Mohnish Pabrai's Session with Massachusetts Institute of Technology - Brass Rat Investments on March 12, 2024

Kishan: This evening, we will have a chance to speak to Mohnish Pabrai known for his lunch with Warren Buffett, alongside Guy Spier in 2007. For the first few years of his investing career, Mohnish generated returns of over 70% compounded annual growth rate. He was born and brought up in India. He then studied computer engineering at Clemson University in the mid-1980s. Following his education, he worked for a few years for a company called Tellabs before launching his own IT enterprise. Over the years, Mohnish has written a couple of investment books. The most popular one is *The Dhandho Investor*, which a lot of people know of, especially within the value investing community. But for me, the more interesting book is called *Mosaic: Perspectives on Investing*. Apart from investing perhaps the most important thing Mohnish might be working on is his foundation - Dakshana. On a more lighthearted note, Mohnish has received a lifetime ban from a casino in Las Vegas for playing Blackjack and winning without counting cards.

I will hand it over to Mohnish to say a few words, but after that, we will kick off with a Q&A session. There is a lot we stand to learn. It is an absolute honor for me with over a decade of research into this world. Mohnish over to you, and thank you so very much for giving us this time.

Mohnish: Well Kishan, thanks for having me. It is great to be here. I am more curious to hear about what you guys have on your mind, so I will just keep the preamble short.

Last year Buffett, in his letter, highlighted that in a 58-year run at Berkshire, there were about a dozen investments that had really moved the needle; had made an impact on, and led to what we recognize as Berkshire today. Buffett said it was approximately one good investment every five years on average. Both Buffett and Munger were very hardworking. Warren is still very hardworking. Charlie was still placing bio-orders on a stock six days before he passed away. Even the day before he passed away, he was trying to close some grant to some institution. He was working till the end. But when you look at these two really brilliant off-the-charts minds, one plus one becomes 11 when they work together. When you consider that with them turning over as many rocks as they did, and working as hard as they did, it seems strange that they could only find a good idea every five years. The question is why is it so hard for people who are so talented and what hope is there for the rest of us and these dozen investments that Warren did not name but we can make a guess on are companies like Coke, See's Candies, Burlington Northern, the hiring of Ajit Jain and Cap Cities/ABC. One of the questions that comes up is why would there be just 12 outstanding investments, and so many mediocre ones, and several poor ones from these two geniuses who worked so hard and who are the best we have ever had and I have some thoughts on that. It is an area I am still kind of feeling my way through.

One of the things about investing is that we have to stay within our circle of competence. When we start young, the circle of competence is going to be pretty narrow, and it might be initially limited to a subset of products and services that you directly use and then, of course, as you get to know the way the world works by osmosis, that circle expands. As it expands and as you learn more things you can uncover more opportunities, but there is no easy way, or I would say prescribed way, to increase that circle. This is an area where you want to be an inch wide and a mile deep, rather than an inch deep and a mile wide because then you would have no competence if you were an inch deep and a mile wide.

If we look at the investment that Berkshire made in See's Candies, it was quite an investment for them. One of the first times that Warren paid three times the book value for a business. The family was looking for $30 million. Berkshire offered 25 million, and they also told the family at $25,000,001, they would walk away. Thankfully the family accepted their offer and See's became part of Berkshire Hathaway. Both Warren and Charlie have said that they were, at that time, barely smart enough to buy See's and it was quite dumb not to have been willing to pay up for a business like See's Candies. They didn't realize how good a business it was till they had a few years of experience observing how the business did. They got a very big education on brands and pricing power over a few years. Warren famously delegates; it is delegation to the point of abdication, as Munger says. The only area that he got involved in was on January 1st every year. He raised the prices of the candy every year. He had them send them the price list, and he would scratch out all the old prices and put in all the new prices and tell them, "Okay, this is the new price list for the year. Those prices were being raised significantly above the rate of inflation. What they observed was that the pounds of candy sold grew on average from the time they bought See's till about today. It has grown at approximately one and a half or 2% a year, which they found quite stunning because they were putting through 10, 15% price increases when inflation might be three, four, or 5%; something so significantly above inflation. The customers did not protest. It surprised them how much they were able to raise prices. See's is very heavily a California company. If we look at California's GDP growth in that period from let us say the mid-seventies to 2000, in those 25 years, California's GDP probably grew at a faster rate than US GDP and it might have grown four to 5% a year, at least in the seventies and eighties. See's was growing below California's GDP in terms of volume growth. It was growing ahead of California's GDP from a revenue point of view. Part of that might have been the very heavy price increase that they were going through, but also they were dealing in boxed chocolates with dedicated retail outlets, which is a very unusual formula, and a formula they have found very difficult to replicate in other locations. They have repeatedly tried to expand See's to other locations, and most of the time they have failed.

Even today, it is heavily a California story, but they got a big education in brands from owning See's. The investment in Coca-Cola which came about 13 years after the See's investment in the late eighties, would not have happened if the See's investment had not happened. In 1988 Berkshire Hathaway put one-quarter of its entire book value into Coca-Cola. It was a huge bet that they made on Coke, and they were very confident about that bet. The time it took to learn to make that bet might easily have been five or 10 years of ownership of See's. Then comparing a Coke to a See's is another exercise that would have taken them some time because these are not quantitative issues; these are very qualitative issues you get into. Even though we think Coke is a product we are very familiar with, and it appears to be a relatively straightforward, simple business, it is a very complicated business. If you look at Coca-Cola today, it was founded in 1886. It is 138 years old. Even after 138 years, it is an emerging story, with emerging market growth. In some countries, it has matured, while in others, it is very embryonic. Even after 138 years, Coke is not a mature company. It is still growing, and it is still expanding, and it has more than a hundred brands. The flagship brand still makes up probably 70, 80% of the pie even after 138 years of all these different acquisitions and different brands they brought into the tent, the core product remains a very central part. Understanding Coke to the point that an insurance company would put a quarter of its book value into it and consider it a total no-brainer brand is not something that would happen in a month or three months or something. The circle of competence they had went through a very significant shift because of See's acquisition. Of course, Coke and See's are very different in the sense that Coke travels well. See's does not travel. Buffett has said that one of the advantages Coke has is that it does not have an aftertaste. We cannot consume endless amounts of chocolate. After we consume some chocolate, our propensity to consume more chocolate goes down. With Coke, on the other hand, and some other products, they have that propensity to have it on a very regular basis, which does not go down.

If you look at a business like Burlington Northern, the railroad, for the longest time Buffett and Munger were very negative on railroads, and rightfully so. It is a very regulated industry. It is a very high capital investment. You have to take loads of toxic chemicals, which could cause you a lot of problems if there is a train derailment or something; you cannot refuse shipments of chlorine or something because you are concerned about that and do not get paid extra for it. Because you are a common carrier, you have to transport those things at published prices of other commodities. But again, they realized after studying it for a while, that there had been several changes and they were late to the party. For example, the change from single-decker to double-decker trains where they double stacked the containers and redid the bridges so that the taller trains could pass through, was a project that took many years to get done. But it gave the rails a huge advantage. Similarly, there were a lot of advances that came about in terms of efficiency of labor. When diesel prices or gasoline prices start going up, then rails become a lot more competitive than trucks. Again, it took them a few years to understand that there had been a big change in railroads, and they acquired Burlington Northern. They first bought the stock, but they acquired the entire business in late 2009. That was another example of something that took several years. When they finally figured out Burlington Northern, they had an edge, that the rest of the world did not have. When they figured out Coke, they also had an edge that the rest of the world did not have. Coke was at a single-digit trailing multiple. It had two very gifted managers who were running the place.

They had started to transform the way they were allocating capital. They were shedding all the non-core businesses. Coke had bought movie studios and shrimp farms in Thailand and all kinds of things under the sun, which were useless, unrelated, very poor businesses, and they were shedding all of those. It became a buyback machine. All those different kinds of factors coming together became what Charlie would call a lollapalooza, and one plus one becomes 11. It led them to understand that there was a huge differential between where the company was going to be, and what it was going to generate in terms of growth and cash flows in the future versus the past. It was the same with railroads. They saw a huge delta similarly with the utility business under that leadership with Greg Abel and David Sokol, or Ajit Jain coming on the scene running insurance. Each of these things was a big aha moment. In an investing lifetime, if we end up with two or three of these big aha moments we are doing pretty well. Investing is a game where there can be long periods where nothing is interesting, and then suddenly something shows up and you have an edge. You understand things better than the rest of the world does, or you have done a drill down, which has helped you understand it better than the world does. Then as Charlie would say, you go all in. Those opportunities come few and far between. Usually, they do not last for that long. It is a game of extreme patience with extreme decisiveness. That combination of extreme patience with extreme decisiveness may not come naturally to a lot of humans. I will stop there. This is a longer preamble than I wanted, but I just think that it is an area where when I look back at my investing journey, I can see that there were these moments, not that many in the last almost 30 years, and it was obvious that you had to step up to the bat and go big.

Kishan: Thank you because that video of Warren Buffett talking about Coke not having “taste memory” in 2007 was the reason why I went into the world of investing. Literally, that was my light-bulb moment. I want to ask you in all of this, the common thread is talking about how difficult it is to estimate intrinsic value, right? When Buffett bought Coca-Cola, all the analysts were bearish. Everybody had a price target that was nowhere close to what the intrinsic value of the business was and is. Today you have incredibly smart people looking at the stock. People are very motivated to make money and yet the analysts missed estimating the intrinsic value of Coca-Cola. I want to get a sense of why possibly you think it is like this, because effectively we are just doing a future present; valuing future cash flows, getting it to a present value, and then saying, “Okay, that is what it is worth per share.” Yet even with the same data, the same information people are missing. There must be plenty of stocks today, especially in the smaller market caps, which are just not being priced correctly. I am curious: I know you have studied people. I know that you have been disciplined about trying to understand this. I would love to get a sense of why you think this is.

Mohnish: Once you do the work, the intrinsic value would be very obvious. When Warren and Charlie looked at Coke, it would not have taken them that long to figure out that there was a huge gap between price and value, but they would not have been able to figure that out if they had not had the experience with See’s or with so many other things like they understood the notion of buybacks and they understood the notion of capital allocation. One of the things that Roberto Goizueta was doing was separating bottling from the syrup business and bottling from the concentrate; the two businesses he was separating them. The concentrate business, which is the one that Coke is in today, is like a software company; a product you create for a dollar gets sold for five or $10, and you can keep increasing the price on that. When they understood in terms of human population and in terms of countries and in terms of where Coke was in its trajectory and all of that, and they looked at that whole equation from where Coke was in 88, they saw a huge multi-decade runway. It has been around 36 years since they made that investment, and that runway is still going strong. If you look at a business like GEICO, for example, when Berkshire took control of GEICO, GEICO had a 2% market share of the auto insurance business in the US. It is a double-digit market share now, and it is knocking on the door of the first largest player. Once you have these, you will have aha moments. Many of them will end up being fake aha moments, which means that you go a little further into the rabbit hole and find that you do not have what you were looking for here, which is fine, but you will run into somewhere you go down the rabbit hole and you find that you can see things that almost nobody else can see. That nuance of being able to see something so clearly that the other six or 7 billion people on planet Earth cannot see by definition is going to be a rare event. But it does happen if you put your nose to the grindstone and you set conditions and criteria and you do the work, you will find inefficiencies and you will find anomalies, and then you can take advantage of those.

Kishan: I will come back to this part of the discussion later, and I will let the questions come in at that point, but, this weekend you attended the memorial service for Charlie. As I mentioned earlier, we were lucky. Charlie had confirmed that he would be speaking to us in January of this year. It was the happiest day of my life when I got that email. But of course, sadly he passed away. Learning about Charlie, spending time with him, and getting to know his friends as well, can you give us a sense of what you took away, especially with the undergraduates and graduates on the call? What are one or two things that you think you will carry with you and you want generations of your family to also know?

Mohnish: Well, they broke the mold after they made Charlie. We are not going to ever have another Charlie Munger. Charlie was a very unusual person on several fronts. In one of his last interviews, someone asked him, "What would you like on your gravestone?" He said, "I tried to be useful." That is exactly how Charlie went about his affairs. He was trying to be useful till the last day, 99.9 years. There is a book that came out a few years back by Adam Grant called *Give and Take*. Adam Grant said there are three kinds of people in the world, givers, takers, and matchers. The givers help out other people without expecting anything in return. The takers, who you want to truly avoid in your life, are the ones who want to just take from you without giving anything back. The matchers are the ones who like to keep kind of tabs; he did me a favor, let me try to do the same kind of favor for him, and they feel good about that. You want to eliminate the takers and the matchers from your life completely, and you want to be surrounded by givers. You want to be a giver. This year when Buffett wrote his letter, he pointed out that in 65 when he bought Berkshire Hathaway, and Charlie told him he had made a mistake by buying Berkshire Hathaway, he said, "It is okay, you made the mistake. I am going to try to help you fix it." Warren said, "Charlie had no ownership stake in Berkshire at the time." There were no plans for him to have an ownership stake, but he was going to selflessly help a friend. The selfless helping of a friend led to about 11 or 12 years after that of becoming vice chairman and a partner with Warren in the further evolution and creation of Berkshire. Of course, the rest was history. The one lesson is that you want to be a giver. You do not want to be trying to keep some scorecard and you do not want to extract from the world and try to be smart about it because the world will figure that out. That was a really big lesson for Charlie; he tried to be helpful to everyone he encountered in any sphere of his life. He was helpful at the Good Sam's Hospital. He was very helpful to Costco where he was on the board for 27 years and never missed a board meeting. He was very helpful to Berkshire, and he was helpful to countless students with all of the zingers and one-liners and all his writings and speeches and everything else. He tried to help investors become better and left us with a mountain of material to go through. That is one of the lessons. The other thing is that I learned more from observing Charlie as opposed to direct words. He said a lot of words to me, and he helped me in difficult times in my life quite a bit, which was great. But what I observed about Charlie was that every time I would see him, he was focused on a couple of problems he was working on at the time. Those problems took 200% of his attention. I try to remind him about his legacy. I tried to remind him about the huge body of work that he had created and all these accomplishments in the past, and he would brush it all aside. He was not interested in even thinking about all that or talking about all that. What he would be focused on is, for example, he was searching for a CEO for Daily Journal. He was trying to find a successor there, and he had his energies focused on that. For example, when he was designing the dorms for UCSB, I would go meet him and he would be working on the plans. He would ask me questions like, "How tall is the F-150 truck?" He was building a parking lot, and he wanted to make sure the F-150 could go through. He did not want to have it too much higher. was just constantly very focused on the topic at hand in front of him. That is another big lesson; we humans tend to waste a lot of energy on looking back and looking around. Charlie was trying to read as much as he could and put great content into that incredible brain of his. Then the latticework synthesizing of that was just incredible. I would bring up questions to him about Dakshana, where I was sitting on a fork in the road, and I had been noodling on this, and I did not know the answer, and before I had even finished articulating the question, he would already answer what the solution was and I would wonder why I didn't of that myself. It is so obvious. He does not know India and does not know all these things, but his answers are right. That is because he was pounding so much into his brain, and it was filed in a manner where the latticework of mental models was full on. He was able to pull from different models. It was just great to see that in action, and we have seen that in action at the Berkshire meetings. Warren would be rambling for five or 10 minutes, and Charlie would go one more effective line zinger. That is the way it is.

Kishan: Thank you. I will open up the floor to questions, but while that is happening I want to ask you about Dakshana because I have studied it. I was happy to say Prem Watsa is a notable contributor. I visited the Fairfax office just a few days ago. But I want to ask you about Dakshana and your vision for it because to me, this looks like you are investing in it and this is going to be your masterpiece. Have I thought about this correctly or is this just an experiment for now?

Mohnish: Well, in philanthropy, the rules are different. In investing, we try to go low risk, high return. We try to minimize risk as much as we can, and we try to maximize the return as much as we can. We want a huge delta in those two. If you want to make a difference in this world, on the philanthropic side, you have to go high risk, high return. It is a lot more like venture capital and it is a lot more swinging for the fences. The correct way to approach philanthropy is to go very bold and not be concerned if there is a high probability of failure. What you want is that if it works, it moves the needle in a major way, and if it doesn't work it's okay. For example, the Gates Foundation for decades has spent a lot of money on vaccine development, and so far they have nothing to show for it. But the thing with these vaccines is that if we get a malaria vaccine or some of these other ugly diseases humans deal with, it changes the game. The polio vaccine changed the game, the smallpox vaccine changed the game. Vaccines are an example of that high-risk, high-return type approach. When I started Dakshana we were going to go high return, and I did not know whether we would be successful or not. And I did not care. It was irrelevant. I am the shameless cloner; not just a cloner, a shameless cloner. Before I started Dakshana and discussed this with Warren, Warren had just set up his giving where he was giving 5% of the Berkshire shares he owned every year to four, or five foundations. Let us say he had half a million shares of Berkshire to start with. In the first year, 25,000 shares went. In the second year, it will be 5% of 475,000. Each year, the number of shares given is going down. But because Berkshire's intrinsic value is increasing at more than 5%, the amount he is giving each year on average is going up. If he lived for a thousand years, he would still be giving away money in effect, because the compounding is more than 5%. I said, "Oh, this is a really good formula that Warren came up with. I will clone this formula." In 2007 when our net worth was over 50 million, I said, "I do not want to wait till I am 70 or 80 years old to start giving money away. I will give away 2% a year, and above 50 million, 2% was at least a million dollars. One million dollars gave me enough ammunition to do something meaningful. In 2007 at that time, the giving was 1.3 or 1.4 million or something that year. I was perfectly happy if the money got torched, and nothing came out of it. When I was going to do this in India, I was a guy short in California who was running an investment fund. I was not going to move to India. I was going to have to rely on a team that did not exist, leadership that did not exist, a corrupt country, and all kinds of issues. I fully expected that every year, whatever money we would put in would just disappear. Nothing would happen. I felt like in 10 years of doing that, beating my head against the wall, I would learn something, and possibly in year 11, we would get some traction. After 10 years of hitting a head against a brick wall, that was a plan for Dakshana. What happened was we got traction in a few weeks. I ended up finding great leaders. I found by accident a great model. The model worked, and the partnerships with the government of India came about; all kinds of unlikely things that should have not happened. We never wasted; I do not think Dakshana spun its wheels and lost even $10,000. Life is great. Better to be lucky than good.

Kishan: I am looking forward to Dakshana because I secretly feel like the way you structured it going to the annual report there is much more coming out of this. This is something that I am going to follow and see.

Mohnish: Well, we will keep swinging for the fences, and sometimes we will miss, and that is okay. No problem. The ROI, the social return on invested capital at Dakshana, is so extreme. Off the charts that even if we become extremely sloppy on, the next five ventures we go into and they fail, we would still end up okay. Life is good.

Kishan: The present value of what you are doing and the present value of the lives you have touched is extraordinary. In one of the interviews you spoke about Fiat Chrysler and spending a few months going a mile deep in that industry. You came to understand Sergio Marchionne. In better detail, you have spoken to several company managers. By default, CEOs and CFOs tend to be good with people. They can convince people. My first question is what exactly have you seen that makes an exceptional management or CEO or a leader? My second question is how did you go about digging in and going a mile deep? For example, if you start with the 10K annual reports, do you call up the investor relations teams? Do you go through the transcripts? But beyond that, what else do you do? How do you become an expert in that field, perhaps better than most other investors?

Mohnish: First of all, figuring out the nature of management and the competence and capability of management is relatively straightforward. Do not go by what they tell you; what they say is going to happen. Just go by what has happened. If they have been around for 10, 15, or 20 years, it is easy to look at the track record so we can go back. With Sergio, there was a very long history. There were a few cases Harvard Business School had done on him and there was even a book about him; not about him, but it was on the Agnelli family where they covered Sergio. When you went back and looked at the body of what had happened in the past, there were about eight years of history of him being at Fiat. Fiat had cycled through five CEOs in the previous 12 months before Sergio came on the scene. Fiat was on life support. They were losing more than a million dollars a day. They had no money; the equity was gone. The banks were kind of closing in, all the walls were caving in. It was a business in very deep trouble.

Sergio came in and I just studied what he did and how he did it. He learned a lot from Lee Iacocca, and he took the Lee Iacocca playbook and replicated it. What Lee Iacocca had done, which was again when Chrysler was in deep trouble, is he got rid of all of his direct reports that he inherited. He went deep into the organization, sometimes 3, 4, 5 levels below him, and he pulled a bunch of 30-somethings; seven or eight 30-somethings, and promoted them to be his direct reports. There was this new young team and they headed out of the park. It was a very calcified business, and Sergio looked at Fiat very similarly. He was a good judge of people, and he was a great manager. It was very easy when you started diving in if the question was what kind of leader do we have here? It was very clear relatively soon that we have an extraordinary leader over here because he had already delivered incredible, miraculous results in the past. The Fiat Chrysler merger had already taken place three years before that. There were a lot of trademarks over there as well. It was not like I was coming in when the merger was being contemplated, they had already. It is a big undertaking to bring these two companies together and it had been highly successful that integration, and it was still embryonic where it was going.

Sergio had given five-year plans. He was telling you what was going to happen in 2017 and 2018, and what he was telling you was going to happen in 2017 and 2018 made Fiat Chrysler less than a P/E one, but no one believed him. No one believed when he put it in black and white in his presentations. Guys, this is my guidance for 2017 and 2012, Nobody does that in the auto business. Elon does it but he misses them usually, and that is okay. Just like with Coke and GEICO and others, once you go down the rabbit hole and you find that there is meat on the bone and you keep digging, the answers will keep coming. These were such well-documented, well-followed industries, with long histories, and Fiat Chrysler at the end of the day was a really simple business. They had the Ram franchise, which was bulletproof. It was an oligopoly. They had the Jeep franchise which was bulletproof. They had the minivan franchise which was bulletproof. The rest of it, they could just toss in the garbage. It did not matter. Then they had 80% of Ferrari. They had Maserati Alfa Romeo. When you started to put the pieces together, the market cap was 5 billion, and Ram was going to produce more than 5 billion a year in cash flow. Jeep was going to produce more than 5 billion a year in cash flow. Then everything else was going to produce something. It was very easy to come up with valuations, which was more than 10 times what the stock was. It was simple.

Kishan: All right. Yeabkal has a question.

Yeabkal: Hi, my name is Yeabkal. You have talked a lot about finding an edge and going down the rabbit hole when you find something that is abnormal or meaty. My question is, how do you know that something that you found is an edge? What makes something an edge? How do you know the difference between if this is specific to this certain company or this specific setting like how you talked about the See’s Candies company, where their business model fit mainly California's ecosystem and their growth, but it did not extrapolate to other places? How do you differentiate those kinds of ideas and how do you identify what is extrapolatable in those kinds of areas?

Mohnish: You have a big advantage over me in finding those great nuggets and those great future opportunities. The reason you have an edge over me is because you are young and you are in a place where there is a lot of change taking place. For example, landlines which you may not know what they are, and that is okay. The first people who disconnected landlines were college students. There was a time in this country when everyone had a landline phone. If you watch Seinfeld, you might see a landline phone. It was at the college campuses where the cord-cutting on landline phones happened first, and it came much later to mainstream America. That was a very gradual kind of 20-year transition. It used to be accepted wisdom that 2% of the population would subscribe to cell phone service. Once you reached 2% of the population you were at saturation because cell service was so expensive that nobody beyond that 2% could afford it. Also, the infrastructure and all of that made it hard. We are at a hundred percent today, or close to a hundred percent. Facebook started on the Harvard campus and it was only for Harvard students initially. Then they expanded to another Ivy League. MIT was probably right there, the top four or five campuses. The students at Harvard and the students at MIT knew what

Facebook was all about at least eight or 10 years before the rest of the old people like me. There was a huge advantage. What I am saying is the thing that you should do is make a list of every product and service that you have consumed in the last couple of years. What brand of clothing are you buying? What perfumes are you buying? What online services are you buying? Make a list of every dime. Do you go to Sweet Green for lunch? Do you go to Chipotle for lunch? The college students were the first to go to Chipotle. They knew about Chipotle before the rest of the world, a long time ago. If you make a list of everything that you spend anything more than 5 cents a month on, it is very difficult for a company to convince you to even give them $1 a year or $1 a month. It is very difficult. They have to prove themselves and they have to be something. Make that list of all the publicly traded companies that their products and services you are using today. If you go fast forward 10 or 20 years and just look at that list, there will be 50 baggers from that list. There is already a short list you have, and now you just have to work on that list. I cannot do that, but you can, you have a big edge.

Kishan: We have a thing called the Visiting Fellows Program. You can come in for three months and spend time on campus. I am just putting it out there.

Mohnish: It might help my wealth situation.

Kishan: We have three questions from the Q&A chat. One is from an anonymous attendee. Can you share your perspective on the impact of AI and how managers run their companies? What are some of the areas they should watch out for but just generally even in the investment world, AI is just huge. How are you thinking about this and what have you seen so far?

Mohnish: I am the wrong person to ask. You should ask your classmates. All the action that is happening in AI and all the changes that are happening in AI and what is going to change in the future, the MIT campuses front and center, how can I, sitting in Austin, hold a candle to that? I am so set in my ways and so hosed in so many ways, that I am the wrong guy. From a periphery point of view, I can just see that there are transformational impacts everywhere. There is so much happening. Just today, one of my friends was telling me that there is an AI app where it can outsource some work to India, but when somebody in India is talking about something in an Indian accent, this product will change it to a Native American talking in an American accent. The AI will just switch that whole thing to whoever's voice you want. You could have Morgan Freeman, for example, doing that for you. What I am saying is that all these things are happening at such a pace and it is so fast. For example, in the stock photography business; the images being generated through AI is unbelievable. The thing is, it already probably obsoleted the stock photography business. You guys, MIT media labs, are so far ahead on that. That is a great area to just look at what is happening on the campus.

Kishan: I was just remembering when somebody asked about Buffett investing in cars, they said, “I knew at least I should short horses.” But here it is like we have to short almost everything because the world is going to change in five to 10 years because of this.

Mohnish: Yes.

Kishan: The next question comes from Aruja Khanna. Thanks for coming, Mohnish. I just want to know more about if you try to strike a balance between financial return and impact at the Dakshana Foundation or if it is focused on social impact solely.

Mohnish: Well, I would just say that you want to have separation of church and state. I do not think you want to mix investing with saving the planet. A lot of people try to do that. When I am looking at philanthropy, I am looking at philanthropy. When I am looking at investing, I am looking at investing and the two shall never meet. It is two separate activities and two very different mindsets and trying to combine them in any way is not going to get you to the Promised Land.

Kishan: Aruja's second question was also interesting. He said, "It would be great to know a bit about an interesting aha moment in your career in investing. What was the one thing that hit you and you thought 'Okay, this is something'?"

Mohnish: When I was studying Fiat Chrysler at the time, I had a deep hatred for the auto business, extreme hatred. It is unionized, it is high CapEx, and it is subject to consumer taste. You may spend 3 billion trying to develop a car and nobody likes it. So much of it is commoditized. There is a lot of ugliness in the auto business. The reason I went down the rabbit hole is I saw that Ted Weschler had invested in General Motors, and I saw that David Einhorn had invested in General Motors. I thought, "Why would these two smart people invest in such a horrible industry that we all know is horrible?" I only went down the rabbit hole to try to answer that question because I said, it makes no sense to me. One of the things in investing is when things do not make sense to you, you have to stop yourself take some notes, and say, I need to go down this rabbit hole. The audience does not understand Seinfeld, which is very unfortunate, but Seinfeld wrote a book that I thought was a great book. It is called, *Is this anything?* Every day he sits down for an hour with a yellow pad thinking about anything that he has encountered in his life, which could be weaved into a story for standup comedy. Humans have all kinds of things going on, and if you stop to think about it, then it makes no sense. For example, there was an episode on Seinfeld where he goes to a car rental place at the airport, and he tells them he has a reservation. They tell him, "Sorry, sir, we do not have any cars." He says, "I have a reservation." They reply, "Yes, we have your reservation, but we do not have any cars." He says, "Well, if you have my reservation, you have to have a car," and that whole thing became an episode because he just noted down that sometimes people have a reservation and they do not have a car available. How do you correlate that? One time there was an episode about George's very thick wallet. He had a super thick wallet, and again, there was a whole episode on that. The thing is that he is writing down anything that looks like an anomaly or weird things about humans to him, and most of those may not pan out into something that turns into some great 10-minute or 15-minute, standup routine, but some of them will. When I encountered David and Ted Weschler at GM, it led to the work on Fiat Chrysler, which was a huge home run. Of course, one of the problems that came about in that huge home run was, that I missed it. The biggest piece of that home run was that Fiat Chrysler owned 80% of Ferrari. I did not even care that much about the value of Ferrari because I was focused so much on these other pieces, which were going to make the market cap in earnings in a single year. Ferrari was making a quarter billion dollars a year. It is worth like 3 billion, 4 billion if you want to be excited about it. But so what, 5 billion here we are going to have the rest of the business worth 40, 50 billion. I did not care about Ferrari, but I had a good return on Ferrari. I made it five, six times my money. But the big mistake I made was it should never have been sold from then till now. It is almost a 25-bagger, and it is 25-bagger on a $20 million investment which is about four or 500 million. That is more than chump change. I missed it even in that scenario when I was looking at these things carefully for so many years. That is the business we are in. We are in the business of drilling down anomalies. Just like I told the student, her job is to look at every public company that she is giving even a dollar a year or two and drill down on those.

Kishan: As Buffett said, focus is the most important thing in this business.

Mohnish: Yes.

Kishan: We have one last question from Tony Tian. He says, "Hi, Mohnish. Thank you for sharing your insights with us. Considering the significant impact of political events on investment climates and with at least 64 countries representing about half of the world's population expected to hold national elections this year, how should one navigate and capitalize on associated risks and opportunities in the 2024 investment landscape? Additionally, in your view, do the political essence and public sentiment outweigh financial fundamentals in the scenarios?" I will add to this, your Turkey play.

Mohnish: Oh, it is the wrong question and the wrong way to approach it. You need to start with a business. It is a big mistake to start high level and try to go down. That is not a good way to go about it. I had an interest in Turkey because there was a lot of dislocation at the time, and it was hated and unloved. When I made my first trip to Turkey, my focus was on meeting companies. I was just going there to understand what these businesses did. I love figuring out businesses. I did not care whether we invested in Turkey or not. I did not know. I did not even think we would ever invest in Turkey. In the last few years, I visited probably 70 or 80 listed Turkish businesses, and I did not care about the macro; whatever was going on. It was there in the background. Everything was on sale. Everything was very cheap. What I was looking for was the greatest businesses that were immune to any of the macro things that were going on. For example, we have a Coke bottler in Turkey or let us take a more extreme situation because Turkey is too mickey mouse to talk about. Let us say we have a massive thermonuclear event in the world. Thousands of warheads go off. Instead of 7 billion humans, we are left with 2 million humans. The human race is almost wiped out. Somebody somewhere will start bottling coke. The currency will be gone. Everything will be gone. I do not care if it is sea shells, but a person will be willing to trade some amount of their labor for an eight-ounce serving of Coke. In a thermonuclear event, which wipes out 99.99% of humanity, Coke is around. Are we going to care about the Turkish leave? No. That is completely irrelevant. When I invested in the Coke bottler, and when I started going to Turkey five years ago, it was five liras to the dollar. Now it is 32 lira to the dollar. All our investments in dollars are up massively. I did not care about the macro. All I cared about was that if you have a Coke bottler, people will be willing to trade a certain amount of their labor for an eight-ounce serving of Coke. It does not matter what the inflation rate is, it does not matter what the exchange rate is, it does not matter what anything is.

Kishan: That is cool. Now I have one final question for you, Mohnish. Describe a day in your life. I have gone through all the interviews that you have on YouTube. I have gone through everything else. I am genuinely curious about what a day in your life looks like. I see all the books behind you. How much do you read versus how much do you talk to people on average over let us say a month and, how do you condense this down in your mind? How do you ultimately decide, because you are going to have competing information coming from everywhere, opinions, and all sorts of information flows? Walk us through this. I am curious about this.

Mohnish: The only meeting or business thing on my calendar today was this event, and I do not think there is anything on my calendar tomorrow. One of the things I learned from Warren and Charlie is to be extremely good at saying "no." I say "no" to almost everything. I especially say "no" to anything related to a call or a meeting or anything like that. When I wake up in the morning, I do not want to have a predetermined agenda; this is my schedule for today or any of that. I want complete freedom. Then I can decide, are we in the middle of a rabbit hole and we can keep going down that rabbit hole or are we looking for the next rabbit hole or what do we want to do? It is very flexible in how the time gets spent. I love to read. The priority always is investment reading. If I am looking at a business or something, then I have a lot of things to look at and read. But in the lull periods when we do not have exciting rabbit holes, then we have got books that we can read and such. I may have read a quarter to a third of the books in my library. There is plenty of stuff on the shelves that I have not gotten to yet. I can always wander in any area into any subject and pick it up. I am a harsh grader, so a lot of books do not get finished. Bill Gates says that once he starts a book, he has to finish it and I would be just so hosted if I had to do that. Most books should be five pages long, and they are 300 pages long. All the content is in four or five pages. I am trying to get to those four or five pages of content that some idiot has buried somewhere. If a book does not grab me after a few pages or 10, 20, or 30 pages I may move on. I move on to another one and keep going from there. The idea is that Buffett and Munger try to operate very similarly. I saw this with Charlie, especially. Warren is very similar. He has his door closed, reading and doing his thing and he guards his schedule very carefully. He does not put stuff on the schedule. Less is more. It is really important. You should work backward. If someone tells you that you were 90 years old and yesterday, you died. Pretend you are your best friend and your best friend is going to write your eulogy. They are going to present this eulogy in about five minutes. It is a one-and-a-half page long to your close friends and family, and they are going to talk about whatever happened in your life and how great you were. The question to ask yourself is, if something is not going to make it in your eulogy, why are you spending time on it? Buffett and Munger, I noticed they were good at getting to the essence. There is a lot of wasted time with a lot of humans. People want to meet for lunch or meet for coffee or whatever else is going on. That just takes away focus, but, well, I am sorry to disappoint. There is just not much going on the way it is.

Kishan: That is a wonderful point to bring the call to a close. I just have one last favor. We are trying to get a reading list from all the speakers that we have. If you have a recommended reading list that you can share, we would be most grateful to you. If you could send that to us.

Mohnish: Okay.

Kishan: Mohnish, it has been a journey of over a decade for me to get this call. I just wanted to say thank you. I am deeply grateful to you and all of us here, we are just super grateful and lucky to have had this opportunity. Thank you.

Mohnish: Well, you are at a wonderful institution amongst the best in the world, if not the best. It is a great place to be, and everything that is going to change is happening there. You are at a front-row seat on all of it. You can uncover very big fortunes by just asking, what is that and where is that going?

Kishan: A side fact here is we have access to Moody's manuals from 1909.

Mohnish: That is great.

Kishan: Slowly, I am trying to get my head around.

Mohnish: That is awesome. Thank you for having me. It was wonderful. Thank you. Bye

Kishan: Thanks, Mohnish. We look forward to seeing you soon. Bye.