

[Mohnish Pabrai's Q&A Session with MBA students at St. Georgetown University on March 4, 2021](#)

Clayton: I just want to welcome everybody here today, thank you very much for joining us. Our first speaker in our speaker series is Mohnish Pabrai, who's going to speak to us. Our next speaker at the end of the month will be Joe Delarosa on the 31st for match day. We'll start with just a few kind pre-set questions to go through with Mohnish, and then we're going to open it up to the audience to let you guys ask questions. First, we'll kind of jump right in. Mohnish Pabrai has been learning the Pabrai Investments Funds since about 1999 and has had some excellent returns. We've also written several books and articles. Would you mind telling us a little bit, kind of what made you decide to get into running your own investment fund and how it's evolved over time?

Mohnish: Sure. Clayton, it's a pleasure to be here and wonderful to interact with the Georgetown students. That's great. It's a wonderful school in a wonderful location. Well, I think Pabrai Investment Funds actually started, you could say, accidentally, and it really started as a hobby. I heard about Warren Buffett and Ben Graham around 1990 and I was really quite taken with their approach to investing and I had been applying their methods for about five years with some good success. I had a few friends I used to give them shortcuts here and there. They approached me in early 1999 and they said that this stock trade business is very random, sometimes you tell us to buy something, and we don't see you for a while, and then we don't know whether we should hold or sell or what we should do. We'd like to systematize that. They proposed that they would collectively give me about a million dollars, about a hundred thousand dollars each, and they wanted me to manage that.

I thought of that really as a hobby because on 1 million you're not going to make the rent payment. But I also wanted to make sure that my friends did not have any kind of a negative experience with this. I set up a partnership and I cloned the rules of the Buffett partnerships in the 1950s, like no management fees, a 6% hurdle and so on, redemptions once a year and so on. Pabrai Investment Fund started in July 99 with \$1 million from eight of my friends, and I put in a hundred thousand as well. I would say about 15 months after that, in late 2000, I thought that I was really enjoying running the fund. By then the assets were about two and a half million we had big run up over 70% the first year. At that point I decided I should treat it like a real business and bring in more investors and assets and so on. Then after that the funds gradually scaled and then they got up to several hundred million. That is how it got going.

Clayton: Okay. What's your fund objective in the way that you are looking at the stock change over the last 5, or 10 years compared to the first 10 years?

Mohnish: Yeah, I think that in this business you need to be a continuous learning machine. One thing with investing is that all knowledge is cumulative. Unlike being a basketball player or football player, as you pile on the years, you should be

getting better and such, so that's wonderful. You can keep getting better into your seventies or eighties and such, which is also great. As I get more experience and I'm able to learn from especially the mistakes and also from other investors, the model changes periodically. I made a significant change last year in the way I run the funds. The big driver of that was that when I read the full set of letters by Nick Sleep, the guy who used to run the Nomad Investment Partnership in London. Those letters, I think are floating around on the internet now. If you just Google "Nick Sleep Nomad letters" I think you get the full set and I highly recommend them. Nick had done really well, and I think he met his partner: Zach over the years got. He had some very good insights and when I looked at their model and what they were doing, I felt that it was vastly better than the approach I was taking. Their model is really looking at these ownership stakes in businesses as if you are the founder or the manager of business and to think about it in the way the founding family would think about it. That basically stretches out time horizons. It's also changing the type of businesses you invest in and its very tax efficient and actually I think most satisfying.

Clayton: Okay. That's very interesting. Did that change with the way that you're valuing companies because of the pandemic?

Mohnish: No, it doesn't so much change how you value businesses. I think the difference is that instead of buying a business that is undervalued, maybe 50 percent off or 60 percent off from what its intrinsic value is, you focus more on long term compounders and business that can grow and scale over time. Instead of just buying what I've done for a long time, which is discounted pies, the focus changes to growing and growing pies, you may have to sometimes pay a bit more for them because usually they recognize better businesses, but in many cases, the end result is a lot better.

Clayton: Okay. All right. Georgetown is very internationally focused and we had a lot of students that really wanted to hear kind of your thoughts on investing in multiple countries. I know that's something that you have a lot of experience in.

Mohnish: Yeah. I think one of the issues I was facing in the last two years is, I was finding it difficult to find businesses to invest in the United States. We may now be entering a period of un-euphoria, which is fine, but things seemed to be priced to perfection or even overpriced and chase of some good businesses and some not good businesses. I wanted to broaden out what I was looking at. I could tell that there were some countries where just the entire market was cheap and these were places where people were not interested in investing in equities. Places like Japan, Korea, Turkey, and so on. Over the years, I've had interaction with investors and fund managers all over the world. For example, I have a good friend in Seoul who's a very good fund manager. He's very well trained in the methods of Buffett, Munger and Graham. Naturally, if I were to look at the things that he's investing in, many of those things would have interested me.

I asked him if I could visit Seoul and if we could just go and visit all the companies in his portfolio. He said, "Oh, that would be such a blast". I made a few trips in the last few years to Korea. Usually they're week long trips and they

usually end up seeing about 15 or 20 businesses. They have been incredible learning opportunities because I had a trusted friend who knew the landscape, and in this case, I was looking at whether I clone things that they have done. Cloning is a very powerful model because it's already been through one set of filters and such.

Similarly in Turkey, there's a very good friend of mine who is a smart investor. He's more Graham than grand Munger and I'm trying to transition him from Graham to Munger. There's the same in Korea, because these markets are so cheap, it becomes very tempting to just look at. Things are trading at three times earnings and such and not really focus on the better businesses that maybe at eight- or nine-times earnings. These last few years I made several trips in in these countries and I met dozens of businesses and we've got investments in Turkey and in Korea now, and we like those investments. That's been helpful. I was going to go last year to China, but then that trip got canceled cause of COVID, and hopefully once we get past all the lockdowns and such, then that be one of my first trips as well to China related to specifically to Duke Campus and such

Clayton: Is there anything that changes whenever you're evaluating it from one country to the next?

Mohnish: Yeah, there are some cultural nuances I think you should be sensitive to. I think it's helpful to understand how the managers and owners think about these businesses and it's important to understand the cultural aspects of some of these countries as an overlay on top of the business analysis. But for the most part it is not that different, a business is a business, and we want to look at the future cash flow and discount them back so most of those things are pretty standard across the world.

Clayton: Would you mind walking us through maybe some of your thoughts on some past investments? Either what made you decide to get in or get out of them?

Mohnish: Well, there's a large list of past investments. Would you like losers or winners?

Clayton: I guess the one that you think is the most interesting?

Mohnish: Well, I think the best lessons come from the losers. We don't really learn much from the winners. We do make some money and we pat us on the back. I think when we lose money those lessons get sealed in. I created a checklist maybe around 13 years ago, and it's a pre-investment checklist and it goes through evolution over time. We keep adding more questions, but what I found in that checklist is that the checklist was created looking at all the mistakes great investors had made where there was enough data before the investment was made that should have given the investors some pause, but they went ahead anyway. There was something that was visible as a chink in the armor if you will. What I found is that I looked at these investments that these great investors made and they didn't work out.

They fell into what, four or five categories, the largest category. The one with the biggest number of mistakes was related to leverage. Leverage was a big part of why investments didn't work out. Another big part was the misunderstanding of the moat, and the competitive advantage of somehow not fully grasping the realities of the moat or the lack there. Then the third big part was the piece management and ownership, just kind of issues related to them. I have had a lot of difficulty over the last couple of decades with companies with leverage and I've had multiple zeros, which is a 100% loss of the invested capital because of leverage. I'm a lot lerier about going into situations where there's a great amount of debt, although we do have businesses in our portfolio currently, which have significant debt. But there was a lot of work I did making sure it will be making sense, and it couldn't really hurt if we invest in it. A big one was in; I think in late 2007 financial prices we owned a mortgage company, Delta Financial and Delta Financial were actually sensible underwriters of mortgages.

They would issue a bunch of mortgages, they had these bare lines of credit and then they would package those, securitize those, and get those off their balance sheet, make their money, and then go buy some more. That was their business, which is, to write the mortgages and put them on the warehouse lines and then bundle them and sell them to investors and then release the money and keep going. It was a very profitable business because they didn't need much equity and so, but they got caught with a significant one of mortgages on their warehouse lights and the music stopped on the securitizations. They couldn't get them out and then they started tripping Covidence, eventually housing prices decline in such. It eventually took them out. They went back and we were a pretty significant loss I think it was around 50, 60 million that we lost on Delta Financial. That's an example of a business that went down. We are not going to be doing any mortgage companies in the near future. We haven't done any since then either.

Clayton: That's quite understandable. You mentioned a minute ago looking for advantages and looking for compounders. What are your thoughts on looking for that competitive advantage in businesses?

Mohnish: Well, usually it will show up in the numbers. If the business has a strong moat and strong advantages, then you will see over a long period of time it is showing up in the revenue and the growth and the casuals. If you look at a company like MasterCard, you can just pick up a number and see that it is a great business. Moat generally will make themselves quite visible most of the time. I think it is not that hard to sift through businesses and separate them into which ones are great and which ones are not so great. The issue that comes in is that usually the businesses that are great are usually well recognized as such and are usually trading at either full price or overpriced and so it's a combination of finding a great business and maybe either misunderstood or facing some temporary headwinds, which has decimated the price and then in that circumstance, you would step in and do quite well.

Clayton: Okay. Thank you for that. We're about to turn it over to let the audience ask questions, but before we do that, do you want to say anything about the foundation that you've started?

Mohnish: Yeah. My wife and I started the Dakshana foundation in 2006, it was becoming clear around then 2006, 2007 that we would end up with significantly more assets than we could consume in our lifetime. When you find yourself in that circumstance, there are really only two things you can do. You could either give it to your gene pool or you could in some way recycle it back to society and giving it to your gene pool, I think Buffet has a quote, he's saying, "If you are Jesse Owen's son, you're not really a great sprinter by starting at the 40-meter line, when everyone's starting at the zero meter line, if you start at the 40 meter line, that's not going to make you a great sprinter". Large inheritance is actually a disservice to the future members of your gene pool because the fun for us was making it, figuring it out, and having a productive life. If you are on a IV drip throughout your life, that's probably just like having an IV drip in the hospital, doesn't sound so interesting.

I think if you eliminate the proud possibilities of just giving it to your gene pool, (it's okay to give something to your gene pool, like I think you could put Jesse Owen's son at the five meter line, not the 40 meter line, that's probably okay) then the only choice left is to give it back to society and that's what I wanted to do. I knew we were going to recycle back. I wanted to do it similar to the way we do investing, which is look for high social return on invested capital. I didn't want to just have some building named after me or something that has no appeal to me. But I wanted to see if these resources could be used in an efficient way for the benefit of society. Actually, it's worked out really well.

Dakshana basically helps very poor underprivileged kids who are very bright in India, and we prep them and get them accepted at the top elite school in India. These elite schools in India are pretty cheap to attend, but they're very hard to get into. The prep is very expensive. Because we provide the prep for free, it's a level, it takes away the advantage the rich, our upper middle-class kids have. It's worked out really well. We've had several thousand kids get into the IIT's and top medical schools and it's been really satisfying and it's better than I would've thought it's worked out great.

Clayton: Well good. That's great to hear. It looks like Chris has his hand up.

Chris: Thank you very much Mohnish for great job, for organizing all, and for coming. As part of our graduate investment fund, we are long equity fund. We invest in just different public securities essentially, and we're benchmarked to the MSCI ACWI all country world index as our benchmark index. We want to share, we know your specialty as you were mentioning, is value investing. Our portfolio over the last several years has been actually traditionally more high growth stocks that have performed quite well in the tech space. Particularly, our Forward PE is about 23 for our entire portfolio versus MSCI ACWI, which is around 18, which is done well over the last two years. But this year it's starting to hurt us as we see, with the yield curve increasing and steepening, that's

hurting some of the very expensive names in our portfolio and we're looking to add more value and kind of. We'd love to get your opinion and advice as to some things we should be looking to incorporate more value for the market trends this year.

Mohnish: Well, I think that I wouldn't look at the trends and I also wouldn't be particularly concerned about the forward PE of 23 versus market at 18 or whatever. I think that the PE is an inadequate metric to help us too much. I think what really matters is the businesses that you own in the portfolio, what are their prospects in the next five or 10 years, and what can revenues and cash flow generate over that period? If you're paying 23 times forward earnings, but if these business are growing at 20%, 30% a year and that growth would continue for five or 10 years, those are no expensive businesses, and I would ignore whatever noise there is with temporary draw downs and so on. I never focus on what is happening in markets and macro events and all of that.

I think at the end of the day, what matters is how a particular business do over a long period of time. I think that one of the things I learned last year from Nick Sleep, Nick Sleep said that, Walmart went public in 1970 and it's now 51 years and the only investors who have held the stock for 51 years is the Walton family and other investors did not hold it for 50 years or 40 years or even 30 years. Nick Sleep makes the point that for a large portion of Walmart's history, like in the seventies and maybe even into the eighties, you could have paid 100 times earnings for Walmart and you would have had a home run and you would have still beaten the market. Walmart is a business that has shown us the post public runway because they were private before that, which they also did well on, but just as a public company, that runway has lasted for over half a century and it doesn't look like it's running out of steam anytime soon.

They are still cranking. I think the important thing in investing is, can I tell what a business looks like five years or 10 years from now? What are their cash flow likely to be? I think the important thing that I learned from Nick Sleep is, if you're in the position of having ownership in a great business, which has great growth prospects for a long time, the best thing to do is do nothing and we might have draws and different things going on because when the index goes down everything goes down, but what we should focus on is the underlying business.

Chris: Thank you very much.

Clayton: Thank you. It is Jesus, you want to ask your question?

Jesus: Yes, thank you very much Mohnish. I'm a long time ago follower of you and Guy Spier. I was in Manhattan two years ago. I didn't see you. I have a couple questions, but I'll just limit them to one. What advice would you give to us as younger investors in case we wanted to start our own investment vehicles? You have been advocating a lot for the 0625-structure fee, but I don't see that official at least at the beginning. Also, which advice would you give to us if we want to start with our own thing, our own vehicle?

Mohnish: I'm sorry, you said it's not feasible at the beginning?

Jesus: I don't know, that's my question.

Mohnish: Yeah, I would recommend the does 0625 structure and I would recommend that structure right from the beginning. If I were to maybe tell the story of Li Lu who is the money manager for Charlie Munger. Munger gave him money to manage because Li Lu came as penniless student from China studying at Columbia on student loans and there was a float between the time he got the loan and the time the money was spent, or the tuition was paid. In that float period, he invested the money and by the time he graduated he had over a million dollars. Just from the float of the student loans. Then he continued to invest, and his net worth continued to go up. Charlie Munger's perspective is that if he were going to give a money manager money to manage, the first basic criteria he would look for is, is the guy financially independent?

Because if you are a gifted money manager, even if you start with small sums and you are beating the market by some healthy margin, probably by the time you're 35 or 40 you should be independently wealthy. If that is not the case, then Charlie would say you don't deserve to get money from him to be managing. The first question I would ask any money manager is, "what has been your wealth accumulation with your own money before you are looking for other people to give you money to manage?" In my case, I had sold a portion of my business for about a million dollars in 94. I think by 1999 I wasn't even asking people to give me money. They had come to request me to take their money by 1999, that was north of 10 million.

Five years it had gone up more than 10x. Buffett says that if you are a manager who has delivered and maybe in the future likely to deliver significantly above market returns, then you could be a leopard on a robot in the middle of the Atlantic. They will swim through shark infested waters to give you money to manage. There's nothing you need to do other than do your work and they will find you, trust me, and they will want to put money to manage with you. If someone is starting a fund, my advice to them would be, number one, I would say "what have you done in the past for yourself?" that is, I think the basic proof that you are a good manager if you have accumulated some wealth. If it is true that you have accumulated some wealth, I think then the second piece becomes relatively easy, people will look at that and be interested in giving you money to manage. But if that is not the case, then you focus on friends, family, and foods. Amongst the three, the foods are the most important. I would go with the 0625 and the 0625 should not be a problem if you wealthy and it gives you an advantage because a lot of my investors will not put money with managers who charge, 1 or 2 % management fees because they like that alignment of interest. That's what I would recommend.

Jesus: Thanks a lot

Clayton: Thank you and Hiten, you want to go next? Hope I pronounced your name correct.

Hiten: Hi Mohnish. I wanted to ask, during your first couple of years running Pabrai Investment funds, you had, I imagine, investors who thought a lot like you or who believed in your investing. How about the next 10 to 20 years, how did you acquire that design to your journey.

Mohnish: I'm sorry can you just repeat that? The first two years

Student 1: Yeah, the first couple of years, your first early investors in the Pabrai Investment Funds, the investors probably thought a lot like you and believed in your value investing framework. How did you get more investors who thought in the same way? What is your exact journey?

Mohnish: Yeah, I think that's relatively straightforward. If you are a McDonald's, and you put a sign of McDonald's outside and when you go in this restaurant you serve fine French food, you are going to have a very confused customer base who may not come back because they wouldn't understand what's going on. If you have a fine French restaurant and inside is you're serving McDonald's hamburgers, your customers are again getting confused.

I would say that what my experience has been that, the behavior and the way you interact with the investors will drive who comes to the restaurant. What ends up happening is that, if you have the right kind of rules and behavior, you will naturally have the right kind of investors. I am a weird guy, if you got to know me better, you would know that I am quite weird. One of the things I decided when I was independently wealthy is, I just want to do things my way. What's the point of being independently wealthy if you can't do things your way? I don't like a lot of human contact. Generally human contact is not that exciting, and I don't like to have a lot of conversations with potential investors or even current investors. I just like to be in a room by myself, that's quite exciting for me. I setup some rules, my rules were, if you wanted to invest in funds, I am not available to talk to you and I wasn't available to really interact with you.

There was a lot of information on our website. You could read that and if you were excited about what you read, we could send you subscription documents and you could join the funds. If you wanted to meet the fund manager or have conversations or have a quarterly call or any of those things, well that just wasn't going to happen. I opened a McDonald's, I put up a sign which said McDonald's, and when you went in, they were just great Big Mac that you could have. What happened is that, under these weird rules, certain things happen. I can only say that, because now I have the experience of seeing who walked into the McDonald's, I've seen for 20 years who walked in and who just looked at the sign and the rules and just walked off, right?

The people who walked into the restaurant were almost all principles. There were almost no agents, right? First of all, when people are coming to invest, there's the people who have their own money and they're their agents who are, for example, a university endowment, and its run by agents. It's not their money. When a university endowment would look at the Pabrai Investment Funds, they

would call and say, "Can we have a conversation?" We have N billion under management. My assistant would just give them the website link and ID and password and say, what would they want and very quickly they would move on because they're not getting what they need, right? The way you set up your rules and what you put on the outside of this restaurant; the signage is important. I ended up with an investor base, which is principles. It's their own money.

The second aspect of the demographic I have is, most of them are first generation entrepreneurs. Most of them are not third generation wealth coming down. These are individuals who basically, for the most part, created their own business, and created some wealth. The other thing, is because I was not willing to have conversations, these were people who were willing to do research on their own. They were willing to go into a website, and look at it. I mean, I have investors in New Zealand whom I have never met, we have never had a phone call. They've wired several million dollars to us after going to our website. The good news is, I'm not a fraud, and that money is actually there and everything's fine, no problem. To my investors in New Zealand, thank you very much. I love having you.

We have an annual meeting once a year and people show up from all over the world for the annual meeting. It's great. Usually, I'm meeting some of the investors for the first time. There are lots and lots of investors, lots of families that I have never met, and I have never had a phone call, but I still love them. I want to let them know that I do love them. I think that whatever rules you set up and whatever your signage is, it's going to naturally drive who enters your funds. I really like the cast of characters. We have, 350 or 400 families in Pabrai Investment funds. I love these guys; I love these families. They're wonderful. I'm happy that we've been able to do something. It's worked out very well.

Clayton: David, if you'd like to go,

David: Hi, thank you again so much for meeting with us, particularly given how exclusive it is to be able to meet with you. I feel very much lucky to be able to meet with you and you must have one of the best websites in the whole wide world. Thank you very much. My question though is more about stock picking. The way that our club operates is, we have sector heads and sector heads have their analysts who help them, who support them. Then after they come up with an idea for a stock, that idea is pitched to the club, and we vote on it. Through a majority vote, it goes into the fund. My question though is, there is a universe with hundreds of thousands of publicly traded securities out there. What suggestions would you have for young people like us to just put our finger up there and say, this is a good area to invest in, or this is a good stock to invest in. How do you sort of get your head around that universe of publicly traded securities available?

Mohnish: Yeah, well that's a good question. I think the first thing is that you don't need to have an opinion on most of these securities. In fact, I would say you don't need to have an opinion on 99%. The first thing I would do is try to figure out what are the parts of the world that I understand. What's my circle of competence?

Do I understand the banking sector well? Or do I understand Apple well? What do I understand well? If you understand something really well by definition, you will know what that business is worth and then and you know what it's being priced at, and you can see whether there's a delta between the two. I would not focus on looking at this whole great big wide world, I would just look at things that I understand, products that I use, just things around me that make sense. You read the newspaper, something intrigues you about something and you dive in and dig in and then take it from there. That's how I would go about it. I would not really try to complicate it more than that.

David: As a follow up, after you've identified a company that you think is interesting, how do you decide if it's worth pulling the trigger and executing on that particular company?

Mohnish: Well, I think it should get to a point where you should be able to explain to a nine-year-old in about five sentences why you are going to be drowning in wealth after investing in that business and why there's no chance you would lose any money. If you can explain to eight or nine year in a paragraph or less, then I think you got it.

David: Thank you.

Mohnish: All right,

Clayton: Perfect. Thank you. You had another question.

Jesus: Yeah, if I may. We have time. COVID this year has changed a lot of things. The way we do, the way we buy, the way we interact with other people, we connect, we do business. One of the things that are really struggling is how we purchase things, and it surprised me that you open recently a position in Seritage real properties specializing in commercial property. What are you seeing there that other investors don't see? I see other investors running away from commercial retail and commercial properties, and you are going into that sector. Is there anything by the price?

Mohnish: Well, I'll mostly duck the question, but I would say this, the stock market is like a theatre, and in the theatre the rule is that every seat has to be occupied. Or in other words, if there is a business and it has 10 million shares outstanding, every one of those shares has to be owned by somebody. There are no shares just sitting there with nobody. The seats in the theater are fully occupied and they always have to be fully occupied. Now there's a fire in the theatre or someone yells fire. When you hear the word fire, you want to get up on your seat and go to the exit. You don't want to ask any questions whether there's a real fire or a fake fire, you just say, I am out of here. But there's a rule in this theater, which is different from the other theaters that you can only leave your seat if you find somebody else to take your seat because that share has to be held by someone, right? It's not like you can just leave the theater and the seat will be empty.

No, the rule is you can leave the theater, but you need to find somebody outside who will come and sit inside the theater. You go outside the theater and say,

Listen, it's okay the movie is great. There's a little bit of fire and there's some smoke, but don't really worry about it, it's probably nothing, but I'm giving you my ticket which cost me \$10, please you can have it for 50 cents. Do you want to take it? Then the guy says no not really. You say please take it for 25 cents. There is a clearing price for the ticket because you can't leave till somebody sits in your seat. Now we will answer the question on Seritage at some point when I don't own it, okay, sometime in the future I would not own it. I would just say, that before COVID Seritage was trading at \$35 \$40 or a share, and there was suddenly a fire and instantly the stock went to \$6 to \$9 a share. That was the price that somebody else was willing to buy that seat, me being one of them. I own one-eighth, little more than one-eighth of all the seats in that theater. I must like the movie, it may be a little warm under my seat, but the movie is great.

Jesus: Amazing answer. Thank you very much. I'm sorry if I put you in a difficult

Mohnish: Oh no. I'm glad you enjoyed my answer and I hope I can give you a richer answer in the future.

Jesus: I'll get that answer in the future

Mohnish: Yes, absolutely.

Clayton: Great, thank you. Brendan, you had a question?

Brendan: Yeah, Mohnish thank you for coming today. We've learned a lot and know the fund's taking a lot from this to build off the last two questions, talking about feeling the fire under the seat when we take a position, I'm having a personal problem with this as well as the fund could also work on this, taking a position that's grown to a sizeable portion of the portfolio and then learning when to pair back that position or even exit the trade whether it's reaching intrinsic value or it's just become a large part of the portfolio that's starting to adversely affect the diversification. My question is, when do you realize you should start carrying back your trade and start taking some profits in position?

Mohnish: Well, the Walton family hasn't done that for 51 years, and many founders have not done that. The question I would ask, and this, I think you would get a lot out of Nick Sleeps letters, the question I would ask is, is the business getting better? I wouldn't really focus so much on the valuation. My mindset would be that of a founder, and I'm like a founder or a family that owns the business. I'm not particularly concerned that it's worth a hundred and it's trading at 120. That is an irrelevant data point, for what I'm concerned about is, what is the quality of the business. Is the business getting better? Now if the valuation is completely egregious, like Snowflake or something, know this thing is trading at 80 times sales or something. Well, that's a different conversation, okay. But I wouldn't be particularly concerned if there was a good business and I think it should be worth 20 times earnings, then it's trading at 30 times. I don't think the factor there would be that. I can find something at 12 times earning then do that. There's tax implications for that in most accounts. I used to be an investor who used to look at intrinsic values, sell and go back and buy something else. I think that if I own a great business, the question I want to ask, is the business getting

better? If the answer is yes and the pricing is not extremely egregious, I'm just doing nothing.

Brendan: Great, thank you.

Mohnish: The other thing is, I think that this pairing back issue is that we should be comfortable with 95% in one stock. If you made a great investment in Amazon 10 or 15 years ago and it just grew and it became like 80% 90% portfolio, and you look at Amazon today, is the business getting better? Absolutely. It's getting better by the day and is it egregiously overvalued? I don't think so. My answer would be, if it was 95% of my portfolio and I own it for 15 years, I would just do nothing. Jeff is telling me it's day one, it's still day one, so we'll wait till at least day two when he says it's day two, I'll look at it.

Clayton: All right, great. Thank you. Adam, you had a question?

Adam: Yes. Thank you for this very interesting presentation. I was just wondering if you could briefly talk a little bit more about what you mentioned you alluded to correlation, and whether you had a view on what's a good number of stocks and a portfolio.

Mohnish: Well, to Charlie, he would say that "you don't need more than four or five stocks". I'd say if you were running your own money, probably that's a good answer. Four or five stocks is good. Pabrai Investment funds, usually I don't put more than 10% into something. Its other people's money, the guy in New Zealand, we got to take care of him. But I don't think one should own 30 stocks or 20 stocks, I think 10 is plenty.

Adam: Thank you.

Clayton: Great, thank you. Isaac, you had a question?

Isaac: Yes. Thank you Mohnish for speaking with us. I've really enjoyed listening to this. I have a question regarding the level of certainty and how much information you need to know before entering a position. What I found is, that in my own personal investing, there's a certain point between getting comfortable with a position and knowing everything. When I'm comfortable starting to invest and I continue doing my research. You're never going to get to understand a hundred percent of a business, but I always aim to get to a level where I'm comfortable knowing it and I was just curious as to hear your thoughts on how much information you need to understand for your level of conviction to be a buy.

Mohnish: Yeah, I think there's a couple of approaches. What I notice with someone like Li Lu, or even with Nick Sleep is they tend to start these positions small, and they don't seem to have a problem with buying as it goes up in price. They don't have a problem paying more. I think Li Lu has spoken that he believes that risk factors go down as you own the business for longer because you know more about it, and even though you're paying a higher price, your amount of knowledge is just vastly superior. What I found to be true is you really understand a business only after you own it. It has to be real money in a

portfolio, that's when you really start to understand it. It could be just fine. I mean, I think when Nick Sleep was running his portfolio, he would have 30 stocks, but seven or eight stocks would make up 70%, 80%. Then there was a farm team on the side, which is a bunch of small positions which might move up to the major leagues at some point or might not. You could take that approach. I haven't taken that approach in my portfolio, but I think that's a valid approach and that's fine. You could do it couple of different ways.

Isaac: Thank you.

Clayton: Elliot, it looks like you have a question.

Elliot: Oh yeah. I just want to ask, from your own standpoint, when you conduct investing, particularly for those prospective investors who want to be more active within the emerging market, especially for those type of companies with less disclosure, CAPA this less regulatory disclosure and also more volatile business nature, when you go into do those like deep value investing, what are the key suggestions you will give to an investor, especially right now, they may not have enough access to those information from your own standpoint, what's the risk or suggestion you'll give?

Mohnish: Well, I would say that you should willing to take a pass if you are not getting all the data you need or all the data. There's such a large range of businesses that you could invest in. If you're looking at a company and you don't have enough information, I think disclosures can be low in a business, but your understanding can be good. I don't think it's a direct correlation between disclosure and understanding. The key is, for example, it could be there's an emerging market business where you are a consumer of the product and you understand the product well, and you also have a very good understanding of the economics of the business around that product. If you understand the product and the moat and all of that, then the disclosures the company is doing is not that relevant because I think you have a great, and the other thing is to look at the track record, it should show up in the historic track record. I think that I don't invest anything until I have great conviction. You can get great conviction even if the business is not providing a lot of detail, if you really understand it well. But if you don't get that great conviction, I think you should have the discipline to move on. Right

Elliot: Thank you so much

Mohnish: Sure.

Clayton: All right. It looks like we have time for one last question. David, you go?

David: Yeah. Hi. Sorry, I just have an additional question. What's been worrying you these days in the market? Obviously, the market has been on a terror since I guess, June or May, but what has been worrying you lately?

Mohnish: There's a saying, "If wealth is lost, nothing is lost but If health is lost, something is lost and if character is lost, everything is lost". I don't think I've ever been concerned about the markets or wealth or anything. I think what is happening

in the market for the most part is irrelevant. Even during the financial prices, I think my portfolio was down like two-thirds and later my wife was telling me that she didn't realize what was going on because she didn't see any change in my demeanor or anything. There was no change. In fact, those are good times because you get a lot of good opportunities to do things. I am never really interested or focused on the market. I'm really looking at individual businesses. Sometimes these individual goal businesses go on sale because of specific circumstances around that business, some temporary hiccups, and sometimes they go on sale because everyone's panicked and every theater is on fire. It's not just one theater on fire, it's like a hundred theaters on fire and such. Then those tickets really get discounted. Yeah. I think it's to minutia to worry yourself about these things.

Clayton: Great, Thank you. That wraps up our time for today, Mohnish. Are there any last thoughts or pieces of advice you like to share?

Mohnish: Well, I really enjoyed the session. It's always when we do these sessions, it's kind of hard to tell where it goes. I think this session went well. I think we covered some nice ground and some good areas. It was fun for me, and I hope it was fun for you.

Clayton: It was absolutely fun for me. I enjoyed it very much. Thank you everybody for coming today.