

Mohnish Pabrai's Q&A session with students at the University of Oxford on October 19, 2021

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Mohnish: Gautam, Johnny, it is a pleasure to be here, and I think you guys are very accomplished and have done well in life to have a seat at Oxford, which is awesome. My good friend Guy Spier is an alum. He went to Brasenose, and I spent a few days living in the dorms of Brasenose with Guy and a few other friends, and it was a lot of fun. We had a retreat on the Oxford campus, and I am biased towards overdosing on shawarmas and so I found some good shawarmas in Oxford and life was great. That was a nice experience. The Dhandho investor uses the Patels and their amazing journey with motels not only in the US but the Patels have really done well in the UK as well. I used that as a backdrop to get some principles and perspectives across. But just to clarify, I am not a Patel. I did not grow up in a motel and I did not have the life experience. That is the central theme of the book. I was really an observer and I thought that the Patel experience has a lot of commonalities with value investing. That is why I used that as the backdrop because I think it is a story that needs to be told more often. I think at this point in the US probably something like 70% of the motels in the country are under Patel ownership. Patels make, I would guess, less than 0.2% of the US population. When this 0.2% comes into the country as refugees in the seventies and then they end up owning 70% of a fairly large industry, it is a peculiar event, and it is a peculiar outcome and it is interesting to study why that happened. That is kind of what drove my interest. The framework that the Patels used to establish their dominance is a very powerful framework. The Patels had gone to East Africa, Uganda, etc., more than a century ago, and they had been taken there as indentured laborers, almost like slaves. But because of their Dhandho ways over a century, they came to control most of the Ugandan economy. Similar type of situation where a very small minority is controlling large SWAT of an economy. In the seventies when Idi Amin came to power in Uganda, his perspective was that Africa is for Africans. Of course, he kind of ignored the fact that the Patels were really Africans, they had been there, they were born there, their fathers were born there and so on. But that didn't quite resonate with Idi Amin. He pretty much confiscated all their assets and gave them like 60 days to leave the country. Their businesses were taken over and their homes and properties. Patel pretty much overnight lost everything. They were stateless because they were Ugandan citizens. They were not citizens of any other country. Britain took in quite a large number of refugees from Uganda, Canada did as well. Surprisingly, India refused to allow them to enter, India at that time was dealing with the Bangladesh refugee crisis, Bangladesh just been formed. They really had no appetite for more refugees. The United States under Nixon and Kissinger took a large number as well. The Patels were able to convert some of their assets into gold and such. Maybe they got out with five, 10, \$15,000 and that was it. The motel business seemed to resonate

with them because the first need it satisfied is it gave them housing. These 10, 20, 30 room motels that were built along in the fifties and sixties as a US industry system got built were a bunch of mom and pops, and those folks were getting older and ready to retire, and their kids really weren't interested in the motel business. The first Patels who came bought some of these motels, and they bought them very highly levered. Usually, kind of these motels at that time, like 50,000, they were like, 10, 20, 30 room type properties in the middle of nowhere, 50,000, 75,000. The Patels put up like 5 or 10,000 of cash, and the rest was either owner or bank financed. They put the family in one or two rooms and the motel business is labor intensive. The family pretty much worked around the clock, and they got rid of all the hired help. They were cleaning the rooms and matting the front desk and all of that. Very quickly the Patels became low-cost providers. If there was a Patel owned motel in a particular geography, its operating cost was lowered than all the other neighboring hotels because they had no payroll. Payroll was zero, and all the others had hired help. But what the Patels would do is they would price the rooms lower than anyone else. Their properties were always completely occupied. While the others, when they try to match those prices, they would end up either not making money or losing money. Low-cost providers give many businesses in long-term enduring complete advantage. I mean, we see that with Geico, with Berkshire Hathaway, with Costco, and Walmart and so on. Even with Nucor, for example, with their mini-mills, low cost gives you a huge advantage. Because they were a low-cost provider and because their financials were healthier, and they lived a very basic frugal lifestyle. Most of them were vegetarians anyway. They couldn't go out to eat, in the seventies in the US, your choices for eating as a vegetarian were very limited. Basically, they ate their simple meals. They had their simple rooms in their hotel, so they had no housing costs, and their living costs were low, so their savings rate was high. What they did with the savings was they started to buy more motels. The family would take one family member and move them out into another motel, and then that person would get going with that and cascade that over time. It worked well, and the end result is what we see today, which is, they completely dominated an industry, and they took over. That story, I think, has a lot of resonance with value investing, because in investing, what we are trying to do is we are trying to get an unfair advantage. There is some quirk with some company. Taking a step back, capitalism is brutal. It is a dog-eat-dog world. There is a video on YouTube, which was I think maybe put up five or six years ago. The title of the video is "Competition is for losers". I think you guys will enjoy that video. It is a video recording of Peter Thiel teaching a class at Stanford Business School. He used to teach a class on startups and entrepreneurship, I think the video has a huge view count, and I think it is an excellent video. I don't know whether Peter Thiel would like that video out there now, because he has become somewhat notorious. But what Peter says is that if you look at most businesses or almost all businesses, you can put them in two categories around the planet. There are small sliver of businesses which are basically oligopolies and they have very strong competitive advantages. Then there is an overwhelming majority of businesses which are tough businesses to be in. 99% of capitalism is these really tough businesses, and maybe 1% or less is these monopolies or somehow insulated business. Peter's point to his students was that there is no point following the masses of capitalists and either working at or founding a business that is dealing with all these competitive forces. We

want to be sitting there with monopolies, and that is how we make a lot of money. I think in investing too, basically what you are looking for is an edge that the business has that is an enduring edge. If you can invest in a business which has that edge at a reasonable price, good things will happen to you. That was basically the genesis of the Dhandho investor and why I used the Patels and so on as my foil, if you will.

Gautam: That makes sense. Thank you for clarifying and explaining that. Mohnish, I am curious, when you started out investing, was it easier to find these 1% of monopolistic companies than it is today? Have markets become more efficient and have these kind of, have more people kind of understood what they look for or do you think that your hit rate has kind of always been the same?

Mohnish: Actually, the monopolies even if they are 1%, there is 50,000 listed businesses around the planet. Even at 1%, you would have 500 of these awesome businesses. Identifying awesome businesses is not a problem. There are many great businesses around. Amazon is a great business, alphabet is a great business, and Microsoft is a great business. What the Patels have done has been a great business. Actually, great businesses are all around us. It is also not that hard to be able to tell that a business is great. That is another point that Peter Thiel makes in his talk. He says that the monopolies go through extreme lengths to convince you that they are not a monopoly, that they exist in very competitive spaces because they know that if they are a monopoly and they beat their chest about it, they will attract unwanted attention. Like Facebook doesn't really want the US government to think it is a monopoly, and Google drive doesn't want anyone to think it is a monopoly, so the monopolies try really hard to convince us, Oh, poor me, I am not a monopoly. And the loser, 99% of comparative businesses, go through extreme length to convince you that they are a monopoly. They try to convince you that I got the secret sauce, look at me, I am awesome. The monopolies basically are telling you, I am just Joe Public man, I got nothing going on. Don't look here, keep walking. The competitive ones are beating their chest saying, no, come to me. I have this awesome business and let me tell you why. It is awesome, right? But I think that for an investor to figure out whether a business is great or not, and whether it is a monopoly or not, is a relatively simple exercise. Not that hard to do. Because I think a simple thing you can do is if you make a list of all the products and services and places that you shop at, you will find the overwhelming number of those monopolies. Do you use an iPhone? Guess what, it is a monopoly. Do you shop at Amazon? Who sends you your utility bill? They are all monopolies. Identifying monopolies is relatively easy. You can identify them by looking at companies that you are familiar with, that you are a customer of a client or whatever. The other way you can get to understanding a monopoly is looking at the numbers. There financials will scream out and tell you, I am a monopoly, even when they just want you to go away and not look at them. It is not about finding great businesses, it is easy to find great businesses, it is about finding great investments. The two are different. Once we identify that a business is great, that is awesome, we can collect a list of those and then we have to go to the next level, we just try to find ones which somehow the market has not figured out. Somehow there is an aberration where the price does not reflect the great underlying economics, and then you are off to the races. Hallelujah. It is great. That is what the

game is all about. It is easy to shift the great from the not so great. But then the second piece, which is, is it a good investment from that subset list that becomes a little bit harder, but as my guru and mentor behind me, Charlie Munger likes to say, "Why should it be easy to get rich?"

Gautam: That makes sense. Mohnish, I am curious, has it become easier, harder, or the same level of difficulty to find great investments as it was 10, 15 years ago?

Mohnish: Humans vacillate between fear and greed, as long as there are humans making investment decisions, we will have mispricing of securities. The mispricing can be in both directions. They can be ridiculously overvalued, and they can be ridiculously undervalued. From time to time, humans get very euphoric, and they get really excited about certain assets and classes and such, and you know, they get overheated, and many times things are not of interest. I would say that if one is a bargain hunter, looking for great businesses that are underpriced, there is always a settle them somewhere that fitted criteria. The problem is that the ones that fit the criteria aren't the easiest ones to invest in or to even convince yourself. For example, in 2019, I made an investment in a company in Turkey, and at that time, in Turkey, and even till today, their backwards macro policies have decimated the Turkish lira, pretty much for the most part has collapsed. I mean, in 2019 when I was looking at Turkey, a dollar was under five liras. Now for a dollar you can get more than nine liras. It is a significant move in a couple of years, and the lira will continue to weaken because of their backwards policies of how they think about the exchange rates and such. Anyway, when I was looking at Turkey, I found, and even now, I find Turkey as one of the cheapest markets in the world, and the reason it is cheap is because everyone and their brother just wants to exit. They just do not find it comfortable being there with Erdogan and company, and they just don't want to be there. If everyone is rushing to the exits, the odds are pretty good that you might find a bargain or two. For example, in 2019, I found this incredible monopoly business. Peter Thiel would be proud, where Reysas this company in Turkey I invested in, they had 12 million square feet of prime warehouses. They are a bunch of other businesses too, but they had 12 million square feet of prime warehouses, 99% leased to Amazon, Ikea, Carrefour, just top brand 10-year leases, inflation indexed, rent adjusted every year. The market cap of the company was 20 million. The debt the business had was less than 200 million. If you take the entire, let us say it is 240 million, let us make the math easy, okay? 12 million square feet, it is \$20 a square foot. Anyone would be willing to buy those 12 million square feet in about five minutes from them for around 75 or \$80 a square foot. Like the deal would just happen like that, okay? These are very prime properties with class eight tenants with pristine credits, and if you sold these 12 million square feet, you would end up with like a billion dollars, then you pay off the 200 million and you would have 800 million and the market cap was 20 million. Hallelujah! Then we come to the pesky issue of rampant inflation and rampant devaluation of the lira. I looked at it and said, this is a complete non-event, because if inflation goes up, then cement prices go up, land prices go up, the replacement cost of those warehouses goes up. Instead of \$80 a foot, they would be at 120 a foot. Who cares about the inflation, bring it on. If the Lira weakens, implicitly of what is happening is that the properties would appreciate in lira, but in dollars they would stay similar.

This was the theory I had. Okay that one is, I was buying at 4% of liquidation value. I was buying a dollar for 4 cents, nobody was interested. I thought I wouldn't get much stock. The rush to the exits was so intense that I ended up owning a third of the company, oh well done Mohnish, I think I outed even the Patels. I don't think the Patels ever picked up a property of 4 cents on the dollar. My last name isn't even Patel. Now, fast forward two years, the lira went from four and changed to nine, in dollars my investment is up 6x in dollars, in Lira it is up 10 x. Who cares about that? That is irrelevant. But in dollars, we are up 6x. Basically even at 6x, we are still undervalued. We have only gone to 24 cents on the dollar from 4 cents to 24 cents, we still have another 4x to get, and the company is not sitting idle. In the last two years, they raised the intrinsic value of the business because they did a bunch of smart things. They put solar panels on all their rooftops now going to be generating like 50 megawatts of power with Turkey's new net metering laws, which they sell to the government at the same price that the government sells electricity and solar panel prices have dropped like crazy, and Turkey has no fossil fuels. Their electricity prices are indexed to oil. Those prices keep going up. They have already spent the money on the panels, and they keep getting more money. The value of the business went up, I think another 200 million in the last two years on a 20 million market cap. We don't need to be very smart. We don't need high IQs, we don't need high grades from Oxford. We just need to have basic common sense. That is it.

Gautam: That is a really good answer.

Mohnish: You do need a calculator for this, and you definitely need Excel.

Gautam: I don't have to calculate all high-grade set or two things, right? Some of your earlier arguments about what makes a value investor a good value investor could be applied in reverse. You could also say that a value investor would be able to identify when a company is very overpriced and when there is too much greed. With that in mind, why aren't more value investors like yourself, Buffett or Munger active on the short side?

Mohnish: Yeah, I think shorting is one of the dumbest activities you can engage in. Roaring Kitty gave you a great lesson this year on why it is a dumb activity. I just finished reading this book and I sent it to Warren and Charlie, and I really enjoyed it. The antisocial network and the same guy who wrote bringing down the house, the MIT blackjack team that cleaned up all the casinos and then, they made it a movie. He rambles a bit. I think this is not one that you sit in underline. I think this is a book that gets skimmed, and I think he wrote it from the point of view that it becomes a movie someday, one day we will see Roaring Kitty on the big screen instead of just at a congressional hearing or in his basement. Anyway, the thing is that shorting the economics make no sense because if you are wrong, the answer is bankrupt, you have gone bankrupt if you are wrong. There is no limit to how much a stock price can rise as AMC and GameStop, have shown us the maximum you can make in a short position is you can double your money and the maximum you can lose is everything. Right there, why would you want to engage in that type of a bet? If you went to a racetrack and someone said, "listen man, if you pick the right horse, you get two lakhs, if you pick the wrong horse, you get nothing, and we will take all the money you have", you will never make that bet. Shorting just seems really difficult.

I think the nature of investing that there are two major advantages you get as an investor, even though you guys don't play baseball, maybe you know some of the rules. One is that Buffett says that in investing there are no call strikes, right? Basically, in baseball, which is a less civilized version of cricket, if you get three strikes, you are out. In cricket you can just sit there and let 100 balls go by as long as they don't hit your stumps or your legs or whatever, you are in good shape. That is fine. But in baseball you have to swing. If you miss three times, you are out. The rules are kind of more difficult. But in investing there are no called strikes, which means that you can let a thousand balls go by. You don't need to have an opinion on everything, you just need to have an opinion on a very small sliver of the planet. One can live a very healthy life and a very wealthy life without ever shorting a stock. The inversion to the stock shorting issue is, I don't see any short sellers in the top 10 positions of Forbes. Where are they? Well, they lost their shorts. That is why they are. We can do well without shorting.

Gautam: That is exactly. Mohnish, I would like to abstract a little bit away from the specific on investing to some broader questions. One of the things that both you and Buffett talk about is managing your psychology, and one of the ways in which you do this is you have an inner scorecard, like a checklist of the things that are important to you. If you are comfortable, would you be able to tell us what is on your inner scorecard? On top of that, would you be able to tell us how and when you knew that those were the right things to have on your inner scorecard?

Mohnish: Well, I think the inner scorecard is not a static kind of template, if you will. Like when I met Buffett for lunch with my friend Guy Spier, he said to us that, "would you rather be the greatest lover in the world but known as the worst? or the worst lover in the world but known as the greatest? if you know how to answer that question, you have got it made". The inner scorecard for all of us is very straightforward. We had always known what the internal correct answer is. We know that we have a conscious and we know that it is just that it is very tempting to live life with an outer scorecard, which is if people think I am the greatest lover, well, let them think. That is awesome, and that would be an outer scorecard way of living life and so all you have to do is that when you encounter distortions between the inner scorecard and the outer scorecard, focus on the inner scorecard. For each different type of activity or conclusion or whatever you come to about something, your inner scorecard is really what should guide you. For example, if my fund is up 30% next year, everyone would be saying, "Oh, that was awesome". But what I have to do internally is ask myself, "what was the risk I took? Was it risk free? Was it truly a great return relative to and was it the best opportunity cost in of the way I grew up with the money?" These are questions I can answer better because I have underlying data, a lot rich or underlying data. The easiest person to fool is to fool yourself. You really must make sure you are not fooling yourself. An inner scorecard is important, it is a really huge advantage in life to live your life with an inner scorecard. What will happen is that if you live with an inner scorecard, you will become more trustable, you will become more trustworthy. If a lot of humans are willing to put a lot of trust in you that is a starting point. That is going to give you a huge edge in life.

Gautam: That is a well provoking answer. Thank you. I was hoping you could tell us a little bit more about the things you have learned from knowing Buffett personally that you would not have picked up from reading his books.

Mohnish: I don't know Warren that well. I have met him a few times, but I would say that I am acquainted with him. I am not a friend of his, but it has been interesting to observe him at close quarters sometimes. I think the thing about Warren is that Warren is a very open, and a lot of things about Warren Buffett you can get to without ever knowing him, he is one of the most open books you can think about. One of the things about humans is that the way we are at the age of five, our personality templates, our likes and dislikes, our traits between our genetics in the first five or six years of life experience, they are hard coded between the age of six and 96, humans do not change. Once you understand that and you take that as a gospel truth, it becomes really easy to figure out which humans to interact with, which humans to have as your friends and that sort of thing, so that is one data point, which is humans basically don't change. The second data point is that there is a gravitational pull. If I hang out with people who are better than me, I am going to get better. If I hang out with people worse than me, I am going to get worse. Given that humans are not going to change once I know the nature of the human, every wishful thinking to think that you are going to change them or something is going to improve in them, it is what it is. Being extremely picky on who your friends are, is going to give you a huge advantage in life. In the case of Buffett, he used to go to Ak-Sar-Ben racetrack in Omaha when he was nine or 10 years old. Like Ak-Sar-Ben is Nebraska spelt backwards. What he used to do, is at the end of the races, he would pick up all the tickets that were on the ground because there would be drunks who would have won something, but they wouldn't even know they have won. They just tossed the ticket, and he would go through each and every ticket to see if there were some tickets that were actually winning tickets, that they were discarded, and he would find some winning tickets. But then he was too young to go to the window to collect. He sent his Aunt Alice to collect for him, and he did this every weekend. It is a very dogged person who is going through that exercise, because you would go through 500 tickets and find one, on a thousand and find one, it is a needle in a haystack. In his mid-twenties, he was going through the Moody's Manuals. The Moody's Manual is a really thick manual which had like four companies fine print on each page, and he was doing a quantitative assessment of thousands and thousands of companies. In fact, he went through the Moody's Manuals two or three times, and in going through those, he found a bunch of extreme bargains, I don't think any of them were at the level of race. I still am one up on him. I don't think he found anything interesting in the Moody's Manual, and the reason for it is, resource is increasing value and whatever. But he found a bunch of companies with a 15 million market cap making 25 million, something like that. He found a bunch of these things, the activity that the Ak-Sar-Ben kid was doing, and the 25-year-old were doing are identical is the same activity. Then a few years back, Guy and I were visiting him in his office, and I saw that on his desk was the Japan Company Handbook, which is kind of like a value line of Japan, except it is just very quantitative, fine print, two companies per page every listed Japanese business. He was going through this is, and Berkshire has got a hundred billion plus in cash. He is not going to do move any needles by finding some company that is worth 25 million, but should be

worth 50 million of what? A hundred million should work 200 million. That is Berkshire can't do anything with that, but the kid is programmed that way. This was when he was maybe more than 80 years old. What he is doing at nine and what he is doing at 25 and what he is doing at 80, are the same thing. Actually, it was a coincidence, but I was going through the Japan Company handbook at about the same time. I had the exact same addition as him. I told him, "Oh, Warren, listen, I can make this faster for you. There are some companies I already found". I took his Japan company handbook, and I dog eared some pages for him. I think he might have been horrified that somebody just did that, I didn't even ask him, "oh, may I dog year it?" I just went ahead and did it. I was so excited about doing it, and a lot of the dog ears were in the back of the book. He says, "usually all the good stuff is in the back". What I am trying to say is that Warren is a very unusual person, but I think there are a lot of lessons to learn from him. I think most entrepreneurs where you could look at Sam Walter or Warren Buffett, or Howard Schultz or Jeff Bezos, they are very intense in their pursuit, and they are very singular in their pursuit. When you have those traits, you are going to do very well. A lot of people want to be Buffett, a lot of people want to clone Buffett. If you don't have the personality who would really enjoy picking up those tickets in Ak-Sar-Ben, you are not going to get to being Buffett. If somehow you have the personality and you can't do anything about it, you either have it or you don't have it, it is binary. It is not something you can add on, okay? There is no add-ons that happens. I think the important thing for humans is you really must understand who you are. Once you understand who you are, then you must have behaviors that maximize the talent that you have. Your talents may be very different from Buffett. You must focus on those talents and those behaviors.

Gautam: That is a fantastic answer. Thank you for sharing that Mohnish, I have one final question, and then after that we can do some Q&A if we have the time, no worries if not, my final question is, I think one thing that a lot of us as students and as young people struggle with, we haven't had the experience or the time in our careers, they have had mistaken and learn from them. If you could compile all your years since you were back at university and think about the most important things that you have learned that you wish you had picked up earlier, what would they be? If you could just tell it into maybe three top things?

Mohnish: I would say that without failure, there is no success. It is two sides of a coin. I think, when you look at people who have been very successful and you can peel the onion, you will find that there were a lot of failures along the ways. Without those failures, those successes wouldn't have happened. Now we are probably better off where we learn not from our mistakes, but from other people's mistakes. If we can do that, then it is a lot less painful, right? But the nature of life is that our own mistakes get seared in deeper and the lessons get seared and deeper. In general, it is more difficult to learn from Warren or Charlie's mistakes and seared in then. It is from our own mistakes and seared that. Charlie says, "we are old too soon and wise too late", last year for example, when I first started investing in the mid-nineties, I was trying to find these businesses with these long runways, said it and forget it type of thing, like what Buffett had done with Coke or Amex and so on. I found a bunch of those, and I did well. But then 99, 2000, the dot com bubble was getting intense, and I was very concerned. I switched to Ben

Graham, looking at businesses which were not necessarily great businesses, but they were very cheap and there was downside protection. You could make some money, kind of what Peter Thiel is saying not to do, and that did well. I think from 99 probably, if I had been smart enough to switch around 2012 or 2014 that had been great. But I got so used to finding these bargains. It is a very natural, comfortable place to be that I realized last year when I was studying, there is a book called Richer, Wiser, Happier, which came out earlier this year. It is a great book. Chapter six is on Nick Sleep, who is in London, and who has done well as an investor. In fact, I think if you google Nick sleep, you can pull up his letters, they are well worth reading. I realized that Nick had done well by identifying some great long runways and then just leaving things alone, no activity. When he shut down his fund, he had three stocks. He put all his money in Berkshire, Costco, and Amazon, and I think he has outperformed pretty much anyone else no matter what they were doing, because Amazon's just done so well since then. I realized that I needed to go back to the engine, which is buying these great compounders, and I started to make my journey back. I would say one of the things, if I could fix it, is that I shouldn't have abandoned the compounders as early as I did. I think in 2002, I was taking a class at Harvard Business School, and we were doing a case on Amazon and was a case on Joy Covey, who was Amazon's CFO. Joy has unfortunately passed away. She had a biking accident, but she was a wonderful lady. But this case was about her. She was the CFO at Amazon, and I was so impressed with Joy, and I was so impressed with that Jeff would hire someone like Joy. At that time, Amazon stock had collapsed. It had collapsed down to \$10 a share, and I put 10% of my fund at the time in Amazon at \$10 a share, and very quickly it got to 14 and I moved on. Very dumb, okay? There can't be dumber than that, and that is like a 330x that got blown away. I remember at that time I was managing about maybe 70, 80 million, so maybe even at 5 million went into Amazon at \$10, 300 times 5 million is a billion and a half, it wouldn't have mattered what happened to anything else, you know? But we live and learn. Life goes on. Life is great.

Gautam: Thank you for sharing that. Mohnish, it looks like we are up at the end of hour.

Mohnish: Why don't we take some questions and if you guys are out of time and want to leave, feel free. We will go for a few minutes and see how it goes.

Gautam: Perfect

Mohnish: That is okay.

Gautam: Okay, well before I hand up to Johnny, I just want to say thank you again. It has really been great speaking to you and thank you so much once again for coming to Oxford Alpha fund. It is a real honor for us. Johnny, do you want to come on and take over the Q&A?

Johnny: Awesome. Thanks so much, Gautam. Yes, so guys, thanks for sharing the questions in the chat. We will try and cover a few of them, Mohnish we don't want to pick up too much for your time, but yeah, this is the same for Gautam. Thank you so much again for the talk. Maybe if you don't mind a quick question from me before we move into the others, just maybe on like investing psychology or the sort of thought process which goes into making one of these investments. Say the Turkish warehouse investment, when you

are putting your capital on the line here and you are thinking, "I have got a potential 25x investment in front of me, no one else seems to want to touch it". What am I missing? How you overcome that fear of thinking, "I must be missing something, surely it can't be this good." How do you get beyond that stage, I guess, and into the one where you can just say everyone is wrong. I am willing to make a bet on it. Yeah, just curious to hear about this psychology.

Mohnish: I think that was a complete disbelief when I first saw it. I remember there was a good Turkish friend of mine who I just told him, he is a wonderful value investor. I said, "listen, let us just visit all the companies in your portfolio", because I know the way his brain works, the unfortunate thing with him is he is too overdosed on Graham and too underdosed on Munger, but I am working on that. He is working progress in spite of the six and 96 rule. I am hoping there is some possibility to tweak him. We will see. I remember I told him, Listen, are these guys crooks? Is this like an outright fraud? I spent an afternoon with the founder visiting these warehouses. We went one after the other. They were real, I mean, they were a very strong sense of pride in what they had. I could see that the company did a poor job of laying out its story and I still don't think they fully understand or appreciate the importance of educating your investors. They tend to do a, not so good job, in my opinion, on that. I could see that the value was there. I repeatedly asked my friend, what am I missing? Why would this thing sell at this price. Then the whole pie is selling at nothing? He said, "I can't tell you, there is no answer I can give you." I said, I can't really find anything. I tried to find if there was a fraud, and I could see why. This company, a 20 million market cap, would be so below the radar of almost any institutional investor. They would not even look at it. Even if they looked at it, the financials were so convoluted they would not be able to make head or tail of them, because the thing is that the value of the warehouses doesn't show up in the finances because that is book value with depreciation. They have been buying these things for 30 years and it is in Lira. Historic lira pricing has nothing to do with current market values. The published financials were not going to help you figure out what the value of the business was. It is not, it was not there. I could see the reasons why people would miss it, but this was a glaring business by a lot of people. But Turkey has many businesses, not to this extent, but it has many businesses which are widely mispriced just because it is such a difficult place to be with all the backwards policies they have.

Johnny: Awesome. Noted. Something to keep in mind I guess similar to Gautam thing of things to learn early on and, and keep in mind some really valuable advice for everyone there. We have a few questions in the chat. I saw Julie asked a question about sort of switching towards more quality-oriented investing, which I guess we have already touched upon and what we will have too probably away from. Any questions on current holdings, Mohnish, I think we can't touch on, there is a question here about like, why did you sell Seritage and buy more Alibaba, I think we probably can't talk about that.

Mohnish: I would like to duck those questions.

Johnny: Yeah

Mohnish: I am happy to answer them at some point when we are not in those talks.

Johnny: Luke, I saw you asked a question, would you like me to read it out or do you want to maybe ask it yourself?

Luke: I was just reading through the blog you had up and you were talking about your cloned portfolio and the way it performed, but I saw like a lot of the guys who had really performed well in sort of like the 2000 and like earlier than that, had closed their funds and their funds really hadn't performed as well recently. I was sort of wondering when you decide to cut your losses, if you previously thought someone was performing well, because I guess you might have emotional attachment or like if they have one bad year, I guess you would let it off. But at what point do you think that maybe the skills are gone, or they have lost their edge or something like that?

Mohnish: Well, I think cloning is a very powerful mental model, and I don't fully understand why, but I have been a student of cloning for more than, I would say more than 33, 34 years. It has given me a huge edge to understand as much as I do about cloning, but I still don't understand much. One of the main things I don't understand about cloning is why so many humans have an aversion to it. What I do understand is just a small sliver of humans embrace it and most do not. The ones who do embrace it get an edge. But in investing, cloning is an approach you can take as a starting point of research. If I respect some investor and understand how their brain works and I look at their portfolio, and I find some companies that once I look at their portfolio from then on, the cloning piece is history and I must turn my own brain on. It is just a tool to get a shortlist. It doesn't really matter what that investor does in the future or in the past, or whether they have lost their way or whatever has happened. You are looking at a specific position they have made, and you are just using it to reduce the funnel of stocks to look at. If you identified five or 10 grade investors and you just spent your time looking at their portfolio, that is a way better way to invest than throwing darts or running some quantitative screens or whatever else to get a short list. Because at the end of the day, investing has a basic problem. The basic problem is the data set is too large, there are 50,000 public stocks in the world. Even if I spent all my time on them, I would never be able to become an expert on even 5,000 of them, or even 500 of them, or even 100 of them. It is just the data set is too large. We need some way of culling the data and cloning is a great way to cull that data set.

Luke: Thank you. Thanks.

Johnny: We have another question here from Meha, but that that is also related to sort of current holding. Sorry, we will have to skip that. I have one more from Harry as well. Harry is asking, maybe this has to do with the throwing darts idea. Harry says, "considering how studies show that statistically only about 55% of investment decisions are directionally correct, why would you call someone with a good track record and investment expert and not just an extremely lucky outlier?"

Mohnish: I didn't fully follow the question. Can you repeat that again?

Johnny: Yes. Harry is asking considering studies show that statistically only 55% of investment decisions I think what he means is investment decisions by investment professionals. Why would you call someone with a good track record an expert and not just the lucky outlier?

Mohnish: I think investing is one of the broadest disciplines you can engage in. The kinds of factors that affect the future performance of a business are numerous. They cross boundaries of different disciplines. One really must be kind of a Swiss army knife, kind of thinker of different ways. The world is a very uncertain place. If we are trying to figure out what a business looks like five years or 10 years, or 15 years from now, that is going to have a high error rate. There are so many variables that can change those outcomes. John Templeton said that "even the best investor will be right only two out of three times". If your batting average is 65%, that is the top end of what you can expect of the batting average. If I looked at every acquisition Berkshire Hathaway did, they may have done maybe a hundred acquisitions in the last 50 years. Most of those acquisitions I don't think worked. This is Warren Buffett making these acquisitions, supposedly the best investor of all time, and there were lots and lots of bets he made on retailers that did not work. When I look at someone like Warren Buffett and I look at his track record when he is bought retailers, it is a terrible track record. When I look at his track record when he is invested in banks, it is a perfect record. He has never lost money, but he has invested in airlines and that hasn't worked so well. He has invested in retailers and that hasn't worked so well in a number of areas that he went into. It didn't work so well. But I gave you the extreme example of my investing in Amazon. If I had just kept that investment, it was just 5% and the other 95% was all mistakes and they all went to zero, it wouldn't have mattered, okay? In that case, it would have tolerated a 95% error rate and still had incredible outcome. The interesting thing about investing is because the returns you can generate from some businesses are so asymmetric with the risk taken that this is a business can tolerate are high error rate. One should be under no illusions that one is going to be right all the time, or even right 40% of the time or 50% of the time. If you are very patience, as long as you stick to your circular competence, invest in things that you understand well, even if you are patience and stick to your circular confidence, you will still have an error rate like Buffett did, but it won't matter. He still became the wealthiest guy on the planet. It didn't really matter. Mistakes are part of the landscape. We embrace them, we learn from them, don't try to learn too much from them, and we keep moving forward. Shall we wrap it up? Maybe one more question.

Johnny: I think yeah, maybe we are sort of running towards the end of time, but I have had quite a funny one from one of them. I think this is sort of nice lighthearted way to wrap up the chat as well. Usually, we wrap up with a sort of like advice to students, but I think this is better. He is asking who does Guy Spier admire more out of you and Buffett?

Mohnish: Who does Guy Spier admire more than Buffett or me?

Johnny: Yeah, there, sorry. Who does he admire more out of yourself or Buffett?

Mohnish: I don't know. The thing is that what has happened with Guy is that he comes with me sometimes on my escapade to India and when I am meeting all these different Indian companies and a few years back, the great thing about him is that he takes in a lot of data, but he hardly acts on it. His propensity to make changes in the portfolio is very low, and that is a huge edge in investing if you have high degree of patience and such. In fact, he has told me once, "I don't trust myself to make decisions, so I try to make as few decisions as possible." We were visiting this company in India in 2018 or

2019 called Indian Energy Exchange. I felt like out of maybe 200 plus management teams that I had met in India and companies I visited, IEX was by far the best highest quality business, very high-quality management, and incredible business model, and it was ridiculously expensive. They are an energy exchange. At that time were 3% of India that electricity was flowing through them, and they collected about a 1% fee of the amount transacted through their servers. They had no costs. About 70% of revenue was net income, and that 3% was going to grow spectacularly. India's per capita energy usage also would grow spectacularly over time. There was a huge tailwind for a long time because it was such a critical asset for India. Foreigners were not allowed to buy more than 5% of the company. Guy hates businesses like Reysas in Turkey. I cannot get him to even come with me to Istanbul, much less ever invest in some warehouse operator in Turkey. But he was all over IEX. He loved IEX and I think he bought like 4.4 million shares. I think at that time they were like \$2 a share or something. He may be invested about 9 million. IEX has gone bananas. The business is going crazy and whatever else, it is up like five, six times since then. I think for him, IEX has become more than a \$50 million position. It is a significant portion of his fund. It might be one of the largest positions in his fund, and he is torn between is Mohnish the best or is Mohnish God, is some vacillating somewhere between those two. If you talk to Guy Spier, maybe you should bring him on that these days, I think he has created like an altar to Mohnish and he worships at that altar. Like last night, I think the IEX price went up at one point, 20% in a single day, but they got some incredible tailwind. Thankfully I was also able to buy some IEX. In fact, I used to own 4.99% of the company and I was very dumb, but I sold during Covid. But we still have a good amount and so similar position to Guy, I think. It is worked out great, but I think Guy maybe admire his parents more, but I think he worship at the Church of Mohnish, especially after IEX.

Johnny: Well, if ever we have a Guy come on as a speaker, we will make sure to ask him whether he has one of these Mohnish's altars at home.

Mohnish: I think maybe you should surprise him and start the conversation in Indian Energy Exchange. It will bring a big smile.

Johnny: Awesome. Well anyway, I think with that we probably are at time. I know we have run over a bit but thank you so much Mohnish for speaking with us. That was such a useful conversation and a lot of valuable advice for everyone here on the call to take home, especially as a lot of us sort of begin careers in investing. One day trying to maybe replicate us a small degree, what you have done Mohnish. Just on behalf of everyone, on behalf of the fund, thank you so much for coming down and yeah, we hope to keep in touch as a society going forward.

Mohnish: Yeah. Well, I very much enjoyed the session and I think, like I said, you guys have a wonderful part of the world as a wonderful institution, and I wish you all the best. Thank you very much.

Johnny: Thank you, Mohnish.

Mohnish: All right,

Johnny: Have a good evening.

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