

## Mohnish Pabrai's Speaker Event with Helvetian Investment Club on November 29, 2022

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**Julius:** Hello! Welcome everybody. Really excited to be able to host this virtual session today. My name is Julius Lang. I will be representing the Helvetian Investment Club today, the largest student-run Finance Society of Switzerland based here at the University of St. Gallen. With me today, I have two very special guests. We're incredibly honored to have you both here with a value investing background. Still, we did not want to focus or at least limit ourselves to investing today. We believe that there lies great value to be picked up in this session today beyond investing. Usually, in our live sessions, we now have warm applause. I sure hope my little intro will do. Thank you very much to Mohnish Pabrai and Guy Spier for being here with me today.

**Guy:** It's a pleasure, Julius.

**Mohnish:** Julius, it's our pleasure to be with you.

**Julius:** Maybe starting it off still. As I said, we don't want to limit ourselves to investing, but let's kick it off since it's the nominator. For that matter, Mohnish, in a previous interview, you said you started out investing in 1995, and one of the four stocks that you initially picked turned out to be a 140 bagger if I remember correctly. Why don't you tell us to, maybe, get everybody on board here, what is it that is so great about value investing? Why do you do it and why do you keep doing it?

**Mohnish:** Yeah. Well, Julius, it's a pleasure to be here with all of you. I haven't done this type of format before, so it's always fun to expand my horizons, which is wonderful. In 1995, I ran to this company in India. I was managing about a million dollars, and I wanted to just step my toe into India a little bit. What I should have done, in hindsight, should have been a lot more than just a toe, but I put \$20,000 off that \$1 million into Indian equities. At that time, it was very cumbersome to open an account and trade. But anyway, I got all that done. There was a company, Satyam Computer Services. I was in the IT business at the time, and I knew these guys because their sales guys would meet me and want to do business together and whatever else. I liked the company. I admired some of the people and such, and I was surprised that when I looked at the business in 1995, this was a company that was growing probably 60, 70% a year. It was going to be doing that for quite a while. The market cap of the business was less than the value of their real estate in Hyderabad. Basically, you were buying it below real book value significantly below that. No one was concerned about the earning stream, which was very significant. I had no idea how big this business would get or what type of return I would get, at that time, India did not have demat.

I got this kind of very flimsy stock certificates in my home in Chicago after I bought them, and they're kind of falling apart. I basically stuck them in the bottom of my desk drawer. I said, "okay, we don't need to really open this drawer pretty much forever because these are good businesses and we just let them do their thing". That's kind of what I focused on. Then we had the dotcom bubble and then the dotcom bust. Satyam had spun out a dotcom company, and then from mid-1999 onwards, the stock started going crazy. I think in February of 2020, I decided to look at the business again in terms of the valuations, because it had gone up over a hundred X and I couldn't make head or tail of those numbers.

I think it was deep in bubble territory. I had put half the bet in India into Satyam. The \$10,000 that I put in was sitting at about like 1.3, 1.4 million. The Indian government theoretically had told me that I could repatriate it all back. India has a lot of exchange control, so I didn't have a lot of confidence in what they were saying. I wonder if they'll let me take the \$1.4 million out just like that. I gave the sell order, and then I also told them to wire the funds, and the next day the funds were with me, and it all went really smoothly, and that was that. Then the stock dropped, I think 70% or so in the next 18 months when came down to more rational valuations. Satyam had some controversy much later when they started cooking their books, it wasn't a situation that was prevalent in the company in the duration that I owned it. That started really several years after I had exited.

**Julius:** Amazing. I mean, highlighting a very special setup today. As I previously mentioned, our esteemed, previous guest, Guy is with us as well. Guy, having known Mohnish for a long time, and having mentioned one example of a great investment, what do you believe Mohnish to make distinguish from other value investors? What is it that makes a great value investor?

**Guy:** Julius, there's only one person whom I've now introduced to Mohnish, that I won't name here because I don't have his permission, that has an as unusual mind as Mohnish does. There are so many circumstances, including what I described in the Buffett lunch, where he took a set of facts that were available for everyone, but saw them in a completely different way and arranged them in a different way. Just to give you very briefly an example of how Mohnish thinks differently, I meet him for breakfast at the Mandarin Oriental Hotel with a view over the park, and he says, "I'm going to bid again on the lunch with Buffett. Would you like to join me?" I kind of responded to him with "what a stupid idea". Within five minutes, he explained to me why it was not a stupid idea, and I completely adopted the thinking.

What makes Mohnish an unusual investor is his capacity to take the same set of facts and arrange them very differently in his mind and see something different from what other people see exactly where that comes from. I have no idea. I think that's maybe some combination of genetics and unusual upbringing. It's not clear to me. That's what makes Mohnish make these unusual investments, and that's what makes people follow him. It's great that I have a front-row seat. I get to learn every time we discuss stuff. The only thing that I've managed to do with Mohnish is that I often am not convinced by him, and I hold onto my views, which I think he quite enjoys when we end up having the debates. I think that probably in the audience, I think there are two things.

One is, to acknowledge when somebody in your life has that kind of mind set and learn from them. There's nothing wrong with acknowledging in oneself, that one doesn't have that mindset. Then figure out the people who do and get around them. I have even discovered that, when it comes to writing, there are specializations. Some people are good at editing, some people are good at authoring, for example, when it comes to investment research and analysis, there are different people who have different strengths. You want to get yourself around people who complement your strengths.

Julius: Sure. I agree. Speaking of great mind sets, you already mentioned the joint lunch with Mr. Buffett back in time, if I understood correctly, Guy, you were interested in doing a second lunch after that. Why was that?

Guy: A second lunch with Warren?

Julius: Yeah, my question was rather, I know that Mohnish's introduction to Charlie Munger developed from the lunch with Mr. Buffett. What was the motivation for having a second lunch with Mr. Buffett?

Guy: I'm not sure that we did a second lunch. I think that we went multiple times to the Buffett brunch on Sundays after the Berkshire meeting. Mohnish can talk about it; they lived in the same state. Not exactly. They both love to play bridge. They both have similar minds. Not exactly clear to me, but that is now a private friendship with Mohnish. I mean, if you want me to riff on that, I feel like I have a front row seat on that friendship. I think there's enormous learning that's happened for Mohnish through that friendship. I think I've learned through having a front row seat, and I've shared some of those ideas. I think even with the St Gallen Group, this idea that some of the kindest and generous people develop a quite graph exterior because they have so many people coming at them, and some of the most useless people that you don't want to be around have these incredibly seductive exteriors, which I kind of learned that lesson with the front row seat between Mohnish and Charlie. Mohnish can speak on his relationship with Charlie better than I can.

Julius: That'd be interesting. As we've said, create great mind sets in both Charlie as well as Warren. Mohnish, how do they differ, maybe on a personal basis as you want to go into what makes them individually succeed?

Mohnish: Yeah, I'll just take a little detour before I answer your question. I've talked about before that, cloning is a great mental model. Another great mental model is doing things that have asymmetry and doing things where the downside is muted or non-existent and upside is unknown. In fact, if you look at a person like Jeff Bezos or Amazon, that's what they do. They basically throw a lot of stuff against the wall. They're all relatively small bets. Most of them don't work but a few do. Then when they do, you get huge payoffs. We see that in investing too. Like, for example, we talked about my Satyam investment, right? The \$10,000 not working out was like 1% of my portfolio at the time.

With the Buffett lunch I didn't really think about it, at that time, in terms of asymmetry. But looking back, that makes sense. But basically, I think in 2007, my net worth was over \$80 million. Almost all of it is attributed to following Buffett, Munger, and Graham's approach to investing. In effect, I

had lifted their intellectual property, and I felt like there was a tuition bill due. I thought to myself, "well, what's a reasonable tuition bill to pay?" I said, "well, a couple of million is definitely within the realm". It's just two and a half percent or whatever of the network. My only desire with the lunch was to look Mr. Buffett in the eye and just thank him for everything he had done for me, not just in terms of investing, but both he and Charlie have so many principles that will lead you to be a better human being and such. Of course, we got the lunch for a lot less than \$2 million. Guy pitched in a third, so it was \$400 odd thousand for me, which was a perfectly fine sum. Then, it was "buy one and get infinite free", because that lunch led to a friendship with Warren. It led to an even deeper friendship with Charlie. It led to a friendship with Warren's assistant Debbie, which continues to this day for both Guy and me.

I met Charlie's friends over the years. I played a lot of bridge with Charlie and his friends, and the quality of those individuals is so high. I endeavored to make them my friends. A bunch of Charlie's friends have become my friends, when I look back on the lunch and what it led to, none of this was planned. The plan was just to thank Mr. Buffett, and that would be the end of it. This repeatedly happens in life. For example, when I started my first business, I took \$70,000 in credit card debt, and \$30,000 emptied out of my retirement account. The downside was just the \$30,000, \$70,000 would get wiped out in bankruptcy, but the upside was millions.

If it didn't work, I could just go back to take to a job, whatever, and that worked. It made me independently wealthy and all of that. Also, for example in the last few years, I bought an insurance company. I raised a bunch of money, and of course, we've now returned most of it. That's a bet that didn't work. But again, even if it doesn't work, there's no downside. We were where we started, and we didn't really lose anything. Basically, when I look back at several endeavors, I think the combination of cloning and asymmetry, anytime you can identify asymmetry in some action or something that you could take, you should go for it. For example, Charlie told me, and I've seen it with him, he likes to introduce randomness into his life.

Sometimes, I'll meet him from his coat pocket, he'll remove a bunch of letters he's received from people all over the world. A lot of people write to him, and he'll go through a few letters and say, "Okay, this one, I'm going to have breakfast with this person". I'm just thinking that guy's going to fall off his chair when someone from Charlie's assistant contacts him or something. But Charlie likes that randomness. It has led to many great friendships, and in some cases, business partnerships for him. Again, there's no downside. I moved to Austin and what I do in Austin is, at least a couple of times a month, I make incredible Assam tea, and a couple of times a month I invite people I don't know over for afternoon tea.

In fact, there's a person coming tomorrow whom I've never met, he kind of lives in Monaco, and he's got some apartments and stuff he owns here in Austin. He's visiting, and he asks if I could meet him. I have no idea how that meeting's going to go or what's going to happen, but if it's not going so well, then the tea won't go for so long. On the other hand, the last guy I met for tea, I think was amazing. I think I'm meeting him again this Friday, and it's incredible. I think this asymmetry and cloning, like I cloned the randomness

of Charlie has a lot of benefits and the friendship with Charlie and I always think when I meet Charlie, he's finally going to figure out one day the emperor has no clothes.

He's going to figure out I'm a total fraud and whatever. That'll be the end of my meetings with Charlie. So far, surprisingly, that hasn't happened. I told Charlie when I was moving to Austin, I said, "listen Charlie, just ignore the fact that I'm not in town. Anytime you're twiddling your thumbs for dinner, you can just call me, and I can take a Southwest flight over. It's easy". Since I moved about eight, nine months ago, I think I've met him three times, twice for dinner and once July for the Harbor Cruise in Santa Barbara with his family, which was special on the catamaran that he designed. Anyway, like I said, I think that it's led to so many things.

I think I should do more. I don't do enough with asymmetry. I think Amazon does an awesome job with asymmetry. I think Tencent does an awesome job at asymmetry. I think Facebook does a terrible job with asymmetry. The difference between Amazon and Facebook, even though you didn't ask, is the two Jeff's throw a lot of stuff against the wall. Basically, most stuff doesn't work, but it's small bets. At Meta there's a massive multi-billion single bet. Good luck with that. That kind of violates the rules.

Julius: I'm sure that there will be a lot of people drafting letters right now to you. Maybe someone will be lucky enough to have coffee or tea with you. You mentioned how to develop a circle around you, which might be wiser or has to be wiser to actually pick up stuff. Still your day to day, or at least, I imagine it to be, as an investor does not involve as much teamwork. Usually at university, we are not with this mind set of teamwork works. As a team, you can achieve great stuff. What has allowed you to achieve all this greatness by yourself? Is it your personality that is set up to work alone, or is it even working alone?

Mohnish: Well, then, a team is going to have difficulty getting to consensus on stuff that's distressed or hated or unloved. I'll give you an example. I started visiting Turkey four years ago, and I don't know how many of my friends, including one I'm looking at right now, I've talked about the great merits of looking at Turkey because basically everyone and their brother exited and the valuations and there were some great businesses with great management and great moats and such. I've talked to so many people I admire, and no one's interested. I talked to Charlie about it, and he said, I'm not interested. Of course, Guy is not interested. I think the problem with the team is that, if I were in a team with you, Julius, and your friends, and I brought up this great company I found in Turkey, and we had to make investments by consensus, it'd be really hard to get to consensus.

That's why I don't believe investing is a team sport. I think that what ends up happening if you're doing it as a team, is, you don't get fired for buying IBM. At least you used to not get fired for buying IBM. It's these businesses that are non-controversial, great businesses, great moats, and at ridiculous valuations that everyone is comfortable with. That's where you end up. I have some skepticism of teams at investing. I think you can have an analyst and you can have some people help you, that's okay. But it needs to be a dictatorship.

Julius: Sure. Having considered that you do it alone, what is it that you do, especially thinking of we're now in an era of abrupt technological change, what is it that allows you, or how do you actually pick out companies which you believe to have a great payoff in the future? Is there something, especially considering the change in the type of companies, that allows you to see these signs more clearly?

Mohnish: Yeah, I think, again, it was a combination of the two models of cloning and asymmetry. There's a guy from Turkey who came to my annual meeting many years ago. He's a fund manager there. A very high-quality guy. I liked him a lot, and I was seeing different things going on in Turkey. I told him, "Listen, would you mind if I came to Istanbul? We just visited every business in your portfolio". I had nothing else in mind other than doing that. I had no plans to invest in Turkey. It was one of those asymmetric things in the sense, like, what's the downside? There's an airfare and a few days in a great city. He is a good guy, I knew he was a high-quality person, and he said, "oh, yeah, this would be a lot of fun".

I spent a week visiting. The Turkish market has already been through one filter in the sense that I told him, I don't want to visit any companies that he doesn't actually have an investment in. It is businesses that had gone through his filter, and he put real money against them. Then I did it again the next year, and I've done it several times, and I'm going to, again, do it in March next year. I think that's a good way to think about it, the combination of asymmetry and cloning, two great mental models' kind of intersecting is great.

Julius: This is all concerns, public markets. When did you realize that public markets were especially interesting for you? Have you ever thought about incorporating other asset classes into your portfolio?

Mohnish: Yeah, the public markets are unique, and I think one of the things that they have to offer that are not available in other markets or asset classes is that you are not doing negotiated transactions. These are auction driven markets, which are subject to fear and greed. Let's say I look at an apartment in the city center, Zurich nice two-bedroom apartment. Let's say it's available for \$1.5 million, and every day I ask a realtor friend of mine, "Hey, can you tell me the price of that apartment now?" He would say, "yeah it's \$1.5 million still". Then the day after, he would say, "listen dummy, it's still \$1.5 million". If I kept doing it every day, and he kept humoring me by giving me the current price, that price would probably range from between, \$1.5 to maybe a max or \$1.7 million in a year, maybe 10% or so movement in that one year, if I threw a dart at any random stock on the New York Stock Exchange, and I just look at the 52 week range on it, even a blue chip stock, like Microsoft or Amazon or whatever.

I mean, the range I would see on these companies, even if I picked a company like Berkshire Hathaway, would be well beyond 10%. It would be more like 50%. If that apartment were publicly traded, it would again have this 50% variance. Basically, in a negotiated transaction, you have an intelligent buyer. Most of the time you have an intelligent buyer facing an intelligent seller, and they price discovery, and they arrive at a price that works in auction driven markets. Especially if there is distress, you're going to get crazy pricing. Sometimes you can get crazy pricing where things are very euphoric, kind of like snowflake after the IPO or Carvana after the IPO.

Subsequently, all you can get is extremely depressed pricing because it's faceless buyers and sellers doing different things which attenuate the ranges.

It's because of that more extreme attenuation that Guy and I are able to make a living. I think it's a lot harder if I were to go into private equity, then you're playing other games, like you're levering up and different things like that and putting lipstick on a pig sometimes, and so on, so forth. I think that it's harder to do it in most of the asset classes than it is, in auction driven markets. Auction driven markets really are a gift to investors.

**Julius:** Realizing the asymmetries, how do you deal with the situation, if those asymmetries you might see in stocks and markets that you are not too familiar with? I'm thinking of the circle of competence, how does the situation come up? How do you educate yourself? Then how has your circle of competence where you feel comfortable has developed over the past years?

**Mohnish:** Yeah. One doesn't need to sweat expanding the circle of competence. I think when we are young and start out there, we have relatively few things we understand, we might understand most brands and companies that we are consumers of. Those would probably be the most apparent and most easy to get arms around because we've got experience with them more than other businesses which we are not consumer businesses, might be more difficult, but over time, it is natural if you are reading and thinking a lot, that basically the circle's going to expand. One doesn't need to focus on expanding the circle. It'll happen organically. But one needs to be very careful that when one is looking at something which is outside your circle, you're very intellectually honest and taking a pass. Many times, a mistake I've made is I thought I knew something, and I didn't. That may not work out so well.

**Julius:** Guy, how has this developed for you? What's your take on your circle of competence and the development of this?

**Guy:** Before I get there, one thing that I just think is important to know for you and some of the students in St. Gallen, and it's another of the many lessons that I learned from Mohnish, is that the reason why not working in a team works for Mohnish when it comes to investing is very related to the way that Mohnish's mind works. It's worth saying that he was speaking, as I understand it, directly to investment decision-making. There is a team around Mohnish, it's just that they're not very heavily involved in the investment decision making, which is as Mohnish said, a dictatorship. But if you're going to send Mohnish an email, it's going to arrive at an assistant's desk who will take a look at it. There are other people around Mohnish, and I think that the more general idea is that we need to figure out what we do best.

There are some people who will only be happy working full-time in a team. I would argue, just speaking for myself, yes, the investment decision making ought to be made alone. But that doesn't mean you don't get enormous amounts of support and help from other areas if you'd like. I'll come back to this, but I think that Mohnish has unique insight and expertise into the extraordinary changes that is going on in India. Julius, I'm going to plant a question with you if you decide to ask it. Mohnish has some real estate

investments in India. I think that's public knowledge and some unique ways in which India's only started responding in a more Singaporean or Dubai way of looking at the world, and kind of leapfrogging what is happening in what is the way Western Europe and North America have developed, which is kind of exciting.

He has more expertise way more than I do. It would be a nice question to pitch to him. In terms of my circle of competence, well, first of all, I think that from your perspective, Julius, or from the perspective of a student, there's this question, if you start approaching investing, which goes like, "why the hell am I not Warren Buffett? Why am I not a genius at figuring out my circle of competence" and I can spend time around somebody like Mohnish Pabrai saying, "Why the hell are you not Mohnish Pabrai?" Sorry, just rewinding to another part of the conversation. For me, just remember that when Mohnish and I teamed up to bid on the lunch, I'd met Mohnish twice. Before the lunch happened, I actually flew out.

No, I was on my way to Australia, and I specifically made a stop in Irvine because I thought I'd better get to know this guy a little bit better before the lunch happens. For me, an enormous benefit of the lunch was just this front row seat with Mohnish. He has impregnated my thinking in so many ways and in terms of how to live my life and how to run a business, I just want to give you one thing that kind of comes across in this conversation. Mohnish is completely relaxed. Why is he completely relaxed? This is because he is 100% truthful with the world. He's not worried about how the conversation's going to unfold or what's going to happen. He doesn't even care, he doesn't know what's going to happen, but it's okay because he is completely aligned with the reality of the world.

He's not concerned with an external view of how people see him, and how he himself feels about how he ought to be viewed. That takes away so much stress and tension, which just comes across in the conversation. When I met Mohnish, who I presented to the world and who I was inside were so far apart. I got into knots, I'd call Mohnish up every five minutes saying, this friend wants to share the cost of the lunch with us. I'm not sure, do you think we should get together and ask, we need to prepare the questions that we ask Warren, we need to have talked about it beforehand. He's like, "Guy, stop it. It's going to be just fine. Just leave it alone". That's just something that is interesting for me, that's the asymmetry for me, the upside for me, which was in a certain way, if you genuinely said, would I like to have met Warren Buffett and Charlie Munger, would I like to have met Mohnish Pabrai, they would've been, in a certain way, wasted on me.

All the learning that I've had through Mohnish has been better for me than if I would've just met Warren and Charlie once. When it comes to the circle of competence, the real question is not why am I not Warren Buffett and figuring this out so well, it is just, how do I figure out where I am in this moment and how do I be brutally honest with myself about what I actually can know and do know and what I don't know, and not worry so much about where Mohnish's circle of competence is, or where Charlie Munger circle of competence is. I don't know if that helps you. I think that, in my case, which has come out many times before, although I have to say I'm not in Turkey for all sorts of reasons, we can get into it, but I have made investments in the Philippines, which were successful.



But in general, we joke about it. I'm willing to do sports that I could get myself killed in, like cycling and various sports like that, but I'm very scared of losses of money. Mohnish like very conservative when it comes to his physical condition because that's more important than whether or not you've lost a little bit of money one year. That's also fine. I think that the way I would define myself when I'm going through the world, trying to figure out my circle of competence, I'm far more conservative and I like to hang out around these strong brands. Whereas Mohnish, with his very unusual way of seeing things, will see something that is within his circle of competence because he sees the whole world, including his friend Guy, but just doesn't get it.

Maybe the eighth time that I've been through it with him, I start understanding the way he arrays the facts, and, that makes a lot of sense. The situation comes into my circle of competence because I've learned his thinking. But my point to you is, when you ask that question, and when you ask yourselves, the group who are watching this, is this within my circle of competence? Don't have a voice that's sitting there saying, "you idiot, you're not Warren Buffett, you're not Charlie Munger. You don't have the insights that Mohnish Pabrai has". That's the least important thing. I'll stop there. I don't know if that's helpful. I hope it is. Back to you, Julius.

**Julius:** Well, I think it solely a very mind set to have aspired. The mind set Mohnish has developed is something, as I've mentioned, that develops over time, which comes with more confidence in oneself? Or how was this achieved to be so truthful and relaxed with the place you are in?

**Mohnish:** Well, I think a lot of it is genetic. I think the streets we're born with, there are some traits we can pick up, but I don't think you're going to take some hyperactive trader and convert them into long term value investors and have them be happy doing that. To some extent, some of these are inborn traits, some can be learned but you're going to have difficulty if you're trying to do something which is very far away from what your natural tendency or bias is. It's important to know yourself.

**Guy:** I've been around Mohnish when he is with people who are kind of like in a very mild and perhaps even subtle way, misrepresenting reality in one way or another. Maybe it's an exaggeration, say there's a physical reaction in Mohnish, but he reacts to it very fast. I think that when I first met Mohnish, it was surprising to me, and I think I've now gotten better, but I suspect that reaction to people who are not aligned. Well, I'm curious, I'll ask you the question, Mohnish, did you always have that, or did it grow with time?

**Mohnish:** Alignment came about, I would say the seminal thing that happened to me was, I read this book "Power vs Force", and basically what that book showed is that you can't really get away with lying. Basically, if you lie to someone and you think they're not really going to know, there are things going on with your body language and other things which eventually will make that apparent. On the other hand, if you're telling the truth all the time, you're going to, in the terms of that book, make people go stronger around you and they'll want to hang out with you. We want to hang out around the Dalai Lama, and we do want to hang out with used car dealers. That has to do with the truth. When I read that book, I wasn't kind of a dishonest, deceitful person, but what it helped me do is get rid of the small lies, get rid of the white lies. That helped a lot. I think that getting closer to pure candor and

pure truth is going to help you a lot in life in terms of being trustable and being trusted is one of the most important things.

**Guy:** It's got these extra benefits. One thing that I've learned from Mohnish, and I don't know where you got this from, is that you are 99% truthful gets you maybe half the way. It's that last 1% that gets you the full way. But there's something else, and I've seen this in two friendships that Mohnish has, that I've observed. In which one of the reasons why they want Mohnish around is they know he isn't going to sugar coat the truth about them. They're going to get an honest reaction from him. John Elkann talks about truth tellers, getting yourself around truth tellers and extraordinary benefits. What's amazing is that that's one of the books that Mohnish brought up the first time I met him, and I learned so much from that book. But I don't think I've applied the lessons, as well as Mohnish has. I don't think I've applied them in the same 100% way that Mohnish has. It's hard not to tell, misrepresent in ways that you feel won't make a difference and is just maybe flattery or telling somebody that they look better than they do, and to do it automatically without even thinking about it, where you live, that's the place where you live.

**Julius:** Totally. Since I am myself being educated so well here, Mohnish, let's talk about the Dakshana Foundation, which is involved in alleviating poverty through education, which I personally see as great and then the best cause of the Foundation to have to work through education. Thinking of education systems worldwide right now, obviously we are here at university. What's your take and perspective on the current education system? Is there something to be improved, especially focusing and since you're focusing on it in your Foundation?

**Mohnish:** Well, I think that when I look back at my undergraduate engineering degree, they're probably no more than two or three courses that had a long-term impact. I mean the one course, which was an elective course that I just took without really having much thought, which has helped me a lot with a course on public speaking. I would've never guessed that would have such an impact. But it did. I think that the way the world works is, employers are looking for shortcuts. One of the shortcuts that employers take is that, if you are graduating from an elite institution, some great employers are going to come over to basically interview you and try to hire you. It's not so much what you learned at that institution, it's just that that institution opens doors that would not be open otherwise.

I think in general, higher education and such have lots of inefficiencies. I mean, if we go to a top end school, and this is not just my experience, but most people's experiences, they probably wouldn't be more than a couple of professors or teachers or courses that had some impact long term on them. What that means is that there's a lot of low-hanging fruit over there. I mean, if I look at the IITs which is where we send a lot of our kids, the IITs have an incredible incoming class selection filter. It's probably the best incoming class selection filter amongst undergrad institutions anywhere in the world. It's better than any other university because it's so objective. There's no legacy and there's no subjective stuff, which you're a big donor or whatever else.

**Mohnish:** But it's got great talent coming in. It has very mediocre professors in some cases, I would say pathetic professors, and it has great talent going out.

Again, the same thing, if you talk to IITians about what they learned at IIT that was so instrumental, they'd kind of be scratching their head, oh, I had this one great professor, or I had this one great class, or something like that. But basically, what it does is that these guys have so much horsepower, and they also combined that with an ability to work hard, so horsepower with ability to work hard, that these great employers show up at I recruit, and then these people end up at Amazon or Salesforce or Google or whatever, and they do really well. But it's not because of the IIT education, it's because of the filter. I feel that when people are spending two years or four years at these great institutions, they should get more than a couple of courses out of it. There's a lot that can improve, I think.

Julius: Surely, since I now had the fortune to ask you so many questions, we want to get the audience involved now. We'll be taking questions, you can post them in the chat and maybe you'll be a picked one, oh, there's one already. We have someone asking in the chat. You both have quite concentrated portfolios. Does this also mean that you want your investments to be uncorrelated? If you must choose between two rather correlated stocks, what are your criteria? This is not only limited to Mohnish, to you as well Guy.

Mohnish: Well, I would just say that, normally, when I make investments in the fund, I've never invested more than 10% of assets in any one bet. Ideally, it's kind of a 10 by 10 portfolio. There was a very good investor in India who passed away recently, Rakesh Jhunjhunwala, he never managed outside money, and he had probably less than, \$500 to his name when he started his career, he didn't live that long, actually died in his early sixties. When he passed away, his net worth was north of \$6 or \$7 billion, with no fees. These are all organic. He didn't run companies; these are all passive investments. But half of that money was from one company. He made a 4% bet a few decades ago in a company called Titan Industries in India, which ended up becoming more than half his portfolio.

Titan has done extremely well over the years; we're going to keep doing well. If you think of someone like Rakesh's portfolio, let's say the other 96% of the portfolio went to zero, and he just hung onto his Titan, well, you still end up with \$3 billion or something, and so we start out, I would say not that concentrated but if the job is done right, you would end up very concentrated. One of the things I always scratched my head about is that these very smart investors would buy MasterCard after the IPO, and they might be more diversified than me. Maybe they might have 20 positions, which is fine, no problem until MasterCard's like a 5% position, and then it does well, and it becomes a 25% position or a 30% position because it's done so much better than everything else.

Like Jack Nicholson said, they can't handle the truth. In some cases, their grandmothers took away certain body parts when they were 13, and they're done well, it gets to 15%, they trim, if it gets to 17%, they trim again, and it never gets to even 20%, right? To me, I really scratched my head about that. Yes, you get a diversified portfolio, but you are cutting the flowers and watering the weeds. That's not what Rakesh Jhunjhunwala did, and that's not what Warren Buffett did. I think if an investment manager has done the job right, they're going to end up with 80, 90% of the net worth in one stock.

If we think about the Walton family and their ownership of Walmart; Sam Walton passed away a long time ago. There are no Waltons running Walmart. There might be a couple of them on the board, but they really don't have much influence about the way Walmart runs. But almost all the Waltons are extremely concentrated with 90% or more of their wealth in just one stock. You don't need to be a founder or a founding family to have that concentration.

My friend Nick Sleep, for example, hung up his boots. He had three stocks. One stock, Amazon became 80% because it did so well and the other two went slouches, but it did better than Berkshire and Costco. The way to think about Amazon's 80%, is the way the Walton family thinks about Walmart stock when it's 80 or 90%, which is, you are effectively like the founding family and it's a great business and you just leave it alone. But this is hard. This is hard for most people to do. I think I have a lot of respect for Rakesh because of what he was able to do on that front.

Guy: One of my painful episodes is that I owned one of those called Crisil. I had met Mohnish maybe once, not even once. I go to India for the first time. I remember Mohnish, you gave me the book by Dalrymple "City of Djinns" to read. I don't know if you know that because Jhunjhunwala was a significant shareholder of Crisil. I went to his office to try.

Mohnish: Crisil is like the Moody's of India.

Guy: Forgive me, it was the first stock I've only owned, I think, three stocks in India. I was looking for credit rating agencies around the world, found Crisil, bought shares in it, went to visit, made significant return on my investment, but then convinced myself that I not only had to trim the flowers, I pulled them out and threw them on the dust bin. That would've had a very significant impact on my net worth and the net worth of my investors, if I'd stuck with it. It's probably up 50 or 100 times since I sold it. But Mohnish, I go visit Jhunjhunwala's office somewhere on that kind of peninsula, that is Mumbai. There's place for 20 people there and Jhunjhunwala's office is empty and there's one guy, there's not a lock on the door even if it feels to me. I kind of just walk in and there's a guy who looks at me and says, he wonders what I'm there for. That was it. That was his old office. It's just funny. Yeah, sorry, just a reminiscence.

Mohnish: The thing is that we are old too soon and wise too late. There are so many great businesses that I sold, which I have very deep regrets about, I had ownership of something like 1% of Ferrari in our funds. What could be better than that? But this idiot sold it, and the idiot's friend is smarter than him, and he's kept it, which is wonderful.

Guy: But only half are smart. Because I sold half of it just as we went into lockdown. Mohnish doesn't let me forget that, by the way.

Mohnish: At least not the whole bunch of flowers were thrown away like me. We have kept some of them. But the thing is that, with some luck, I may have another 32 years or so on planet Earth. There is still time to apply the lessons that took a few decades to learn. But I think one of the big lessons is that, when you find yourself in the great position of fractional ownership of a great business, you don't really try to do things like cute things like figure out intrinsic value. Buffett and Munger always say that they have a perspective

on the intrinsic value of Berkshire Hathaway. They said that if both wrote down their numbers, they wouldn't be the same, but they would be in the ballpark.

I actually disagree with both of them. In the mid-seventies, Berkshire stock was \$40 a share, which is now over \$400,000. It's 10,000x. What was the intrinsic value of Berkshire in the early seventies? The answer is that it was a really large number. We don't know what that number was, but we know it was a very large number. Now you could calculate book value and you could give it some multiple and book value, but what you're not considering is what if this great compounder of capital is sitting at the helm of this company for 50 years, after that, what happens then? I think in a lot of great businesses, we can get liquidation value, we can get to floor values relatively easily. We really cannot get to intrinsic value because if they keep going and you go 10, 20, 30 years, what does that look like? I have no idea what that looks like, but what you need to do is just stay on for the ride.

Julius: Great. Yes. We have a lot of people who are waiting for answers in the chat. How can students design their career to have a fund like Guy and Mohnish and be successive with it? How did you design your fund and what's the take from it for students?

Mohnish: Well, the simplest way to do that is, I'll just tell you my journey, you start by whatever small amount of money you have, you start by building a track record. You open a brokerage account, and you start buying stocks, and the amounts aren't that important. What is important is it doesn't pay your grocery bill out of that account. Keep it so that you can later have that record audited. If you've done well with that account where you've done significantly above market, then you can go to friends, family, and fools, especially the fools and see if some of them will give you some money to add to that kitty. Buffett says that if you are even a slightly above average investor, they will swim to you in the middle of the Atlantic, in shark infested waters to invest with you. If you do a good job for the friends, family and fools, there will be more people who will show up to that party, and it'll just keep going. Basically, the investment business is really simple. Do well for yourself, do well for your friends and family, and then the world's going to show up.

Guy: Julius I just want to go to something even more basic. I have not had personal interactions with Charlie Munger other than in a book that I sent him. He sent me a nice note back. But my experiences around Mohnish and around Warren is that the way they live their lives is that they're constantly leaving so much more on the table than they take, and it's in a thousand different ways. The funny thing is, when Mohnish developed this friendship with Charlie, he bent over backwards to try and get me into the same relationship with Charlie. It was like, he kind of drags me over at one of these brunches, now sit down and talk to Charlie.

That's just the way he is. In a thousand other ways, Warren did the same thing. When I realize that he's kind of doing small kindnesses for me, Mr. Guy Spier, who's such a nothing in his life, I just imagine how many other people he's doing it for. I would just step back and say, yes, a very nice outcome would be able to run a fund like Pabrai Investment Funds or Aquamarine Funds. But there's a much more basic mode of behavior to get to joy. It's living one's life constantly making sure that you leave something

on the table, that you gave more than you took, and that you're somebody that people want to be around because good things happen when they're around you. One of the outcomes might be running a fund, because if you try and start running a fund and you don't have that modus operandi, you're unlikely, I think, to make a big success of it over the long run.

Underlying all of that is a far more basic orientation. I think that the reason why I just get so excited about that is that it's applicable to everyone. I dove into investing with the desire to get rich, but I didn't realize that I was going to learn some profound wisdom about how to live my life. It's strange because, once I understood it, I saw it in some people, and some people just don't have it in the book. The book I'm referring to here is Adam Grant's "Give and take". You just really want to identify the people who are givers, not matches or takers. You want to become yourself, somebody who's a giver. I think that leads you to the promise land, whether it's running a fund or something else.

Julius: Definitely, it all reminds me of the concept of compounding goodwill. Then actually leading to pay, which was not intended to be reached, but then reached. I believe we have time for one last question. Considering the initiation phase of a young investor, what would be the mental model required to move on more easily from bad decision taken previously?

Mohnish: Well, Charlie Munger would say that you want to learn, but not learn too much. This is a business where the best investor's going to be wrong one out of three times, and most likely for the mere models amongst us, like me, we're probably going to be wrong half the time. But like we saw in the Jhunjhunwala example, he only needed to be right on 4% of the portfolio and didn't matter about the rest. Mistakes are very much a part of the landscape. We're going to make a lot of mistakes, and I think you need to be intellectually honest with yourself and you need to move on. You don't need to get the money back the same way you lost it. Once you realize that you've made a bet, which has led to a loss of capital, and you have a better understanding of the business and such, it may make sense to just move on and learn what you can from that experience. Don't learn too much and keep going from there.

Guy: I couldn't have said it better, Julius.

Julius: I think that's a great note to end our incredibly valuable session today. Thank you very much both Mohnish and Guy for spending the hour with us, thanking the name of the Helvetian Investment Club and the whole university. For everybody who wants to re-watch this stream, it will be available on YouTube as well as LinkedIn. Thank you and see you soon, hopefully.

Guy: Now, Julius, hold on a second. That's very nice of you, but you didn't give us the chance to thank you. I get the chance to say, Mohnish, I know it's cold in Switzerland, but in summertime, it's beautiful, first. Second, there really are a special set of students at St. Gallen. I was so impressed. They are unusual minds, and it's a stark campus. If you think that Zurich's stark, think of St. Gallen like Easton, Switzerland, and it gets even more stark. I just wanted to thank you. I would really say that I went out and gave a talk. I don't remember how long it was, but it was kind of inspiring to be amongst

them. It's lovely to do this streaming, but Julius, I still have this ambition that we will get Mohnish to St. Gallen at some point.

**Mohnish:** Well, I have to say Julius, that when Guy asked me to jump, I just say how high? He told me, "You have to do this talk with St. Gallen." I am glad I said yes. I really enjoyed the session and I hope we can repeat this again.

**Julius:** Thank you very much. Yes, in terms of how high, let's aim for the stars and hopefully we'll have you here on campus soon. Thank you again. Now, let's end this session. See you soon and thank you very much for being with us. Goodbye.

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