so much and I look forward to seeing you maybe in Omaha next year.

Mohnish: Yeah, and I think for me Lauren, the thing is that I learned so much from Sir John, and it was very special to have your friendship. You obviously had a great connection with your dad, who's a very good investor, but also with your great uncle. I think just to be able to interact with someone who knew him so well, it's just wonderful.

Lauren: Oh, thank you. I really miss him a lot but feel like I'm helping keep his legacy alive through my work as chairing the John Templeton Foundation. I'm deeply involved in his philanthropic efforts and just trying to keep a good thing going. Thank you so much for those kind words and for joining me today.

Mohnish: All right. That sounds great. Thanks.

Lauren: Okay.