

Mohnish Pabrai's Presentation and Q&A with UCLA's Student Investment Fund on November 5, 2020

Jamie: Thanks everyone for being here and Mohnish, thank you for being here. I actually had the pleasure of seeing Mohnish speak a few years ago, and I followed him onto the subway and we had a short conversation on the subway after he spoke at the Columbia Business School investor conference, which is always a great conference. I'm so glad that we were able to have him virtually here today. Mohnish founded Pabrai Investment Funds about 21 years ago, and he's since expanded the firm to about half a billion dollars in assets under management. He can tell us a lot more about his story, but I think one of the most interesting things, and this is something that Charlie Munger actually called out at the Daily Journal meeting a few years ago, was that, just like Warren, Mohnish does not charge asset management fees, he charges only performance fees. He would be generating about 10 million in fees every year if he did the standard two and 20 model. But he prefers to let the performance do the talking. I'm really looking forward to this conversation as I'm sure all of you are as well. Mohnish, if you could maybe, just at the beginning talk a little bit more about launching your fund. I know one of the student investment fund members is actually in the process of launching his own fund, I'm sure he would benefit a lot from your learnings and maybe any advice you might have for someone wanting to launch a fund today.

Mohnish: Oh, sure. Well Jamie, a pleasure to be here and good to be virtually on the UCLA campus. That's great. The last time I was on the UCLA campus, I think Royce Hall, I watched Russell Peters who maybe some discerning few of new of you from South Asia might know of. But he's a South Asian comedian who grew up in Toronto. If you haven't watched Russell Peters, you can go on YouTube and listen to some of his stuff. But anyway, it's great to be here and great to see you again. We are not as time bound as our subway journey, but that's okay. I think in terms of starting a fund and such, my journey was a little bit different in the sense that, I had never worked in the industry. I'm a computer engineer by training, and I was running an IT services firm in the late nineties and mid-nineties, I heard about Warren Buffett and Charlie Munger for the first time, in 94, I think. That was transformational. I really was blown away by reading and learning about them. That got me started on the journey of investing my own money. In 94, I had sold small portion of the business. After taxes, I had about a million dollars with me, the first time ever that I had any you know, cash in the bank, so to speak. I said, I'll take the million and invest it based on Buffett Munger principles and just see kind of what I can do with it. It did really well. I mean, of course, at that time there was a raging bull market going on in the mid-nineties, which culminated in a mega bubble. The bubble burst

in March 2000. But I did really well in that period. I think something like more than 70% a year from like 94 to 99 or so. I thought to myself, well done Mohnish, I knew you could do this and such. At that time, I had a few friends and whenever I'd see them, if I had already bought a position, I would tell them about some stocks they could buy and so on. Some of these guys would go and invest in things I'd tell them about. They also did really well. They became even better friends. A bunch of them actually approached me in early 99, and they said that they wanted me to manage money for them. Basically, what they were saying is that some guy would have like a couple of million dollar net worth, and I'd tell him to buy something and he would put, \$10,000 into it and it would triple but it wouldn't really move the needle in terms of his net worth. Also, sometimes I wouldn't see them for a while, they would buy stuff and then they wouldn't know what to do with it and so on. They said, "Look each of us wants to give you like a hundred thousand dollars to manage, and then you manage that money for us, and we don't need to get into these stock tips and all that". I thought about it, and my concern was I didn't want to lose their money because they were very close friends of mine. I didn't want to have any kind of a negative impact on the friendship or anything. I didn't really think of it as a business or anything. I thought of it as a hobby. I said that if I going to manage the money, I want to do it in the format of the Buffett partnerships where Buffet had these 1950s and sixties partnerships where he basically did not take management fees. Eventually his deal was 0/6/25, which is a 6% annual hurdle. Then above that, he took one 25%, and his investors got 75%. I told him, Listen, I'd like to set up a limited partnership with these rules. They really didn't care. They said, you do whatever you want, man, we'll give you the money. They didn't really understand what I was trying to do or any of that. I went to an attorney who knew nothing about investment funds and I took him some pages of Stein's book. I photocopied a few pages, which talked about Buffett's fee structure. I told him, "Listen, create a limited partnership for me with these rules". He wasn't really like a securities lawyer. Later I had to spend a few thousand dollars fixing things that he didn't quite do right. But we eventually straightened the boat out. But the other thing I had done at that time was because I did not want to lose money for my friends, I guaranteed their principle you know, I gave them a personal guarantee that there would be no loss of principle, and not only that, but they would also make at least 6% a year. Principal was guaranteed, and 6% a year was guaranteed. Then above that, it was whatever the fund generated and so on. The fund got going and the reason I did is guaranteed. Because again, like I said, I just didn't want this group to have any kind of negative impact. At that time, in 99, I personally was worth around 10 million because the 70% a year starts adding up. I said, Okay, I've got 10 million, there's a \$1 million fund that I'm guaranteeing. It's really no problem. What I'm saying is this, even if things don't go well, I think I could take care of it, right? The fund got

going, and in the first year, we were up 70%, which, to me, sounded like the magic number. Yeah, it was up like 70% I think, after fees, and it was up 70%, including, the fund launch July 99, and the first year ended like June 30th, 2000. That included the Nasdaq, crashing and starting its decline. Inclusive of all that, we were still up because I had completely sidestepped the bubble. I knew there was a bubble, and there was nothing that I was doing in our funds that was going to I mean, we had no investments in pets.com. Okay, let's put it that way. As the market was tanking, we had a really strong performance and more investors wanted to invest their friends, they told their friends about this guy who's given them a principle guarantee and 6% a year guarantee and all these things. Other people were interested. I realized that I wanted to do this more formally rather than a hobby on the side. I had gotten rid of my IT business, which I was not very interested in. But I said if I were to scale this, I can't have the guarantees and stuff, it doesn't scale. I went to my partners and said, "hey listen, I want to keep adding more investors and scaling and all that, and we need to remove the guarantees". They said we like the guarantees, and we really don't want to remove them. We like the guarantees. I said, I can't bring in more people unless then there'll be two different classes of investors and all that. I said, okay what I'm going to do is I'm going to close this fund and shut it down, and I'm going to start another fund, and the other fund is going to be the same as this one, but there's going to be no principal guarantee. They all said OKAY. When I closed the fund, they all came to the other fund. Like, they were not willing to get rid of the guarantee, but then when they had no choice everyone was on board. Then I felt and I also felt good because they were already up. They were already up quite a bit, where they were sitting at significant gains. That's how the funds got started. It moved from basically just, I mean, I had eight investors when we started. A year later I had 17 investors, and then maybe two years after I started, we have, 25 investors. It just kept going from there. I looked very closely at Buffett's journey because Buffett also really just went to his very close friends and family initially. Then as he started delivering really spectacular numbers, gradually the kind of base of investors expanded over that. Pabrai Investment fund started as a hobby and then it got going. I would say that if someone was starting today so I would say that one is that if you're starting a fund and you're starting with a modest amount of capital you really don't have any expenses in the sense that you don't need office space and you don't need a staff or any of those things. I think for the first year and a half, I think I was running this out of my house fund. After that, I took one room in my wife's business, I rented from her. One of a small office from her and I had hired a part-time assistant who was working maybe 10 hours a week or something. I had maybe 4 or \$500 in rent maybe \$400 in rent and maybe a fairly small payroll. The expenses are pretty low. I think if someone's starting today you do have upfront costs to set up the fund which you would need to front because

there are no investors initially to set up the documents and, and all of that the legal fees. But what you can do is you can amortize those expenses over, let's say, five years for the fund to prepay you. If you spent \$25,000 or something setting up all the legal documents and so on you could have the fund pay you back like 5,000 a year. It's spread out to the investors over a while. Basically, the key is that initially I think you must focus on friends, family, and fools especially the fools. Then once you get going, I think then if you perform well, then that group of investors will probably want to give you more money to manage and probably also give you some introductions to people they know and so on. That's what I would say is how you could get going.

Jamie: That makes a lot of sense. As we look over the last 20, 21 years, you've obviously seen a large change in kind of the investing landscape. Maybe multiples kind of contracted a lot significantly in the first couple of years you were running the fund, and now they've kind of expanded and you have the financial crisis. Can you talk about how your investing philosophy has changed or, maybe not the philosophy, but where you're looking has changed and investments now versus what you were investing in 10 and 20 years ago?

Mohnish: Yeah, that's a great question. Actually, I went through tremendous learning and growth in like 94, 95. When I first heard about Buffett and Munger, it was like, kind of like drinking from fire hydrant. You had all the Berkshire letters and the partnership letters, and then some biographies that come out on Buffett. There was a lot of learning and growth for me then. At that time, I think 94 or so, because I was running a tech company and my background was in technology, the portfolio tended to be a significant amount of software and technology names and so on, because that's what I knew. I knew those well. At that time, my modus operandi was in many of these cases to kind of set it and forget it, sort of buy and hold and in some cases because the growth engines were so robust, so far out I pretty much felt like when I bought these companies that I should never sell them. There were two businesses at that time in the mid-nineties that I'd invested in, which became hundred baggers. Hundred baggers are really good for your health and your wealth. One of them was a company in India. I'd opened a brokerage account in India, and I had just made very little investments in India. I think out of the million dollars, maybe like \$20,000 went, went into India. But one of the bets I made, which was about a \$10,000 bet was a company called Satyam Computer Services. I knew those guys well because within the US I had some clients in common with them. I had interacted with them, and I was very impressed with the way they ran their affairs. When I looked at the business, they were trading for below the liquidation value of the real estate they owned in Hyderabad. The market was not even valuing their business, which was growing 50% a year. I mean, it was just on a rocket ship. It

was a really great business because they had a lot of recurring revenue from Fortune 500 US companies and so on. I said, wow, this is like, so far, so deep undervalued. I didn't know how well these repatriation laws would work in India, et cetera. Anyway, I made a \$10,000 bet, and that eventually became about 140 x, so it became like 1.4 million, which was great. Actually, I had no intentions of selling it, but then in the year 2000, they had spun out a.com business in 99, and that business they spun out, got some ridiculous valuation, and then their own stock was being valued very highly because of that. My take was, when I looked at it in 2000, I said this is just too ridiculous in terms of valuation, even though I wanted to hold it for a while. I said, this is just very extreme. I sold it, and I pretty much myself sold it within two weeks of the peak. Then it proceeded to lose about, it still happened, a great investment, but it lost about 60, 70% of its value after that. We still had a huge multi-bagger, but nothing like what we captured. Then there was another business at the time CMGI which was based in Boston, which was spawning.com. They were like an incubator creating dot coms, and then all some of those are going public. I knew the internet would be big, and I knew that some of these businesses would make it, but I didn't know which ones, and I didn't want to pay for any of these businesses. I felt like if I bought CMGI and they keep, creating these dot coms kind, it's kind of like the way it would be with investing in Tencent or Alibaba today. These businesses are creating many, many businesses. Of course, the difference is well, I think in both cases, even the case of Amazon, all these businesses throw a lot of stuff against the wall, and most things don't stick, but some things do stick, and when they stick, they stick and do really well. But my take with CMGI was, I was buying it at a pretty modest valuation in the mid-nineties, and then it just went crazy over the next few years.

That actually was a hundred thousand 10% bet that became over 10 million. Those were good times, but then when the funds started in 99, 2000 I could see the bubble and I could see these valuations being quite crazy. At that time, the market split into kind of two halves. One was these frenzied crazy multiples, and the others were these boring companies like Berkshire and so one that no one was interested in. The day the NASDAQ peaked, I think March 6th or March 9th, 2000, was the day that Berkshire hit a multi-year low. As the NASDAQ was hitting 5,000, I think Berkshire was sitting at like 40,000 down from 70,000. It had dropped quite a bit. If you were willing to look at non-sexy businesses at that time you could get them at very modest multiples, even though there was a lot of frenzy. Something I think somewhat similar now where there's a sliver of the market that is exuberant but a large portion of the market I see today is probably overvalued, but maybe not egregiously overvalued. There's a small sliver, which I think is egregiously overvalued. Then you've got a lot of businesses I think that people are not very interested in right now. In the two thousand, early two thousand, I changed my style

because I could see that markets are quite overheated. I wanted to buy value because I could not find anything in technology or anything that made sense in terms of valuations. My style of investing changed from what you might call Garp to buy a 50-cent dollar and sell at 90 cents, and hopefully that dollar maybe increase a little bit in size over time. I practice that until actually this year and this year, I year 2000, most people would like to forget, but year 2000 was a terrific year for me from a learning point of view. It, it's probably the next biggest year for learning for me versus the mid-nineties. The big epiphany for me this year was that if you are lucky enough to have bought into a great compounder at a reasonable valuation with the long runway then you should not let it go just because it gets to a hundred cents on the dollar or 120 cents on the dollar. I was never in the past willing to hold a business above intrinsic value or above, let's call it optical intrinsic value. Charlie Munger has talked about it, right? He says that there's no rational way to justify it, but he's not willing to sell great businesses he owns just because they're somewhat or they appear to be somewhat overvalued. Like I just met Charlie a week ago for a socially distant dinner at his patio in LA and at all times I was at least eight or 10 feet away from him with a mask on. Only time I didn't have a mask on was when I was eating, but when I was eating, I was actually at a different table. I was always made sure I'm sufficient distance from Charlie. I had to speak a little louder, which is okay. But like for example, he says that he owns Costco at 40 times earnings, right? He won't sell Costco at 40 times earnings. He wouldn't buy it. He wouldn't buy a Costco at 40 times earnings, but he won't sell it. He says that there's no intellectual way to justify it. Everything should either be a buy or a sell, right? I mean, at a particular price. But he says Costco is definitely not a sell for him at 40 times trailing earnings, right? The big lessons I learned in 2000 was don't sell a compounder just because it appears optically overvalued and keep the compounder until it gets egregiously overvalued. Like you can't justify it. I mean, I would say that I didn't exactly get this for Munger, but I would say that if Costco got to a hundred times earnings, I'm not sure Charlie would be holding. I mean, he has a very deep love for Costco but maybe at 50 times earnings he would hold, and maybe even at 60 times earnings he would hold, but maybe not at 200 times earnings or a hundred times earnings. Give it some room, basically give it some room because if you've got these great businesses with great runways with great DNA, I mean, if you look at a business like Costco, they have one store in China, okay? What does Costco's business look like in China 20 years from now, right? Maybe it looks like what happened in the first 20 years in the US maybe it might be even twice that we don't know, or maybe it's, it's a dud, it doesn't go anywhere, right? They get to 20 stores and then they say this is for whatever reason, not working. There's a wide range of outcomes, right? But there are certainly some outcomes in that mix where they could have a massive home run in China with thousand plus stores and they

could have a massive home run in 20 other countries so the number of countries Costco is in today is a really small number. In the range of things, a lot of things are possible for Costco. Give it that room to run, as long as the DNA is intact, the culture is intact and the business is a lovable business still 2, 2, 2 lessons I learned. One is that I was always looking for the last 20 years for discounted pies, and I didn't really care whether the pie, I didn't really care whether the pie grew or not. My take was that if I bought a business for 40 cents or 50 cents on the dollar, and I've always implicitly assumed that market efficiency would kick in in two or three years. If I'm correct that a business is worth a dollar and I'm buying it for 50 cents, and I sell it for 90 cents, and that convergence takes place in two or three years it's a very nice rate of return in the twenties. You don't really need a compounder to do that. The negative with that is that then you got to keep finding the next one and the next one and so on. The second is you've got this irritating thing called taxes. The better model is to be able to run for a while now the way Mohnish is wired, he is unable to pay up for a great business. A lot of other investors are wired where they are far more willing and able to pay up. But I know Mohnish is just not wired that way, so that is perfectly okay. I am limited to a universe where a compounder is maybe not recognized of a compounder, or it has hit a temporary hiccup or something where the valuation is really cheap. But there is a genuinely long runway and growth ahead. Instead of just getting off that train when it looks fully priced, which is what I did many times in the past this time, the idea is stay on the train, stay on the train for a while, and only get off the train when it gets egregious. I think this is a transition. I looked at my own portfolio in the last few years, and I really kicked myself. The thing is, I used to own this Chinese liquor company called Moutai, and Moutai is the most valuable liquor company on the planet. It's a north of 200 billion market cap. Their product, I think the cost of a bottle maybe is not more than \$5 tops. I think the selling price is not 150. That's a really good business to be in when your cost of goods sold is \$5 and your selling price is 150, and in five years you can take that selling price of 300, and in 10 years you can take it to maybe 500 or whatever. 80% of the Moutai sold in China is counterfeit. It's fake because the demand is so high. The company, in their case, cannot grow volumes very easily because the sorghum that it is based on that the soil in which it grows is only in a certain part of China, and there's only certain amount of acreage from where you can get that sorghum. Then they really actually draw the water only on one particular day when there's a full moon in the autumn, and on that day, they draw the water for the whole year. There's basically one batch made in the year, if you will. They've got but then they're blending it with like a hundred years of previous blends and all that. Anyway, it's a very unusual company. I got it relatively cheap. I liked the business. Then in the next four or five years, it went up six, seven times and it started looking optically expensive, not even like Costco, just like high

twenties, low thirties type of multiple. I got off the train and then it went on to more than double, you know, in the next couple of years, and it'll keep going. Then the same thing also happened to me with Ferrari. I invested in a company called Fiat Chrysler, and they spun out Ferrari shares, and when they spun out Ferrari shares, my thinking was the company has, with their bankers priced it appropriately because they're obviously trying to capture value in Ferrari came public in the 40 odd dollar range in I think 2016 or so. I said, Okay, this looks like a very good business. As it started to approach 70, 80, a hundred dollars a share, and on a trailing earnings basis, it started looking expensive. I said we've had a very nice ride, and it was a very significant portion of the portfolio because just the Ferrari portion of my portfolio was like over a hundred million. I sold it, and then it kept going, and the earnings kept going up, and it's more than double since then. Both Moutai and Ferrari were not egregiously overvalued. They were at best, optically overvalued for a cheap skate like me. In both cases, I should have just held on, because these are remarkable, unusual businesses. I mean, Ferrari is one of the most recognized brands in the world, and in its 70 plus year history, they've never spent a dollar on advertising. Like GM, how much does GM spend on advertising, or how much does Mercedes or BMW spend on advertising? Or Porsche, Ferrari has spent zero and they have the most dominant brand, even amongst autos or non-auto. Most recognized dominant brands in the world. Anyway, incredible franchises, and I was very dumb and stupid. Like Munger says, we are old too soon and wise too late. But I still feel I hopefully have maybe 25, 30, 35 years runway left. If I can apply the lessons of 2020 and not, so one of the changes that I made is I'm not interested in buying discounted dollar bills. I want to look at dollar bills that are going to grow in size. The pie has to be a growing pie. Of course, I'm a cheap scape, so I want to buy the pie cheap, but I'll run it for a while. That's the change this year. What that means is that in a given year, if I can find one or two there's plenty. That's the modus operandi, now

Jamie: Thanks for speaking with us. I had a question. From what I understand, you look a lot at international companies, especially in locations where a lot of investors don't typically look at. What is your approach when it comes to finding businesses that don't have active sell side research and other types of forms that other investors are used to looking at?

Mohnish: Yeah, well, the sell side research is mostly garbage. The thing is that I remember that when I was making this investment in India, the Satyam computers, the broker said to me, we cover the name. I was in Mumbai, and he said that, Do you want to see report on Satyam? I said, Sure. He gave me the report and stock was at like 40 rupees a share. The report was saying it's worth like 60 rupees a share. I knew that the real estate loan was worth more than two times a stock price. I'm not even

getting to the business and the growth of the business. The business has 50% a year growth going on for many years. The real estate is not where the value of the business is. The value of the business is in its operations. None of that is in the report, right? Then the broker says, "by the way, do you want to meet the analyst who wrote the report?" I said, "Sure". I met this nice lady who was the analyst who wrote the report, and I told her, "Listen I don't want to go against what you're saying, but I just happen to work in this industry. I have a company in this industry. I understand this industry quite well. I think your report kind of misses it by a mile. I think that you need to put in here a target price, which is like 600 rupees, and it's sitting at 40". She said, "we can't do that". I said, "Why can't you do that? I can show you why it's worth that". She said, "no, the way it works in our business is we put like price target no more than 30, 40% above where it is. Then when the stock goes up, we again bump another 20, 30% above that, and we keep going". I'm saying, "then the report is complete garbage". It's not really going into reality. The thing is, a lot of the analysts' reports, they're really near term one or two quarters ahead. They're really focused very near term, and they really don't go into what happens 10 years from now or 15 years from now. Looking at it like you own the business, we don't need precision on what's going to happen next quarter. I don't need to know the penny of what's going to happen next quarter. That is complete garbage data. The nature of business is it doesn't go in a straight line. It's going to go up and down. What you're really looking at is the long-term trajectories and probabilities of different things. First of all, the sell side stuff is only for entertainment. I think what I find useful is I find useful to look at things like Value Investors Club. I think that's a good place to look because people are putting somewhat thoughtful write ups and such. You could look at something like Sum Zero, which has a subscription, but again these are people who are basically actually on the buy side and they're interested in buying these things and so on. I think those can be good. Or actually a lot of people send me ideas and things by email. Those also, I like to look at it if they're well thought through and so on. I think I'm not trying to invest outside the US. Other things being equal I would prefer to invest in the US. Governance is a lot better. Usually, things are in the English language all those things kind of make it easier. But I think what with my portfolio ends up with a lot of foreign names in general, that is because I'm not finding much value here and I'm finding value somewhere else. I'm somewhat agnostic about where I find value. In fact, it, the hurdle is higher to invest overseas because I mean, I got to go meet the company and I got to get past all the language and culture and other issues to make sure I'm really understanding the nuances. I think in this environment what I've been finding is that I did find one business to invest in 2020 in the US. Because of Covid, I think things sting tanked, and so I could do something in April actually a little later, maybe May or so. But for the most part most recently it's been outside

the US. But it's okay. I mean, I think the key is that you got to make sure the businesses in your circle are competent and all the other pieces are fitting well, so then it can work out fine.

Jamie: Anyone else?

Krishna: Yeah, I'd be curious to know, I watched a podcast you did with Edelweiss Capital, where you sort of discussed how people have an external map and an internal map and how that doesn't really get aligned, but how that puts you on the paths to Pabrai capital. Could you talk a bit more about that?

Mohnish: Yeah. One of the unfortunate parts of our humans is that when we are created we don't come with the owner's manual. I think there was a screw up where what should have happened is after the delivery and before the placenta comes out, there should be an owner's manual coming out and which says, here's who you are. What happens is that I'd gone to this through, through this with a couple of industrial psychologists about, it's been about 21, 22 years ago. Their theory was that between our genetic makeup and our experiences in the first five years of our life, who we are as humans is hard coded. Who you were at the age of six, for example, and who you will be at the age of 96 is going to be the exact same person. There's no change from six to 60 to 96 and their perspective was that most humans have no idea who they are, because that owner's manual never came. It was not given to you. What we tend to do is when as we grow up and go into this world, we try to conform to the world around us so that things go in a kind of reasonable, socially acceptable way. We look at the way other humans are and the way other humans interact, and we base our own kind of approach to life based on that model, right? Generally speaking, that type of approach is going to lead to a distortion. For example, let's say this is your inner map, right? This is who you are hard coded at the age of five. It might be that you are acting something like this as your outer map like this. You're misaligned. Until you are like this, so they said, "If you're misaligned, this is not going to change". This has to move, right? Your outer map has to change to align to the inner map. If you can align the outer your outer persona to who you actually are, then you can go very far. This was their theory. These two guys, they name their company Conquest, and they named it Conquest after Genghis Khan. They said that, "Look, people think of Genghis Khan as a tyrant". He's going to a village with his followers, raping, pillaging, plundering, then going to the Max Village, raping pilling, plundering. That was the lifestyle, right? But they said that Genghis Khan was very highly effective at what he did. He was a tyrant on the inside, and he acted like a tyrant on the ice outside complete alignment. They said that it is not our goal to judge you or to change you because we don't think you can be changed even if we try to. If you are a villain on the inside, you need to act like a villain on the outside and be an effective villain. Don't try to be Gandhi the on the outside

when you are a villain on the inside, because then you're going to have a miserable life, and you will not be effective at trying to be Gandhi. You'll fail very miserably at that. What they did is they did a bunch of you know, I took a bunch of tests with them, and then they did 360 interviews with my wife my employees, my friends, and if your kids are old enough, they'll talk to your kids, and so on. Through all of that, they built what they said was my personality template, and they gave it to me. Actually, it's a nice 20-page document, and I try to read it and reread it every year, because it really describes who I am. It was the first time ever that I could actually read. Most people who have asked and who have gone ahead and taken this gone and done this they've had a very hard time with the report. Like the last guy I was talking to he said I hated the guy I was reading about. Okay. It was really hard. I said, Yeah, but it's you. He said, Yeah, but I don't want to be that guy. I said, well, you have no choice. That is the guy you are, okay. To his credit, he was willing to embrace that. He embraces it and then changes external behavior to align with the internal. Then you can go really far. For example, in my case in 1999 when I went through this, I had a business that had, I think more than 160 employees. I had founded that company about eight or nine years ago. It had grown very fast. I loved that business in the first four or five years. In the last four or five years gradually, my love for that business started to decline and to the point that in 99 when I actually did the testing with them, I did not want to go to work. The problem was, in the past, anytime I felt like I didn't like my job or something, I just resign, move on. There was nobody to resign to, you know, and it's me who had created this. When I went to this testing, they said to me, "we have no idea how you actually even get ready in the morning and get to work. We have no idea how you actually are able to do that, because it's so far off from who you are". The first thing they told me is, "get rid of the company". I said, "what do you mean by get rid of the company? It's my company, right?" They said, "you can sell it, you can find somebody else to run it, whatever else, but you need to be out of there". I did follow the advice, and I started a CEO search. I was done in six months. I was out. It was phenomenal. Then the second thing they told me is they said, first of all, you don't do well in team sports, okay? There are people who would be really good in terms of inner map, in terms of being on a soccer team, right? In a soccer team, you have to function as a team, and now if you're the goalkeeper, you don't need to, goalkeeper, you're like off on your own tangent doing your thing, but the rest of the team needs to be kind of functioning as a team to be effective. They said, "Mohnish, that is not you. Your map is really simple". They said, number one, you like to play mathematical games. That's your number one thing. Mathematical games. But they have very specific kind of math games. They said it has to be a game that you think you can win. You've looked at the game rules and whatever, and you seem to think that you can win this game that will interest you. The third is, it cannot be a multi-

player game. It has to be where you are. The only guy on your team cannot be three people or a soccer team. Single player, math game, blah, blah. I was about three months away from starting for Pabrai Investment Funds. I was just starting to kind of sow the seeds on it and all that. I asked them, "I'm going to be starting this fund with these friends of mine as investors. What do you think of this?" They looked at me and said, "This is perfect for you. This is exactly your calling". Then two of them gave me a hundred thousand. They became one of the original investors. One of these two psychologists, right? I'm telling them, you don't know me. Maybe this is a lot of money for you. Maybe you don't want to invest. They said, "no, I cracked your brain open. I know exactly what's in there. I'm going to kick with this money. Here's the money. No problem". He did really well with it. He had no problems. The thing was that I've enjoyed playing bridge a lot. I mean, I discovered Bridge when I was 23 years old. I still play probably more than I wish I could play more. I play probably four or five hours a week, but I'd be even happier if I could take it 10 hours a week. Like Buffett is, I think at about 10, 12 hours a week of bridge. Bridge is great. Mathematical game, now it's with a partner, but for the most part it's a two-player game. Pretty close to one player. It's fine. Investing goes beyond math. It's not just pure math, but it's a lot of analysis and whatever. It's a rational kind of way of looking at things. That works great. The thing is that if you go through that type of testing, then of course, in my opinion, everyone should go through that test and get their manual, because I think it's a huge advantage. But if you didn't go through the testing, you still can kind of figure it out. The way you can figure it out would be a little slower, is your body actually in your mind actually tells you when you really like something and when you don't like something. For example, I wasn't interested in going to work, right? In the big company I had. I didn't know why, but it was off my map. What happened is when I started the business, it was a complete mathematical game. I wanted to increase sales, grow revenues to make it run, make sure the profits were enough to keep growing it. Even though it was not a mathematical company, it was very mathematical in the way I thought about the business and as the company started to grow, my role changed from being a doer to basically managing politics. Few vice presidents and then managing them, and there's no mathematics in managing them, okay? Is a bunch of nonsense managing for my point of view, bunch of nonsense, managing a bunch of people. For example, if I'm the sales guy, I can make it all mathematical, suspect, prospect, qualified, lead close, Okay? Like every week I'd send 200 letters, I'd make two or 300 calls. I'd have so many meetings, and then I knew based on those statistics, how many deals would close, right? That's all very buttoned down and I like that. If I'm managing a sales force now, it's a whole bunch of human mumbo jumbo going on and whatever else going on, and politics going on, it was just terrible. That was not me. There are other people who would love that, who would

be really good at that. They'd be really good at all those sorts of things. I think the alignment issues are real, and what has happened now is that Pabrai Investment funds has been going on for 21 years. I am probably as excited about it as the first day. The numbers have become larger, but the team size hasn't changed. In fact, I learned from them, don't get bazillion people so that, because I get a lot of questions on this and people keep asking me who these guys are, who can open everything up for them. The two of them split up. They're not together anymore. But one of them I'm going to give his name here and then let him be overwhelmed such as life. His name is Jack Skeen. Dr. Jack Skeen. His email address is J Skeen. That's jskeen@skeenleadershipgroup.com

Krishna: Charge a hundred thousand dollars. Does he? Because my net debt to EBITDA right now is pretty, pretty limited.

Mohnish: All you have to do is give up your first born and then you have your family. That's the way it works. Actually, when I went through this, I went through this with 12 guys together and it was a package at that time, it was like 25,000 for all of us together. The best 2000 I ever spent. I think now it's maybe around 10,000 a person. A small fraction of what UCLA charges you and maybe, the payoff is a lot larger. Definitely worth doing, but it's not, I would say that you also have to have some fortitude because, I'll tell you like the language will be like, it'll start like this, this narcissistic self-centered man, okay? He's not talking about Trump, that's how it starts. This narcissistic, self-centered man, blah, blah, blah, blah. You read it and say, I can't handle this, okay? Learn to handle it. Okay? Remember that movie, "There are few good men, you can't handle the truth". Jack Nicholson, make sure you can handle the truth. Make sure there's intestinal fortitude.

Krishna: I just want to say I've been told that by my family, friends and ex people I've been in relationships with.

Mohnish: It won't be a surprise.

Krishna: They're all wrong though.

Jamie: Mohnish, thank you so much for your time. I know everyone here really appreciates it and we really value this. Tanks again. Thank you so much.

Mohnish: Jamie it was a lot of fun and some great questions. I look forward to it and hopefully I'll get a chance to have another session sometime with you guys.