

Mohnish Pabrai's Q&A Session with Mis Propias Finanzas on September 20, 2020

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Juan: Sir, thank you so much for being here. Welcome to Mis Propias Finanzas. How are you doing?

Mohnish: Well, Juan and Alejandro, I'm excited to be here with you guys and I'm looking forward to the session.

Juan: Well, we've been waiting for this interview for more than a year. We're very excited to be here with you, talking to one of our idols. We've been following what you do, your thoughts as an investor, and we're very excited. Mohnish, let me start by saying one of the things that I admire in most of the guys like you is that you have nothing to gain from this interview, and still, you're here showing up, giving us your time, and giving the time to our community. That's something that we really appreciate.

Mohnish: Well, the tone was set by Ben Graham, Warren Buffett, and Charlie Munger. Buffett says that on his gravestone, he wants it written that he was a teacher. We are just trying to follow some of those great ideals, which I think is wonderful.

Juan: Awesome. Now that you mentioned Warren Buffett, Charlie Munger, and Ben Graham, we talked to you this year at the conference in Omaha, Nebraska, and we asked you how much you paid to have lunch with Warren Buffett? You told me you paid \$650,000. What was going through your mind when you signed that check to have lunch with one of your idols, Warren Buffett?

Mohnish: Well, actually it turned out to be quite a bargain. It was even at that time in 2007. I had bid for the lunch a few years before that, but I always lost, somebody else outbid me. 2007 was a big year in terms of our returns, fees, and all that. I think at that time, our net worth was like \$84 million. An overwhelming portion of that is because of Buffett, Munger and Graham.

Juan: Wow.

Mohnish: I felt like there was a big tuition bill due. If someone made \$70, \$80 million, what would you think is appropriate tuition bill to pay. I thought for sure, couple of million dollars is not a problem. I was mentally prepared in 2007 when we were bidding to go up to 2 million for the lunch. Because you have like seven seats at the table and I was going to go with my family, there were three seats open. I was thinking, "should I take somebody else, or I should just keep it with the family?" I don't even know why I asked him, but I only asked one person if they wanted to join me because I wanted to make sure it was someone, I would enjoy breaking bread with.

I asked Guy Spier if he is interested in bidding on the lunch with me. To my surprise, he said, "yeah, that sounds great". I said, "look, there are only

going to be two of you and there are four of us. Basically, whatever the winning bid is, they should be one third and we should be two thirds". I told him my upper limit is \$2 million. Guy choked when I told him that, he said, "Mohnish, I don't think I can do a third of 2 million, but I'm good up to a quarter million".

I said, "okay, here's what we are going to do. You're going to be capped at a quarter million and whatever it goes above that, that's what you're going to pay for your two seats". He said, "that's perfect, great for me". Then, the bidding petered out at a minuscule \$650,000. We didn't even hit the cap for Guy Spier. It ended up being a tremendous bargain. Sometimes in stores you have buy one get one free, you have a great deal. This, in hindsight, ended up being buy one and get infinite free because, what's ended up happening is a gazillion lunches with Charlie Munger and then huge, large number of Friday afternoons playing bridge with him and his friends at the LA Country Club.

Then on Sunday, in Omaha, after the meeting, Buffett hosts a brunch for his friends, managers, directors, and so on. Every year after that, Guy and I would get an invite to that brunch and when we go for that brunch, sometimes I would tell Guy, "don't look, but right behind us, Bill Gates and Bono are talking". There would be NFL players there, there would be Hollywood actors and actresses there. There'd be like, who's who? The only two yo-yos in that room used to be just Guy and me, everyone else was somebody. Every year I used to tell Guy that this is going to be the last year they're going to figure out we are not worthy of being in this crowd, and the invites are going to end, but the invites have continued. This has been from 2007 to 2022, and for pandemic, there were no meetings and all that, so buy one get one free. How can you beat that?

Juan: Can you tell us something special that happened during that lunch? Something that Warren said that stayed in your mind forever?

Mohnish: My only objective in bidding for the lunch was to thank him.

Juan: Okay.

Mohnish: I just wanted to look him in the eye and say, "Mr. Buffett, I made all this money, thanks to you. I learned a lot of great principles in life, thanks to you, and I have a huge journey, hopefully in front of me, which all this compounding is going to take place thanks to you. I owe you a lot. This is just a small token of what I can do". That's all I had in mind. I didn't particularly have anything more than that in mind. I just wanted to thank my guru. He was alive at the time I was alive. He was willing to take a bribe to sit down for a meal. Life was great. When Buffett comes to the lunch, his mindset is totally different.

His mindset is whoever paid and whatever they paid; he wants them to think they got to bargain. He tries very hard to deliver a lot of value. Sometimes I would ask an innocuous question like, "hey, there should be three of you. Rick Guerin was one of the three of you who were together in the sixties making deals, and then we've not heard from Rick Guerin for so long, are you in touch with Rick?" Then that question got converted. He said, "yeah, I'm in touch with Rick. I bridged with him and so on". He got converted into a lesson on leverage. Rick lost a lot of his money in 73, 74

because he was levered. Buffett said he bought a large number of Berkshire shares from Rick Guerin at \$40 a share, which today is more than \$400,000.

It's 10,000X from then in less than 50 years. He was converting these. Of course, what happened since then is that, when I used to meet Charlie for Bridge, Rick used to be there. Then it became like I was playing Bridge with Rick and Charlie and I'm like pinching myself. Here's this Indian guy from the suburbs of Mumbai and I'm asking Buffett in 2008, oh, what happened to Rick and all that. Then, two, three years later, I'm at the LA Country Club. Before the bridge game, we used to have lunch, the four or five of us used to have lunch together, and I was sitting once for lunch and Rick and Charlie were sitting directly in front of me.

Mohnish: There were just three of us, because the other guys hadn't shown up yet. I'm like, "is this surreal or what?" Okay, these two guys are sitting. I'd asked them, hey, listen, tell me about some of the interesting stories or the deals you guys did together in the sixties, right? Then they would start laughing and they would tell me about these deals. If you want, I'll just tell you one quick story that came out there, which is hilarious. They used to look at stocks, businesses, and different things to buy, whatever. There was this very small company in LA where this entrepreneur had come up with a fluid that you could put into your car engine and it would automatically stop all leaks. If there was a leak, it would just plug the leak.

This guy was like a maverick kind of CEO. He used to go to different auto mechanic shops with his gun. With his own car, he would open the engine and he'd shoot the gun at the engine and he'd blow a hole in the engine. Then he'd pour his liquid and suddenly there's nothing being leaked. That's how the guy built sales. That was his approach to building sales, the ultimate demo, right? Anyway, what happens is that this guy passed away and the company actually was upside down. There was more debt and equity and so on. Munger and Rick wanted to buy this company. What they did is they bought all the bank debt at like pennies on the dollar, and they effectively had control and they could have taken because the equity was basically worthless, but they wanted to be fair and more than fair to the estate.

The Guy had a mistress, and his wife did not know that there was a mistress until he had passed away. The mistress was a blonde with well-endowed breasts, and she was a nurse. She's also pretty young. What this Guy did is, in his will, he made the wife the executor of the estate, but in the will, he gave quite a bit of money to the mistress.

Juan: Wow.

Mohnish: You got one woman controlling the distribution and all of that, and the mistress having some money coming. The wife was so pissed off. I mean, she was beyond pissed off. She was like, first she was grieving and then she was very upset. In the meantime, Charlie and Rick don't want to just take the company. They want to make some payment to the wife and the mistress and get them to sign over saying, yeah, we agree with the deal and all that.

They wanted to make it like a friendly deal. Neither of them wants to sign on anything with the other person. They're both upset with the other person. Charlie's saying that he's trying to kind of get these two women to see the light and listen, "yeah, I know you're upset and all that, but look, there's a little bit of money that's coming to you. What do you care if there's some going to the other person? All this is already done, The Guy's already dead, this is reality and we need to move on". He arranged to meet the mistress at the California club. The California club is kind of like a lunch club in Downtown, LA, very ornate, it's like one of these old money clubs. The first time I met Charlie, I met him at the California club.

It has a very ornate dining room, like huge 40-foot ceilings with Michelangelo type art on the top and all that. Charlie invited the mistress over for lunch so that he could schmooze her and talk to her and calm her down. She came directly from work, and she came in her nurse's uniform, and the nurse's uniform was about three sizes too small. Charlie said, "I'm sitting at my usual table at the California club with this blonde with well-endowed breasts", where in his words there were tits everywhere. The rest of the members in the club, I mean the guest were like, "what's going on? Mr. Munger is one of our esteemed members, and apparently, he's meeting a porn star for lunch". Anyway, Charlie said he was able to pacify the women, they were able to get them to just be cooperated enough to get their deal done, and then they moved on. This is what went on at the lunch and bridge games. What can I say?

Juan: Oh, very soon. That's so funny. I guess you've had the time to talk to Warren and to talk to Charlie, to be friends with him. Alejandro, why don't you ask Mohnish the question about how he analyzes companies.

Alejandro: Yeah, Mohnish, one question I wanted to ask you is a little technical, but I think it's important. The question is how do you read an annual report? What is your schedule, like do you go to the business session, then you read the risk, and how do you draw your circle of competence, like to pick what annual reports to read on?

Mohnish: Well, I think as far as the circle of competence grows, to ask the question is to answer it. If you are wondering whether something is within your circle of competence or not, the answer is it is not in your circle of competence. If something is within your circle of competence, you would know how to value the business, you would know how it makes money, you would know what a likely trajectory of that business within some ranges and boundaries is. It depends on the business. Usually, my most preferred starting point on a company is to see, as you know, I'm the shameless cloner, so the first thing I'm trying to ideally try to do is hopefully someone smarter than me already owns the stock. Hopefully they have made some comments about it. The first thing I try to look for is who are these shareholders.

Usually, I don't need to look at the shareholders because usually it is coming through some guy or some fund that I admire, and they have this company as a holding. It is ideal for me if there is a writeup on value investors club. There are thousands of writeups on value investors club, and it's a pretty well curated site. When I find a company that's on my radar, the first thing I look for is; is there a weak writeup? Even if the writeups are old, I will print off all the weak writeups with all the messages

and all the comments, everything on all the writeups. That's the first thing I want to read, because that is giving me a digested and condensed view of the business. That would take a long time if I just sat and read the annual reports.

This is someone who's already digested a lot of the data, and I can ratify that later, but at least it's giving me a head start. Because the first thing I'm trying to do is, anytime I'm looking at a business, I'm looking for a reason to stop looking and take a pass. The VIC writeups are designed to help me get to a point where I say, "no, I thought this might be interesting, but it's not that interesting, so, I can let it go". If I get past the VIC writeups and I'm still interested, usually if the company is giving us letters to shareholders and it appears that those letters to shareholders are not written by a PR firm, then it's not the entire annual report. I'll have my assistant just make a PDF of all the 20, 30 years of letters starting with the oldest one.

Then I just read the letters because after then I can say, okay, what were they saying in 95? What happened by 2000? What were they saying in 2000? What happened by 2005? I can just see kind of what they were saying versus how the trajectory of the business has gone subsequently. The other interesting thing about reading these letters, especially reading them in the past, for example, we know that in 08, 09 a tsunami is coming. We know that. When I'm reading the 2005 letter or 2006 letter or 2007 letter, they don't know that but I know that. It's like you're about to go off the cliff down the waterfall, but you don't know that, then they're in the waterfall and then they're finally at the bottom. You can see that whole thing play out in the letter.

That kind of gives you a view of how the company deals with how resilient the business model is and adversity, it's same thing with the pandemic, we can see what 2018, 2019 looks like, and then suddenly the pandemic hits and some businesses are getting tailwinds and a lot of them are facing headwinds. If I am still interested in the business after reading the letters, then I go to the transcripts. The transcripts can be a little bit more, it's actually definitely not written by a PR firm, because this is actually investors and analysts asking questions and so on so forth. I'm not that interested in the prepared remarks in the transcript because that will be similar to what's in the annual reports because they're controlling that messaging.

But especially the companies that don't write their own letters, etc., I'm really interested in the Q&A. Of course, I have to sift through stuff because the analysts will ask some stupid question about next quarter, do you expect to beat by one penny or two pennies? That sort of thing, which is not really relevant. But what I'm looking for is, when different questions are being asked about the business and they're making different comments, I have the full future in front of me and just how did they unfold. Did they underpromise and overdeliver or did they overpromise and underdeliver? Or are they conservative? Are they aggressive? Those sorts of things. We can then look at the proxies, because that gives me a good feel for the stock dilution, comp plans, all of that, and how that is playing out. After all of that, if I'm still interested, then we start plowing into the financial then and different parts of the annual report, risk factors and so on. That's usually the journey.

Juan: Do you talk to managers at all of companies?

Mohnish: For the longest time, I didn't talk to managers. Especially the ones that are not in the US basically would not invest without having had plenty of interaction with the senior management, CEO and so on. If it's a large US company, there's not that much you're going to glean. Also, the availability will block, they will not be very accessible to you. You might be able to get to the IR department of some of the large companies but may not be able to get beyond. Maybe you get to the CFO and so on. I would say that one of my investments is Micron. I've met Sanjay and I've had some interaction with their CFO and so on, but I think all of that was really irrelevant to the thesis.

Juan: Let's talk about Micron. How much of your portfolio does Micron weights?

Mohnish: It used to be a lot larger. But due to our drop in prices in 2022, well it might still be similar proportions, but I think at one point, Micron was around 20%, 25% of the pie. It may be a little bit less right now, just because things have come down a bit.

Juan: Can you tell us what you are seeing in Micron for example, that makes you invest 25% of your money in one single company?

Mohnish: Well, we didn't invest 10%, we have a 10% limit on what we are willing to invest in a single business. It became higher because it is appreciated. But I am going to duck that question and I'm going to probably duck a lot of questions related to what we currently own or what we are looking to buy and so on. I will take a pass on that. At some point, we won't own Micron, we can then discuss it freely, but right now I'll just take a pass.

Alejandro: Something is super interesting to me; Buffett talks a lot about this concept of inheritance. I heard you are not going to leave your inheritance to Monsoon and your other kid. Can you talk a little about that?

Mohnish: Buffett says that large inheritances do more harm than good. I think he has a quote, he says, "If you are Jesse Owens' son, Jesse Owens was a sprinter who ran the Olympics in Germany in front of Hitler. He says, if you're Jesse Owens' son, you're not going to become a great sprinter by starting hundred-meter dashes at the 40-meter line. That's not going to make you a great sprinter". He says it's okay to put Jesse Owens' son at the 10-meter line, maybe not at zero, but 10 is okay, but not 40. I think if you were to give some boost to your gene pool, that may be helpful. But if you gave them a very large amount where they don't have to work for the rest of their lives, it's like an IV drip in their arm.

He considers that the same as people on welfare, the trust front babies as he calls them. Basically, the same as people who are welfares, food stamp recipients and so on. I agree with that. I think that my journey has been very exciting. In fact, I think one of the best things that happened to me was that my father went bankrupt many times, but he went bankrupt when I was 20 in college. I was very clear about it that time that there was no inheritance coming. I had to basically make sure that whatever path I was going to go and it's going to be at, I mean, there's no external third source etc. With my daughters, what my wife and I had done is basically, in the US we have something known as UGMA (Unified Gift to Minors Act),

which is an act by Congress where each person can give, it used to be 10,000 a year.

Now it's a lower 15,000 a year to anyone else tax free. There's no gift tax so to speak. What we had done is, we would put \$10,000 each into each of their accounts when they were very small. Then we kept doing that, and then I managed that account. It would usually not have more than three, four stocks in it. The way the UGMA is set up is, they get full control at 18 and I wanted the full control to go to them at 18. I mean, they could have taken the money and bought a Ferrari or several Ferraris or go and become drug addicts or whatever else, but I felt like we had 18 years to transfer values to them. If we didn't succeed in transferring values in 18 years, then the money was not the problem, there were other problems.

I think when my daughters were 12 or 13, I explained that this account existed and I explained to them that there's not anything else coming to them besides this account and that they would get full control at 18. Actually, what I wanted them to try to do is, I told them, "Do not pursue careers or degrees, which will pay you the most, try to pursue a career path that you would be most passionate about. The money had actually compounded quite well. It was, seven figures, they were going to do well. I told them, "Look, if we are not doing well, when you turned 18, college is taken care of. You don't need to worry about college. As it turned out, when they turned 18, we were still doing fine".

We paid for college they didn't really touch that money. They both made choices, which are very different than their friends. They actually focused on what they were truly interested in doing. Now, they're in their kind of mid-twenties and I couldn't be prouder of them. I think that inheritance, even small inheritances really need to come to the person before they're 30 or 35, after that ability to really have trajectory changes is limited. People are buying homes or they're trying to start a business or whatever else. My older daughter, Monsoon, has, the apple fell directly under the tree. I never told either of my kids to ever look at the investing business as a possibility of her career. I was surprised when she mentioned that's the path she wants to go down. She's getting a fund off the ground, it has a few million dollars, but this summer, money on the side gave her the confidence. She quit her job and start doing this. It's actually being used in a manner that I couldn't have thought of a better way that it could be used. It's working out really well. Thank you, Mr. Buffett.

Juan: We want to invest in your daughter's funds. How can we get into that? Mohnish, I guess most of your money is going to Dakshana. I'm sorry if I'm mispronouncing that, but let's talk about your foundation, the way you're giving back to society, to your country, to the people in Mumbai and the rest of India. Because I think it's just amazing your philanthropic initiatives. Let's talk about your foundation Mohnish.

Mohnish: Yeah, sure. I think once I came to the conclusion that large inheritance is not a problem, you really are left with only one other choice, which is to give it back to society. You can send the government more money, but that's not a really great use of the resources. I actually did not want to create a foundation and have it doing its own operations because I just wanted to have a simple life. I was looking for a charity or foundation that I could just write checks to and be done with it. When I started looking at

this whole area in 2006, 2007, I was very disappointed. Basically, what I found is that most of the people involved in the philanthropic side running different charities and foundations, they have great hearts. If they're honest, they have very good hearts, but they don't have business sense and they don't understand capital allocation.

Actually, charities need to be really good at capital allocation, because that's what you're basically doing. You're taking resources and trying to channel them into areas that would have the greatest good for society. What I found is they really didn't think about it that way. When I looked at their reports, they just have two things where the pictures will look interesting to donors and they can use that to get more money and so on. But they did not really try to go down a path of maximum benefit out of every dollar that was being spent. My focus is I wanted the greatest societal impact that we could have for every penny that we were going to put in. One of the things about philanthropic and charitable endeavors is probably 97%, 98% of causes are very difficult to measure outcomes.

Measuring outcomes for these causes is really difficult. If you have a large homeless population and you decide you want to distribute free needles to all of them, that's a good undertaking. It's going to do good. It's a good thing to do. How do you measure the outcome? I don't know how you measure that outcome. I have no idea how you'd measure that. What we did is like Munger says, "always invert" I said, we are not going to look at any endeavors where measurement is difficult. I'm going to make my life easy. I'm only going to limit myself to endeavors where I can measure outcomes easily. I was biased towards education, because I thought that had the multiplier effect. Dakshana went down a path of identifying really bright kids who are very poor, 16- to 18-year-old.

Then we basically pretty much take over their education and then we try to get them to the elite, the IITs of India or the Harvard Medical School of India and so on. We've had very high degree of success. In India, these schools, once you enter, they are almost free to attend, because they are subsidized so heavily by the government and what little fees or room and board you got to pay, any bank will give you that money or people that are giving grants and so on. The difficult thing is getting in, because there are large number of people applying, or the top medical schools, 2 million people a year are applying for something like less than 10-15,000 seats. For the IITs more than 1.4 million a year are applying for 15,000 seats. Getting in is hard. Now what we've been able to do, which has been so exciting, is we have a 70%, 80% success rate, whereas the normal success rate is like 1% to 2%. It's been about 15 years now, and now the oldest kids are approaching 30 and such, and their careers are starting to flourish. They're doing great. It's been wonderful to watch how that's been unfolding.

Juan: That's amazing, Mohnish. Thank you for that. You're pretty much into education. When I see your library, I see a guy who's pretty much in love with books and with knowledge in general. I have two questions. First one, how much time do you spend a day reading? The second one, one or two books that you can recommend if we want to learn about investing.

Mohnish: Well, my job description is reading and thinking. Actually, it's three things. It's reading, thinking, and then talking to Juan and Alejandro, that's my job description. The good news is, I'm an introvert. I actually get very drained if

I go to big parties or spend a lot of time with people or go to cocktail parties. Those are not very interesting to me. If I'm drilling down on a company and I'm reading the VIC reports and I'm reading their letters and all of that, that is a orgasmic experience. It's wonderful. When I'm not doing that, then, I'm reading different books, wide range of different subjects. The best genre I like are the biographies or autobiographies of business leaders, because then I can look at what drove them and the long history of the business, so those are the most interesting.

If I were to recommend one book, I would say it would be Poor Charlie's Almanack. I would say that I try to reread that book every year and every year I read stuff that I can swear I never read before, it's like the gift that keeps on giving. The book is in two parts. The second part of the book is more interesting, which has all the different great talks that Charlie gave. One particular talk he gave at Harvard many years ago, which he updated for the book, "The Psychology of Human Misjudgment". I think that is just incredible, about 50 pages in the book. If you mastered and incorporated the lessons of that essay, it would give you a huge advantage in life. One thing I realized with all the time I spent with Charlie is I realized that okay, he's got incredible horsepower beyond anyone I've met, but it's not just the horsepower.

He is pounding into his brain close to 400 or 500 books a year. I mean, the prolific rate that he's reading is very high. It's more than a book a day. He's pounding in 400 or 500 books a year, probably for the last seven or eight decades that he's been pounding. If you take like, 80 years, that's like 40,000 books. It's a lot of books. Plus, there's annual reports and newspapers and magazines and all of that. But that's not even it. The thing that Charlie has done, and that's why that essay is so important. He has the amazing brain and he's populated that brain with a lot of data, which is important data. But the third hack that he has is the hack of mental models. What he's done with all that 40,000 books of whatever he's read and all the life experience he's had is, he's figured out certain hacks about the way humans are.

If you figure out those hacks, which is what he mentions in that essay, because that essay basically in effect took him 50 years to get the wisdom to write that essay, that gives you just a huge head start. The thing is that the mental model hacks, I'll give you an example of one of the mental model hacks. Buffett says that "if you hang out with people better than you, you will get better. If you hang out with people worse than you, you will get worse". They're the gravitational pull either way. Now it should be apparent that we should hang out with people better than us, but then the question is how do we know someone is better than us? One of the hacks that Charlie uses is that sometimes you're going to meet some people and it's going to be obvious that these are amazing, great, and high-quality people. It's going to be obvious, bring them into the inner circle.

I asked Warren at the lunch, I told Warren, how come you are such a great judge of humans? He said, "Mohnish, you are mistaken. I am not a great judge of humans. He said, if you put me in a cocktail party with a hundred people, and I met all hundreds of them for let's say two minutes, I could probably tell you that three or four people were amazing, great people. I could probably also tell you that three or four people are people I want to

have nothing to do with, and the other 92 I would not have any interest in. I would not know how to rank them or rate them". The hack that Buffett and Munger uses, they will not try to figure out the 92. That's too much work. They will just bring in the top 3%, 4% into their circle and they will treat the bad people and the unknown people the same, which is take, so basically, now this is unfair.

Someone could be really good and now you excluded them. But the thing is, because there are infinite number of humans on earth, and therefore mathematically there are infinite number of great people on earth, because 3% of infinity is still infinity. The fact you exclude a lot of great people, there's no penalty to be paid. Just like if we buy a great company and exclude a great company, we don't pay a penalty. But if we include a bad company, we pay a penalty. The hack is that you don't try to figure it out, you just go with no-brainers. Now that becomes really fast. In terms of sifting through humans and all that. Even when they're looking at companies and businesses leaders and all that, they just look for, are they in the 3%, 4% I obviously know are great.

Just this particular hack would give you a huge leg up because most humans, first of all, they won't even have this model of not interacting with people. Not so good. I mean the first hack you use is you're going to only deal with great people. For example, when I started playing bridge with Charlie, I met his friends, okay. Every time I met a friend of his, "I said, wow, this guy is really amazing. What an extremely high-quality human being". I did a hack. I said, every friend of Charlie is a friend of mine. Okay. I don't need to figure it out. He's already figured it out. I built relationships with all these friends of Charlie and I just look at them and every time I think about the way they are and we are talking and such, the quality level is so high. When you just spend your time with these types of people all the time, life becomes so amazing. That book, this particular nuance is just one little piece. There's a lot of other pieces in there.

Juan: That's amazing. I guess you are a no brainer for Charlie Munger, Mohnish. You should feel very proud.

Mohnish: I feel that one day both these guys are going to figure out that I'm a fraud. I always think I'm just a kid from the suburbs of Mumbai, okay. I said one day they're going to figure out that once in a while they make an error in judgment. They made an error in judgment with me. Then that's going to be the end of the lunches and the bridge games. Okay. Now, it hasn't happened so far. We're still in the game. Hopefully it continues, but I know one day they're going to figure it out.

Juan: That's awesome. Alejandro, go ahead with your question.

Alejandro: Mohnish, I wanted to ask you, I know you talked several times that you want to live till you are 80. How do you want to spend the rest of your days? You just want to keep compounding, or you want to spend more time in your foundation or how does that look for you?

Mohnish: I thought I was going to die on June 11th, 2044. I was told that's the day I'm leaving planet earth. Okay. I recently discovered that I'm actually going to be dying between June 11th, 2054 and June 11th, 2056, the two-year window.

Juan: How do you know that?

Mohnish: We might have to do another talk, but we'll try to get, okay, it's a huge advantage as you might imagine, it's a huge advantage if you know when you're going to exit. If we know when we are going to exit, then we can plan backwards.

Juan: The conversation is turning very esoteric.

Mohnish: I will try to see if we can get to how to get your exit date in a second. But I was really elated recently when I was told by the life expectancy calculator on the MetLife website for free. What I did is I went to God Google, because I always assumed like, 58-year-old male in the United States, by 80, 81, you'll be gone. Then I went to God Google, life expectancy calculators, etc. They asked me 50 questions, do you smoke, do you drink, this, that, all these different questions. When I answered those questions, some said I'm going to be going at 90, and some said I'm going to be going at 92. I was really excited about that, not because I want to live more.

They asked Buffett a while back, I think he was asked a question, "Mr. Buffett, if you met a genie, what is one wish you would want the genie to give you?" He said, "the only thing I wish for is that when they look at my corpse, they say, Man, he was old". He doesn't want to live for a long time, for the sake of living for a long time. He wants to maximize the compounding runway. That's the reason he wants to live for a long time. I don't have any particular interest to live to 90 versus 80, whatever. I'm perfectly fine if I drop dead tomorrow, no problem. But the thing is that 90 or 92 would be cool, because it adds another 10, 12 years of compounding.

It is all about how many doubles. Life is all about how many doubles. If I get another 10, 12 years, I can get maybe two or three more doubles, maybe four if I'm lucky. That's huge, man. It's all about the doubles. Now let me try to answer your question about when you're going to die. One, if anytime you have any questions of anything, just go to God Google, okay, God Google will answer the question for you. If you just go to God Google. The thing is, most humans never think about when they're going to die. They think they're going to live forever. I talk to a few friends of mine and when I talk about this, they tell me, Mohnish, you don't understand I'm going to live forever. I said, oh, okay, I'm sorry. Thanks for educating me. Okay.

Basically, when you look at your life expectancy, what you should do is, the date June 11th is one day before my birthday. We make it precise, right. Now I know the exact day, month, year, everything, and now I have 30 or 32 years to plan it out. I know how many doubles I want to get and everything else. Life is awesome. Basically, the other thing is I only need this much of the body to be functioning. I really don't care about the rest of the body. We just need that much functioning. Who cares what the rest of the body, what shape it's in, that's irrelevant. We just need like nine inches functioning and then the rest is irrelevant.

Juan: Awesome. I think I'm more like Charlie Munger, don't tell me where I'm going to die or when I want to go there.

Mohnish: Charlie will tell me sometimes, he's saying "Mohnish, 99% of my friends are dead". I say to him, "Charlie, it's okay, you have new ones". Because he's

made a bunch of new friends. But all his friends are dead. Like, one time he was telling me the joke about George Burns, the guy who smoked the cigars till he was a hundred. Someone sees George Burns smoking one cigar after the other, says, "George, what does your doctor think about your smoking?" He says, "I don't know, my doctor's dead".

Juan: Mohnish, I wanted to ask you, for someone who is starting in the world of investing, who is investing for the first time. I bet there are plenty of first timers listening to you. What advice would you give them?

Mohnish: Well, I think that if you are starting out and you're investing, number one, you actually have to make real investments. You can't do this in a spreadsheet. Oh, I'm going to pretend like I bought Google and I'm going to see what happens. Even if you had, let's say \$10,000 or \$5,000, whatever, trading costs are very low now. You should make real investments after doing the work, and then you should see how they unfold. There'll be a lot of mistakes. John Templeton says, one third to one half, if you're really good, that'll be your error rate, 33% to 50% if you're really good. There'll be a lot of mistakes and you want to learn from those mistakes. You want to learn from the mistakes of other investors where they made investments, and it didn't work. Then you're on your journey, this is a journey of learning, growing, understanding, and so on.

Juan: Do you invest outside of the US and particularly in Latin America?

Mohnish: I've had some investments in Latin America, not a whole lot. I have not ventured as much. I spent a fair amount of time in South Korea, little bit of time in China, a lot of time in India, and growing amount of time in Turkey and such. I would say out of all these geographies, Turkey is the most interesting to me because it's the most dislocated market and kind of most extreme in terms of valuations. But I think that in Latin America, also, because you have some, crazy kind of leaderships and economic policies and so on, sometimes some really good companies can be masked with some overall macro conditions and such. At the end of the day, what really matters is how that business does long term, not how the country does long term, but how the business does long term.

Juan: How about ETFs, indexes? For example, if I wanted to invest in Turkey, but I had known nothing about the Turkish economy, how about buying like an ETF?

Mohnish: Well, I think the problem Turkey has is, it has a very high rate of inflation, and inflation is very strong headwind for investors. I would say that something like 95%, 97% of the stocks in Turkey are not investible, because they're facing this big headwind. An ETF is going to buy a basket, which is not going to be helpful. But I think for example, if you just use one filter, which is saying that I only want to invest in Turkey where the revenue is in Euros or Dollars only, expenses could be partially in Lira, you are likely to do really well. For example, there's like a juice company that's listed 98% revenue with exports to Europe. And Turkey has, you know, free access to the European market with no duties or tariffs. That business actually does really well in the light of heavy inflation because their costs actually in Turkey are going down and their revenues in Euros is waste table. Turkey is the place where the first filter is out of 200 listed companies, you would get down to something like 10 companies and then you would drill down

to those 10 companies. If you could get an ETF, which was focused on Turkish companies with Euro earnings, your home.

Juan: Awesome. Wow, that's great advice. People are saying they're having a million-dollar lunch right now, Mohnish.

Mohnish: Well, like they say, the best things in life are free.

Juan: Exactly.

Mohnish: Like long with the internet.

Juan: Exactly. Alejandro, go ahead.

Alejandro: I think it's getting to the hour. I wanted to thank you so much for this wonderful time that you spend with us, it has been really amazing. I also wanted to say that I really hope you keep doing this because when Charlie and Warren are not here, I mean, you are getting the baton, like they say, and that is really important for the true value investors and the people that are really wanting to learn how to invest the right way. That's what I wanted to say to you. Thanks so much, Mohnish.

Mohnish: Thank you, Alejandro. Well, the good news is both of them are very healthy and stress free. Munger was recently telling me that he still has all his original teeth, he's going to be 99 in January. He said that all his friends who worked out are all dead and he has not worked out even 15 minutes in his whole life. He said, "I saved so many thousands of hours not working out because that gave me time to read". But anyway, what I would say is that they have been wonderful teachers. They have a number of great students. The baton is not being passed to me. There are lots of people who have done really well through their approach. I think that will be with us. We have their teachings, learnings and writings with us forever, but I don't think they're going anywhere for a while.

Juan: Mohnish, one last question because our community really wants to know about your take on cryptocurrencies, especially Bitcoin. Do you think they're evil, like Charlie, or do you think they have any value?

Mohnish: Well, I think like one of the mental model hacks to do is very simple, if something's outside circle of competence, what do we care anymore about it. What I'm saying is, I'm not going to invest in crypto. First of all, I don't really understand it and I don't need to have an opinion on everything. People say the blockchain technology has a lot of uses. I don't even understand blockchain very well. My take is that this whole area is an area that I've not spent much time in. It's an area I don't have any interest in spending much time in. It's just like one of those 96 people in a cocktail party where you don't need to really understand what's going on. I think you can have a very healthy, productive life with plenty of returns with no crypto in the picture.

Juan: If you could give your money to one of the greatest investors of all times, Guy Spier, Warren Buffett, Charlie Munger, Li Lu, who would be the one managing your portfolio?

Mohnish: Well, if you gave me those four choices, I would probably go.

Juan: Cathie Wood in the list.

Mohnish: Pardon.

Juan: Cathie Wood in the list as well.

Mohnish: Yeah. With those five choices, I'd go with Li Lu.

Juan: Li Lu.

Mohnish: Yeah.

Juan: Why?

Mohnish: Well, it was very close between Li Lu and Cathie, but I had to choose Li Lu.

Juan: Awesome. Mohnish, as Alejandro said, thank you so much for your time. It is a privilege to be talking to you. As I said at the beginning of the interview, you had nothing to gain from this interview, and you were still here showing up, giving us your time, giving your time to our community, and we really, really appreciate what you are doing for us and for all value investors that are listening to this interview.

Mohnish: Well, Juan and Alejandro, I had a lot of fun for the last hour, as you can tell. That's what life is all about, make it fun and try to learn a couple of things along the way. Thank you for the opportunity and I also appreciate the work you are doing for the community. Thank you.

Juan: Awesome. If you're ever here in Colombia, just give us a shout. We'll be happy to take you to lunch.

Mohnish: I might take you up on that. Thank you.

Juan: Awesome, Mohnish, Thank you so much.

Mohnish: All right, thank you.

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