

## Mohnish Pabrai's Session at the Trinity College, Dublin on February 21, 2019

Ron: My name is Ron Smith. I'm the Chief Operating Officer of the Trinity Student Manage Fund, and I'm delighted to welcome you all here this evening for our fourth and final Speaker series event of the year, where we have the great pleasure of welcoming Mr. Mohnish Pabrai, the Trinity College Dublin. This event is going to be recorded, so please put your phones on silent or turn them off. We really appreciate that. An event like this takes a lot of effort to put together, so I want to thank firstly our executive teams, operations teams, and the investment managers involved. I also want to take this moment to thank our chief executive Officer, Ms. Mary Louis, or Callahan for all her effort and leadership throughout the year. It's something we don't acknowledge often enough, so I just want to personally thank her for all her hard work. We're absolutely thrilled to be able to welcome Mohnish to Trinity College, Dublin this evening.

He was just stopping by. He was in India at an investment conference, so he was very good to spend the evening with us before he heads back to the states. Mohnish's success isn't bounded within one arena of business and finance as an entrepreneur, he started an IT consulting business with a hundred thousand dollars of capital and sold that business for 20 million as an investor. He started the Pabrai Investment Funds with \$1 million of capital. That funds now have over 800 million. As an author, he has Penned two fantastic books Mosaic and Dhandho Investor. Two books I really do encourage you all to have on your bookshelf. As a philanthropist, he founded the Dakshana Foundation in 2005 which helps students in impoverished circumstances who are really gifted to get the opportunity they deserve. Ladies and gentlemen, please help me in welcoming Mr. Mohnish Pabrai.

Mohnish: Thank you. Thank you, Ron. This Irish guy, John, goes into the same pub every day and he orders three pints of Guinness. The bartender asked him, "why do you order three pints of Guinness every day?" He says, "one for me, and two are on behalf of my brothers at home". Then one day he comes in and starts ordering only two pints instead of three. The bartender asked him, "How come you switched to two?" He says, "Oh, I've given up drinking". Anyway, it's a pleasure to be here, and also want to thank Ron and the student managed fund. I think they've done a great job. Thank you very much, for putting this together.

It's a pleasure and honor to be here. I used to come to Ireland quite a bit, about 30 years ago, mostly to Shannon. I've seen a bit of the countryside, and once in a while, I take the train to Dublin. It's always a pleasure to be here. It's a great country. Obviously, it's nice to speak to you. I have a few slides I'll run through. Then I think what I'm hoping for is more of talking about what's on your mind, so when

we do our Q and A, you can ask questions related to the slides, but pretty much other than what I'm buying right now, everything is fine. We'll go through that and then take it from there.

This book called "Bull" came out, I think in 2001 or 2002, about 17, 18 years ago. It was actually recommended by Warren Buffett. It's a really good book to read, it was written by Maggie Mahar. What Maggie had chronicled in the book was, she had looked at stock markets, specifically in her case, and she looked at the US market over a very long period of time, like almost a century. What she noticed was that we are told, for example, that if you had invested over the last hundred years in the US equity market, you've averaged about 9% a year, which is a pretty good return after inflation and such. But that's kind of a half-truth in the sense that markets go through very long periods where they do nothing and equally long periods where there can be just spectacular returns way above the 9%.

Specifically, what Maggie had honed in on her book is the chart of the Dow going back in 1898. One period we can look at is 1965. The Dow was about 870 approximately in 1965. In 1981, it was again at 870. We went through a 17 year period absolutely flat. I mean, it wasn't flat in terms of the market going up and down, but at those two endpoints, it was completely flat. You didn't have a great result as an investor, even if you were very long-term oriented. In that period, 65 to 81 the US economy grew a lot. It wasn't like that the economy was in a bad shape or anything like that.

Then you look at another period, which is 82 to 99, the Dow went from less than 900 to more than 12,000. The annualized return then was well above 9%. We were doing about 15% a year. That was quite a spectacular period in terms of returns. Probably towards the early part of 2000, there was a lot of euphoria, especially because at that time, we had all the craziness of the dot-com, the dot-com boom, and the dot-com bust, and so on. But even non-tech stocks got quite euphoric. Then if you fast forward from there, let's say from 99 or 2000 until around 2012, we are again flat, there's no movement.

Of course, it's not exactly flat because we went down a precipice in 2008 and 2009, and then came back. But basically, for the 12 years period, we didn't have much to write home for equity investors. More recently, it's been kind of somewhat similar to the 9% average and such. This is not a phenomenon that is limited to the Dow or to the US. It's actually a global phenomenon. As you look at different markets at different times, they don't obviously go through the highs and lows at the same times, they go through it at different times. The reason why we get these and Maggie Chronicle, specifically let's look at 17-year cycles is that it's about the length of human memory if you will. In 1965 the stock market was a very euphoric

place. Valuations were stretched, and we had the nifty 50 and all that sort of thing getting going at that time. By the time we got to 1981, people would look at you funny if you recommended investing in equities. In fact, Businessweek ran a headline at that time to get to cover the debt of equities. Basically it's done like there's no point investing. Generally, when people are extremely bearish and they give up, they're just not interested at all, that sets up the foundations for a pretty significant bull run from there. The reason we get these cycles is that markets vacillate between extreme euphoria and extreme pessimism. The reason they do that vacillation is that they're human driven, and humans vacillate between fear and greed.

As long as humans are driving the buying and selling of different asset classes, we will continue to have these cycles. Of course, as a value investor myself this is kind of a weird presentation to make, because I don't pay any attention to macro anything. All my attention goes on figuring out a business, figuring out what that business is worth, what that business might be worth in a few years, and whether it makes sense to invest in it or not. Generally speaking, it's hard enough to figure out the future of one business. I think it's almost impossible to figure out the future of markets, because that's just too complicated. But, it is somewhat helpful to just understand a little bit about where we are in these cycles, in different cases.

In my own case, Pabrai Investment Fund started in July of 99. I realized when it started that there were many elements of a bubble when I was getting going. I also realized at that time even though Maggie's book was not out then, that it was a terrible time to start a fund because I knew I'd be facing pretty significant headwinds. But the market was really interesting. March 9th, 2000, I think is when the NASDAQ peaked, it peaked at little over 5,000. The day the NASDAQ peaked was the exact same day that Berkshire Hathaway hit a multi-year low. Literally, people were pulling money out of Berkshire Hathaway and putting it into Pets.com, and so that you had those phenomena going on.

Actually, what I found when I started investing professionally was that there were lots of great opportunities even in this overheated market, as long as you didn't participate in the euphoria. All the money was going into a very small sliver of equities, and that small sliver was going crazy. There were lots and lots of opportunities for lesser-known names. People thought Warren had lost it. He wasn't in technology and all that sort of thing. Actually, in the first year in Pabrai Investment funds, for example, we were up north of 70%. For the next several years after that, 2002, 2003 onwards, we actually did all positive returns, I think north of 15, 20% a year for a few years. Part of that was because I just focused on stock picking. I had very little capital and it was easy to find a few good ideas, so that worked.

If you take an example of something like Coca-Cola, Coke was selling in, I think, the early 2000 at something like 45 times earnings. Recently, it's been at about 15 times earnings. Basically, if you invested in the Coca-Cola Company in 2000 from then till now, you've made like 2% a year; which is not a great investment. The business has done really well, no problem with the business. But anytime you're buying at 45 times earnings, and eventually that earnings number comes down to 15 times you're going not to have a great experience. It's not enough to just buy great businesses price matters. I think it was in 2000 right when my funds had just started, I think been about a year or so that one of my investors, had been an employee of Microsoft, and in fact, he was one of the very early employees of Microsoft.

He had retired from Microsoft but with these stock options, etc. he told me, "Listen Mohnish, if you're ever coming to Seattle, I can introduce you to a bunch of Microsoft guys, many of them may have an interest in putting money with you". I told him, as a matter of fact, the day after tomorrow, I'm going to be in Seattle. What a coincidence! He said, "Oh, yeah, come on down" Of course, at that time I was very happy to be raising assets, especially with someone saying, I've got a bunch of customers lined up for you. I visited Microsoft headquarters and I met a whole bunch of folks, and some of them actually were the first 60 employees in the company and such.

Of course, a number of them became investors. But I remember telling them at that time that, and I think they just thought I was some cheesy salesman saying this, but I told them that it was a terrible idea for them to be holding Microsoft stock. They just thought, well, how stupid is this guy? Because all Microsoft had done until then had gone straight up, 30, 40% a year for a long time. The market cap I think at the time was over 600 billion. Eventually, I think it went all the way down to under 200 billion. Of course, recently it's come, but even with Microsoft from 2000 almost till just maybe 2013 or 14, you would've had almost no returns. In fact, you would've had a rough ride because you would've gone down and then come up.

That wasn't even a dot-com real business with real cash flows but with very euphoric pricing. I think in 2000, Microsoft was making something like around 10 billion a year or so, and trading at 600 billion. That math doesn't work so well. If we look at the S & P over the same period, it's a similar story, where we again go through these periods of flat line and such. Basically, if I just go back to the Dow for a second, 1965, extreme euphoria, 1981, extreme pessimism then you again get to 1999, 2000 extreme euphoria, and so on and so forth. That'll just continue. If you look at it in terms of some other markets, I mean, the NASDAQ is a great example, went through a 20 year period from 1980 to 2000, doing 20% a year.

Then the ride from 2000 was quite a brutal ride because you went from 5,000 to 1250, 75% decline on a major index. This is not one stock going down as a whole index going down. We went 16 years, so it took the NASDAQ 16 years to come back, and that's with having Amazon and Apple and Netflix and all these highflyers in there. Even with all of that, it took 16 years to come back. Then more recently we've had somewhat better ride. We've had a similar situation. If you look at the Indian market, the Sensex, which is kind of like the Darwin India, the Indian government actually liberalized the economy in 1982. In 1992, India had a huge balance of payments problem, and they were running out of foreign exchange and such, so they opened up the economy, but even though there was a lot of growth that came from 92 onwards for 12 years, the market was flat.

We see the same pattern of flat and then doing well. The German Dax had similar story, in fact, last 11 years is completely flat, no returns. The Japanese Nikkei is interesting because this was the mother of all bubbles. In 1990, the Nikkei peaked at 40,000. Here we are, 2019, it's been 29 years, and it hasn't come back yet. In fact, it's at about 50% of the peak level. If you just think about even a company or an economy growing, 2, 3% a year, 4% a year, some not that high number, maybe 3% a year I mean, in 25 years, things should double, rule of 72. Here we are down to like 29 years and we have a negative return.

In 1990, Japan had a number of incredible bubbles. One of the bubbles it had going on there was the mother of all property bubbles; real estate. In fact, the Imperial palace in Tokyo was valued at the time more than all the real estate in the state of California. In fact, when I read that, I found that incredulous. I just said, that's not possible. I actually went and studied it. I live in the state of California. I mean, we have a phenomenal coastline, thousands of miles of coastline, and we have incredible real estate. To have one small palace in the middle of Tokyo, and it actually exceeded the value of all the real estate in California is stunning. Of course, like our man in the pub with the three pints the bigger the party, the greater the hangover.

They're not done yet. The hangover continues after 29 years. Japan is kind of interesting because the property bubble seeped into the equity markets. It just took a long time. In fact, if you look at the Japanese market today, the equity market is probably amongst the cheapest markets in the world. I think the one thing that dissuades me in terms of just generally looking at Japan is, culturally Japanese companies do not put shareholders first. Usually, employees are first, and then there are various other stakeholders that come after that and shareholders somewhere in the bottom. You find a lot of Japanese companies trading below cash. If you just look at, net assets, and net current assets and subtract all liabilities, and look at the market cap, basically they exceed the market cap, which is Ben Graham era. But

the issue is that the companies are not willing to let go of the cash. In some ways, the cash from my perspective, is an illusion, because to unlock that value, that cash needs to come out. I don't think it's coming out. That's an interesting market.

Another one that is I think probably one of the most interesting is the Cosby in South Korea. If you look at the Cosby actually, even though you see this 19 year period, and then two years and eight years, but if you take the entire period from 1989 to 2019, which is 30 years, basically what has happened in 30 years, the cost p has gone from 1000 to 2000. Over 30 year period, it's about little over 2% a year.

If you think of Korea going back to 89, I mean, this is before the rise of Samsung and before the rise of Hyundai, and before really the rise of South Korea as we know it today. In incredible growth, huge economic growth, and nothing in terms of equity returns. In fact, I'm making a trip next month to Seoul and Busan, and I'm visiting a few businesses, I have one investment in Korea, but it's probably one of the most fertile hunting grounds. Of course, the impediments are the languages, the impediment cultures, and such, but plenty of stuff trading at three times earnings and that sort of thing. If you want to go fishing where the fish are, I think this is where the fish are.

These are some of the thoughts I just want to share in, with equity markets, we usually cannot tell for the most part where we are, unless we get to extremes. When we get to extremes, then it's obvious. Like I think you can look at Japan, and you can tell it's a cheap market. You can look at Korea, and you can tell it's a cheap market. When I look at the United States all I can tell is I can't find much to buy, but it doesn't mean things are overvalued, it just be there either fully valued, even if they're slightly above fully valued, they could grow into that. I don't quite sieve signals one way or another in most of the markets, and most markets at most times don't get to extremes. They get to extremes at once in 15 or 20 years and such. Then we can take advantage possibly if, again, the fact that Korea is cheap, all that means to me is, Hey, maybe spend more time looking at Korean companies, but that doesn't mean that I can obviously make an investment. If we can find businesses that we can understand within the circle of competence, that are cheap and so on, then I think we can look at them.

Those were some of the comments I wanted to share with all of you in terms of formal remarks. I think maybe if you have anything related to this or anything else on your mind, we can certainly talk about it. We have a couple of mics. You just ask for a mic, and if you could just tell me or tell us your name and what you're studying and so on, then ask the question. That'd be great. Or if you're working someplace where you work, that'd be great too.

Owen: Hey, Mohnish, glad to have you here. My name is Owen, I work in research and in kind of options. I was just wondering, if you're talking about Microsoft, investors are coming on board, possibly as limited partners, how do you balance that with value investing which is behaviorally longer term, and then you have these more tech-based people that have made a lot of money. How do you balance kind of the permanency of capital where your investment timeframe?

Mohnish: Yeah, Well, that's a good question. Actually, the Microsoft crew that has been with me, I think now they've been with me for like almost a couple of decades. I haven't seen them exhibit any behavior that would be of the kind that you're suggesting in the sense that I hardly ever hear from them. Maybe they've forgotten they have money with me, who knows. Actually, no, they have not been trigger happy. In fact, some of them have consistently added over the years. I think many of them probably just see well, they see probably my world as somewhat a weird world if you will. Well, one thing that has played out is what I told them came to pass, I don't rub it in their face by telling them I told you so. But I think they probably just said, hey, this is a kind of different asset class than what I have most my money in. That's fine. I have not seen them really exhibit any type of short term type thinking. They might be doing it in other parts of the portfolio that I don't see. But that's been the way it is. But I also don't think any of them took my advice and unloaded Microsoft then.

Paul: Paul McMillan and I manage my own money. My questions around from the beginning, how your process might have changed in any way, if maybe you could talk a little about some of the challenges you've had in the journey thus far, and realizations, et cetera, you've had.

Mohnish: Sure. Yeah. I think one of the things I really like about investing and specifically value investing is that, well, there are a couple of things. One is it's the broadest of any discipline that you can be in because, any business you might look at, it kind of touches on, I mean, the factors that can affect the future of business, touch a number of different disparate disciplines. The second is that learning never stops. It's a kind of continuous learning if you will. I think Pabrai Investment Funds is almost 20 years old. Before that, about probably five years before that, I was managing my own money the value style. In this 25 year journey, there has been a lot of learning.

I mean, if I look at Mohnish as an investor 25 years ago versus today, there's plenty of commonality in terms of core principles. The core principles don't change, but there's a lot of learning and especially a lot of learning from the mistakes. For example, if I look back and especially if I look back at the areas, I've had trouble in, right? One of the big areas that I've had trouble in is levered institutions. I've

had a few picks go to zero because they were levered and sometimes it's been leveraged company. What I've learned is that for whatever reason, I tell myself, "Mohnish, maybe you just don't understand these things, so just stay away, even if it looks good, just stay away".

If you study Berkshire Hathaway, for example, one of the things about investing is that John Templeton used to say that the very best investment analyst will be wrong one third of the time. Even if you look at Warren Buffett and Berkshire Hathaway, and for example, they bought like 80 businesses over the last 50 years, there's probably at least a third of them, maybe even 40% of them that didn't turn out so well. If you weigh it by dollars spent, the record is great. They've been right on the big ones. But if you equal weight them, all the record wouldn't be great because they were number of them. Berkshire Hathaway, for example, bought a lot of retailers, a lot of furniture retailers and so on.

Most of them have not worked out so well. They had a lot of success with Borsheims which is the jeweler. They had a lot of success with Nebraska Furniture Mart. Subsequent to that, there were a lot of other jewelers and other furniture operations. Most of them didn't do so well. Those are very tough businesses in general. Retail is tough.

But if you look at Warren Buffett in certain areas, let's say if you look at him on levered institutions, banks, et cetera, almost no blemishes in the record, close to a hundred percent betting average. I think he had trouble, the only time he had trouble with banks was when he invested in Irish banks, but a few people got under trouble with that. But I think if I look at banking, for example, to the 50 year record, almost no blemishes. I mean, they almost hit it out of the park on that front.

I think that all of us as investors or if I look at Warren Buffett in media, he's done really well historically, he's really good at media. He's done very good at consumer package goods, very good at brands not so good at retailers, right? All of us have our circles of competence and where we are really good and where we might not be really good. One of the things that I am trying to continue to learn is, where to go hunting and where to avoid. One of the things I've learned over the years is there's some miss-wiring in my brain that makes me miss the issues with levered institutions, so try to avoid going there.

The other thing is, I think that in this business, with continuous learning, you start seeing patterns. Many times, you can connect dots that are not obvious to many other investors because they may not have seen all these different things play out. Sometimes when you can connect the dots in a manner that the market can't see you can do really well with that because you can exploit inefficiencies there. It's a

journey. It's continuous learning. It's trying to figure out what to avoid and just keep the humility to know that 4 out of 10 times at a minimum, you're going to be wrong and go from there.

Will Sparks: Hi, Mohnish, Will Sparks is my name, I'm from a company called Quilter, and I manage investments myself. My question is kind of out of the investments sphere. I mean, you're a big subscriber in the wisdom of Charlie Munger and Warren Buffett. What are the daily nuggets that you tell yourself every day that you've learned from the two of them?

Mohnish: Yeah, I think that there are two or three very big lessons to take away from them. One of the biggest lessons is, the most important trait to be a good investor is patience. Extreme patience. Which is difficult for humans. The interesting thing about equity markets is, if we look at our phones and look at screens, we've got flashing lights, red and green, and things are changing by the second. Such real change in businesses takes years and sometimes decades, but changes in market prices of equities happens in seconds. The two are in many ways disconnected from each other. I think Fidelity, the big brokerage house in the US, and the mutual fund shop had done a study.

They have a lot of clients who open accounts with them and then manage those accounts themselves. They buy and sell stocks themselves. They studied all these accounts that people were running on their own to try to figure out which of their clients were really good investors. They found that there were a set of accounts which was sitting like in the top 10% performance of all the accounts, and the overwhelming number of the people who owned those accounts later fell into one of two categories. Either they were dead, which means that they had the account, and there was no pulse. People forgot that this account was there and it just kept going, doing really well, or they had forgotten they had the account. The two best performing criteria was either you were dead or you'd forgotten.

Generally speaking, activity in investing is likely to hurt you more than help you. Charlie Munger mentions that he's been reading Barron's for 50 years, it's a weekly magazine in the US. He read it from like the 1960s onwards. In 2003, after 50 years of reading Barron's, he got a stock tip from Barron's. Each issue of Barron's has about probably 10 stock tips. You're getting about 50 issues a year, over 50 years is 2,500 issues. 25,000 stock tips. He goes through all the 25,000 stock tips and picks one after 50 years, which is a company called Tenneco Auto Parts and Service centers and such. In three years, he puts 10 million into Tenneco in 2003.

By 2006, it's worth 80 million 8x in three years. Then he gives that 80 million to, (for the first time in his life), an outside manager, Li Lu, investing in Chinese

equities. The 80 million is now sitting amidst estimates at around 800 million. If you think about it, I mean I can't think of more extreme patience where in 50 years someone is throwing ideas at you 10 times a week and you decide, No I'm not interested. Then you finally get interested and you actually really cream it, hit it out of the park cricket terms, hit a sixer out of the stadium, and then you do a two, four, you know, 8X and then a 10 X. He did that in 2003. He was 80 years old then.

If you think of Munger track record in the last 16 years, it'd be in the top one 10th, or 1% globally. I don't know anyone else who's done 800 X 80 X in this last 15 years. The willingness to wait for a really fat pitch is a very important trait, almost equally important is sticking to the circle of competence. Making sure that we are investing in things that we understand really well. There's a friend of Charlie Munger's, John Arriaga, he's a billionaire on the full 400. All John Arriaga has done in his entire career is invest in real estate within a mile of the Stanford University campus in northern California, just around the campus, right?

That's all he's done. His circle of competence. What he understands is not real estate. It's not even US real estate or California real estate, or Northern California real estate, none of those things. It's actually just real estate within a very small geography. It's like someone understanding real estate within a mile of the Trinity campus. It's a pretty limited expertise. The interesting thing about investing is that, the size of your circle of competence is not that relevant in terms of how well you do sticking to it. Being inside it is critical, right? You don't need to know a lot of things to do well in investing as long as you stick to the things that you know really well. I think I could be better with patience. Like I think Munger is the gold standard, that's what we should aspire to. With even circular competence, I think many times if we have any doubt that we don't understand the business or we don't understand some nuance of the business, we should stay away. Those are I think, important traits to try to get good handle on.

Student: I have a question? I'm just wondering, for the students in the audience, do you have any particular advice? When we start out in a career maybe in investing or in any career, anything that you could nearly give us as we go out and start?

Mohnish: Sure. First of all, you've already made a great choice, coming to a great school, and getting a great education at a great price, so on all fronts, you hit it out of the park, which is really good. One of the important things you should know as you go into your career is, if I were you, I would not take the highest job offer or even the most blue-chip employer that comes calling. What I think probably is more relevant than that, is the people you would work for and work with. I think that is the most important criteria you should be looking for. If you are going to report to someone, it should be a person you like, admire, and trust.

There's nothing in there about compensation so don't focus on the compensation, it'll take care of itself. What I noticed with a lot of people just entering the workforce is they get swayed by the big names. I mean, there are very good brand names and if you tell people you work for them or you tell people what you've got to offer for them et cetera, obviously everyone will applaud that. But what actually really matters is going a couple of layers deeper into those places, to who you'd actually work for. Whether you think that the team and people you work for are what you would want to do. Another thing that I think Buffett advises a lot of young people is that many times people will say, I'll do banking for three years, then I'll go get an MBA, and then I'll start my business, and this and that. They have this kind of laid-out plan, and he always says that's like saving sex for old age, it's not such a good idea. I think that basically if you have goals, just go at them, don't take this path because you don't really need to follow a path to get to your goals. I would definitely encourage a direct approach towards getting to the endpoint you want to get to.

Podcast host: I host an investing podcast here in Ireland called Informed Decisions. You might not have heard of it.

Mohnish: Now I have.

Podcast host: I had the great pleasure of interviewing Guy Spier (your friend) on the hundredth episode there last year. A super interview is a super person, I think, as well as an investor. What does success look like for you? You're obviously very successful as an investor and as a businessman, but is there more to it? What's your legacy? I guess if I can ask that broad question?

Mohnish: Yeah. I don't tend to focus so much on that. I think my take is just one; put one foot in front of the other and keep going. One of the things is that (I think it's part of Buddhist philosophy or even part of the Bhagavad Gita in the Hindu scripts), is that we are not to focus on the reward. It is our duty. Just focus on the effort and give it the best effort. The idea should be the task at hand is really beyond, not a particular end point and such. I think the definitions of success can be very broad and sometimes it catches you by surprise.

I'll give you an example. Ron had mentioned it, we have a family nonprofit called Dakshana Foundation. A couple of years back my older daughter tattooed the logo of the foundation on her back. I can't think of a higher form of success for me personally, in the sense that, I mean, if your son or daughter is tattooing an organization you created, they can't easily reverse that decision. It has to have had some impact on them to do that and such. I wouldn't have defined it that way, but I was very happy to see that, obviously. I would've never guessed she'd do that. I

think for the longest time we would have discussions where she would tell my wife and me that she's going to get a tattoo, and we would just always dissuade her going down that path. Then next thing there's this tattoo and this is what it is. I think that there are many definitions.

What I have focused on is that I like to play, I think if I look at my own psyche, I like to play mathematical games, I like to play bridge. A lot of investing has some math in it. Generally, I enjoy that. One of the kind of interesting math games I'm playing over very long periods is that I have one engine which is hopefully going to keep compounding wealth. I have another engine which is trying to focus on giving it away optimally. I want to end up whenever I'm leaving Planet Earth that I'm at zero, where the two engines have matched.

Of course, I think giving money away effectively is more difficult than making it but for me, the game is fun. There are some interesting side effects, people get helped and so on and so forth, which is fine. But the game is fun. I don't focus on end points so much. I just say, let's just keep going. As long as you sort of keep making some progress every day, Munger will say, try to go to sleep a little wiser than when you woke up, things will work out.

Paul: Hi Mohnish, my name is Paul Neri an investment manager at Quilter. One thing that I have read about your philosophy is your fee structure and how aligned it is with the client. Could you tell us a little bit about that and I suppose why you chose that particular structure and have you had any periods where it's been quite difficult as a result?

Mohnish: Oh, sure. Yeah. When I entered the investment business I had never worked in the investment industry. Actually, I didn't even fully understand the industry, I knew a bit about mutual funds, and I was aware of the Buffett partnerships in the 1950s. I liked the rules that Warren Buffett had for his partnership. I tried as much as possible to replicate them. In fact, what I did, when I was starting in 1999, Roger Lowenstein had written one of the Buffett biographies. I photocopied a few pages of the biography. I took it to my lawyer. I said, read these pages and create this structure. That's basically what I told him to do because I just didn't exactly understand how to how to put it in place.

To a large extent, I copied many of the Buffett rules and made them part of the rules of Pabrai Investment funds. What I've learned between then and now, (one of the things learned over the years) is that cloning is a very powerful mental model. The second thing I've learned, I still don't know exactly why this is the case, but humans are really bad at cloning. What I repeatedly noticed about humans is, they'll see something great going on somewhere, they even acknowledge, "Oh, that's

wonderful”, but they won't clone it. The inversion of that is that, if you are a cloner you get a huge advantage in life because the rest of humanity is not good at cloning. I see it repeatedly in the Dakshana foundation, it works well because it's a clone model. I could never come up with that model, but I could copy it. The Pabrai Funds fee structures, and the way it's set up, I could never come up with it, but I could clone it. I never realized how powerful cloning was. One of the things the Buffett partnerships did was, Warren Buffett charged no management fee. He only charged a performance fee. He told his investors that the first 6% of returns every year goes to them. Then above that, he gets one-fourth and they get three-fourths. For example, if the fund is up 10%, Buffett would get 1%. Whereas, in let's say, a normal two and 20 hedge fund the fund is up 10%. Well, 2% is already gone first to the investment manager, and then you are left with eight, and another 1.6 would go.

Each of the 1% going to the manager in this particular example will be 3.6%. If you have just in terms of math, because when you get to these geometric series, if you have one investment with a manager who does 10% a year and keeps taking 1%, and another investment with another manager who does 10% a year and keeps taking 3.6%, the delta in those two after 30 years is not going to be 20 or 30%. It may be 80 or 90%. There'd be a massive difference, because, with the power of compounding, you'd be compounding a significantly lower number over time. The zero-fee structure that Buffett used, I cloned it because I thought that sounds very fair. It took me a few years, probably more than four or five years to realize that not only was it a very fair structure, but it gave me a competitive advantage that hardly any competitors could copy.

What happens in most investment shops is that, they are set up with a 1 and 20 or 2 and 20, or if there's a mutual fund, a 1% fee or whatever else. For example, If you have \$100 million under management and you have a 2 and 20 structure, you're guaranteed to get about \$2 million a year. What a lot of these investment shops will then do is, they'll have teams of people because they can afford to have one or even one and a half million payroll. That's covered. The zero-fee structure means that you could easily have one or more years where there is no revenue to the firm. If I'm up 4% in a year and there's no revenue, it's zero. There are some expenses, but there's no revenue.

The second part of what this fee structure enables, which is also part of the Buffett and Munger system, is investment teams are an oxymoron. Value investing is not a team sport. It is an individual pursuit, and it should be an individual pursuit. When you start having teams of people, generally speaking, the results will suffer. Like John Bogle used to say that in investing, you get what you don't pay for. The bottom line is that this is a very bizarre industry. It's one of the only industries where 80%

of the participants in the industry add no value. They subtract value. The industry would be better off if it was smaller if there were fewer people in it.

The rules I copied from Buffett partnership, one of them was the zero-fee structure, the 0625. As it happened with Pabrai Investment funds, is that we had no down years from 99 to 2007, it was just straight up. In fact, I think before fees, we did kind of mid 30% a year. Even after fees, we were doing high twenties a year. Then when the financial crisis hit, the funds got hit pretty hard. We were down, one of the funds were down by 70%, pretty significant drawdown, which meant that for me to collect a fee, I had to first come up to par, and then the 6% a year for as long as it took to get up. In one of the funds that I run, it took 10 years.

I collected a fee in 2007 in that fund, and the next time I collected a fee was 2017. But that was the covenant I had with my investors. It never crossed my mind that I should shut down and restart. I think that's kind of unethical. Neither did I go to them to change the terms. We kept to those terms. But the thing is that, this is a business with some spectacular economics. If I am for example, managing 500 million, and for example, if I'm up 20% in a year, my fee would be three and a half percent, which is sort of like almost 17 million. At Pabrai Investment Funds, there are no full-time employees other than me, because, I already told you, the team is an oxymoron.

It's a business where there isn't much expense. Almost all of that 17 million would drop to the bottom line. Maybe we'd have half a million or something in expenses. The thing is that, when it works, it works really well. If you made 17 million one year, well, you can have a few lean years. I don't have any complaints about the structure or any of that. I think it's very fair. It's worked out very well and no issues. But also, the interesting thing about this fee structure is I interact with a lot of young managers and they'll come to me and ask me, I'm setting up a fund and blah, blah, blah. I know at the back of my mind, humans are terrible at cloning. I play a game with them right now that they'll see it on video, it'll all be over so sad, okay? I'll tell them, zero fees and no team, blah, blah, blah. I'll give them all the pointers of what to do, and then I just sit back and observe what actually happens. No one does zero fee and no one does no team. It's like they listen from here and it's out here. I even try to explain to them why it's a competitive advantage and why it's worked for me and so on so forth. They can see that it works, but still, because cloning is not part of the human genetic framework, they can't handle it. I have to sit here with my competitor advantage unblemished, which is fine. Such is life.

Owen: Yeah. I love the Buffett partnership model. I've actually seen that in the past as well. I think it aligns incentives perfectly which is good. But just on aside there, you managed your own business and you sold that business, if you lost money in

the first year, you could probably survive, I don't know what commitments you had between housing and family, et cetera. But if you weren't financially at that stage, could someone do that? Or do you have to have some?

Mohnish: Yeah, actually I started Pabrai Investment Funds before I sold my business. What had happened before I started Pabrai Investment Funds was, in 94 I had sold small portion of my business, after taxes and everything, I had \$1 million. By the time I started Pabrai Investment Funds, that 1 million was sitting at 12 million. I'd averaged about 70% a year. Well done, never to be repeated after that. Charlie Munger says that, "why should you give your money to an investment manager who is not already wealthy? If they're any good at investing, once they're in their forties, they should already be wealthy". Actually, that is a very true statement because if you are working someplace and you are saving some part of your money, and you're compounding at ridiculous rates with small sums which you should be able to do if you're a great investor 30, 40% a year at small sums, that will add up very fast.

The thing is that, one should not need the 1% fee. The second reason I tell these young managers why the 1% fee is a stupid thing to focus on is, they don't have assets. I said, you've got like 2 million in assets, and I'm asking you not to charge the fee. You want to charge a 1% fee, that's \$20,000. That's fine. It'll pay for your Starbucks coffee and maybe not much else beyond that. It's, anyway, not going to help you make ends meet. But what it will do is it'll make it more difficult to raise money. Also what it will do is make you sleep slightly less well at night because you are somewhat out of alignment with the universe. I think it is an issue that there's some chicken and egg involved. But to give the example of let's say Li Lu who manages Charlie Munger's money. Li Lu was at 10 square and the Chinese government wanted to get its hands on him. He escaped with some help to Hong Kong, and then finally made his way to Columbia. When he arrived in the US he had an undergraduate degree from China, but he spoke no English. I think he is the only guy at Columbia who did three simultaneous degrees at the same time, an undergraduate degree, an MBA, and a law degree all at the same time. While he was in school, as he was getting these student loans, he kept investing that money, and I think he graduated with a quarter million dollars. This a guy who comes from China with no English skills of any kind, had three degrees at the same time, and doing investing on the side as well using his student loan money. He's multiplied that and he just went from there.

I asked Charlie, "why'd you give your money to Li Lu?" He said, "there was nobody else. It wasn't like I had five choices". He said, it was just obvious. I just looked at the track record and it was pretty easy to go from there. There was a friend of mine in high school; Desmond D'Souza, 2% of Indians are Catholic. Desmond is kind of

a below average student you would hardly ever notice in class, one of those back benchers. He came to the US for his undergraduate degree. He and I both finished high school in Dubai, and most of us were leaving to go to places which had colleges. When he was coming to the US to New York to study, his parents basically said, “look here's four years of living expenses and tuition. We are putting it in your account. We trust you won't bother us for money for the next four years. We are done with your education expenses, right?” He had a decent amount of money that he was sitting on, and without telling his parents, he bought this single-family home right across from campus in New York, five-bedroom home or something. He filled every nook and cranny of that home with students, and I think there were like six of them in the living room. He had like 40 people living there, and he was the slum lord: collecting rent.

Of course, he had borrowed 80, 90% of the purchase price from a bank. In a couple of years, the prices had gone up. I think they had gone up like 20% or something. He pulled equity out, bought two more homes, and filled those up with students as well. Then after that, he got to know this. I was studying engineering. I was in the top 1% of my class. I remember I visited Desmond in New York just right after I had graduated. I thought I'd done well and I'd got a nice job, et cetera. Desmond is telling me he's got no interest in taking any jobs. You think that's like for losers, telling me that. What he did when he graduated, he made friends with this banker, and there was this Haitian neighborhood in Long Island. The banker told him, “Listen”. Desmond asked him, “Listen, instead of buying regular homes, I want to buy foreclosed homes because, those are beat up and nobody wants to buy them. The banker told him, listen I can actually give you a great deal if you take 20 of them. These foreclosed homes in the US, I'm not sure what happens in Ireland, but when these guys are leaving the house, even the plugs and sockets are gone. I mean, the appliances are gone, the homes are destroyed. No woman's going to go in and say, this is the one I want. Desmond buys these 20 foreclosed homes, and he has this whole crew of closed homes, and he has this whole crew of contractors who immediately go in to fix everything, change the appliances, and then he used actually the same people who were fixing his homes, all these Haitian contractors who were all renting apartments, and he convinced the same banker to give them loans to buy the homes that the banker had given him on foreclosure at a significantly higher price. He told the Haitians, “Bring me all your uncles and cousins and everyone else. I'll get them all into homes”. All these people he's getting them homes were black. They'd face some discrimination with bankers, et cetera. Desmond sat down with his banker and said, look, these are hardworking people.

They've got skills, they've got income, they've got everything, don't mess with them, and let's get them through the pipeline, and the bank rolls happy. He said,

Yeah, they fit all my profiles and I'm happy. He had this whole engine going. I mean, he's buying from the bank foreclosed, about six weeks, the property's all done, and another month he sold it back to the same bank and just on and on. Desmond, few years later is worth a few million dollars, no job, and never had any great GPA in college and didn't care. What I'm saying is that, the bottom line is that, if you've got the skills of a good investor, I think you can generate the capital. It might take some chutzpa if you will.

Student: More question, you talked about being the only player in Pabrai Investment funds. There's been a lot of talk with Berkshire Hathaway, correct me if I'm wrong, like Warren Buffett successor, Greg Abel and Ajit Jain, and do you have any ideas? Are you going to have a successor in Pabrai Investment Funds when the day comes or whatever, or would you wind it up straight away. Do you have any thoughts on that?

Mohnish: Not designed. In fact, in the fund documents, we've written that if I get mentally disabled or I pass away whatever it's designed to liquidate. These are really not designed to be sustaining enterprises. Even Buffett ended his partnership. I have not at this point thought about any type of a continuation if you will. It's designed because I think the investors have made a bet on the investment manager. By the way, I'm retiring and here's John Smith who's going to be taking my place. I don't know how many of them will stick around.

Connor: Hi Mohnish, my name is Connor. I'm an accountant and I recently started my own business. I was wondering, you said earlier that it was maybe a little bit more difficult to give money away effectively than it is to make money. I was wondering, what principles you might be following in the Dakshana Foundation that might be making it a little bit easier or how are you giving away the money via the foundation?

Mohnish: Yeah, that's a good question. I think that what we try to do when we are entrepreneurs or trying to build businesses is contrary to what people think. Entrepreneurs try really hard to minimize risk. They look for offering gaps, and they look for sure bets as much as they can. I'm talking of non-venture back businesses. For example, there's a new town coming up, let's say 20 kilometers from Dublin. There's no barber there. Dublin might open up a small shop and go there two days a week, and then gradually build up from there, that sort of thing. Most entrepreneurs look for opportunities and minimize the risk when we are trying to give money away. The other thing entrepreneurs do is they look for the best opportunities. They look at all that kind of range of things you could do. I mean, if you look at something like what Desmond did, he didn't have much risk, he bought a home, he was pretty sure he could get the students to rent it because he himself

was renting and if it didn't work out, he could've sold the home. It wouldn't have been much of a loss and so on, so forth. He just didn't have much downside. He could pick what area he wants to go into. He didn't go and buy a commercial office building or anything like that. When you go into charity philanthropy, you got like a few choices, deal with poverty, drug abuse, alcoholism, homelessness I mean, you're dealing with core problems, early childhood education, all kinds of things.

You're dealing with problems that the government spending billions of dollars have had difficulty dealing with, and a lot of other humans for a lot of decades have had difficulty dealing with. These are not easy problems. These are difficult problems, and you don't get to choose so much because they're just five or six choices, and they're all problems because no one's been able to solve them in the past. Take your choice, and the rules for philanthropy are different. One of the rules for philanthropy is you have to swing for the fences. When we are an entrepreneur, we try to minimize risk when we go into charity, we have to go extreme risk. We have to say, I will try extreme stuff to try to get a different outcome. I will not, and I'm willing to lose all the money I'm putting in to try to get that.

If you take a very safe approach in charity, it very likely to fail because a lot of safe approaches in the past have been tried. You have to think outside the box and you also have to be very willing. I would say, if you look at the Gates Foundation, for example they spent a lot of money on developing vaccines. Vaccines is high risk, high return, most of what they've been doing for more than a decade or two has not worked. But they know that there are moon shots, right? You get one to work, you get polio to work and have a huge impact on humanity. You get malaria to work. Huge impact on humanity. I mean, if they're working on a malaria vaccine, it could be a billion-dollar bet and it could be, nothing happens, doesn't work, but it's worth making that, it's a great bet to make. I think, in philanthropy, we have to go high risk, high return, and we have to be very willing to fail. In many ways, it's the opposite of both value investing and entrepreneurship. Because in both those cases, we try to reduce downside and we don't go for moon shots. We just try to get singles, if you will. That's the difference and I think the problem a lot of charities have is that. The third issue is that, so let's say I open a barber shop, and I provide terrible haircuts. I won't be around for very long. The shop's going to close down. Or if I open a coffee shop and the coffee's not so great, it's not going to be around for, I mean, capitalism is a feedback loop, and it's pretty quick and brutal.

All the riff-raff businesses are gone. What we are left with are the guys who can actually deliver in. If I have, let's say the Rockefeller Foundation or the Ford Foundation, and I've got like a billion-dollar endowment sitting in my bank account and I'm spending 5% a year, whatever I have, I spend 5% a year, which is a US law for a foundation. I have a billion in the account. I spend 50 million a year. It doesn't

matter what kind of haircuts I provide, I'm never going out of business. The problem that charities have is, they have no feedback loop that forces change. The end result is useless to work done by charities. What I always find, which is the problem I have with a lot of charities is, to do it well you need a combination of heart and head.

You need to have heart, but you also need to have head. Basically, I always tell my staff at Dakshana, we are not a charity, we are a business. The only difference between us and any other businesses is, we don't have a profit motive, but we have very tight measurements of outcomes that we have to make. One of the things that Dakshana decided to write at the beginning is that the lack of a feedback loop for charities is a real serious problem because entrepreneurship is just naturally taken care of. Most charitable ventures that you would engage in, have no feedback loop. For example in San Francisco, there's a large homeless population. Let's say I decide that; this is terrible, I want to give blankets to the homeless, so I buy a bunch of blankets, I distribute them, and every few weeks I go out and see who is missing blankets, and I give them blankets.

Let's say that's my charitable endeavor. That's really good. How do you measure the outcome? I mean, what would you use as a measure to tell you that this is great, or how would you measure that it is the best use that you could have had of that money? Let's say someone else said that instead of giving blankets to the homeless, I'm going to get homeless off the streets, right? They create housing and they take some homeless folks and they move them into that housing. You could say, for example, that, "okay, this year I moved 10 homeless people off the street". But one of the problems we run into is what if, because of the 10 people moving into housing, 50 more move into the city as homeless because they know San Francisco provides great services to the homeless. Just attract more people coming in. It's very hard to answer the question, is it better to give the guy one person a home versus 5,000 blankets? Which is better? I don't know which is better. I have no idea. What I did with Dakshana was I inverted the problem. Munger always says Inver always invert. The inversion of the problem Dakshana did is we will not engage in any charitable activity which cannot be measured. I looked at the range of charitable activities, and 99% cannot be measured through, threw them away.

We focus on a sliver where there's a very tight feedback loop. Lo and behold, Dakshana works really well because we continuously get the feedback just like a business. That feedback tells us exactly how well or poorly we are doing. All of that works because we applied inversion. These are some of the things I've learned about charities. But of course, it doesn't solve the humanities problem because I'm not dealing with 99%, and there are a lot of other charities dealing with stuff that

cannot be measured. Maybe they're doing a good job, but we just can't tell. It just becomes really hard to tell.

Shu Hong: Hello, sir. My name is Shu Hong and I'm currently a second-year business student. If my memory is correct, you used to mention that it might be a good idea to invest in those companies that can maintain themselves un-risky, even when there's a huge level of fluctuation and uncertainty in financial markets. I'm wondering if there's any specific aspect or indicators you will look at or especially emphasize when trying to identify those companies.

Mohnish: I'm not sure I exactly got your question, but one of the things I do focus on is the nuance of low risk and high uncertainty. Is that what you were asking? Yeah. Basically, the thing is that stock markets hate uncertainty. What they want is you produced a dollar earnings this year, please produce a dollar 10 next year, a dollar 22 years from now, a dollar 35, 5 years from now, and please go nonstop like that. The reality is that the business world is very messy. It just doesn't work that way. Things just don't go in a straight line, and they go up and down and such. Stock markets have, in my opinion, an irrational extreme expectation of smoothness in business operations. Almost any business is anything but smooth.

If a business has a temporary hiccup, they just say, hey, by the way, next quarter might be slightly off, taken out, back and shot. First, let's take it out, back, and shoot it, then we'll ask questions. Buffett had mentioned that when he was buying the Washington Post I think the market cap of the company was around 80 million. He said, in any private transaction, then it would've sold for 400 million. It was sitting at about one-fifth of liquidation value of what a private buyer would pay. The 80 million market cap went down to 60 million because people just kept selling the stock and Warren knew some of the sellers, they agreed with him that the private market value was 400 million, but they just didn't want to deal with the near term uncertainty that that the business was facing.

If you have a business that exhibits very high uncertainty then that business generally will get very extreme kind of valuations in an auction driven market. An investor can take advantage of it because markets get confused between risk and uncertainty. They get confused between these two. To give you an example, I made an investment a few years back. I think this was like in 2004 or so, maybe it's been 14, 15 years. There was a steel company in Canada called IPSCO. The nuances of this company were as follows the stock was trading at \$45 a share. The company had no debt, it had \$15 in cash, and it had contracted revenues and certainty of earnings in cash flow for the next two years, which were \$15 a share each.

The company would make after tax \$15 in each of the next two years. In effect, I was paying \$45, and if I just held the stock for two years, I would have \$45 sitting in the company. But I would still have all the plants and everything else, but the business was extremely volatile with extreme cyclicalities. After two years, there was no certainty of any kind of what earnings were going to be, a wide range of unknowns, and markets don't like that. What did the market do? It priced it at 45. From my perspective, I said, Okay why don't we just buy the stock and wait for two years? Because I have all the plants, I have everything else, I just want to see what happens after that because they don't look like they have too much downside.

We bought it at 45, a year later the company announced that they had one more year of visibility. They want to have another year of \$15 earnings. Now we were in the money, and the stock went to \$65 because we now had in effect, \$60 coming in. Then in a few months, it drifted close to \$90 because I think markets probably started realizing this is ridiculous because you're not giving any value to the plants and all of that. Some Swedish firm came and offered \$160 for the business and the stock immediately went for 1 to 153 or something. I didn't even wait for the deal to close, we were out of there. I still don't understand why that Swedish firm didn't come and buy them two years earlier.

But that's the way it is in life, like Mark Twain says, "truth is stranger than fiction because fiction has to make sense". Uncertainty really bothers markets. There was another company I had invested in I think this was about four years ago in India called Rain Industries. This company had borrowed a lot of money, bought plants taken a lot of debt, and all those plants, and everything else they bought was barely able to cover the debt service. They weren't really contributing the earnings. The market gave no value to like 90% of the assets of the business. 2 billion in revenue, 200 million in market cap debt those plants had cyclicalities in them. We were kind of close to hitting the bottoms of the cyclicalities. If they got to somewhat normal environments, the company could be producing 200 million a year in annual cash flows, and I was paying 200 million for the entire business.

We bought the stock and for two years it just went straight down. It didn't do anything. The 200 million market cap went to like 160 million. Then in the third year, the earnings came in, came in at 200 million, and the market cap went to 2 billion. Recently again, they hit a patch in earnings. It corrected backward. I think we have like two and a half times gain, but we had 12 times gain at the peak. The risk and uncertainty is a very interesting thing to have in your toolbox because equity markets and especially auction driven markets hate uncertainty. Especially there can be businesses where the uncertainty is only for six months or only for nine months, and markets will punish them for that. That can give you an edge.

Tony Sullivan: Hey, I'm Tony Sullivan. I'm a European banks analyst at an independent company called Cargill. It's kind of related to the previous question but thinking about it, Ben Graham and markets are there to serve you, not to guide you throughout your career, what tools have helped you when stocks you own are going down in value, it's entire ticker value has gone down market prices, but you inherently think the company is intrinsically valued far above the market price. What tools help you as an investor to stay the course and not allow markets to guide you?

Mohnish: Sure. Tony, it was great to see you in Omaha. Hopefully we'll see you again.

Tony: Likewise. 2016.

Mohnish: I'll tell you a little story. My dad was an entrepreneur who went bankrupt many times over his career, and he was really good at starting from scratch. Again, it was amazing how many times he would do this business. Usually, his biggest flaw was too much leverage, and then things would blow up, but then he would find some new idea and get going again. My parents were very bad financial planners, so there really wasn't any savings or anything. Business went down, we had difficulty making rent and groceries and so on. I think I was like 11 or 12 years old, my father had just gone bankrupt, and the business had gone under. Every Sunday there was this guy in orange robes with all these marks, or in his forehead coming to our house, and he was an astrologer.

My father was consulting him about the future, "what's the future going to be?" My dad was a very rational engineer, so I went to my dad and said, "you have to know everything this guy's telling you is total nonsense. You have to know that". My dad says to me that I'm at the bottom of a well, and I need a rope to come out of the bottom of the well. When I pay this guy to tell me about the future, he knows that he's not coming back next week unless the forecast is really rosy. It has to be an exuberant future. He also knows that the more the rosy, it is slightly higher that he might get paid. Every week when I call him, he paints this picture, you're going to start another business, and it's going to do really well, blah, blah, blah. I'm gradually coming out of the well. That's how my dad explained this to me. Let's say during the financial crisis, when I was down 70%, for example, I thought about my dad and I thought about that astrologer. I didn't have his email address, that's what I needed then, tell me what the performance is going to be and I'll pay you and I'll pay you more if it's going to be more. But I couldn't find his email address. I had to come up with my own rope to come out to the well. One of my rules of investing is thou should not use Excel. But I said, let's violate that rule to come out of the well because coming out of the well is more important than Excel.

I created an Excel spreadsheet, which had my portfolio with the current prices, and then I put down the price at the end of 2009 or end of 2010, 2011, and all those future prices were much higher than the current price. Then I looked at the value of the portfolio. At that time, those numbers looked really good, and that was the rope. We all need ropes to come out of deep wells, and I don't have the guy's email address, so you need to find your own rope in effect. But I think that the nature of equity markets is that we are going to find ourselves, I mean things we buy that are cheap. We understand the business and that's all fine. They can be cheaper because you made a mistake, or they can be cheaper because it makes no sense. The markets are mispricing it even more. Until we figure it out, we need some rope to what it would be a mistake to sell things just because they become cheaper. I think you can sell things if they're cheaper, if you're convinced that the current value of the business is below where it's currently trading. But if you're not convinced of that, you're better off being like the Fidelity dead clients and doing nothing. Everyone needs a rope.

John: My name is John Carnie. I'm in the life and pensions business here in Dublin. Just want to ask too, are you fully invested presently, I mean your fund?

Mohnish: We aren't fully invested. But we don't have that much cash. We have I think less than 10% cash.

John: How do you feel about the future? Do you think the markets have to go a bit still? Like I see in some of your earlier slides, the Dow and the S & P, like the poll rooms have the starter, I think seven and eight years, 17 years, yeah. The ones are getting longer.

Mohnish: Like I told you, the presentation I made is kind of weird presentation because I almost never have a view of the markets, and even now. If I look at the US markets, I actually don't know exactly where they're going or what they're going to do. What I do know is I find it hard to find stuff, and in fact, we have not had an investment in the US for four years. I used to be a hundred percent US, and in the last four years I found one stock to buy in the US. My portfolio allocations became really strange. It's not because I have a macro view of anything, it's just we found stuff in other geographies. I generally feel that at least the US markets are either fully priced or may even be possibly overpriced.

But that doesn't mean they're going to be correct. They could grow into that. We have no idea of all that. I do believe that there are other hunting grounds that are better. We've done a few investments in India in the last few years. I think those are better than what we could have done in the US. I'm going to poke around in Korea a little bit more. I don't know whether we can actually get to, for me, the biggest

issue with Korea is the circle of competence. I don't know if I'll be able to actually be able to convince myself that I really understand this. But if we can, we'll see that we do that. I mean, if I'm looking at something which is like the Moody's of Korea or credit rating agency or something, I might really get arms around that.

We'll see. But, I think the way I look at it is I try not to have views on markets on macro or anything because I think, generally speaking, that's a really hard game for me. I think it's just better to just look at individual businesses and go from there. But then, you probably have the problem of a huge amount of assets and it becomes hard to put it to work in a few names.

Student: Hi, Mohnish . Thanks. I'm the back bencher here, like Desmond maybe.

Mohnish: You're already halfway there, man. That's great

Student: Thanks. I was wondering how'd you manage yourself on a day-to-day basis, and what's your kind of routine like I suppose from day to day, and how you look after yourself.

Mohnish: Yeah, I take a nap every afternoon. Afternoon naps are good. I actually have a nap room off my office which is nice. Actually, what I try to do, and these are all things I've tried to pick up from Warren and Charlie, is I try not to put anything on my calendar. In a typical week, I don't have anything on the calendar. I don't set up meetings and such. What I want is that every day there is reasonably large chunks of time available to read a wide range of things. Sometimes I may have a particular investment I'm looking at, and I might be drilling down on that. Other times I might be reading a book, I read a few news newspapers every day, and so on.

The key is to try to not have a lot of obligations and such, but to really have a kind of open calendar and then take it from there. I think my assistant told me that somebody wanted to do a podcast, and I just told her, find a week where there's nothing going on, there's nothing on the calendar, and we'll put it in then, and whenever that is. I think that's the key. At least what I found useful is not to clutter things too much. I mean in the investing business, if you can find two or three things in a year, I think you're doing pretty well. It's a great business because you get to spend your time thinking about all kinds of things, which is great, and reading all kinds of things, which is also great. But thank you very much and thanks for the wonderful hospitality and for hosting me, and I wish you all the best. Thank you.