Mohnish Pabrai's Q&A Session at the Brown University - Value Investing Speaker Series on August 2, 2021

Itai: We're absolutely honored to have Mohnish Pabrai here with us today. In 1991, Mohnish Pabrai, Fund his own IT consulting and systems integration company TransTech with a hundred thousand dollars. He went on to sell the company in 2000 for 20 million. In 1999, Mohnish provides for his own hedge fund Pabrai Investment Funds with 1 million. Today he has over 500 million of assets under management, he has successfully employed a market-beating value global investing approach for over 20 years. Mr. Pabrai is also the author of the Dhandho Investor and Mosaic Perspectives on Investing, both of which are must-read for any value investor. Mr. Pabrai is also famous for paying $650,000 along with his good friend, Guy Spier for an invaluable lunch with Warren Buffett. Mohnish Pabrai is also incredibly generous, giving away approximately 2% of his wealth every year to Dakshana. The Foundation provides services to some of the least privileged members of Indian Society, which enables them to attend elite institutions of higher learning. Thank you for joining us today, Mr. Pabrai.

Mohnish: Itai, it's a pleasure to be with you. Looking forward.

Itai: Excellent. Thank you so much. Let's start with the questions. Once studying the selection of spawners stocks in your portfolio, are students found to common mechanical filter? Thread one was that, as you mentioned in previous interviews, there was a maximum market cap. There were sort of looking full of responders and the other trend that we saw was that there was a lot of high insider ownership within these companies. Is there any other sort of mechanical factors that are used to narrow down your selection when looking for multi-bagger using platforms like Capital IQ, for example?

Mohnish: Yeah, actually anytime you mention to me mechanical filters, I cringe. In general, it's probably not a good approach to investing because the real world is messy and individual businesses are messy. But one of the things that are very powerful about that is, I can give you an example. I own a portion of a company in India called Indian Energy Exchange (IEX). IEX basically is effectively, a monopoly business and it allows the trading of electricity between generators and the discount of the distribution companies. They collect an approximately 1.5% fee of the amount transacted. When we invested, approximately less than 3% of India's total electricity usage was going through IEX, and now it's over six and a half percent. So in terms of the percent of the increase in the last three, four years, quite significantly, but also per consumption of electric going up at all. So the business has many wins. They also started another business called Indian Gas Exchange.

That business basically produces 80% operating margins. If they take a hundred dollars in revenue, something like $80 is pre-tax profit. Then after you pay maybe 25% taxes on that, you still have like 60% after tax. It's an extremely profitable business, and as it scales, that profitability only increases. They have no real good way to use that money that's coming in. They only, for the most part, have two choices. Either they can dividend out to shareholders or buy back their shares. On the other hand, if you look at a business like let's say Tencent in China. Tencent basically is also a business that generates very high returns of equity and it's not as good as IEX in terms of 80% operating margins across. But it's very healthy and they generate tens of billions a year in free cash flow every year. But inside Tencent is what I would call Sequoia Fund on steroids. If they make 15 billion in a year, free cash flow, they have a biz dev arm that is going to take that 15 billion and deploy it into mostly private deals. They're also very thoughtful about it. They're not sprinkling money around to early state businesses, et cetera. They focus on businesses that have achieved certain milestones and certain traction, and then they'll come in.

They also tend not to want to have large takes because they want to leave incentives for teams. They are engine, which feeds this wisdom arm has been very successful. They've invested in what have later turned into more than I think 15 or 20 unicorns. They've done really well. What I'm saying is they have an engine which takes their cash flow and puts it into other businesses, and that track record of that engine can go up against the best venture capitalists. It's extremely good. There's no carry, so it's even better for investors. The engine that Tencent has is extremely rare. Most companies that are even really good businesses like IEX do not have the ability to redeploy the money that's coming in into other businesses. If you look at a business like Berkshire Hathaway, for most of its history, Berkshire from 1965 till now has never issued a dividend. I think the record indicates that Buffett one time issued a dividend of Tencent. Buffett said that he must have gone to the bathroom while the board made that decision. But he said he's never after that, ever stepped to the bathroom during a board meeting. There's been no dividends other than the Tencent dividend on what is more than a $400,000 stock today. But from 1965 until very recently, maybe in the last few years, not only that Berkshire did not issue a dividend, but they did not buy back their shares. The buybacks have started more recently because even in an amazing capital allocation engine, Berkshire has not been able to find enough opportunities to redeploy the capital which worked extremely well for more than 40 years. If you have a great business that's spinning off lots of cash, I mean, Berkshire for example, had made a very early investment when they bought See’s Candy and See’s Candy has been nothing but a money spender, but it has no ability to use the cash that it generated. But the Berkshire engine was such that they didn't need See’s to use the cash. They took the cash flow

from See's and they bought a hundred other businesses and they were really good at that. That type of promise of redeployment of cash is rare. Coming to Spawner, so if you take a business-like IEX, IEX actually is a spawner. The first spawn they've created is Indian Gas Exchange, which they're trying to grow and scale, but by its very nature, Indian Gas Exchange hardly needs any capital. It's like Indian Energy Exchange that also hardly needs any capital. Even if it's really successful, it'll not be able to use the capital. Even though there's spoil, they really can't do much with it. The differences between, let's say a Berkshire Hathaway and let's say an Amazon is, in the case of Amazon, the redeployment of the cash generated is mostly done with internal projects. They basically are spawning new enterprises, new adventures, and so on. In the case of Berkshire, a lot of it acquisitions is not that much coming from internal. They do have some amazing businesses that are redeploying internally, but for the most part they've got to go externally. If you look at the kind of the hierarchy, the absolute best way to use capital is if you have a spawning engine internally that has a high hit rate and is spawning businesses that generate high returns in equity, that's mecca, you hit the top spot there. The second is, if you can't do that and you can buy or invest in other businesses or assets at valuations that would give you high returns in equity, that's also excellent. The third would be either dividends or buybacks and buybacks actually can be extremely powerful if they are done at modest valuations. If you look at a business like MasterCard, MasterCard does a lot of acquisitions. They have very high net income versus revenues, fantastic business, but they still end up with lots of cash. Even though the business trades at a very high multiple, they still need to buy back share because they've got no other option. It's way better to buy back MasterCard stock at 10 times earnings than 40 times earnings. But even at 40 it still works, but it's not that great. Sowers are basically sitting pretty much at the apex of the pyramid and which is why we like them so much.

Itai: We have questions discussing some of the other factors that go into Spawners. For example, Tencent, despite the Chinese government having a lot of antitrust policies, they did manage in some of its departments to have a monopoly. Tencent's music had exclusive license agreements. Now the Chinese government is really cracking down on those. How do you evaluate that aspect or how do you evaluate, for example, real estate companies in Japan that may be spawners who banks. There are some recent events of some frauds in that area that banks are more hesitant to lend to them now.

Mohnish: Yeah, I'll sidestep stuff which goes into current portfolio holdings. I think that just gets in the area I prefer not to go into. There's a blogger I follow in China, I think she was saying that (hope I can remember this correctly), in China it is innovation and then regulation and in Europe it's regulation and then no innovation. In the US

it's innovation and no regulation. You've got these different, I think this is kind of a wide paint brush, but the bottom line is I think that there are very few things that I have noticed that have happened in China recently that I would be scratching my head about. For example, in my non-profit adventures with Dakshana foundation, I have spent 14 years examining the four profit sectors of education in India very closely. We even had them as vendors and paid them to provide services to our students. We had a very long history with the Indian, let's say, tutoring industry, which is the industry exact same industry that the Chinese government cracked on the phone. The Indian government also is extremely upset at this industry and from my point of view, I don't think of the players in that industry by any stretch of the imagination as being high quality. I think they're rootless capitalists. I'm going to use that as an example to just go to the others. If you have a situation where a set of universities or university has 10,000 seats and there are 1 million people aspiring to get those seats, which is somewhat similar to the situation with the IITs in India, 10, 15,000 seats and north of half a million to a million kids interested in those seats, there's a basic problem of a large number of students in interested in a very small number of seats. Anytime you have that situation, capitalism is going to lead to enterprises that come up with trying to find ways where they'll say that if you give me “X”, I can increase your odds of getting that seat. In an unregulated world, that type of capitalism endeavors is going to go bananas, which it did in China. What ended up happening in China is that every Chinese parent wants their kids to go to the best schools. All these for-profit education companies come up and say, “Look, if you want to go to Peking university or Tsinghua, whatever, we are the toll bridge that you have to pass through”. The toll bridge has two costs. It has a dollar or RMB cost, and it has a lot of effort cost. The end result of all of that is, that Chinese couples come to the conclusion that they really can't have very many kids because it's so expensive, so draining and so complex. I think the government has its heart in the right place when it says we don't want this kind of a system because it reduces people's interest in having reasonable size families which goes against the country's things. But on the other side, the problem that this type of situation has is, there's no easy hands time. Unless you increase those 10,000 seats to a hundred thousand seats or you give people other avenues which the CCP is trying to do, it leads to a quandary. There was a joke I think on Twitter that these for-profit education companies in China have converted their facilities into high end cafes where you go into have a coffee and then you sit down at a table with a very high price tutor who, in effectively can tutor you, but you just pay for the coffee and the coffee instrumenting $5 is $500. You kind of sidestep it's just a coffee shop, so it's kind of funny. But anyway, I think that on many fronts in China, it is actually healthy for the country to have a robust competitive environment. I think in the case of the large players in Chinese tech, they're pretty high-quality

players, but in many cases the rules were not defined. In a wild-west scenario, you're not really breaking any laws, you're just proceeding with what's acceptable in the wild-west. I think Chinese government coming down and saying, hey, wait a minute, I think some of these things, if we tweak it, somewhat at the end of the day, we end up with a better ecosystem. I think that's what they're driving towards. That's my two senses on that.

Itai: Okay, Thank you. Really appreciate that and that feedback. Another question is, how effective of a method do you think that it is to try and find MasterCard and Visa, where they have a great business model in the US and in a lot of countries, but there are some countries like China for example or some other countries where those companies aren't there. What investing strategy do you think we can use to find those types of companies in those other countries and try and analyze those?

Mohnish: Yeah, I think first of all, just to digress a little bit, payment systems in the US are way behind payment systems in almost any other part of the world. Payment systems in China are extremely advanced. Korea is very advanced, and actually in many ways the US payment system is very archaic, and it has an extremely high frictional cost. One of the issues that come up is that, if I'm a small merchant doing some small E-Commerce site online selling to consumers, I have to pay the Visa MasterCard ecosystem, 2 to 3% of my top one, which is a ridiculously high charge for enabling payments. If I were to use my bank or if I were to use other avenues, it would drop it by more than 95%. One of the things that we've seen is that companies have come up, and others are basically trying to sidestep the visa MasterCard by let's spreads or now is gone. The 2% or 3% that they're taking, in some ways, it does come back to the consumers because most of us have an IV drip of airline miles coming to us through the credit cards, and there are arms raise on that front in terms of, I'll give you more and more. There is some kickback in effect coming to the consumers, but in general, in the US because of the moat of these companies and because of the kickback mechanisms that have been put in place, it makes it really hard to disrupt them in other countries like China. They weren't there to begin with. Merchants weren't interested in suddenly saying, “Oh yeah, please take 2%, and I'm really happy about that”. I think payment systems in general are an area of rapid change globally. Some of the moats in the US are pretty strong, but they're going through a lot of changes all around the world. When you're investing in payment systems, you have to be aware that it's a moving target and, sometimes you can end up with very deep enduring moats like the way Visa MasterCard did. To some extent you can say Alipay, and Tencent pay, they've also developed great moats, but it can shift those industries with rapid chain, so one has to be a little careful.

Itai: Yeah, absolutely. Thank you for that. That's very helpful. Students saw that we read Nick Sleep letters and we saw about scaled economy shared and how powerful business model that is. Then you also bring up a lot like a recycling slash funeral services business model. Are there any other business models that you think are very powerful?

Mohnish: I think it's in the eye of the beholder, and I think what is very useful is to just take a step back. When you look at different businesses, just take a step back on the nature and quality of the business. Buffett says that there are some businesses that are so easy to run and that you could have an idiot running those businesses and they would just keep doing well. I mean, if you are a Coke Bottler, for example, you have a monopoly territory given to you by the Coca-Cola company, you will compete with a Pepsi bottler, but you will not compete with another Coke bottler. The joke with the Coke bottlers was that, as the owner was dying on his deathbed, he would call his kids, and as he's taking his last breaths, he would tell them, "Whatever you do, don't let them change the contract". Then he would die. Okay? Then when the kids are dying, they would tell their kids, "Whatever you do, don't let them change the contract", then they would die. Because the bottom line was that, they heard it was great because, they bought syrup concentrate from the Coca-Cola Company and Coca-Cola Company made good bit of money on this concentrate, that's like a software business if you really think about it. But then they control the rest of it, right? The distribution and the pricing and all of that. Because of the brand, you're not going to buy Glotz Cola and such. You are going to do quite well with it. I think the thing is that, when you look at the business, it's a very wide spectrum of companies. Some businesses are in this very favored situation where the moat is widened deep and can endure for a very long time, and it generates high returns and equity. Most capitalism is not like that. Most of capitalism is dog eat dog. It's really tough. It's difficult. I mean, if I wanted to, for example, have the windows of my home, I would go on Yelp and have a few window guys give me quotes. I mean, they must be very competitive. If they've got a really good reputation, they might be able to get a little bit of a premium for that. But it wouldn't be much. There are lots and lots of businesses, which is the bread and butter of capitalism where you're just going to have to be amazing at execution and amazing at everything. Whereas a co-butler can be extremely poorly managed as long as the plant is running okay, and you're not putting poison in the coke bottler, life is going to go on and it's going to do well. It may not be doing as well as it could do with great management, but it'll still do well. In fact, I would guess that most Coke and Pepsi bottlers are undermanaged, in fact, one of the other things that come up in capitalism is the businesses that need to be extremely well managed to survive do end up being well managed because otherwise they're gone. The businesses that can deal with lot of slack and still stay alive are generally going to have Slack.

Itai: That's very interesting. Thank you for sharing that. Then you discuss a lot how investors with small amounts of capital should be able, if they're very talented, to generate 40, 50% IRS. Our students want to know what really, they should focus on. You've mentioned NAVs in the past, for example, when there are plenty of those in Japan that don't rerate or take a long time to rerate. Should it be net-nets with a near-term special situation rating catalyst? Should they focus more on real estate discounts to Net NAVs rather than cash discounts look for future one XPE cheap earnings and discount to NAV, et cetera. Do you have any more guidance in that regard?

Mohnish: Yeah, all of the above. I think what you want to do is really useful. It was really useful for me to set an absolute target. Let's say your absolute target is that "I have a very small amount of capital and I want to double it every three years". For example, what that means is you need to be generating about 26% a year or something. This means that you really can't buy a business at 80% of intrinsic value because even with some growth and stuff, it would be hard to get a double in two or three years. But if you are able to buy an asset, which is worth a dollar, but you are able to buy it for 30 cents, that may lend itself to something like that. The range of assets that can give you that outcome can vary a lot. It could be distressed bond. It could be high yield bond where the annualized return till maturity exceeds 30% a year. Now most bonds where your coupon is 30% a year are there for a very good reason. You're likely not to get the coupon and probably not get your money back. Good luck with that. But sometimes things get mispriced. For example, Charlie Munger made an investment, I think in 2002 in Tenneco. It was very distressed. He bought the common and he also bought the bonds. The bonds were at 20, 30 cents on the dollar. Even the common was really clobbered and it worked out. I think in about three or four years after that he was the 10 million with 80 million. That worked well. I think the high returns with low amounts of capital is definitely there. One of the things that Joel Greenblatt points out is, let's say I am extremely good at identifying opportunities where I can get a 50% analyst return with my million dollars, let's say I have a million dollars, and I'm really good at finding things which will give me 50% a year. Well, if I am successful at that for any period of time, in a few years, I'll have 10 million. Then I'll be looking for opportunities to put the 10 million to work. I may no longer be able to get 15% a year, but I'll be probably might be happy with 30% or 20%, right? What that means is that I have left the arena of the 1 million, 50% compounders because they cannot move the needle for me. When the 10 goes to 30, it really cannot move the needle. I manage like 750 million or something. When I look at a business sometimes where the total capital I can put in is 2 million and it has a very high return. I don't spend my time looking at that business. It's going to take effort to figure it out. It's just not worth the amount of capital I can put in. Whatever I can put in is just not worth it. Even though I may

like that hunt and all of that, I have moved on. Now when I started out, I was running a million, I'd be all over that, right? What happens is, as investors get more and more successful, they move up the chain and they leave the low end to new entrants. The low end is always there for a young enterprising person, Okay? I want to tell you a story which I think you guys might relate to. One of the things about human nature and our psychology and who we are is, after the age of five, it never changes. From the age of five to the age of 95, who you are and what your likes and dislikes and traits are hard coded. To lead the best possible life, you want to have your behavior patterns align with what your inbound traits are. Because inbound traits are frozen, if your behavior doesn't align with the inbound traits, you will have suboptimal results. When Warren Buffett was a kid, he used to go to Ak-sar-ben Racetrack in Nebraska, Ak-sar-ben is Nebraska spelled backwards. In fact, one year, I think I went to the Berkshire meeting in the late nineties or early two, the meeting was at the track. The track had closed down, it become a meeting venue. He used to go to the racetrack, and he had a number of different interests in the hospital, I think. But one of the things he is very interested in. At the end of the races, he would pick up all the tickets that people had thrown on the ground, and he would gather up and then one by one, he'd go through each one to see if some drunk had thrown a winning ticket. There's a lot of alcohol consumed at the Ak-sar-ben racetrack with either people who are drunk or just don't pay attention. Every time he would find some tickets that actually had money in them. Because he was under 18 and he was illegal for him to do betting, he used to send his Aunt Alice to the window to collect on the tickets. He'd collect all the tickets, then he'd send Aunt Alice to collect the money. He did that through high school. Then when he became a value investor, and when he started his own fund, he sat down with the Moody's Manual. I bought some on eBay as well, nostalgia says, but the Moody's manuals are pretty thick. They're like encyclopedias and they're very fine print, and they have like three or four companies with a lot of detail in one page. Mostly it is the quantitative data of these companies, kind of revenues, cash flows, assets, liability, the income statement, balance sheet, that sort of thing. There were tens of thousands of companies in these Moody's manual. Buffett went through every single company two times through all the manual. It's a lot of work. I mean, he literally from 7:00 AM to 11:00 PM other than for meals, that's what he was doing. For him, it was exactly the same as the Ak-sar-ben exercise. What he was looking for is something weird that people had missed. He would find, for example, some insurance company where the market cap was 15,000,00 1 year's earnings were 25 million, right? These were the winning tickets that people had thrown away. He would find these companies. Then once he found weird things, he would research it and it was real. Then he'd start buying the stock, et cetera. Even after he got influenced by Charlie Munger and he started buying better businesses, probably 10, 12 years ago,

I was in his office with my friend Guy Spier and I had lunch with him in 2008, and setting up the lunch and all that, I got to know his assistant quite well Debbie, Guy and I asked Debbie if we could take her to lunch before the Berkshire annual meeting and she said, "Oh, yeah, that'd be great". She said, I said, she said, "the meetings on Saturday, Fridays are really busy because all these people coming into town, I can go for lunch on Thursday". For several years, Guy, me, and Debbie used to go for lunch on Thursday. To me, the lunches with Debbie were way better than the lunches with Warren. I mean, we really got the low down on what was happening from Debbie. Buffett has a veneer of diplomacy, but Debbie was awesome. Anyway, I think we'd go to Berkshire headquarters to pick Debbie up. Then one year I think Buffett was, we were really surprised. We went up the elevator and when the elevator came up to the 14th floor, he was there at the entrance waiting for us. I thought, maybe he's waiting for the elevator to go down, but he said, "would you like a tour of headquarters?" We said, "Oh, yeah, sure". If you're twiddling your thumbs and you want to give us tours, we are all in for tours. He took us all over showing us all the memorabilia and all of that. Then we went to his office, and I noticed he had Japan Company handbook in his office. The Japan Company Handbook is the same as the Moody's Manual, except it's like value line with one half a page for each Japanese company. He was going through it. Now Warren was 80 years old, and Ak-sar-ben was an exercise he was doing when he was 12 years old. The Moody's Manual was something he was doing when he was 25 years old. All three exercises are exactly the same, okay? The amazing thing is, when he's 80 years old and he's managing hundreds of billions of dollars, he knew he can find nothing in there that can move the needle for Berkshire Hathaway. I told you the million-dollar guys have to move up. They can't stay there, they got to move up. But the thing is, he loved the hunt so much that he couldn't help himself. Probably if he found something in there that Berkshire couldn't buy, he probably could buy it for his own account. He did that with Korean stocks a few years ago, where again, it was the exact same thing. It was quantitatively cheap, and he couldn't help himself, right? That is the nature of this investing game, there will always be winning Ak-sar-ben tickets on the ground. The only question it, will you bend and make some effort to pick them up and analyze them? We have these ancient Indian texts, the Upanishads they're spiritual, but I think they're very heavily philosophical. And I think there's a quote, let me see if I can remember it. They say, as is your wish, so is your will, as is your will, so is your deed, as is your deed, so is your destiny". Then the punchline is, "your deepest desire is your destiny". Buffett really wanted to find every single winning ticket that anyone had ever thrown away, and he went all in on that, right? If you're willing to go all in and search in the nooks and crannies of the markets, you will find lots of treasures. But you've got to be very passionate about it. I've talked about it in some of my past

videos that in 2019, I was visiting Turkey and I visited this company where the market cap was 20 million and liquidation value was like 5, 600 million. Hallelujah. We are at the Ak-sar-ben racetrack, and except that in this case, there's millions and millions of dollars on the ground. Nobody wants to pick it up. The entire country of Turkey, 80 million people have no interest in picking up these Ak-sar-ben tickets. The guy from Bandra in Mumbai in India has to go there and do the job for them. It's okay, I'm happy to do the job. Then in 2015, there was my PEO Quan, this company, Rain industry that I found, and no one was interested. We've got 1.3 billion people in India, they're not interested, and it's okay, I'll help them out. They're there in plain daylight, but you've got to be focused on the hunt, and it can show up in many different shapes and forms. But if you're focused on that, it'll happen.

Itai: When you find one of those that are either, let's say just a very low earnings power multiple or something that's at a huge, discounted book value, how important is it to have a near term tangible catalyst for the stock to rerate? Or do you just feel like the discount is major enough where it'll just rerate anyways if you've made the correct choice?

Mohnish: Yeah. I was telling you that in the quantitative stuff, you got to be a little careful about book value. If a company's trading well below book value, it doesn't mean it's worth book value. It could be worth well above book value, or it could always be worth well below book value. We cannot just use quantitative screens alone. Or if some companies that are low PE, it may deserve to be a low PE cause three years it might be gone. It deserves to be a PE of two because in year three it's not there. I think what we have to do is that, when we find things that are statistically cheap, it's only the beginning of the hunt when something is statistically cheap and it can be cheap in a number of different ways, we then have to roll up our sleeves. The first question we're going to ask ourselves is “what I'm looking at, is it within my circle of competence?” "Can I figure this out?” If the answer is yes, then I could go further to the next question and so on. When Buffett started with the Moody's manuals, he was looking for things that were statistically cheap, but here an awesome business analyst mind. He could then go from there to looking at, how real is this? What's going on here? and all these things.

Itai: Thank you for that. We really appreciate it. A lot of students were interested in gangs and advice for you on how to sort of fund in the future. How do you initially raise capital for the fund, apart from the 0 25 fee structure that you highly recommend if you do not have, let's say, relatively rich friends and family to raise it from? How much capital do you believe that investor would need to sort a hedge fund today or to their money full time in the US.

Mohnish: Yeah, I would say that before we get to raising a fund question, what should happen before that is 10 years of 50% a year. If you, for example, had very modest amounts of cap, 50,000, 25,000, 10,000, at 50% a year, it becomes a significant number. If you have $10,000 and you haven't been able to do 30, 40, 50% a year for a long time, then I don't think you should even think about a fund or anything. The second is that, if you got an engine which is getting you those high weights in return, the power of compounding is such that if you never raised the fund, you would still be enormously wealthy. I think the first criteria to getting into the fund business is, you should already be independently wealthy. If you are not already there, it means that something's happened in the past where it hasn't been proven that you can do this. Now, if you're already wealthy, then I think you focus on the friends', family, and foods, especially the foods. Buffett says that if you have a great track record, they will swim to you in the middle of the Atlantic in shark-infested waters to invest with you. If you have done well, people will find you. You don't need to be great at raising capital. You need to be great at pounding out great returns. If you pound out the great returns, everyone's looking for those managers and they are trying hard to find you, and they will find you. When I started my fund, I had a million dollars from eight investors who actually asked me to manage money for them because I actually give them stock tips. They had done well with that. But then after I got the fund going, and the SCC puts a lot of restrictions, you cannot solicit, advertise all these things, but they don't stop me from talking to my existing investors. I can talk to my existing investors about anything. I remember the first annual meeting we had, which was like eight brave people around a conference table. We met and then we went for dinner. I told my investor at a time that, “do you know why you have been put on Planet Earth? Do you know your mission in life?” They said, “no, why don't you tell us?” I said, “you will put on Planet Earth so that you might bring in assets to Pabrai Investment funds”. That is your mission in life. One thing to understand about humans is, most humans have no idea why they're looking for a mission, so just give them the mission. I said, “please go to your closest friend and family and tell them about me and ask them to contact me. Then I can talk to them”. Because once people contact me, then I can talk to them. It's just that, I can't speed dial all the dentists in North Carolina and say, “Please invest with me”. SCC wouldn't like that too much. I just told them that was their mission in life, and they went out and executed on that mission. We went from eight investors to 17 investors to 25 investors, and we just kept going from there. Then when those new investors came in, I also had to educate them on their mission in life, and we just kept going from there.

Itai: Yeah. Thank you for that. That's very helpful. In the past, you've talked a lot about both Fiat Chrysler and about Ferrari. Stellantis today owns Ferrari and Fiat

Chrysler, and then Exor has a stake in Ferrari. Do you have any thoughts on either Stellantis or Exor?

Mohnish: Yeah, John Elkann, who's the chairman, is a good friend of mine. I know him quite well. Once I had a ownership stake in Fiat Chrysler. Anyway, I think one of my deep regrets is that I used to own like more than 1.3 or 1.4% of Fiat Chrysler when that first invested with a 5 billion market cap, put in about 70 million or so. Then they spun out Ferrari and I got 1.3 million shares of Ferrari that spin out. Again, my ownership of Ferrari was over 1%. Amazing! Every hundred Ferrari sold was for the benefit of Pabrai Investment fund investors. How utopian is that? Then in my infinite wisdom, overly focused on the PO ones Ferrari trading at 30, 40 times earning, I sold it. I think we made like a hundred million on Ferrari, but if I had done nothing, we would have like 300 million of Ferrari stock today, which would be very nice. I think Exor is a good allocator of capital. I think they've done some very good things with the way they've approached things. I think John is young, and I think he has a long runway ahead. He has a good team. I would expect that he will make good decisions and I think they will do well in the future. Yes, absolutely.

Itai: Yeah. Interesting. Thank you for sharing your thoughts on those. We haven't had enough updates in a while on the contest between you and Guy Spier centric realty versus MasterCard. How are you feeling about your position? I know it's still in the early innings, but how are you feeling right now about that?

Mohnish: I think I haven't looked at the numbers lately, but I would guess MasterCard is probably ahead. I have to go back and look at that, but I think it's a long and San Tech is actually just beginning to get hit its stride right now. There's a lot of tailwinds coming in. Their business has gone very capitalized. The night is young, and we shall have to see what happens in the next five or seven years. I think that I was much more biased toward the PO ones and all of that when I made that bet. I'm more biased towards the compounders now. I don't know if I would place that bet today, but I couldn't tell you which one's going to win right now. We'll love to see.

Itai: Okay, that's very interesting. Thank you for that. Then people are wondering if you've read a book that's mixed sleep rates really highly, it's called Zen and the Art of Motorcycle Maintenance. If so, what are your thoughts on that book?

Mohnish: Have you read that book, Itai?

Itai: I have not read it yet personally, but it's in my plan for the next one that I read probably.

Mohnish: Ok. Yeah. I did read Zen and the Auto Motorcycle Maintenance. I also found it difficult to read and I could not get out of what Nick Sleep got. Nick Sleep of that particular book had transformational value for him in a number of different ways. It did not have the same, I think towards the end of the book I started to understand more of it. I would definitely say that it's worth picking up the book and reading it, just to see if it is something that resonates. I couldn't get to Nirvana with Zen, but there have been other books which have resonated a lot with me and have helped me a lot. I think each one of us, our receptors are different at different times, and we are able to pick up different things at different times and then that can work. But the book was very successful. It got translated to many languages. I think the author was turned down by 50 publishers or something before anyone took a chance on him. Then it became a wrong way best seller. What I did find easier is, I switched from reading it to listening to it on Audible, and that definitely went better for me. The reading was going very slow, but I think it's worth reading. Sure.

Itai: Excellent. Thank you. Excited to check it out. For our concluding question today, what would you say your favorite books about either start up founders or former CEOs of companies?

Mohnish: Yeah, I would say Sam Walton's book is a really good book. Business biographies and business autobiographies is probably my favorite genre because I just loved them so much. For example, recently I read a book which was written by Sole Prices son. Price was the founder of Price Club, and Jim Senegal at Costco used to work at Price Club, then he started Costco, and then eventually he bought Price Club. They asked Jim Sinegal, I think a few years back, “what did you learn from Sole Price?” He said, “it's the wrong question, there's nothing I know that did not come from Sole Price, everything I know is from Sole Price”. I think when you go through business biographies and autobiography, there's a wide range. I really enjoyed the making of American Capitalist by Roger Lowenstein, but I think that there's so many biographies and autobiographies that have come out over the years that I think can help you along quite a way. I'm reading right now, this one Invent and Wander, this is the Bezos writing, but also the Intro by Isaac’s son is really amazing. I think whatever you can do to read about autobiographies of founders or biographies of entrepreneurs, I think that's, it's tremendous because you get to see things from the lens that they're looking at, and you can see them in so many different industries. Those are wonderful.

Itai: Absolutely. Thank you so much. Really appreciate it. We really appreciate you taking the time and your schedule to meet with us today. This was an extremely helpful session and this student really value it.

Mohnish: Well Itai, I'm happy and I think it was a fun session. It sounds like you did your homework and I think I enjoyed the interaction, and I enjoyed the question. Thank you very much.