Mohnish Pabrai's Q&A at The Harvard Business School Investment Conference on April 04, 2022

Alan: Professor Nori Gerardo Lietz is a senior lecturer of business administration in the finance entrepreneurial management unit. She presently teaches real estate, private equity and starting a private investment firm. I had the great honor of having Nori as a professor last fall. I would recommend her course to any RC's tuning in today. Prior to teaching, Nori had a long and successful career in private real estate investing until 2011. Nori was a partner and chief strategist for private real estate and partners group. She also founded and co-founded several firms in the past, including Pension Consulting Alliance, which became the largest real estate advisory firm in the world. More recently, she co-found Arête Capital another real estate advisory firm. As for our guest keynote speaker today, Mohnish is the founder and managing partner of Pabrai Investment Funds, family own investment funds that were inspired by the original Buffett Partnerships of the 1950s and our close replica of the original Buffett partnership rules prior to Pabrai Investment Fund (PIF). He was the founder and CEO of TransTech and its consulting systems integration company which he sold in 2000 during his investing career. Mohnish has written two books on value investing, The Dhandho investor and Mosaic: Perspectives on investing. He graduated from Clemson university with a degree in computer engineering and today he also serves as the founder and chairman of Dakshana Foundation, a charity focused on poverty alleviation through education. Mohnish and Nori. Thank you both for being here today. I'll give up the floor to you now.

Nori: Thank you. Alan, it's good to see you again. Mohnish, thank you for agreeing to take time on a Sunday to do this. You must have a looking at behind you. You must have a pension for cars. I see a brand new Ferrari, Maserati, Jeep.

Mohnish: They're all owned by the same company. In 2012, I had made an investment in Fiat Chrysler Automobiles, and at that time embedded within Fiat was also Ferrari and they had just done the deal with Chrysler in 2008. Basically, all of those brands, Alfa, Maserati, Ram and Ferrari and so on all within that same umbrella. I hated the auto industry all my life. I think it's a horrible industry. It ended up being a spectacular investment because basically, that group had about 140 billion in revenue and the market cap was 5 billion.

Nori: Oh my God, that's terrible.

Mohnish: Ferrari alone is like 60 billion now.

Nori: Well, kudos to you for finding that nugget in an industry that has been over the decades, highly cyclical. At times horribly unprofitable and requiring major bailouts, but I wanted to let's step back a little bit, you are characterized as a value investor and a follower of the Warren Buffett type investment strategy. What does that really mean? Then we'll dig a little into some of the other stuff that we had spoken about just previously, how do you characterize yourself? Are you like just another more Buffett?

Mohnish: The Dean or father of value investing is Ben Graham, who was Warren Buffett's teacher. Actually, Ben Graham kind of, people would think this is blast for me, but Ben Graham kind of led us astray. He led me astray for a long time. If we go back to Ben Graham, he got…

Nori: Maybe you should tell the audience who Ben Graham is. They may not know who he is.

Mohnish: Ben Graham used to be a professor at Columbia when he passed away in the seventies. In the great depression and the great crash, 1929 to 32, and then all the way to 38, actually his portfolio got clobbered. When his portfolio got clobbered, he went back and did a very holistic analysis of how one should invest, where there is very strong downside protection. There is very low risk and there is a disproportionate upside. He came up with a framework which was published in security analysis that it's gone through like seven or eight editions now. But the security analysis is basically the Bible of value investing. Ben Graham basically came up with this just two or three main ideas, which have been the cornerstone of how Buffett started investing. The first is that you're not buying and selling pieces of paper, you're buying ownership, fractional ownership of a business. You should think of it as if you were buying the entire business. That's the first mindset in terms of how you should think about buying and selling stocks. The second is that, you should insist on a margin of safety. All companies are worth sum of all cash they produce from now to judgment day, discounted by some reasonable interest rate. He said, “if you can figure that out, then you want to be buying it well below that price”. The third, which is probably a very important concept, this concept of Mr. Market, where Mr. Market shows up every 15 minutes, every 10 minutes, is kind of a manic-depressive character. He's continuously giving you quotes on any business you want under the sun, and your job is to make Mr. Market work for you and not the other way around. When Mr. Market serves you prices that are way too low, you should be buying and when it serves you prices that are way too high, you should be selling to him. Those were the cornerstones. Because he came out of the great depression and 70, 80% collapse in, indices, and so on. He came up with this net framework of buying things at two thirds of current assets, which would be really low, not been paying anything for plant equipment, net current assets. If you did that, you would do extremely well. Except those types of businesses are very hard to find today. I think where Ben Graham led us astray is his focus was to buy a business of 50 cents or 40 cents or 30 cents. Then as it approached its intrinsic value of a dollar, if it had not grown, then you sold the business. He was very focused on downside protection. In investing, what happens is you make the most money by investing in businesses which have long growth runways and significantly increase intrinsic value over time. For example, in the Ben Graham framework, if you were an investor in Walmart in the seventies, and if Walmart got up to like, 40, 50 times earnings, well before that a Ben Graham type investor would exit, and that would be terrible because kind of missed the forest from the trees. The idea is that if you own great compounding machines, you shouldn't actually be selling even when it crosses intrinsic value by 20, 30, 40%, as long as the nature of the business is very sound and robust. That particular shift, which is holding things above intrinsic value would be blast for me in the ground world. I, for most of my career, stuck to that intrinsic value being the kind of the red line. Right. I think it was a mistake. But like they say, you get old too soon and why it's too late. We finally figured it out, I think two, three years ago and now I have 22 years of runway left before I leave planet earth. We still have some room to make amends.

Nori: Is that because you have been, like I said, characterized as a value investor, whatever that means. There was a report issued in 2020 saying that you were kind of shifting your strategy, is what you just described about holding beyond intrinsic, whatever the quote intrinsic value is. I'm not even sure I know what that means. That describes change in philosophy in your organization where anybody market environment like we've had at least until December 31, which was really growth oriented. How can somebody be a successful value investor given valuations?

Mohnish: Value and growth are joined at the hip. There are two sides of the same coin. There is no such thing as growth investing versus value investing, all intelligent investing is value investing. If I bought a business which had a billion dollar market cap, and for the next 50 years would produce a hundred million a year in cash flow nonstop, and then disappear after that, I can use interest rates and such and come up with an intrinsic value for the business by discounting those cash flows back to today. If I were to buy another business, which had a billion dollar market cap, a hundred million in cash flows growing 10% a year, for example, and in 25 or 30 years, that business disappeared, I could also discount those cash flows back and I would come up with a value. Both those companies have a specific value and one would want to invest where the difference between what you're paying and what it's worth is greater. Now, the difficulty in investing is that figuring out future cash flows is really hard in most cases, it's impossible. But in a sliver of cases, you can get some semblance of putting some boundaries on, so, growth and value are the same thing for value investors. They would look at both my framework change. There wasn't a change in this growth and value. I have been a value investor which encompasses growth, since 1994, when I started doing this. There's no change there. The change was on holding things above intrinsic value. If I own a Walmart or I own a Amazon, and I have a fix on the intrinsic value, which is then intrinsic value, John Burr Williams designed it maybe a hundred years ago 92 years ago. Actually, he said some of all cash that's going to come out to the enterprise from now to judgment day, discounted by reasonable interest rate. That's the intrinsic value of any business. Holding above perceived intrinsic value, especially when the runway is very long and the business is getting better. That's the important change and that's the change.

Nori: Does that mean when you say holding, I'm a little confused, holding above intrinsic value suggests that you expect the value to continue to increase.

Mohnish: Let me.

Nori: It’s not holding above intrinsic value.

Mohnish: Let's go to the real world and let's leave the definitions behind because the definitions don't work in the real world because we cannot estimate future cash flows. I mean, if I asked anyone, what are the future cash flow, Facebook, what's the future cash flow, Berkshire Hathaway. There's no firm answer because it's unknown. Especially when you go five or 10 years out, it becomes really fuzzy. Let's go into the real world because we have to practice this art in the real world. In 2019, I was in Istanbul and I visited a company where the market cap was 20 million dollars to zero. And the liquidation value of the business was 800 million dollars.

Nori: Isn't that a mismatch?

Mohnish: I'm so glad you're awake now. Basically, this was a business and by the way, what happened in 2019 to me in Istanbul never happened to me in the previous 28 or 26 years of investing and will not happen again till I die, but it illustrates what I'm about to say, because this is a real case and I wish HBS does a case on this company. It'd be a fun case.

Nori: What is the company?

Mohnish: The name of the company is Reysas logistics, R E Y S A S. Reysas logistics was sitting at a 20 million market cap and my friend who's died in the world, Ben Graham investor. I had told him to just take me to all the companies in his portfolio when I was visiting Istanbul and he took me to Reysas. When we were driving there, he explained to me that the liquidation value of business was 800 million and the market cap was 20 million. I said, “is it fraudulent? Like, what are we looking at here? What's going on here?” He said, “No”. He said, it's really simple to value the business because they have 12 million square feet of warehouses. They're 99% lease to blue chip companies, Ikea, car for Amazon. On 10-year leases, inflation index, all of that, and any broker would give you a price on those warehouses. When you look at these 83 warehouses and you just look at what the market rate for these things, that's where you end up with about a billion dollars of value, about 200 billion of debt, and you end up with 800 million. I met the father and son run the company. They seemed like perfectly smart, honest people to me. I said, okay, if I try to buy the stock, maybe I'll get a hundred thousand dollar worth of something, some Mickey Mouse amount. What ended up happening is because Turkey is such a crazy market where people don't value things. I ended up buying a third of the company for 7 million, which we still own today. Now I gave you liquidation value. I didn't give you future cash flows, right? Because liquidation value is something I could hang my hat on. Right? I mean it's a real number. I didn't even have to go into future cash flows. But what I realized once I met the guys running the business is that they were really exceptional capital allocators. I looked at the long history of all the different things they had done, and it was remarkable every business they were in. It's not just the warehouses. They are the largest freight rail operator in Turkey. They have the largest truck fleet in Turkey. They're the largest forklift rental company. They have largest number of vehicle inspection statement stations, which are required every two years, number of great businesses and it was hard to value all those businesses because those are cash flows and stuff. It becomes fuzzy, but I didn't care about valuing those businesses because even if they were worth zero I still had the 800 million, so we bought the business. We bought one third of it. It's gone up five or six times in the last two, three years in dollars, still sitting at 10 cents on the dollar. It’s still a long way to go. But now we get to intrinsic value. I don't care about liquidation value, intrinsic value of Reysas. It's gone up since 2019. I think Reysas liquidation value now is about a billion, at least a billion and intrinsic value, which is because adding in what the father son can bring to the table, maybe it might be worth one and a half billion. What I wanted to say is that if tomorrow, a business like Reysas got actually valued at one and a half billion, and we had something like 7 million turn into 500 million. If that were to happen, I would not sell a single share. I would hold above intrinsic value in that particular case because the son is 37 years old and the son I think, is better than the father. What I'm trying to say here is now we have a real-world case. We were able to make the investment not worrying about intrinsic value. At least now, even when I take an optimistic view, intrinsic value, I would go above that because of the nature and quality of the business.

Nori: Well, let me ask you a couple questions about that. Basically the good news is you have hard assets, least with cash flow, as you can actually value to be comfortable with the liquidation value number. But Turkey is an interesting example of a case where the macro issues associated with Turkey, which is a wonderful and Istanbul - I love, Istanbul.

Mohnish: It's beautiful to talk about macro now because the inflation in the US is Mickey Mouse. Let me forget the US inflation.

Nori: Before we go, we'll come back to the US and talk about what's going on in the US. But in Turkey, you had a situation in which the president of the country had done some things that really did not help the macro-economic environment of the country, their currency tanked. You had sort of these confluence of events of working on doing things that were not the smartest thing in the world to do with respect to its country's economic situation. You go into an investment like that, and you have said that the micro trumps the macro, is that a fair summary of yours?

Mohnish: Yeah, actually Turkey is a very beautiful case to have this micro versus macro discussion because when I invested in 2019, a few things were very clear to me. It was very clear to me that inflation, which was running 50% a year, real inflation is 50% a year. The official rate is 25%, which is fiction.

Nori: Nonsense.

Mohnish: Yeah. We have 50% inflation a year, which means that currency will probably weaken at 50% a year. When we invested in Reysas in 2019, it was five Turkish Lira to the dollar today, as I speak to you, it's approaching 15 Turkish Lira to the dollar. I've had a 70% decline in the Lira in dollars. That investment is up six X in Lira, it's up 18 X, but who cares about the Lira? We care about dollars. Why did I invest when I saw a massive inflation? Because, so what was happening in Turkey and what is still happening in Turkey? Everyone in their brother has exited the country. That's part of the reason that it's actually the cheapest market in the world. I'm the most orgasmic about investing in Turkey versus any other place in the world.

Nori: I should tell the audience, they had it. Istanbul is a fabulous city.

Mohnish: I just spent three weeks in Istanbul and it was a blast. It was just awesome.

Nori: All of you that if you're trying to do your scheduled vacay as I know you all are, I would put assemble high on the list. The food's amazing.

Mohnish: The grilled blue fish from the Bosphorus, that's what, it's all about. The grilled blue fish. Okay. But anyway, let's get back. I've digressed. Basically, there are businesses in Turkey which benefit from inflation and there are businesses that get hurt by inflation. Reysas is a business that is actually a beneficiary. The crazier the macro environment gets, the better it is for them. For example, the government has artificially kept interest rates low, which is what is causing a lot of turmoil all their debt. They hardly have any, any debt now is at 14% in Turkish Lira, their leases, which get inflation index, rents every year, even at the official rate increase at 25%. And when the lease expires after 10 years, it goes to market rate. And so bottom line is the CapEx was done in yesterday's Lira. The revenue comes in today's dollars or euros or Lira, and Reysas is not hurt at all. In fact, I want this thing to continue because it gives them more tailwind. There are other businesses in Turkey, for example, there's a juice manufacturer where 98% is exported and revenue is in euros and all expenses are in Lira, and wages are not going up at the rate of inflation. The Turks are getting poorer, but that company has rising profits in euros, in the light of this macro. What I'm just saying is a lot of businesses, most businesses get hurt in this scenario. Most businesses in Turkey, I have no interest in them because they would be hurt, but some don't get hurt. Sometimes you get such a large margin of safety like I got with Reysas that I could ignore a lot of the macro events. I think that in the end, Reysas will be a huge home run. That is how I think of micro and macro. I look at the business, I look at what's going on outside, and then we take it from there.

Nori: Okay. That's a great example of your philosophy in terms of trying to balance the two, let's come back to the United States because most of the audience. We have seen, in a very short period of time, an extraordinary bump in inflation in a quarter, basically. The government bond yields are depending on which duration you look at, they're hovering around 2% while inflation is at seven or 8%, which is not good. I think we could agree with that. Right.

Mohnish: Well, if you're a fixed income investor buying treasuries, it's definitely not good.

Nori: It's really sad. What does this kind of portend for the United States and how do you feel about the US economy, which is for better or for worse, still the largest economy in the world. There's these numbers you have on the one hand fabulous employment numbers that just came out on Friday. The day before yesterday and inflation running looks like at 8% wages are going up, how do you make sense of all of this? Are we headed? We have growth, but are we headed to a recession? Are we headed towards stagflation? I mean, I know you may not think about it.

Mohnish: The way my little brain works is all these things cannot be figured out by my little brain and my little brain doesn't even try to figure them out. What my little brain does is, it starts with a business. It does not start with the economy and all the factors you mentioned. I hone in on a business. Let's say for example, I look at a business like Amazon, for example, I don't own Amazon, but let's take that example. What I am focused on is I just want to understand what a business like that looks like 5, 10, 15 years from now. For most businesses, I cannot figure it out. I can't do much here because I don't know what it looks like, once in a while we get some clarity on some business like I did with Reysas, for example, and we can step up. Before we even get to the macro, even if I say it's 2% inflation and 2% interest rates and nothing is, everything is beginning to go back, two, three years. For example, even in that environment, the difficulty is trying to figure out what the future trajectory of these businesses are. There's a small sliver of businesses based on circle of competence, I think I can figure out the trajectory with something like a 50 to 60% success rate, which means that if I made 10 bets, maybe five or six out of 10, I might be correct, and 40 50% I will not be correct in that, with those types of batting averages, the results would be great. I don't waste a lot of my time trying to figure out things that I know people who spend their whole lives on it can't figure out. That's just way about my pay grade. In Buffett's terms, I look for things that are absolute, no brainers that is hitting you in your head with like a two by four. It's absolutely, you don't have to think about things too much to know that it's going to work. That's where our focus is.

Nori: But I think it's important for the audience to understand, because you are perceived as a quote value investor. What I hear you say is that, that's not really the right characterization and the shift most recently away from growth, because the market in this past quarter has penalized growth a lot.

Mohnish: Yeah, but we are not concerned about one quarter here or one quarter there. I think if I look at the US, for example, the last time I made an investment in March, April, 2020 right when everything was imploding with a pandemic, but I only have one company in our portfolio that is in the United States and we made that investment in 2018. We made another investment in 2020, which we don't own anymore. But what I'm saying is that when I look at things in the United States currently, I cannot come up with things that are obvious investments that my little brain can understand. I go to places where things are a little bit more palatable and understandable, and I think a place like Turkey is great because there's so much fear that the baby got thrown out of the bath wall. If I spend my time on 50 Turkish companies, that's a more worthwhile thing for me to do than anything else.

Nori: I can't disagree with that because I look at the United States right now, and none of it makes any sense.

Mohnish: The thing that Buffett says is that if things don't make sense, there's no compulsion to act. In investing, we don't make money when we buy a stock and we don't make money when we sell a stock. We make money by waiting. We make money by being patient and we make money by picking our spot. Anytime something doesn't make sense, take a pass and it's okay to take a pass on 99% of stuff.

Nori: Let me ask you this, because it's really hard to take a pass. If you have capital, that's been committed to you, how do you deal with it, I mean, do you learn to just (for the audience benefit) you're living in Austin, correct?

Mohnish: Yes.

Nori: Do you just like to play golf? What do you do and what do you do with the money that's been allocated to you when you don't find if the market isn't there, that's, if the market isn't giving you what you want.

Mohnish: In a typical year, I may find one, two or three things to buy, and I may find one, two or three things to sell. It could be zero, It could be three. It's in that range. The job description is to read and think, not to act. I love reading and I'm reading all the time and the reading sometimes is directly related to investments and a lot of times it's not. To give you an example, I'm reading a book right now called the CEO factory, it's a great book and it may never have any relevance to any investing I ever do, but it was written by a guy who used to be with Unilever's subsidiary in India, Hindustan Unilever, which for 65 years has become compounded at 16% a year. It's a spectacular business and it's done way better than you have. I think I'm really enjoying that book. It's a great book. It's explaining why the company produces all these CEOs who do such great work in other companies. What I'm saying is that, I like reading, I like thinking I'm not particularly concerned that we aren't able to find anything this quarter or next quarter or whatever. If my investors are expecting me to be doing something every week in terms of buying or selling, well, they invested with the wrong guy and they will figure out they need to exit. I'm not particularly concerned about assets under management or what my investors think or will they take their money away and all of that. The way I look at it is that, if all my money under management went away, it's okay. I would just manage the money I had and that'd be fine too. I just have more resource for myself and there's nothing wrong with that. I just make Reysas half my portfolio and work from there.

Nori: Alan, I see you coming back on screen. I think you want to open it up to Q and A, is that correct?

Alan: Yes. I think this would be a good time to hand over to the audience. We have a couple of questions queued up already. Mohnish, you've talked in the past about using checklists in your investment process. What advice do you have for students seeking to create their own checklist?

Mohnish: Yeah, that's a great question. I created the checklist. I guess the framework I used, (this was about 14 years ago) was I looked at investments that were made by great investors where the results were negative. They lost money. That's really kind of public knowledge because we have 13 Fs they file when they buy, and 13 Fs they file by sell. We were able to figure out which investments Warren Buffett made, where he made money or lost money, or, a number of investors that we respect. Then the second question we asked is if an investment ended up with a negative return, was there data available before the investment? First of all, we try to understand why the investment did not work? then the third question we asked ourselves was that visible before the investment was made. Let's take the example of USA. USA was an investment Warren Buffett had made a long time ago and it did not go well in the end. He ended up not losing money, but for a while it didn't do well. The reason it didn't do well was he misread the moat. Southwest airlines had come in, they were low-cost provider and they really hammered US Airs Pittsburgh hub and so on. That was visible before the investment was made. It was related to competition and moats, misreading of competition and moats. What ended up happening when we created this checklist was, it fell into a number of very nice buckets. Why did investments not work? The single largest reason investments did not work was leverage. Leverage has been an Achilles heel for a lot of investors. The second biggest reason was some kind of misunderstanding on the more competitive advantage of the business. The investor basically misunderstood or basically couldn't really figure out that the Moat wasn't as deep and wide as they thought they were. Then the third issue was things like management ownership. There were issues with the nature of management or the nature of ownership, which again was visible before. Then you got into some other issues like unions and things like that. But these three were the big ones, right? Leverage, moats and management. The checklist ended up, I think currently the checklist I use has about 170 questions on it and it really carries more than its weight in a big way. When I've done the research on investment before I pull the trigger, I run the checklist. What happens is the biggest value it adds is they will usually be at least seven, eight or 10 questions, which I don't know the answer to. That's the biggest, I would say benefit of the checklist because it forces me to do more research and sometimes to answer those 10 questions might take another month or two of figuring it out. Then we can again go back and run the checklist when we have all those answers. Then we are able to see what are the weak points in the business, what could cause a problem? When we can see that, then we can make a go or no go decision, because there are no businesses which have no issues. Every business have issues. The question is how does it kind of lay out and how comfortable can you get with the issues surrounding the business? For example, in 2012, we invested in Fiat Chrysler and we knew the auto industry is horrible, but we also knew that all the union contracts had been redone and Detroit had become a great place to make cars and so on. The markets in India understand that. That's an example of digging in and going in, even when there were unions and there were competitive advantage issues and all of that.

Alan: Super interesting. Another question from the audience goes, I've learned from your Barrons interview and a few other lectures that you're a big fan of Seritage growth properties. You've owned it since 2016 and built a major position in 2020. Again, you had a good friend by also owning it, but you recently exited over two-thirds of the position while the price is still depressed. How did your view of intrinsic value change for Seritage? What data point made you change your mind?

Mohnish: Yeah, actually we don't own Seritage anymore, which makes it easy for me to talk about it. Basically, we bought shortage right when the pandemic was hitting in the second quarter of 2020, and the stock had collapsed. It was 30 odd dollars a share before the pandemic. It was kind of hovering between six and $9 a share after the pandemic hit, because there was a lot of concern about retail and footprints and all of that with all the lockdowns. I analyzed it and it looked really cheap and looked like there was very significant upside because they were redeveloping all the old sea space and such last year, I concluded that I had made a mistake in one part of the Seritage thesis. The one part of the thesis was that they are redeveloping all of these properties. It's really kind of like a company which runs in a hundred different countries cause each municipality and each city and location has its own nuances about how they look at the approvals and rezoning and different things that the company needs. I realized that at underestimated, how difficult moving that aircraft carrier with all those different geographies and battles. We had bought it so cheap that we still have very significant gain when we were selling. Because I saw that this was a flaw in the analysis and one thing one should always keep in mind, which you already talked about is, John Templeton used to say the best analyst will be right two out of three times. Probably more realistically in investing will probably be right about half the time. One of the things that's really important in investing is to be honest with yourself. When I realized that the redevelopment challenges are much more significant than I had estimated, I took my chips off the table. It was a mistake, but it was a mistake where we ended up with a positive result. But I think the big mistake was that in the second quarter of 2020, there were lots and lots of companies available that were cheap. We here, we ended up depending on when we were selling somewhere between 20 to 40% return on our money. I think we could have gotten a lot more with a different bet. That's the unfortunate part, the opportunity cost was high.

Alan: Another question from the audience is, I guess, how do you balance modelling your investment principles after someone else's success like data Warren Buffet versus building your own through experience?

Mohnish: That's a great question. I am what you might call a shameless cloner and I think it would be quite foolhardy in the investment world to not ride on the shoulders of giants. I think a lot of smart people, many of them dead have done a lot of heavy lifting and to try to sit down and create everything by yourself, nobody is that smart. Ben Graham put some frameworks in place. Warren Buffett has built on that framework quite significantly, and others will build beyond that. I think if I were to focus on Graham, Buffett and Munger, especially Munger, I think that's a tremendous framework to use. I'll give her some real-world examples of companies that are cloners that don't figure it out themselves that have done really well. Almost everything Microsoft has had success at, they have either stolen legally or illegally from some other company. They have a very large budget for their research labs, which in several decades have produced almost nothing, tens of billions of dollars being spent on research. But if you look at Word, it was lifted from WordPerfect. If you look at Excel, it was lifted from loaders one to three. If you look at Teams, it's coming from Zoom. If you look at Microsoft Edge, from Google Chrome and they annihilated Netscape and stole from them and whatever else on and on, money from Quicken that they never got much traction, even search Bing, what Bing stats stands for, Bing stands for, but it's not Google. Basically we would not have a business like Microsoft, if they said we are going to invent everything internally. Even when you look at a business like Burger King, so McDonald's has a large army of people who focus on figuring out locations, locations are really important for fast food and Burger King has two guys, and they just look at where McDonald's is putting up locations, and then they go and clone it. Those two guys and their dog do pretty well. Repeatedly you will find. If you look at Ryanair in Europe, they cloned the Southwest model and went from there. Many airlines around the world have blown the Southwest model. In fact, the only ones that have done well are the ones who have cloned the Southwest model. Anyone else who tried to do any other type of airline just fell flat and went bankrupt. There's something weird in the human psyche, which looks down on cloning. They think it's kind of beneath ourselves, like what you just said, we should do our own work. I think that's a very tough way to go through life. I like to go through life in an easy manner. For example, when I went to Turkey, I didn't go to Turkey and say, okay, I'm going to go visit hundred Turkish companies. I knew a guy who was a very good Ben Graham investor, who was very thoughtful, and he had already put money behind a bunch of companies. I said, hi there, let's go visit the companies in your portfolio because that's a winnow down list that has already gone through one brain. Even when I'm looking at, in idea generation, I look at data Roma, a bunch of investors.

I like to look at what Bill Ackman is doing. Everything Bill Ackman does, doesn't work. Some things work, some things don't, but we know there's a 50% adding average, it's better than throwing darts and picking stocks to drill down on. Cloning is a very powerful idea. If you embrace cloning, you will get a massive edge on your fellow peers and humans and people will look down on it and that's okay. We have no shame. We are shameless.

Alan: On that topic. You already gave away one. This might be our last question but are there any new fund managers you found admirable and recommend the students study to clone?

Mohnish: Yeah, I think there's always new managers emerging. One of the things about the investment business that is important to remember (Joel Greenblatt pointed this out) is when investment managers start out, they have very little capital. Sometimes they just have their own capital or their family's capital might even be just a million dollars or 5 million, very small amount. With 1 million, 5 million, 10 million, you'll be looking in nooks and crannies that a lot of other people don't because you could make a half million dollar investment or a hundred thousand investment, and it could move the needle. The great ones in that group, when they start compounding, by definition that five million's going to become 50 million and then 500 million, and they will no longer be able to make a hundred thousand bet or 500,000 bet, the bet size increases, which means they have to leave the bottom which gave them all the success. In investing, what happens is, the bottom continuously gets cleared out of great talent because the great talent moves up the food chain and the bottom gets available to the new emerging managers. There are some managers, I think Josh Tarasoff is one name that comes to mind. I like Andrew Wilkinson a lot. He runs Tiny Capital out of Victoria in British Columbia and he's at tiny.com. There's a bunch of these guys who are very well versed in the emerging technologies and looking in different nooks and crannies. There's a guy I recently became friends with. He's not a public equities investor, but he's really smart on the tech side. He's been making really astute, private investments into really, really tiny tech companies. I mean, these are companies that may be even a hundred thousand half a million of revenue but then he's able to help them grow that. I think that the great news about investing is that the bottom's always available. Then if you do well, you move up with the rest.

Alan: Mohnish and Nori. Thank you so much for being generous with your time and making this a great event for all students today.

Mohnish: Well, Alan and Nori, it was a pleasure to hang out with you guys and always fun to talk to HBS students. I think you've got other MBA students as well. Yeah. Wonderful.

Nori: And I thank you for your time, Alan. Thanks. And to the entire team that put this together. And I only have one question, so Mohnish, again, going back to the beginning and seeing all those car things on your wall, what kind of car do you drive?

Mohnish: Well, I had to go full Texan after moving to Austin. I just move to Austin. I just got a Ram Longhorn and it is so awesome. I got to know the owners of Ferrari when I owned the stock. It's a very deep regret of mine that I'm not a Ferrari kind of guy, but I felt like I made so much money on Ferrari that I should own a Ferrari. I approached them, usually Ferrari have two or three year wait lists. They said, Mohnish, we can help you with delivery. We cannot help you with price, Ferrari never discounts anything. I said, I wasn't looking at any discount delivery. Advancement is fine. I got my 488 spider Ferrari in 2018. That was such a joy and fun to own. But when I moved here because I live in the Hills and it's a very low car, it just wasn't practical. I got rid of the Ferrari and I got my Ram Longhorn for one fourth, the price. By the way, in the entire period I owned the Ferrari. It never went down in price, just stayed where it was, which was great. But I also have a Alfa Romeo Stelvio, which is great. It's got a Ferrari engine in it. I still have Ferrari in the garage, kind of camouflage and Maserati Levante. They're all part of Chrysler because I'm loyal to them and I'll always be loyal to them. But my favorite car is the longhorn.

Nori: Well, my son would applaud that because he's got a big truck. Pardon my French I'm Alan, I'm sorry. I know I'm not supposed to say that but I did have years ago a Maserati as well, so I have to confess that. Anyway, Mohnish, it was a delight to have you. Thank you so much for giving all of us your time and your insights. It was really appreciated and remarkable. Thank you so much. I don't know, we can't applaud. Can we Alan because no, the…

Mohnish: You can only raise your hand on zoom, but you can applaud, that'll be in the next release.

Nori: Thank you. Thank you. Thank you. Okay.

Mohnish: All right. All the best. Bye.

Nori: Thank you.

Alan: And with that, we conclude the 2022 investment conference. Just a quick address to the attendees. Big thank you to all the keynote speakers for donating their time and wisdom to us just making this an overall awesome event for students here and year out, same goes to our moderators. Thank you for volunteering your time on a Sunday to help us host this event and make it a great discussion and learning opportunity for our students. Big shout out to investment conference planning team and the broader investment club leadership board. We're doing a great job in organizing this event and the conference together this year. Thank you to the sponsors as well. Your generous support allows us to continue hosting events like these throughout the year, and last but not the least, thank you to all our attendees for tuning in today and making this a great event. We look forward to host you again next year, hopefully in person until then take care and bye-bye.