

Mohnish Pabrai's Interview at the Weekly on Stocks on June 28, 2023

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Li Jian: We are honored to have with us today the legendary investor Mr. Mohnish Pabrai. He and Mr. Guy Spier were winning bidders to dine with Mr. Warren Buffett at a luncheon for \$650,000 in July 2007. However, it wasn't just the sky-high lunch that made him a legend, but his track record over the past 20 years. He started the Pabrai Investment Funds in 1999. His fund has been really great in the past 23 years and is now much more than 15 times what it was. Mr. Charlie Munger is his great friend and mentor. Charlie Munger must have seen something in him, quite possibly his brilliance, and brought him into his own connections.

Hi Mohnish, I'd like to start by talking to you about Charlie Munger. You have been his good friend since Warren Buffett introduced you to him in 2008. You have seen him up close and gotten to know how he invests, thinks, learns, and how he lives his life. Is there any unforgettable moment for you? Can you talk about the most important thing you have learned from Charlie Munger in the past 15 years?

Mohnish: Well, it's a pleasure to be here with you and I think I have to pinch myself sometimes about whether it's true that Charlie is a friend of mine. I would say that most of the things I have learned from Charlie Munger and from Warren Buffett has been from what is in the public domain, you know what they have written about and what they have spoken about.

There is a very rich amount of information that they have tried to share and educate investors around the world. Not just how to invest, but also how to lead a great life. I think what I learned the most from Charlie Munger was not so much with what he was saying. It was more by observing him; kind of how is he interacting with his kids? He has eight kids. How is he interacting with the spouses of those kids? How is he interacting with the grandchildren? Now he even has great grandchildren. How he interacts with his friends, with his business partners, with his fishing buddy and so on. When I observe Charlie and also in terms of how he spends his day and what he focuses on, I think those things taught me a lot. I would say that most of the lessons that we can learn are from Charlie Munger or Warren Buffett, in books like *Poor Charlie's Almanac* or *The Making of an American Capitalist* by Roger Lowenstein. These books do a great job of explaining these men to us and what they're all about.

But I got the kind of human qualities more from just observing him. In the Berkshire meetings, he seems to be very blunt and maybe with a somewhat harsh exterior, but he has a beautiful heart. He is a very warm and loving person. And he is a very rational person, so he lives a very simple life. Warren Buffett lives in the same home he used to live in 1954. For 67 years he has been living in the same home. In the case of Charlie Munger, he has been in the same home

since the early 1960s, maybe 64 or 65. Almost 60 years in the same home and it's a home that he designed and all his children grew up in that home. I think the biggest lessons I've learned from Charlie have really not been what he has said to me, though he has said many amazing things to me. I think it's just observing how he interacts and goes about his life and I think that taught me a lot.

Li Jian: The story we hear is that Warren Buffett and Charlie Munger would give their children shares at Christmas time. It was their Christmas present. Do you still see that they give their grandchildren stocks at Christmas time?

Mohnish: Yes, I know that Warren Buffett does that every year at Christmas time, it's not just to the children and grandchildren. US gifting laws allow you, I think, now to give about \$17,000 a year to anyone with no tax consequence. Warren actually includes, I would say, probably something like maybe 30 family members in that giving like cousins, nephews, nieces. It's a large group of family members. And he doesn't really try to judge whether he likes them or not. He just gives it to them across the board.

I don't know whether Charlie does exactly the same thing, but what Charlie did do a few years ago is that, unfortunately, his wife passed away a few years back. And she had always wanted their money, which was basically hers have to go to her children. And it just so happened that there was only 1 year in the US tax code when there was no inheritance tax no estate tax. It just so happened that his wife had an accident and fell down the stairs. She died the year in which there was no inheritance tax. What Charlie did that particular year is he took half of his Berkshire Hathaway shares, and he divided them in eight, because he has eight kids. And he distributed to those kids in that year. I think at that time, it would have been about \$125 million per kid, which I think today would be probably about 3 or 4 times that amount. If the children kept the money, it would be maybe around 500 million or so, per kid, approximately.

What I have also observed is that the children, many of the children have set up their own charities and foundations, and they are doing some amazing work. Even Warren Buffett's kids are doing some amazing work. For example, Howard Buffett, who is Warren Buffett's son, has been to Ukraine many times. Since the war started, he goes nearly to the front line of the battlefield. He has given a lot of help to the Ukrainian people, and especially to the Ukrainian farmers, because he's a farmer.

I have gotten to know many of Charlie's children. They have become good friends of mine and they are wonderful human beings. They have done a number of interesting things with the charitable giving that they are doing. For the most part, I would say a lot of the money that Charlie has given to his kids is going to end up being used to improve society. I think they have good homes and good lifestyle and all of that. But I think that they are still focused very heavily on helping humans which is great.

Li Jian: Did Warren Buffett give his kids shares that he selected? For example, 50 years ago he might have possibly given shares in Coca Cola, but now he would switch to shares in a company like BYD. Does he change the shares he gives over time?

Mohnish: Yeah, I do know that in the past, he gave Coke shares. And I think it's possible he's given Berkshire shares, or I would think that's unlikely because I don't think he likes to buy and sell the Berkshire shares. I think every year, the Gates Foundation and his three children get a large number of Berkshire shares which he has pledged to give to all of them.

I don't think it is known what shares are being given. I would doubt that it will be BYD shares. I think that one of the reasons why I would doubt that is that you would need to either have the ADR or you would need to basically buy the shares in Hong Kong. A lot of people will need to have brokerage accounts in foreign countries and so on. Therefore, my guess is that for many years, maybe he has given cash or possibly some other stock, which was like Coca Cola, for example, and kind of taking it from there.

Li Jian: The 2018 reporting team travelled to Omaha to attend that year's Berkshire Annual Shareholder Meeting and interviewed Mr. Charlie Munger after the meeting. He stressed the importance of staying rational and the importance of rationality with our reporters in the interview. Then he said it takes a lifetime of hard work to become a rational person. He's 99 years old now. Is he still striving for rationality from what you can tell?

Mohnish: Yeah, actually, I saw that interview that you guys did in 2018. I thought that was a great interview. I think you also had Li Lu there, which was wonderful. Charlie will be 100 years old on January 1st. I met him in Omaha and before that I met him at his home in April for dinner. He invited me to his birthday party. On December 31st, rolling into January 1st, they're going to have a big celebration for Charlie's 100th birthday. He had invited me for his 90th birthday. Then he invited me for his 95th birthday. These were very big parties. Warren Buffett flew in and a lot of different celebrities in California. I really enjoyed the 95th birthday.

I'm looking forward to attending his 100th birthday party. It may be a lot bigger than the previous ones, because that's a very big milestone. All his family and close friends and everyone will be there. I think being rational is really important to Charlie. Obviously, he has physically declined over the years because of his age. For example, he cannot play golf anymore. He used to play bridge at the club. He doesn't go to the club anymore. His mobility is limited, but mentally, he is very sharp. I think he gets tired more easily now.

Sometimes I think he's going to sleep, like when we are talking, he's going to sleep. I'll say something, and then he just responds like he's been listening. But I don't notice any cognitive decline in him. And I think rationality is very central to what Charlie is all about. One needs to be very rational in the business and in investing. One should be less rational with the relationships that we have. Relationships need more emotion. Charlie balances that really well. I think he has a very strong rational side. He can understand the situation, but then he can overlay the right emotions.

I see that he gets along with a wide range of people, and very few things bother him. When I go to dinner at this place, whatever they put in front of him to eat, he just eats, he never really demands a certain kind of food. He is very easygoing. The family restricts how much See's candy he eats. Usually when I go to his place for dessert, many times, See's candy is served for dessert.

He tells me we only bring out the See's candy like 2-3 times a month. Even though maybe Charlie would like it more often, but you see in the Berkshire meeting and the daily journal meeting, he eats a lot of candy. The reason is because no one can control him there. The candy is sitting there, and no one's going to come and tell him that he can't eat, etc. They let him do whatever he wants at the Berkshire meeting with all the candy he wants to eat. But I think rationality is a very important reason for Charlie's success. I think it's really important for humans, to understand that and get that.

Li Jian: In your opinion, what does it mean to be rational? Which of the things you see Charlie Munger doing was rational? In what ways can we make ourselves rational?

Mohnish: One of the things he says is that humans usually will become irrational when they have an opinion about something. For example, if you ask some people, should Harvard University give preference to African Americans to enter a little bit easier than everybody else. People will have different opinions. Some will say, no, please treat everyone the same. Others will say, this population was discriminated against in the past, and we need to make some changes to even the playing field.

There are different arguments on both sides. The way Charlie would approach something like this, he says that you are not entitled to have an opinion unless you can state the arguments for the other side, as well as state the argument, for your opinion.

He feels that you should know both sides, for example, Russia has invaded Ukraine right now. A lot of people will say that's terrible, and it shouldn't have happened. But Charlie would say, we should also look at it from the Russian's side. We should understand what is going through their minds, and why do they do it as well as for the Ukrainian side. Basically, it is really difficult for humans to have both sides of the argument in their brains at the same time and be able to process it in a rational manner. What most humans will do is they will have an ideology, like they will believe Harvard should only give people based on merit, and no other factors should come in. They will not even consider the other side. I think this is one of Charlie's great strengths. The place where it comes into play a lot is, for example, when we look at making an investment into a company, there are lots of factors that will affect the future outcome of that investment; many factors that we may understand or not understand.

Charlie feels, for example, in fact both Warren and Charlie, one of the tools they use to help them in investing is, let's say that they are looking at a particular company which makes certain auto parts, for example, and they like the company. What they will try to do is they will try to go talk to competitors of the

company. They will ask the competitor, "Which companies in your industry do you admire a lot? Which companies do you think are really bad?" Charlie and Warren both say that if you talk to five or six competitors about a particular company, what will happen is you will get a very clear idea about which company is the best company in that industry, and which company is the worst company. These things may not be apparent in the numbers, or they may actually explain why certain companies do a lot better than others over time.

One of the dangers in investing is we can fall in love with the company or invest. And when we fall in love with the company or an investment, rationality goes away. We are no longer thinking in a very rational, pragmatic way. We always have to kind of pull that back. One of the techniques both Warren and Charlie use to try to understand how the future will unfold is by really studying the past carefully.

For example, if you look at the investment in BYD Li Lu was the first person who made the investment. In fact, when he first invested in BYD it was almost like a venture capital investment. It was a very small company. But he already was able to see the trajectory and Chuan-fu Wang was a very unusual, bright and hardworking person. When he later brought the company to Charlie's attention, Charlie went back and studied the very early history of Chuan-fu Wang. When there was no company and he was trying to start something and had no money. He had many siblings, seven or eight siblings. This is a large family. Chuan-fu Wang was one of the youngest people in the family, but his brother saw unusual traits in him. He helped give Chuan-fu Wang the money to get started.

Then of course, Chuan-fu Wang, got a little bit of money and could get going. He was a genius in chemistry. He works very long hours; he could build that business. But really, it was, from the Chinese perspective, a principle to help the one who is most capable. So, he studied, the idea, he studied the early history of the company very carefully. He also studied the trajectory.

For example, in the case of BYD, they were trying to manufacture batteries, which required clean rooms in Japan. These batteries were made in Japan, and they were very large clean rooms, which are very expensive. One of the first innovations that BYD made was that instead of making the room clean, they made a small box clean, and the women would put their hand in gloves through the box and work on those things. Basically, he was able to drop the cost a lot by rethinking how it was done. Repeatedly they excelled in terms of innovation and tenacity. The other thing is that Chuan-fu Wang lives with his workers. They have large residential blocks of apartments. He lives in one of those blocks with the workers.

That type of culture means that your people will do anything for you. I think he very carefully studied individual pieces about Chuan-fu Wang. He was aware of people like Thomas Edison. He was aware of people like Henry Ford. He was aware of people like Bill Gates, and he could make a connection with the way Chuan-fu Wang was, with the way some of these people were. In the end that led to the investment and it did really well. He did not just accept that the BYD

investment should be made because Li Lu thinks it's great. That's not the reason why he made the investment. He did his own analysis of the customer.

Li Jian: I think being rational requires being honest with yourself. Is this a function?

Mohnish: It is the concept of being in alignment and being in alignment means that you are a very honest and candid person. If you feel something about a certain topic or some person, you're very open and honest about it. I would say alignment is almost a subset of being rational. In general, it is not easy to always be open and candid and honest about the other people we interact with. Sometimes we interact with people who may not be that good. If you tell them that to their face, that's going to cause conflict and issues. One of the important aspects of alignment and improving yourself is as old Charlie and Warren say "Try really hard to associate with very high-quality people."

It seems obvious that we should interact and have friends who are very high quality. Actually, if you just look at your friends today, what you may find is some are pleasant people, nice people, but not that high quality. Right? They kind of are OK to be around, but they are not high quality. One needs to be a harsh grader. What that means is you need, if you really want to have this, be true to yourself and be aligned, have a great life, and all of that you need to get rid of those people from your life. Getting rid of those people in your life is not an easy thing to do for most humans. The easy thing is just to keep going along. I have tried to do this for a long time where if I meet someone for the first time, for lunch or tea or something, after I meet, I do some kind of analysis of how I feel and what I think.

I tried to set a high bar where I say that unless it is something truly exceptional, I don't really want to increase the interaction. My father used to say that to have a good life, you need to have one good wife and one good friend. We don't need large numbers of people. Less is more. I think both Charlie and Warren, part of the rationality and part of what they've done, is they are really good at figuring out people. For example, when I met Charlie's friends, I was really surprised in terms of the quality, these individuals were some of the highest-quality people I've ever met. I think Charlie spent a lifetime sifting through.

I made them my friends, because they are high-quality people, and they are such wonderful people. However, that is not an easy thing to do when we already have relationships. What you can start doing is spending more time with the people who are truly exceptional, truly high quality. I met some friends of Charlie Munger who are poor people. They are not rich. One time I met a friend of his who was fishing with him in Minnesota every summer. Charlie has a summer home in Minnesota. He goes there for a month for fishing. This person is just an ordinary person in Minnesota, who's just Charlie's fishing buddy. But I found he's a very high-quality person. I met him in Omaha at a dinner. Charlie Munger had before the meeting about 200 people come to that dinner.

He came up to me. I saw somebody I didn't know. I said hello to him. I asked how he knows Charlie? He immediately told me that he is not a person who understands business, and he is not a person who understands investing. He

said he is not a rich person. He started out by telling me all the things that he is not. What you could tell right away is he was a very humble person, right? And he wasn't trying to say, "I'm a great guy because I'm friends with Charlie."

I asked him how he knows Charlie. He said, "Charlie and I have been fishing buddies for a long time in Minnesota. When he comes to Minnesota, we go fishing many times." I could see that he was a simple, honest, aligned person, who didn't really have any agenda or anything else, and was just a nice person with some great qualities like honesty and integrity and humility. I think those were things that appeal to Charlie. You could see that in 10 minutes of meeting.

Li Jian: You said we can't paint a country with one brush because it's a rainbow, it's diverse. What is your current view on China? Most of the global capital, they don't see the opportunity in China?

Mohnish: First of all, I think China has really been through a miraculous journey in the last several decades. I think that one of the best leaders ever in any country in the world was Deng Xiaoping. I think he did a truly exceptional job. I think it was amazing that he was able to take a communist country with everything being state owned into a very capitalist direction and lifted hundreds of millions of people from poverty. Chinese people are natural entrepreneurs. They were trapped in a system, which was the opposite of an entrepreneurial system. Once he unleashed them and made them free to be the natural entrepreneurs that they were, I think it worked spectacularly. I think it's the only time in the world where we've had the largest country in the world, lift such a large portion of the population from very extreme poverty to significant affluence in a very short period of time.

It's really miraculous. I think when I look at China, it's almost like it couldn't really happen to any place else. Charlie also believes that the Chinese people genetically are superior to other races. And this is kind of a politically incorrect thing to say, but he says it anyway because he thinks it's true. He says that the IQ of the average person in China is higher than in other parts of the world, mainly because of the cultivation of rice.

If you go back in history, it was an agrarian society, and it was very heavily a rice growing society. Most people engage in agriculture, growing rice. Growing rice is very different from growing corn or soybean. I want to grow corn; I just throw the corn seed on the ground and I come back a few months later and the corn plant will be ready for me to harvest. Rice cultivation is very complicated. You have to actually start and replant and watch the water level. There is actually quite a bit of math involved in being a good rice farmer. I think what Charlie was saying is that at the starting point in China, the IQ level was the same as the rest of the world. But what happened is that the lower IQ end of the population basically could not grow, because they could not do the math. And they ended up going extinct and so you end up with a population which is good at math.

Now, one of the negatives that Charlie sees with the excess math skills that most Chinese have is they have a higher propensity to gamble. Macao is very popular, and Vegas is very popular in China, and Charlie says that is negative. One of the

outlets the math ability finds is in gambling, which is a negative. It can be used in a positive way. by many Chinese. The way I look at China is that you have a very hard-working population. People are willing to work very hard. It is smart population.

Now, unfortunately, we have negative population growth in China, because people are not having enough kids, so that is a negative. It's not as bad as Korea, which I think is in really bad shape in terms of the number of populations going down and Japan is going down significantly. If China can figure out some way to arrest the decline in population, that would be a positive. Otherwise, it's going to start becoming an aging society like in Japan. When I look at China, I see a country where if you come up with an interesting product or interesting service, which can have broad appeal, it can have tremendous payments. We have seen this repeatedly in companies like Tencent Meituan, Pinduoduo, and so on. Many companies which have come up with something which is a great innovation have been able to scale really fast.

The big advantage China offers is that if someone were to come up with something which is amazing, it can really have a lot of impact. I think that having a 1.4 billion population, if you can leverage something digital, then it can do really well. I think for me personally, I would say China would be a difficult place for me to invest, because there are many things about the nuances and culture that I would not understand.

Usually, I think if I am looking to invest in China, I will talk to my friend Li Lu and ask him what makes sense or doesn't make sense. A few years back, Li Lu had suggested I buy Maotai, which I did. It went up a lot and did really well, even though I don't drink any alcohol. A few years after that, I visited Maotai's factory in China with my daughter and my friend Guy Spier. That was amazing. I think that is an incredible company. I think that in China, we have many great businesses and many great opportunities. It may be easier for people in China to be able to sift through all that, than someone like me. But if I can get someone like Li Lu to help me, then it can work out pretty well.

Li Jian: You mentioned Maotai. This is something we're very interested in, do you still own Maotai in your position?

Mohnish: I had a conversation with Charlie Munger many years ago when we were having dinner. He said to me, "Mohnish, your Maotai." He said that when you die, you will still own Maotai. I said, yes, so what was happening is God was telling me never sell Maotai.

That's what God is also known as Charlie Munger. God is telling me directly never sell Maotai. I said, yes, I had no plans to ever sell it. Then a few years after that Li Lu called me and said I am selling my Maotai and I think you should sell your Maotai state. I told Li Lu that God told me never to sell it. He said he was seeing some issues coming up in the distribution of Maotai. Maybe there was some corruption distribution, which was bothering him. He said that he thinks I should sell and move on. I thought about it. I said, "I don't know anything about Maotai.

I don't even drink alcohol." And Li Lu knows everything. I said that I only made like 5-6 times of my money, I think I should listen to him.

At that point, I sold the Maotai shares that I had no plans to ever sell. A couple of years later, it was more than double the price I sold. It just kept going. My daughter also had invested in Maotai. When I told her what Li Lu told me she disregarded it. She said, "I'll not sell it." She kept her shares because she likes the company and she likes the visit. I was too stupid. I have not looked at Maotai recently. And based on what you are saying, I'm going to take another look at it. At the time when we were originally buying it, the price was 1/10 of the current price. It really was a very different situation that now. It is even now with a little bit of decline. It is the most valuable liquor company in the world. It's still the most valuable. So, I think the most of Maotai is indestructible. It just cannot be touched by any company.

I noticed when I went to the factory, the cost for them to make one bottle of Maotai. They have no automation and the manufacturing is just done the same way. It was made 50 years, 100 years ago, there is no advances done in the way they make it. I think the cost to make a bottle is less than \$5, including the packaging and everything. And the selling price is much more than \$1,000. There're almost no businesses in the world that would have those kinds of economics. I do remind Li Lu every time I meet him that he's not always giving me the correct information. I tell him "Next time, please don't tell me to sell when God has told me to never sell." But this is the way life is. We have to do what happens and go along with it.

Li Jian: I'd like to talk to you a little bit more about Tencent, because you seem to prefer Tencent. What do you think about Tencent now? It is 14 times now. Is the valuation low?

Mohnish: I think Pony Ma is one of the greatest entrepreneurs ever to come about. He is a truly exceptional person in the last 100 years in terms of what he has built and how he has executed. Originally, I had invested in Alibaba, but when I subsequently studied Tencent, I found that my opinion was that the Tencent was a superior company to Alibaba on a few different fronts. I switched the investment now. All these investments for both Alibaba and Tencent have not worked so far for me, partially because probably there were a lot of changes that came about in government regulations and government directors.

Some of that is hard to predict. A lot of that is hard to predict. I would say that Tencent is kind of a very flexible company, which can look at circumstances that are there in a number of different ways and can adjust its operations accordingly. For example, when they were facing a number of restrictions in China, they just increased their activity outside China. They've done an extremely good job, both in terms of the internal R&D and internal products that they have developed and how they have scaled those, as well as the investments that they have made and how they have a created great partnerships.

I would say that in China, if I were to do anything, Tencent would be at the top of my list, just in terms of the way the nature of the business is, the nature of the

entrepreneur team. I also have found that because we can invest around the globe, we found a lot of interesting opportunities in Turkey which we did and which has worked well. Also, more recently in the United States, basically, because I am not limited to one particular geography, one of the negatives that comes up with both Maotai, and Tencent is size.

While both have very reasonable valuations they are not overvalued. The market caps of companies make them amongst the largest businesses in the world. What that means is that there are very few businesses that will get to a market cap of 2 trillion, 3 trillion, 4 trillion, 4 trillion doesn't even exist today. Apple is hovering around 3 trillion, but even a trillion is a lot. We used to have no businesses more than 500-600 billion. I do have a concern about the law of large numbers. One of the advantages has been that if you have a small pool of capital, you may be able to identify a company that can become 10, 20, 50 times larger than what it is. But it is difficult for a company like Tencent or Maotai to become 10 times larger in the next few years. I think that would be almost impossible. There is a counterbalance that comes up with looking at these very large, mega caps and that is how much further they can go because they are like a big aircraft carrier. It's difficult to move and navigate, even though you have a lot of minds. Those are things to keep in mind. Sometimes a smaller business, which does not have a scale and size of Maotai or Tencent, can be a better investment.

Li Jian: With all the factors that we've just mentioned like the government or regulation, so now when international capital is choosing to invest in China, they're thinking about how much of a discount it's going to be. In your opinion, how much of a discount would be appropriate for a buy-in opportunity?

Mohnish: I think that it was not a factor a few years ago. It is a significant factor today. It definitely has an impact and probably a negative impact that did not exist a few years ago.

Li Jian: We see that most people are short-sighted, though investors like Berkshire Hathaway or investors like you seem to be thinking in a way that favors eternity. In your opinion, is there a difference between that? Can you expand and describe it to us?

Mohnish: There is a book that came out a few years ago. It's called Give and Take. It's written by a guy named Adam Grant. What Adam Grant says is there are 3 kinds of people in the world. There are the givers, people who always give a lot of things. There are the takers, who take something from you, but do not return it. There are the matchers who when they do you a favor, they want you to do a similar thing. You have givers, you have takers, and you have matchers. We should never have any takers in our life.

If you see someone who is a taker, wipe them out right away, we should also never have any matchers in our life, people who are doing mathematical calculations. He bought me lunch last week. I'm going to buy him lunch next week. We don't want the matchers. We only want the givers, people who give selflessly without looking to get anything back. The other thing we have to do is

we have to be givers. We should not do an action while thinking how it will benefit us. Sometimes if I'm talking to somebody, they have some problem. If I'm a giver, I just help the person. I don't think about how that is going to help me. To play infinite games, we need to be givers. A good example is companies that have taught everybody a lot of things. They have no benefit from teaching, but they did that.

The second thing is we need to be givers and we need to surround ourselves with givers. We need to take out all the matchers and takers and only have a universe of givers. That's what I noticed. When I met Charlie's friends, they are all givers. Charlie is a giver and Warren is a giver. I think playing infinite games is really powerful. I think this is the way you can play those things.

Li Jian: Would you hold a company like Ferrari, for example, through periods of volatility and hold it for as long as possible or would you reduce your position to protect your returns when they are at their maximum. How do you think about such difficult and contradictory questions?

Mohnish: One of the biggest mistakes I have made many times in my investing career is I have repeatedly sold very good business, because they appeared to be overvalued. What I have learned after taking a lot of arrows in my back and making a lot of mistakes is when you find yourself in the happy position of owning a fraction of a great business, pretty much never sell it, unless it is just extreme, egregious, crazy price.

If you look at a business like Ferrari today, I think the price of the stock is more than \$300. In 2012, when I originally invested in a company that owned Ferrari, the effective price was less than \$15. In the last 11 years, the price of Ferrari has gone up more than 20 times. One of my biggest regrets is the sale of Ferrari and the sale of Maotai, because these are iconic, one of a kind, and very unusual companies. I made a lot of money on Ferrari. I also made a lot of money on Maotai. But the best thing one can do is when one finds oneself in the happy position of owning a truly terrific business is to never sell it.

Li Jian: Can you tell us about how you organize your day? For example, how you organize your work and life, which might help.

Mohnish: I learned this from Warren Buffett. I learned to not put anything on the schedule, which is why it took so long for us to talk, because there's nothing on the schedule. For example, today, this talk is the only thing on my schedule there is nothing else on my schedule. Usually, before the day starts, I don't really have a good idea of how I'm going to spend it, but I like to have time to think, I like to have time to read, and I like to have time to explore anything that I am exploring.

The last few months, I was studying two companies, because there's not much on my schedule. I could do all kinds of things to understand these companies and talk to a lot of different people about them and read a lot of different things, and so on to eventually get a picture in my head of what they look like. I think one of the biggest luxuries I learned more than Charlie is to have the independence and to have the freedom of time, and not to be very minutely

scheduled. I try to keep it very free and flexible. I can be open and I can think about how I want to spend my time.

Li Jian: This is the only interview I have with you today, and I've been preparing for it all day. China is an emerging market with a lot of volatility and a lot of opportunities. Please say something to Chinese investors at last.

Mohnish: The one suggestion I would have for your listeners and readers, like I said, is high IQ and high math skills. Generally, what that leads to is a lot of gambling in the stock market, which is a negative. A lot of Chinese investors are buying and selling too much. My suggestion to them would be to study the businesses, find the great businesses, buy them at reasonable prices, and then never ever sell them.

Li Jian: We are very happy to hear your reflections and I am sure our readers will be very inspired to hear them. There are a lot of readers in China who follow you and some of your great quotes. You have a very good base of readers and investors in China. I'm sure our programs will bring a lot of attention to them and inspire them after the launch, so thank you again, Mr. Mohnish.

Mohnish: I enjoyed the session. Thank you very much. I think the reason is because Charlie Munger is really popular in China. When they read about Charlie Munger, they will read about me and then they will get a little bit interested in me. So, I think it's really a Charlie Munger popularity that drives some of that. But I know it's wonderful to have that. It's wonderful to have the Chinese readers and followers. Wonderful. Thank you.

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