

Mohnish Pabrai's Interview at The Money Mindset on February 15, 2025

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Sonia: Hello. Welcome to The Money Mindset. The guest on my show today is someone I have been chasing for a while, and finally, he is here. He has flown down to India, and we have the chance to speak to him and understand a lot about his journey. Mohnish Pabrai, thank you so much for being here with us.

Mohnish: It is great to be with you, Sonia. I love the content you put out. It is so wonderful to be here.

Sonia: Thank you. I have been following your journey for a very long and it is inspiring. I aspire to be like you someday, to be an investor, a businessman, a philanthropist, and do all kinds of amazing work. But there is this whole section of the younger generation that perhaps has not even heard of you. Today, I endeavor to learn from you and to hear from you about your journey.

Mohnish: All right, well, let us get into it.

Sonia: Where do we begin?

Mohnish: Wherever you would like.

Sonia: As I said, investor, businessman, philanthropist. What best describes your journey?

Mohnish: I had a couple of industrial psychologists do a bunch of tests on me 26 years ago, and they concluded that "He likes to play games." Even though you put up all those different kinds of words to describe me, I would say the most accurate would be that I like to play games. They said, "You like to play games, but you like to play games where you think you have some edge to win. You pick the games, and you are a single-game player." I am not the kind of guy who would like to be on a soccer team. I play Bridge, for example. I play more single-player games. When you look at the Dakshana Foundation, I describe it as a game. Even if I look at Pabrai Investment Funds, I describe that as a game. These are all games. At the end of the day, I have always felt that life, for the most part, does not have a lot of meaning. We are randomly here on some blue dot, and we are here for some time, and then we are gone. We are here for a relatively short period of time, so try to make the most of it in that time and try to have the most fun. That is how I process it.

Sonia: Wow. This became philosophical very soon. I was hoping this would happen a little later in the show, but I am glad you brought that up because whatever you have touched has worked really well. Whether it is Pabrai Investment Funds, your association with Warren Buffett, Charlie Munger, and over the years, you have had a sort of ringside view on their life and

their journey. Tell us a little bit about that. How did you begin, and when did you first meet them? What was your association with them, and what has been your biggest learning from them?

Mohnish: First, I want to clarify a few things. There have been a lot of things that did not work, even though you are pointing out that some things have worked. I have tried many things in life. Usually, when I am trying something new, it is small, and if something is small, then it tends to be contained. If it is showing traction, then I can kind of press on the accelerator. There have been many endeavors that I have had that have not worked. In fact, the ones that do not work are the most important because they are the ones that actually teach you. The ones that do work do not teach you anything. I always cherish failures, and that has worked out well. In many ways, I feel like Forrest Gump. We are not supposed to be able to touch Warren and Charlie. We are not supposed to be able to be friends with them. They are these big icons and larger than life and all of that, but somehow I became friends with Charlie. I am not as good a friend with Warren, but I have a reasonable friendship with Warren as well. That is not supposed to happen. But these kinds of weird things happen, and I take it as it comes, and no complaints about it. It was wonderful because it enhanced the journey. It has helped me become a better person, and it has been wonderful.

Sonia: I remember in 2008, when I started my career, I read this article about you sort of paying \$650,000 with someone else together to have lunch with Warren Buffett. Of course, the amount was large then, but I was just so amazed to hear about that because people do not do it. Of course, it is a huge opportunity if you do get to have lunch with them. Tell us a little bit about that.

Mohnish: Let us say if you lived in the time of Gandhi, Newton, or Einstein, and if there was an opportunity to meet them for a meal, would you take that opportunity? For me, Warren Buffett would be of the same genre. Not quite Gandhi: he is a capitalist, and Gandhi is not. Unlike those guys, Warren, every year, was willing to take a bribe to have lunch with anyone. He would run a charity lunch auction. The way I looked at it was that I was trying to win the lunch from 2004 onward. I just kept not being the highest bidder. But, at that time, in 2007, more than 70 million of my net worth was directly attributable to the learnings I got from Warren. My perspective was, I have gotten all these learnings. I have never paid any tuition bill. What kind of tuition bill makes sense? I thought, well, if you paid 2 or 3%, as a pretty cheap tuition bill. It is not that much. GST is a lot more than that. My take was, why would I not want to pay that tuition? I felt like there was an opportunity to thank my hero in person. Not only do I get to thank him, but I get to break bread with him. I said, "Okay, we are going to bid for this and see if we can win this." As it turns out, from what transpired after that, it was buy one lunch and get infinite lunches free. Because it led to a friendship with Charlie Munger. I used to meet Charlie every couple of months for dinner. I became his Bridge partner and used to play Bridge with him at the LA Country Club. All these things were really surprising for me. I never expected any of it. When I look back, that was a total no-brainer and worked out great.

Sonia: What exactly happened at that lunch?

Mohnish: Well, one of the things that Warren does, he does these lunches every year, and he has now stopped. The last lunch he did went for 26 million, so I got

a great deal. There are no more lunches; he has done with those. Warren's perspective is that whenever anyone has won this lunch, they should, at the end of the lunch, feel that they got a bargain, and they should feel this was tremendous. He tries to do everything possible to make it an incredible experience for whoever has won the lunch. The way it works is that the rules are that you can come, you can bring up to six other friends with you, friends or family, whoever you want. He told us when we started to sit down, "I have got nothing going on all afternoon. I am here as long as you want me. When you get sick and tired of me, you let me know, and I will leave. There is no clock or anything." I went with my family. My daughters were 10 and 12 at the time, which is a great age. They both sat on either side of Warren. There was also my friend Guy Spier with his wife. There were six of us. Warren had the time of his life with my daughters. It was lucky that they were at that age because they were just old enough that they could comprehend a lot. He gave them a lot of pointers, and in fact, he gave them advice that they still remember and understand till today. For example, he told them that the most important decision they are ever going to make in their life is who they decide to marry. That stuck with them. It is not something I had to talk to them about. That was already done when they were 10 and 12.

Sonia: Why did he say that?

Mohnish: Well, for women, it is a make-or-break. Who your partner is will make a massive difference in terms of the eventual outcome, and he knows that. It applies to men, too, but it applies much more to women. A lot of women will make that decision with a lot of emotion. You need a balance of heart and head, and that is what is missing. A lot of times, it is too much heart, too little head. That balance is important. Otherwise, you are going to go off track, and then it takes a while to get back on track. He just had great advice. Any question we would ask him (which he also does at the Berkshire meetings), he converts these lemon questions into lemonade. You ask him a question that is maybe not that great or whatever, but his answer will convert it.

Sonia: Can you give us an example?

Mohnish: Yes, sure. For example, in the early 60s, there were actually three of them who did deals together or had some collaborations. It was Warren, Charlie, and a third guy named Rick Guerin. Rick Guerin kind of disappeared, for the most part, in the early 70s. I said, "Okay, there were three of them, and then it just became two of them." I did not know what happened to Rick. I asked Warren, "Warren, you and Charlie did all these different deals with Rick. What happened to Rick? Are you in touch with him, and how is he doing?" It was just a question I asked him out of curiosity. I did not have any agenda with that question. He said, "Well, Rick and I are still in touch. We play Bridge online. He just sent me a Christmas card and is very alive and doing well. Charlie and I knew very early that we would get very rich, but we were not in a hurry to get rich. Rick was in a hurry. He was a very good investor and still is a very good investor, but at that time, he was using a lot of leverage. He actually had margin loans." In '73, '74, there was a huge drawdown in the U.S. markets. Warren said that Rick got margin calls, and he was forced to sell his position. Warren bought Rick's Berkshire stock at \$20 a share, which was the price at that time. It had fallen from 40 to 20. Those shares are now worth 700,000 US dollars. It went from 20 to 700,000. It is a 35,000x since

then. He continued and said, "If you are even a slightly above average investor and you spend less than you earn and use no leverage, you cannot help but get rich over a lifetime." How simple is that? He converted a question I had about Rick. I was just trying to figure out what happened to Rick, and he converted it into a leverage. Later, what happened is that when I started playing Bridge with Charlie, Rick was one of his Bridge buddies, his buddy since then. I got to know Rick really well, and he passed away a few years ago. He was a wonderful guy. It just came full circle, and it was great. What Buffett did was that he would just look at any question or anything we were asking, and he would answer it in a way that would try to deliver a lesson.

Sonia: Two lessons that stayed with me in this. One is not to take leverage. It is not required. The second is, I guess you just have to do the basics if you want to get rich, which is to use the power of compounding and start your investment journey early. What else did he talk to you about? I am just trying to understand, what are the five or six things that you need to follow if you want to become a successful investor?

Mohnish: One of the things he talked about was this concept of the inner scorecard versus the outer scorecard. He said, "Do you want to be known as the best lover in the world, but internally know that you are the worst, or do you want to be known as the worst lover in the world, but internally know that you are the best? If you know how to answer that question, you are very far along toward being a success." The inner scorecard is a very powerful framework to use, which is that the way we ought to measure ourselves is by the inner scorecard. We should not really look at the way the world looks at us, because the world does not know about all the flaws and warts and everything else, we do. That is really the benchmark to use. If you use the proper scorecard to measure yourself, you are going to end up being a better person and have a better life. The other thing he said is, "If you hang out with people better than you, you are going to get better. If you hang out with people worse than you, you are going to get worse." There is a gravitational pull both ways. Most humans are not going to be willing to put this framework ahead of loyalty. But to have a great life, you actually need to be. This is not Warren's word, but my words. You need to be a harsh grader of humans. What you have to focus on is that when you assess your friends, you are going to find that they are in a whole spectrum, and you have to take deliberate action to increase time with the ones that are exceptional and decrease or even eliminate the ones who have issues or whatever where they are pulling you down in some way. That is a difficult thing for many humans because it goes against the principle of loyalty. But I would say the principle of hanging out with people better than you, in my opinion, trumps loyalty if your objective is to go as far as you can in life and have the best and happiest life. The thing with life is that we constantly reach forks in the road. Which fork are you going to take? If you have these frameworks, then those forks become much easier to navigate. They become simple.

Sonia: You are talking about the inner scorecard, right?

Mohnish: Yes.

Sonia: If you do figure out the hack of not letting the outside world affect you and having your own internal mechanism where you would rather prefer being

called not the best lover outside, but knowing that you are the best lover inside, you figured that hack out.

Mohnish: Yes.

Sonia: What does that actually mean? How do you take that forward into your professional journey?

Mohnish: That inner scorecard is going to form the baseline for growth because you do not have illusions based on what people think, who you are, and what you are. You internally know where you are at. Then you can make a rational assessment by saying, "This is who I am, and these are my strengths and weaknesses. I can do XYZ to play the game of life in a wonderful way." Having the reality of who you are and where you are is just very fundamental. You should not be that polluted by what people say. When we started talking, you brought up some of the things I have done, but I am more concerned about the things that have not worked. Because those are the relevant ones. We do not want to sweep them under a rug. It is easy to sweep them under a rug. Those are the ones that are truly going to teach you. I have always found that this is interesting about life. It is amazing how this has worked. There was a Roman emperor, Marcus Aurelius. In the first Gladiator movie, Marcus Aurelius shows up in the first five minutes (the old king), and he had a very difficult life. He spent his whole life on the battlefield. He had a lot of injuries, a lot of sicknesses, and a tough life. Throughout his life, he came up with a philosophy, and it is called the Stoic philosophy. He wrote a book called *Meditations*. If you boil Aurelius down to the core, he says, "To encounter misfortune and overcome it is good fortune." What he is saying is that whenever we encounter adversity, at the time we are facing adversity, we feel terrible. We would think, "Why is this happening to me? This is so bad." But what he is saying is that adversity, once you have gone past and overcome it, is going to lead to greater growth. I am going to be 61 this year. When I look back on my life, there have been lots of adversities. There has never been a case in my life where any of those adverse things did not lead to greater growth. It is stunning. The interesting thing about that is, now when I hit challenges or adversity, I am smiling through it. I am observing it and saying, "Okay, I know I am going through this. This is a bunch of nonsense, but I know what is going to happen on the other end. I do not know how and why, or when that will happen on the other end. I will get some fruits from all of this." That mindset has never failed me. In some ways, we should welcome adversity.

Sonia: But there is this difference between having a scarcity and an abundance mindset, in every way. When people are hit with adversity, if you have a scarcity mindset, you generally have a victim complex as well. Then you get sort of sunk into that. How does one move from a scarcity to an abundance mindset in all fields of life, whether it is in investing, personal life, or a professional journey?

Mohnish: It is not easy. Like I said to myself, the hack I use is knowing what Marcus Aurelius said, knowing that this has transpired in 20 different ways in my life in the past, and knowing that it transpired in his life in different ways. Faith is a big part of this. You have to have faith that the sun will rise tomorrow, and you will rise with the sun, and tomorrow will get better than today, and the day after will get better than tomorrow, and so on. You must have faith, and you have to put one foot in front of the other. A good piece of that

adversity is that you must confront it head-on. You should not draw the covers and withdraw. You must confront it and face it strongly. That is what is going to help you overcome, and that is what is going to help you get the best growth out of it. The beautiful thing about that philosophy is that there is never a downside in life because if things are going well and fine, everything is fine. But if things are not going well, that is even better.

Sonia: I want to talk about that. If you believe that there is never a downside in life now, when you extend that to say, making money, investing, you do go through several phases. You have been investing for maybe 30, 40 years now. I am sure you have seen drawdowns of 30%, 40% at some point in your investing journey. That is a clear downside. You can see it in your portfolio. What do you do at such a time? I am asking because we are in this phase in the Indian markets as well. When we are seeing a sort of the onset of a bear market, how do you hack that?

Mohnish: A long time ago, we were told, "If wealth is lost, nothing is lost. If health is lost, something is lost. If character is lost, everything is lost." You are only talking about the first part of the saying, "If wealth is lost, nothing is lost." We do not need to worry about the wealth part. It is a little different in India, but in the US, my father-in-law passed away, and when he used to visit us in the US, he used to say, "The US is the only country in the world where the poor people are fat." In Mumbai, we have never seen that: a fat beggar.

Sonia: True. It is rare.

Mohnish: But if you saw a fat beggar on a street in Mumbai, nobody would give that person any money. They will just look and say, "Why is he begging? He is already so fat, he should not be eating food."

Sonia: He is healthy.

Mohnish: What my father-in-law wanted to say was that in the US, poor people are fat, which is probably true. If you do an analysis, you might find that the caloric intake at the lower end of the population might be higher. The reason for that is that the US has a safety net. We do have a homeless problem in the US. It is a small portion of the population, probably well under a quarter percent of the entire country. Most of them have issues with mental health or drug abuse. If you take that out, it may be a much smaller number. What I tell people is that if you lose your job, for example, you are not going to starve because the statistics in the US show that poor people are fat. After all, the safety nets are there. There is a baseline, and things will take care of themselves. Even in India. When I was growing up, my parents were very poor financial planners. My dad went bankrupt several times as an entrepreneur, and they never had any savings. We had to rely on friends and family even for groceries and rent. They were tough times, but in the end, you pull through and move on.

Sonia: You never came from a family of wealth?

Mohnish: There were periods when we had wealth, and there were periods of time when we had nothing. It was a big roller coaster. My dad was an excellent guy at figuring out business opportunities and starting businesses, but he was very aggressive in terms of wanting to grow it as fast as possible; a lot of leverage. These things would blow up with some regularity. It was feast or famine because they never saved when things were going well. When

things were going well, they were living well and spending well; everything was going well. Then it would just crash and go the other way. One of the lessons I took from that, when I was an adult myself, is when I started working, 15% would be going into my 401k, my retirement plan, and we are going to keep that and going to continue to build on that. We are never going to have this type of situation. We look at that and we learn, and we take it from there. With the Indian markets, the markets are going down. Let us consider equity markets around the world. I am most familiar with the US market, so I will just give the US market example. From 1965 to 1982, the major index, the Dow, was flat. It was 865 in 1965, and it was 865 in 1982; 17 years zero. Then from 82 to 99 it went from 865 to around 12,000, an exponential growth. Everyone was double-digit and doing extremely well. Then from 1999 to 2012, zero. From 65 to 82, the US economy grew a lot. Some bad things happened, but a lot of good things happened as well. What happened is that in 1965 stocks were very overvalued, and in 1982 they were extremely undervalued. You could buy Coke for seven times earnings, Procter and Gamble for six- or seven-times earnings. Everything was very cheap; everything was in the sale. In 99, it again got overvalued. If we go back to let us say 91 when they started doing the reforms, the last 35 years, you will find long stretches where the Sensex is zero and you will find also some long stretches or even maybe not that long stretches where it is doing 20% a year, 18% a year. But when you average it out, it has had a tremendous run. The important thing to understand is that for most investors, they are not going to be able to figure out how to value a business. The good news is you do not need to figure out how to value a business. You buy a low-cost broad index fund and your dollar cost average into it or rupee cost average with the SIP every month, put some savings in, and you do not worry about the markets going up and down. You keep that plan. Now, this is not what most people are going to do.

Sonia: This is what I do. Long back, I stopped worrying about investing in direct stocks, and a large chunk of my money is in index funds because I have realized that when you average it over a period, you can never call the market. Just leave it to professional fund management.

Mohnish: The thing is you keep your frictional costs down. The good news is that the index is too dumb to know that it owns Google, and it is too dumb to ever sell it. It will hold Google for 30, 40 years, which an individual investor is not going to do. They are going to dance in and out of Google. Same thing here. It is going to own Asian Paints, HDFC, and Titan for a long time. The index is just going to own those things because it does not bounce in and out.

Sonia: But there is an argument here. Asian Paints and HDFC Bank are stocks that have not given any returns to investors despite being amazing companies.

Mohnish: For some time.

Sonia: In the last three, four, and five years.

Mohnish: Very short period.

Sonia: Yes, I agree. It is a short period; a time span of 30, 40 years. But I was talking to Ramesh Damani the other day, and he said, "Sonia, you will make money in mutual funds and SIPs, but you will be able to create real wealth when you identify stocks on your own."

Mohnish: Yes but let me give you a counterpoint. We have the Nifty in India. We had a little different Nifty in the US in the late 60s, early 70s. It was called the Nifty 50 at that time, which is not to be confused with the Indian Nifty 50. These were 50 ultra-blue chip high-flying stocks. At that time, the theory was that you do not worry about how expensive they are. You do not need to worry about anything. They are such strong businesses. You just blindly put 2% of the assets into each one and leave it alone. Now, there is some controversy over whether Walmart was part of the Nifty 50 or not. Let us just take the case that Walmart was one of those 50 stocks. It would have been a 2% weight of the entire index when you first started. Let us say now, a lot of the Nifty 50 stocks are from that time. They included companies like Xerox, Polaroid, and Kodak. These have gone to zero. A lot of them have gone to zero. If you take the entire Nifty 50 and take 49 of the 50 to zero, and you only leave Walmart the 2%, and you run it till today, it beats the S&P. It is a solid double-digit return with 98% of the portfolio taken to zero. What is the lesson there? I will give you an example. I know it is not an Indian example. Walmart, when it went public, Sam Walton had already transferred the shares to his family. The Walton family, at the time Walmart went public, owned 36% of the company.

At the IPO, Sam Walton has been dead for around 35 years. There are no Waltons who are in management at Walmart at senior levels or anything. There may be one or two on the board. Today, the Walton family's stake in Walmart is 44%. It is 55 years after the IPO, so 55 years after the IPO, the family's ownership in Walmart is higher than it was at that time. They have done extremely well. They are very wealthy. What the index does for you is it will keep Walmart forever for you, it will keep Asian Paints forever for you. You do not need to worry about it. What the index is also going to do, it will take out Xerox and it will take out Kodak. Every year, one or two of the losers will go away, and they will not always get it right. In that example, you only needed to hold Walmart at a 2% weightage in your portfolio 50 years ago, and just not touch it, and everything was fine. The single most important skill that an investor needs is patience. If you are the kind of person who loves to watch paint dry, you will do extremely well as an investor. If you get anxious watching paint dry, it is not going to work well, like, for example, HDFC and Asian Paints. For people like me who value stocks, they were ridiculously overvalued. I do not even know if they are currently fairly valued. They may be overvalued, but they are exceptional businesses. I wrote an article in 2000, where I pointed out how overvalued Infosys was. Infosys was ridiculously overvalued at that time. For a long time, eight or nine years, the returns to investors were zero. But if you ignored Mohnish and you just held Infosys from then till now, you did extremely well. It got past an overvaluation. The business kept growing and improving, and it has worked out very well. I had the same issue with Microsoft. From 2000 to 2012, the returns were zero. 12 years, zero returns. It was not just zero. It went from a 600 billion market cap to less than 200 billion. It was not just flatline; it was a serious drawdown and then coming back up. But for 12 years, if you just held for 12 years, you were zero, which is not a great result.

Sonia: There is also an opportunity cost.

Mohnish: Yes, there is an opportunity cost. But again, if you just held Microsoft from 2000 till today, it is not great. But you still had a 5, 6x.

Sonia: That is great. Well, for an average investor at least.

Mohnish: 5, 6x in 25 years is not that great. It is okay. But what I am saying is that Microsoft was one of the most overpriced companies. It was one of the best companies at that time in 2000, but it was very overpriced. It is like equities that they are going to get into some periods when they get severely overvalued. There will also be periods when they get severely undervalued, and there are periods when they may be normal. It is all of the above, and if you are a know-nothing investor, buy the index.

Sonia: What is a know-nothing investor?

Mohnish: A know-nothing investor is an investor who does not know whether a stock is overvalued or undervalued. I am just saying if the know-nothing investor just buys the index and the next HDFC or the next Asian paint is in there, we just do not know which one it is, but it is in there. You just let it stay in that index for 30, 40 years, and life is going to be great.

Sonia: I was watching an interview that you did recently where you were talking about Warren Buffett and Charlie Munger's style of investing. In that interview, you said one of the most important decisions you make is not the stock you buy, but it is how to not sell that stock. In other words, watching the paint dry. Do you still believe in today's disruptive world that once you buy a good company, you hold it in perpetuity or whatever your timeframe is, or do you need to keep evaluating every five, six years?

Mohnish: The interesting thing about that statistic is that some businesses have great moats and great cultures. We have a lot of history with these businesses where they have been around for decades, 50 years, 75 years, even beyond. If you were a stock picker, obviously, you want to be able to ride that business for as long as the fundamentals are in place. The question that comes up is, what is a signal and what is a noise? We have to separate the signal from the noise, and what an investor is better off doing is having a heavy bias toward thinking everything is noise. I would say that in general, if you bought a business fairly priced or underpriced, selling it just because it became overpriced, if it is a very high-quality business, may not be the most prudent thing. But if that business goes into what is obviously secular decline, then you have to get off the bus.

Sonia: Can you give me some examples? Like for now, if you bought, say, NVIDIA three or four years ago, is this a good time to be selling? Should you hold names like Tesla? Everyone is talking about Palantir and the kind of growth that we see there. How do you deal with some of these names that are kind of frenzied or buzzwords?

Mohnish: 99% of stocks should go into what Buffett calls the too-hard pile. There is a box on Buffett's desk that says too hard on it. He has a box where you can put papers in which is too hard. When I went to his office, I saw that box and I said, "Warren, the box is empty." He said, "Mohnish, it is not supposed to be empty." He took a bunch of papers and dumped them in the box and said, "See, it is full now." He was just kidding. If you ask me, "What does NVIDIA look like five years from now or 10 years from now?" It goes in the too-hard pile. It is not a question I need to answer. I only need to answer that question if I am going to invest in NVIDIA. Let us take NVIDIA as an example. There is a lot of buzz about it. The question I would have asked

and investors should ask themselves is, "What do you think NVIDIA's cash flows are going to be five years from now, 10 years from now, 15 years from now?" If you know these numbers with high conviction, then the next question would be, "Should you buy or sell NVIDIA?" The answer becomes obvious because you can look at those cash flows and decide the stock is too expensive or too cheap or whatever, and make that decision. I do not know what NVIDIA's cash flow is going to be 5, 10, or 15 years from now. It is in the too-hard pile. Palantir is in the too-hard pile. Tesla is in the too-hard pile. What I am saying is it is tremendous company, and it has done great. The valuation does not make sense based on current cash flows. But we have Elon, who is not human. Elon is constantly underestimated by everyone. Now he is fixing the US, and that is incredible. It would fall in the too-hard pile.

Sonia: What falls in the other pile? What are the stocks that are low-hanging fruit?

Mohnish: The good news with investing is that globally, there are 50,000 or more stocks that we can do extremely well. If we knew nothing about 99.9% of them, we would still have a few hundred stocks to look at that we could actually think about. If we just use the simple framework that I do not want to take risk, I do not want to make bets where I am making some assumptions on cash flow and where I do not have high conviction, then with 50,000 stocks, you can get whatever you want delivered to you on a platter if you are flexible. For example, six years ago, I started making trips to Turkey. I started going to Turkey because it was extremely cheap as a market. It was screening as the cheapest market in the world. I also went because I have a good friend there who is a kind of die-hard Ben Graham-type deep value investor. He is now the second largest fund manager in Turkey, and he was much smaller then. I told him, "Listen, I would like to come to Istanbul, and if you are okay with it, I would love to visit the companies in your portfolio." He said, "Oh, that would be a lot of fun, Mohnish." I said, "Here are the rules. Do not take me to see any businesses where you do not have money invested. I want to start with the business where you have the most conviction, the highest stake out of the portfolio you manage, and then work our way down." He said, "Fine, no problem." When I started visiting these companies in Turkey, the currency was very unstable, inflation was extremely high, and all the foreign investors were running to the exits. Mass panic, extreme panic. I focused on businesses where the currency is not relevant. There are some businesses that I will get to in a second, where inflation and currencies do not matter because it will kind of work itself out. The second thing that I did was, when I visited Turkey, I did no work on these companies. I decided I would work on these companies after I met them. I said, "At least let me meet them, know a little bit about them, then I will do the work." On my second visit in 2019, whenever we were driving to a company, I would start asking my friend Haider questions. "What is the company? Who are they, and what is the market cap? What do they do?" I am just trying to kind of understand the basics. One time he said, "Mohnish, this company we are going to meet, it is a company called Reysas. Its market cap is US\$ \$16 million. Liquidation value is 800 million. They rent warehouses to Fortune 500 companies. I said, "It is trading at 2% of value. Is it a fraud?" He said, "No, I have money in it. It is not a fraud." I said, "Why is it so cheap?" He said, "It is Turkey. Everything is cheap." I visited the father and son who run the company, and then I spent

the afternoon visiting their warehouses. You could have gone to any broker. They had like 60 properties, and you could have just said, "Okay, these are the properties. What is the value?" The brokers would have told you the value of these properties is US \$1 billion. There was 200 million in debt, and the liquidation value of that business was 800 million. Then I thought, "16 million. There is going to be no stock to buy. It is illiquid. For \$8 million, I got one-third of the company, which we still own today. The market cap is now over a billion.

Sonia: Wow.

Mohnish: The currency has collapsed. When I invested at that time, it was 5 liras to the dollar. It is now 36 liras to the dollar. In lira, our returns are infinite. I do not even calculate what it is in lira, but in dollars, that market cap went from 16 million to a billion. But now the liquidation value of that business is more than 2 billion, so they have increased the value of the business.

Sonia: What do they do?

Mohnish: They rent out large warehouses. IKEA, Amazon, Carrefour, Toyota, Mercedes, all of these companies have rented. It is a very boring, simple business. It was just extremely mispriced. Templeton Funds, at that time, in 2019, sold me 5% of the company for \$1 million because someone in New York told him that he should exit Turkey. What I discovered is that I was just buying the business. I did not do a lot of work then because the value gap was so large that I did not really need to understand a lot more detail about it. Over the years, I met them several times, and I studied the business more. What I discovered is that it is not just a cheap asset. They were very good capital allocators. They were very creative. They had entered several different businesses, and they had always ended up being number one, number two, or market share. This business is a business that we will not sell. The fund will not sell this business. We will sell when the founders sell. I meet the founders once a year. I tell them, "This company, Reysas, is my family business. I am not in management. I am not on board. I do not have any say in business. I do not want any say in business. You guys keep running it the way you want because if you get me involved, it will be worse, and I do not have to do anything." That is the other beautiful thing about public equity investing. You have to do no heavy lifting. You do not need to run the business or any of that, and you do not need too many of these in a lifetime. Charlie Munger usually says, "You are going to get a trip to the pie counter. Very few times in your life when you go to the pie counter, you have to load up on a lot of pie because you are not going to get too many trips to the pie counter." When you look at a business like NVIDIA, the question you ask yourself is, "Is this a trip to the pie counter?" The answer is 3 trillion market cap. I do not think so because for it to be a trip to the pie counter, that 3 trillion market cap needs to go to 100 trillion. 100 trillion is a really big number; it exceeds the market cap of the entire United States market and is many times the Indian market. We do not have any businesses like that because we deal in auction-driven markets. Think about it this way: You go to watch a movie, or you go to watch a play, and there are certain rules in this theater. Every seat has to be occupied. You bought a ticket to watch a play and you got your seat. You paid \$50 for your ticket, and you are watching the play. There is some smoke in one corner of the theater, and the fire alarm has gone off. Everyone is rushing to the exit. This theater has

special rules. You can only leave your seat if somebody else takes it. You paid \$50 for that seat. How much do you think somebody would pay you to take that seat, not \$50, not even \$1?

Sonia: Because now there is smoke.

Mohnish: Yes, there is smoke. That is the stock market, because every share has to be owned by someone. If a company goes through any kind of temporary distress and the investors run to the exit, somebody else is buying those shares and going into the theater because they have the same information. They have the same information and say, "Oh, you are running out of the theater. Do not worry, I am going to go into the smoke. It does not really bother me. I am okay." We are looking for theaters where there is an illusion of smoke, not real smoke. Many times, the smoke will be real. We do not need to go there. But occasionally, there will be illusory smoke. The reason I went to Turkey was that I sensed that when you have a mass exodus going on in the theater, the baby is going to get thrown out of the bathwater. A lot of good things will go away with bad things. At this point, I only have two businesses in Turkey in my portfolio, and something like 60 or 65% of the portfolio is Turkey. I told my investors that we are not going to sell these businesses. They can sell their stake in the funds to bring down concentration, but we are not selling because trips to the pie counter are few and far between each other. I am pretty sure, till I pass away, I will not find another business at 2% of liquidation value. That happened only once in my life. One and done. But for every investor in the market, there will be a few times in your life when you will clearly see that this is a glaring bargain, a great opportunity.

Sonia: You have to keep your eyes and ears open.

Mohnish: You have to do it in some size at that time. Buffett says, "When it is raining gold, do not put out a thimble. Put out a big bucket." You have to capture those moments.

Sonia: That is amazing. This has been like a master class in investing and in life lessons. You started the conversation by saying that life has no meaning. Tell me more about that.

Mohnish: It is not really my philosophy. A lot of religions would get to that in the sense that we are circling a mediocre star on a mediocre planet in a mediocre galaxy in the middle of nowhere, moving closer to the edge of the universe. The fact that somehow life was created and consciousness was created is an unusual event that took place. But we must put it in context. The thing is, we are here for a short time, and a lot of randomness in life. I do not think there is a grand plan in the sense that a lot of this is just the way things happen.

Sonia: If life has no meaning, then why do people chase fame, money, and success?

Mohnish: They have not thought about it enough. The way I think about it (and that is probably why I became a game player) is you should try to leave the Earth a better place than you found it. You try to improve it in some way so that future generations have a little better time. Then, I feel that to pass the time, just do interesting things that you are excited about. I am excited about playing games, and that is how I approach things; and it works for me. But I believe each person is built differently, so they can figure it out. I would say

the first step would be whether you agree or disagree with the meaninglessness of life. If you agree with it, then the next step would be, how do you give it meaning? How do you make it so that it becomes a fun time in the brief time that we are here?

Sonia: When you say playing games, do you mean that everything you do is like a game for you and that is why you enjoy it, because you do not attach any outcome to it?

Mohnish: Well, no, the outcomes are important because games have outcomes, and outcomes are relevant. Scores are relevant. But what I mean by games is that, for example, it is a big advantage to know when you are going to die. In my case, I am going to die on June 11, 2054; a little less than 30 years.

Sonia: How do you know that?

Mohnish: If you go on a website like MetLife, which is an insurance company, you answer about 15 questions, and they will tell you your life expectancy. Now, I have added some bells and whistles to it. I said, "Okay, my birthday is June 12th. Maybe I will just go one day before my birthday." It is kind of a round number. How many years? Instead of saying 2054, I can say June 11, 2054, to make it more precise. The two games I am playing that are relevant to that date are that I have one engine that makes money, creates wealth, and I have a second engine, Dakshana, which gives the wealth away. What I want to accomplish with this game is that one day before I die, June 10th, there should be \$10,000 left. The compounding engine will hopefully keep generating a lot of wealth, and the give-back engine, which is now about 16, 17 years old, needs to scale up over time and also give it away. I do not want to just give it away. I want to give it away in a way that does the best for society. On the compounding side, I want to try to play the game the best way I can to try to increase the value for my investor, the best I can with the lowest risk. To me, the reason it is a game is that I could have retired when I was 33. From then till now, all the wealth that has been created is not going to be consumed by me or my family. It is really going to go back to society in some way. In effect, from that point onward, it is really abstract. This is a lot of Buffett influence, where he also says the money he has cannot make him happier by spending it. Whatever happiness he can get by spending money, he is already spending, but 99.999% of his wealth cannot help him become happier. He is already very happy, and so it will go to other uses and causes, and that is fine. That is how I think. You start with meaningless, then you say, "Okay, let us play games that we enjoy."

Sonia: If beyond the point, money does not give you happiness, why do people keep chasing more and more wealth?

Mohnish: If you talk to the sages living in the Himalayas, who have given up everything (someone like Paramahansa Yogananda, Swami Vivekananda, and all these guys), in my opinion, they must some of the highest levels of evolution for humans. For the most part, they transcended the physical. They figured out that material things are not going to lead to greater happiness. Other things were going to lead them to greater happiness, and they pursued that path. Someone like me cannot be as evolved as they are. I am very far away from that. But the more we go toward that, the greater the satisfaction we are going to get. A lot of people just do not think about it. For example, it is very clear to me that I do not want to have multiple homes. It is also very clear

to Warren Buffett that he does not want to have multiple homes. He feels that multiple homes just create more work and issues. If I have to go somewhere, I take a hotel room or rent a place, and it is fine. To me, it is easier. I have friends who have multiple homes, and they live that life and they enjoy that life; more power to them. But what I always found is that less is more.

Sonia: It is a journey toward detachment.

Mohnish: Not so much detachment, I would say. I am never going to get detached like the way the swamis are. But I always ask myself if I am going to do X or going to go to X place or meet X person, is that going to make me happier or not? I always use that as a benchmark. In fact, if I meet someone for lunch or tea, I always do a postmortem after that. I say, "Okay, that happened. Do we want to repeat that? Did we like that? Do we not like that?" What ends up happening is that you winnow it down to a set of people that you truly enjoy spending time with, have a lot of satisfaction and kind of commonality, and you go from there. I would say less is more. A lot of people just do not think about it. A lot of influences come on people. You have media and advertising and all these things telling you what you should want, how you should live, and what kind of life you should want. You should always want much bigger homes. You should always have much better cars. You should have a great vacation. I feel like I am on vacation every day. Many times, I feel like if I go away somewhere, it is worse than just my daily life.

Sonia: You have hacked it, Mohnish. You really hacked it. It is not so much about the money you have made, but it is about the mindset that you have sort of gained over time, right?

Mohnish: Yes. It dovetails with the inner scorecard because you are not looking at what people will think. We are completely disregarding what people think. We just focus on what is going to work better for us and less good for us and just do it that way.

Sonia: Wow, okay, that is interesting. It is very interesting, actually. What really stayed with me is, of course, the inner scorecard, and when both you and Warren Buffett think that beyond a point, money does not really buy you happiness. In a sense, try to give back to society in every way. But if you had to distil all the learnings that you have had in this amazing life of yours, where you started with your parents becoming bankrupt, and then you went on to compound your money phenomenally well and get into different markets and build wealth for yourself. If you had to distil this entire journey into two or three key life lessons, what would they be?

Mohnish: Well, one of the most important things is to know yourself. That is not easy because we do not come with the owner's manual. Understanding who we are, what we like, what we dislike, what we are good at, and what we are not good at, then it is a pursuit of passion. If you have a job, the question to ask yourself is, "Would I do this job if I were not getting paid?" If the answer is no, then it is the wrong job. Daily, what you are spending time on should really be something that is a passion.

Sonia: But do you think you can say that now because you come from a place of privilege, because for a lot of people, jobs are a means to an end, and

despite not having passion, they still have to pay their bills and put food on the table, right?

Mohnish: Actually, it is a great point, and I will dissect that a little bit for you. When I was 25, I worked at a company making like \$40,000 a year. I knew that I was not fully satisfied with what I was doing with them. I had an idea of a business, and what I was doing was I was working on that business while I was working at the company. What I used to do was I did not have any money, so I used to work like 6:00 in the morning to about 9:00 in the business. Then, when I would come back in the evening at six till about midnight, I would work. Then, on the weekends, I would work on the business. If I had client meetings or something, I would take half a vacation day or one vacation day and meet them. I did this for nine months. This was the third startup I had. The first two never went anywhere. I lost maybe \$2000-3,000, and they went away. With the third startup, after nine months, I had a few clients, and I could see there was enough cash flow that was slightly above my salary. I was dying to do it full time. I said if I can just do 70 hours of it and give up my job. But if I were going to leave my job and do that, I only had a guarantee, or even a pseudo guarantee, of that cash flow for about three or four months. All I knew if I left, there were four months of work and contracts. After that, it is unknown. But I used two or three kinds of data points and principles. I researched US bankruptcy law at that time when I was going. I had applied for every credit card I could get. I had \$70,000 of credit card limits I had not yet used. I had 30,000 in my 401k that I had not yet used. I knew that once I left, the paycheck would stop, and this money would start getting used. I knew at some point there would be 70,000 in debt, so my question was, "Okay, if the business fails and I have to go back and take a job, what do I do with the debt?" I researched and found out that I can declare personal bankruptcy, and it will be wiped clean, and I get to start over. I said, "Okay, that is good. I am qualified, and probably in a month or two, I can get a job. We are going to go for this. I am single, we have a shot, and we are going to take the shot."

Sonia: You took the risk.

Mohnish: I did not see it as a risk. Entrepreneurs do not take risks. I saw it as pretty low risk. I went in to resign from my job, and I told my boss and his boss, "I have a company that I formed. It is not competitive with you in any way. I am going to go work on that." They told me, "When it fails (not if it fails), please come back. We will give you more money and a promotion. You do not need to look for another job." I thought to myself that this is actually better than I thought because the day it fails, I am back to where I was.

Sonia: You have a backup plan.

Mohnish: This is even better than I thought because I will not lose one or two months looking for a job or something. I will be back. Both of them later joined my fund because they saw I never came back. That business took off. When you are saying that I am in a certain place, when I decided to pursue my passion, there really was no big safety net. I just knew that a few things were going on, which is what most entrepreneurs have. They do not have a lot they can hang their hat on when they are going for it. If it did not work, I knew what plan B was and what I would have done. Let us say if it did not work, go back to work, and come up with some other idea. Mornings, evenings, keep doing

this. One more shot, make some savings, and go again. That is what I would have done. But it just worked, and then I never had to look back from there.

Sonia: Wow.

Mohnish: I do not think you are ever going to be in a situation where, unless you are born with a silver spoon or whatever, you can just jump into something without really taking some risk and some time. But I thought the risk was low.

Sonia: But it was calculated in a way.

Mohnish: It was calculated, and that is one of the things about entrepreneurs. Non-venture-backed entrepreneurs do not take risks. They are careful about this stuff. It is not just me because they think about these things carefully. I knew that I had a degree, I had qualifications, and there were a lot of people who would want my skills. I knew all that. I knew that it was not going to be like there was nothing. I also knew that I was not yet married, there were no kids, and therefore it was an easier decision.

Sonia: Lesser responsibilities. Absolutely. Let us wind down now. From your vantage point, since you have had this amazing journey where you have had access to some of the best, brightest minds in the investing world, what is your definition of a life well-lived?

Mohnish: A life well-lived is when you leave planet Earth better than you found it. It is really important to be a good parent. One of the biggest responsibilities we have is that we are in a position to have a huge influence on some very impressionable lives. There is no substitute or anything for good parenting. You have to be a great parent. No matter what else is going on, you have to be a great parent. Then, beyond that, pursue your passion and do the best you can.

Sonia: When you say great parent, what is the definition of a great parent? I am a parent as well, so I would love some advice on that front, considering it is a very tricky time right now when you have toddlers and children who are all over the place. What would your definition be of a great parent?

Mohnish: Mike Tyson says, "Everyone has a plan till they get hit in the face." We are not going to have a plan with kids. But in general, just being conscientious and understanding that you have got these very impressionable lives and that you are responsible for them, you have to do the best you can for them. You have to help them. For example, I had read a book, just before my daughters became teenagers, called *The Hidden Logic of Teenagers*. One of the most important influences for kids after the age of 10, 12, or so is who their friends are. We end up not having much influence fairly early in their lives. Even after 12 or 13, we do not have much influence. What we have to do is we have to control without them knowing that we are controlling who their friends are. If you want to control who their friends are, you have to first understand who their friends are. You do some hacks and some tricks. One is to open your house anytime for pizza for everyone, or volunteer to drive them and their friends anywhere. What happens is that when you are in the car driving with teenagers (I did not believe this when they said it in the book), do not speak; be absolutely silent. In about three minutes, they will forget that you are in the car, and they will start talking as if you are not there. The second thing the guy said is, no matter what you hear, do not

respond because then they will know you are in the car. Your job at that point is data gathering.

Sonia: Just absorb.

Mohnish: You will be shocked at the data you are gathering in those car rides. Those types of things will tell you whether your kids have the right friends or not. In the case of my younger daughter, she was in an art school. She was very artistic. We realized that there was a big problem with her best friend. It was just really a can of worms. I realized that if we tried to tell her to break it off, it would not work. It just would not work. What we decided was that we were going to change school. When we told her that we were going to change school, there was a violent protest against that. She thought we were villains, but we knew that there was no choice there. We said, "Okay, we are going to have a crazy couple of weeks but then it worked. Obviously, her friend circle changed. But with teenagers, who their friends are is important. You have to spend enough time with your friends to get to know them. The other thing about teenagers, another hack, is if you want to talk to them about anything, do that after midnight. Their energy levels and their body clocks are different from ours. After midnight, they are more amenable to accepting. What you are going to tell them, if you try it at 10 A.M., that is not going to work.

Sonia: Okay.

Mohnish: You got some advance warning.

Sonia: I have some time left before all of this hits me. Mohnish, it was such a pleasure speaking to you. Thank you so much for taking the time out. I am truly honored to have you sit here with me and spend so much time with me because time is so important, as we have been discussing, and the kind of people that you meet is important as well. Thank you so much once again.

Mohnish: It was a pleasure. Thank you.

Sonia: I am going to see you in Omaha for sure.

Mohnish: That would be great. Sounds good.

Sonia: Thank you for being on The Money Mindset.

Mohnish: Thank you.

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