

Mohnish Pabrai's Talk with The CFA Society of Mexico

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Javier: I would like to start in the name of the CFA Society, Mexico. I am delighted to introduce Mohnish Pabrai. He is a very successful investor in his firm, Pabrai Investment Funds. He is a big fan of Warren Buffett and Charlie Munger, which I think is something that aligns perfectly with what all of us, as financial analysts, try to achieve as an objective. Those in the call before might be puzzled when we were talking about Blackjack. He is honored to be banned from a casino by having a strategy that wins him in Las Vegas. He is also the author of a couple of books, the most popular amongst them is *The Dhandho Investor*, which has been translated into many languages. His current endeavors and finance endeavors are based on one of his principles, to bet heavily when the odds are overwhelmingly in your favor. Without wasting more time, I would like to get the most out of picking Mohnish's brains which I am sure could be quite profitable.

Mohnish: Well, thank you, Javier. It's a true pleasure and honor to be with the members of the CFA Society, Mexico. CFA does a lot of good work around the world. I am not sure that I would be able to pass all the CFA tests. Thankfully I was able to set up my business without taking any of the CFA exams and somehow have been hacking my way through. But you get a lot of benefits and become more disciplined when you go through the CFA program, which is pretty demanding. If you prefer, we can keep this in a Q & A format, and we can discuss anything you want. I might hesitate a bit on just current portfolio positions, but other than that, it is open season. The more time we spend talking about Blackjack, the happier I am. So please feel free to pick any topic. And when you ask a question, it would be great if you tell us a sentence about yourselves.

Javier: It is great to have such an open conversation with a successful value investor. I would say I am a value investor. I am the Treasurer at Scotia bank in the daytime, the guitar player at night-time, and an occasional card player. It might disappoint you because I feel the odds are in my favor. I don't like betting when the odds are in my favor. In value investing, as per my experience, like most people, I had a couple of great successes and a couple of failures. But what I see is, usually when you look at a company or industry and the multiples are like overwhelmingly looking good and, you know, first I started and I found all the companies that had legal troubles and all these asbestos suits and then I kind of started reading the legal part of the. But usually what I see, and that is where I would like to pick your brains is that usually when you see something that has like a really low price earning and has had strong earning and sounds like a stable business and all the things that you are looking for looks like when you go into these stocks, barring a couple of great exceptions, which are usually like forgotten stocks,

the market seems sufficient to me in the sense that once you are in, the bad news start coming in that justifies such a low PE or whatever opportunities seem to be there. What are your tips for finding real businesses from the value traps?

Mohnish: That is a great question, Javier. And you know, I have practiced different styles of investing. They are all within the value investing tent. It is a huge tent where you can do many things. For example, Buffett recently bought the stock of Activision Blizzard, which is in the midst of being acquired by Microsoft. The market believes that that deal would not go through. So, the spread between the price that Microsoft is willing to pay and the price at which Activision Blizzard, I have not looked at it recently, but the price at which it was trading or is trading is widespread. But Buffett mentioned at the annual meeting that the only reason he bought the stock was merger arbitrage.

He believes that statistically, there is a high probability that the deal will close and, if it does, you capture that gap. We have a similar gap with Twitter, where Elon Musk has a deal to buy the stock at a particular price. And the market doesn't believe that that is going to happen. And a lot of people believe that he can get out of it, which we will find out in a few weeks. So, I think both of those cases would be part of value investing. You had some reason to believe that these were high probability events that Activision Blizzard is likely to be bought by Microsoft.

And that Twitter deal might get done. Maybe there is a small adjustment, but it gets done around the agreed price, and if you made those bets, then that is a valid way to go about it. The best way to invest is to focus on great businesses. You could do many things, like, merger arbitrage, buy a business that is trading well below liquidation value, maybe below cash. And there are many different ways in which you can protect the downside. But, the only way you will make the most money is through partial ownership of a business, which has tremendous economics and a tremendous runway.

If you are in the happy position of the ownership of a tremendous business, the tremendous runway you only need to be right once or twice in a lifetime. And it would cover a lot of sins. Recently there was a lot of coverage about an Indian investor Rakesh Jhunjhunwala who just passed away. I didn't know him, but I have friends who were his close friends, kind of friend of a friend. Rakesh was 62 years old. He was in poor health. He passed away with a net worth of over \$4 billion. All of it was from the market, and he never managed outside money. If he had decided to open an investment advisory business, he would have earned billions of dollars. But he was not interested in that.

So, he just managed his own money. He was a chartered accountant and a CPA. When he first started in his early twenties, about 40 years ago, he had no money. He was absolutely zero. He went to this lady and requested her to give him a loan of about \$25,000. So, he could buy some stocks. So, the lady told him if I give you this money, what guarantee can you give me? What collateral will I get?

So, he said, look, the only collateral I can give you is my signature. I have nothing else. I have no assets. So, you should only give me the money if you trust me. She did not fully trust him because he was an unknown guy, but she told him, okay, listen, here is what you do. You take the 25,000, but I will

give you only 12,500 first. You buy stocks with a 12,500 and give me those shares. I will hold custody of those shares. They are your shares, and the upside belongs to you. But that is my security. He said done. He also agreed to pay her 18% interest for the money. Probably in the early eighties, you would borrow at 12% or 13% in India. Rakesh paid 18%.

He started to invest. He was a kind of a split-brain and did a lot of rapid-fire trading. But he also had two long-term goals. There is a company in India called Titan Industries where he invested maybe 20 or 25 years ago. When he made that investment in Titan industries, it was like three or 4% of his portfolio. He never sold a share till he died. He died with those shares. Out of the 4 billion, around 2 billion were Titan. Titan compounded at something around 30%, 30 or 35% for long, for over two decades. If you study Titan, I do not want to go off track because your members won't have much interest in studying Titan. But if you do, it is a jeweler, and in India, the only jewelers you would do business with were where your family had done business with for a long time. So, you could have some trust because when you buy gold, you don't know whether it is fake or real.

Titan was promoted by one of the largest and most trusted Indian conglomerates. They had natural trust. Indian jewelry was very fragmented. Now Titan is gradually consolidating that. Titan still has a 50-year runway ahead of it. It got a large runway ahead because of it. But to give credit to Rakesh, the company went through lots of ups and downs. But he understood the business. And when it became 10, 20, 30, 40, or 50% of his portfolio, he was least bothered about it. He just kept it. Then, there was another pharmaceutical company, Lupin. Lupin became 25-30% of his investment. So, he was doing a lot of rapid-fire trading daily, with three screens in front of him. And he buys stuff at 10 o'clock and sells it at 2 o'clock, maybe to keep his mind occupied. Smart guy. But these two stocks with the guy doing this rapid-fire trading and had a view on the market and every wiggle that the stocks market is doing, he never touched these companies. And the reason these companies did well was that they were great businesses, and he never sold them even when they looked optically overpriced. So Titan became a market darling. Everyone loved Titan after 20 years. They understood the story well. Everyone understands Costco and loves Costco or Walmart, and so on. But one of the important things in investing is a departure from Ben Graham. While Ben Graham is regarded as a father of value investing, he also did some disservice to value investors because he had an edict cast in stone. And the edict was that a stock should not be held above its intrinsic value. And, with due respect, I hope you will pardon my blasphemy. I believe the correct moat would be like the Buffett, Munger, or Chuck Akre model. Chuck Akre is a great example, and maybe you can see if you can get him to speak to you guys. Chuck Akre asks a question. He doesn't ask the question, is the stock above intrinsic value? He asked the question, is the business getting better? And if the business gets better, you need to give the business a lot of room.

Suppose Titan is growing 15-20% a year. And let us say the trailing multiple is a PE of 40 or 50, which is very high. According to Rakesh, it is clear that the business keeps getting better. The more stores they open, the deeper the moat gets because they can amortize their designs over a larger pool, and the wider the distance goes between them and their competitors. And so, while you would not buy the item at 50 times, 40 times, or even 30 times

trailing earnings, you should not sell it. So, there is an asymmetry in investing that Ben Graham didn't talk about or probably even didn't believe. We are at a certain price where I would not buy or sell the stock. When we make investments, there is asymmetry between what price you would buy a stock and what price you would be willing to sell a stock. So, let me take a slight detour. The nature of capitalism is that if someone has a great move and makes supernormal profits, there are many incentives with many entrepreneurs and many businesses to get into that business and wipe out those profits. That is the nature of capital. It means that something like Titan going for 30, or 40 years, Costco going for 50 years, or Walmart or Southwest Airlines, these anomalies should not exist in the capital. If you just took a theoretical point of view, these anomalies should not exist. But they do exist.

And the reason they exist is that when an entrepreneur starts a business, they hope for an arbitrage opportunity, which allows them to make some decent money for some finite period. For example, if in the Polanco district of Mexico City, there are no sushi restaurants or no great sushi restaurants, and someone opens a great sushi restaurant there, they will do well for a while. But once other sushi chefs figure it out and start opening sushi restaurants next to this guy, those profits will start eroding. Now, if this sushi chef has some secret sauce where nobody can match his food quality or whatever else, it could become an enduring moat that could go on for a long time. So enduring moats are very hard to predict when you start, but what happens in capitalism is when you look back, you can identify enduring moats that somehow got built and even looked like they might persist for something. And those are the ones to focus on. It is one of the reasons the index is so hard to build. There are just about 4% or 5% of companies that generate almost all the returns that the index gives you. If you took out those 4-5% of companies from the stock market, the market returns would be terrible. When we, as individual investors pick stocks, the odds are stacked against us because you have to pick one out of 20, and the odds of being wrong, and especially, you know, you put on a cheap skate a hat, and you are trying to buy something cheap. And then you are trying to pick one of these 20 great businesses. Good luck with that. Very hard to pull off. And the index does so well because it is too dumb to know that it owns Google, too dumb to know that it owns Microsoft, too dumb to know that it owns Costco, and too dumb to sell these things ever.

It just rides these things. Just like we saw with Rakesh's 3% of his portfolio, which was a small piece and maybe worth less than \$50 million or \$25 million at that time, becomes \$2 billion. Okay, and what did he do? The biggest thing he had to do was do nothing. So the holy grail of investing is we will make a lot of mistakes. John Templeton said that the best investor would be wrong two out of three times. One out of three times. Most of us will be wrong half the time. Even if you are wrong, half the time, you can do well that is, this is a very forgiving business. But the important thing is that when you find yourself in the happy position of ownership of a great business, you must set aside Ben Graham. And if you can see the runway that it is a great business that will keep growing and is run by great managers, honest managers, then you hang onto it for life. Now, if it gets egregious, you can hold a business, which is overvalued, but you should not hold it when it is egregious hold. So we might consider Costco over-valued at 40 times earnings or 50 times earnings, but we should hold it. If Costco

went to 200 times normalized earnings, it should have been sold a long ago because we have left the reservation. So sorry for the long answer, but that is how I think about it.

Javier: No, I think it is great. It's a long answer, but a great answer. So I would like to open the floor to see if somebody else would like to ask a question.

Guillermina: Yes, we have a question from Julio. What are your thoughts about BABA?

Mohnish: I was hoping for a conversation out of specific names. I would say Alibaba is a great business that got into the crosshairs of the Chinese communal communist party. That is usually not a good thing. They have some very strong moats. They have great management. Probably the business does well. Beyond that, I think you need to do your homework. And one thing I would say is that given how large BABA is and how long a run it has had for the length of period it has that run, it would not be my top pick or maybe my fifth or seventh pick. There are a lot of other businesses that are more attractive and with better economics than Alibaba.

Guillermina: Thank you. Mauricio Santos wants to ask a question.

Santos: Hi Mohnish. Thanks for the call. Thanks, CFA, for organizing this. What are your thoughts about active management now? Has it changed over the years? With fees going down everywhere, it has become more difficult now to do active management. Due to this, active management is being secluded to a small part of the market. I would love to hear your thoughts about this. How has active management changed throughout time? Thank you.

Mohnish: I think that is a great question. So, for a long time in the United States, we have had more mutual funds and ETFs than individual stocks, which is a stunning statistic. Since the fees and frictional costs are much higher in active management, it is almost a law of physics that 80 plus percent of active managers after fees would lag the index. For the no-nothing investor it is a very good idea to just index. There is an 80% chance that if you choose an active manager, you would have picked someone who would underperform after fees. Picking great managers is a difficult exercise. I think picking great managers is much harder than picking great stocks. And if the odds are set against us in terms of picking great stocks, they are set very much against us picking great managers.

The fund management industry is interesting because 80% of the industry does not add value. It subtracts value. But it continues to exist. So, it is like someone sells a substandard product, but they don't go out of business, which doesn't happen in almost any other industry. Fund management is a little bit peculiar from that point of view, for the stickiness and recurring nature, and so on. I think it will continue. We will continue to have subpar managers, and we will continue to see 80+ percent of assets in places where they should not be and such as life.

Javier: Thank you very much. That was a very good question.

Francisco: Thank you for promoting the panel. Thank you, Mohnish. I have two questions. First, what do you make of the argument that value investing is a function of where you measure from? Because the entire value investing thesis is you pick pieces out when they are down in price, hoping they will go up. That only works if you make up for a selected sample of stocks. What

do you think about that technical argument? Second, does value happens in companies that are growing fast? So if you invested in a fund over the last couple of years, you did pretty well and created value. At one point, the distinction between value and growth is more of a marketing strategy. And at one point, it is tangential that might be delivered by metrics and looking at financial statements.

Mohnish: Yeah, I will take your second question first. I might need the first one repeated because I didn't get that. Value and growth are joined at the hip. There is no such thing as growth investing without value. So, all intelligent investing is value investing. The best kind of value investments are ones where the company generates very high returns on equity and has a very high growth rate and a very long runway which fits the description of many FAANG stocks. Investing in FAANG stocks is not some departure from value investing. If one had a crystal ball and could see the future cash flows, let's say in the year 2000 or 2002 that Google, Facebook, or Microsoft would generate until the day they don't exist. And you could discount those back, that would give you a basis to invest in those companies, which would not be debatable. It may be possible that these companies were worth investing in even at trailing earnings of 100 or 150. If the future cash flows suggest that one could have bought Walmart at double or triple the trading price many times in successor till delivered double-digit analyzed earnings. Even Buffett had said when they bought See's Candy, which they paid like \$25 million for, and they have pulled out several billion dollars in dividends so far. I think when they look back, they would not be willing to pay a penny over what they offered. But they now say it was dumb and are thankful that the owners didn't walk away.

But they said that in hindsight, they could have paid a hundred million for that business or \$150 million for that and would have still been a great investment five or six times. And that was a business at that time where book value was like \$7 or \$8 million. It is in the nature of capitalism, that when you get to these kinds of really unusual businesses and the FAANGs have a lot of unusualness about them because they are in the business of converting atoms into bits. When you convert atoms into bits and have a mouse trap that doesn't let others, you know, get into your area of converting atoms into bits, you can do well. If I look at the advertising market, some advertisers used to say, half my advertising works, and half don't. I don't know which half.

So that is no longer true when you advertise with Google or Facebook. You know exactly what is working and what is not working. And you can pinpoint the results, which was not possible for millennia before that. And a lot of it has consolidated. So a large portion of those advertising dollars ends up in very few hands, having incredible moats. Now, these moats can fill over, and you can change over time because these are technology businesses. It is just a matter of figuring out what is a sustainable moat, and what are the future likely cash flows, what you are paying for those cash flows. And if all of those make good sense and have a high probability, then none of those investments are outside of value investing. If you could repeat your first question, I didn't get that.

Francisco: Sorry, the first question is the entire value versus growth sort of competition depends on what benchmarks you use and analytics. At one point, value stocks perform better than growth stocks and vice versa. In my opinion, that

is a function of where you are measuring from. I would rather prefer. And I like your thesis about sustainable business models and forget about the emphasis that tries to categorize these stocks as values, whatever seems to be under price and growth seems to be whatever price, that was a point I was trying to make.

Mohnish: Yeah, that is a great question. So Buffett has a quote that he says that we like to buy great businesses when they are on the operating team, where they have hit some hopefully temporary hiccup. So, the nature of my psyche is that I can recognize that Master Card is a great business. I may even recognize that it is trading at 30 or 40 times trailing earnings is perfectly normal. It may even be true that paying something like 20 times trailing earnings might be a great price, but someone with my psyche would not be willing to even pay 20 times earnings for a MasterCard. It just doesn't fit me. And that is perfectly okay because this is not a game called strikes. So, in baseball, you get three strikes, and you are out, whereas in investing, you can let a thousand balls go by.

So I like Microsoft as a business. I do not like the price. So I could just focus on great businesses that are operating. When a great business is on the operating table, no one is interested. So it is kind of like when Buffett took the first large position in Geico when he bought, I think about 40% of the company, there was a lot of fear that the business was going to die. They had done some bad underwriting, and all their numbers were upside down, and their surplus was gone. He stepped into change management. He got some breathing room from the regulators. And in that case, he was active in the business, but there are many examples because it is in the nature of capitalism that companies don't go straight up in a straight line., They are going to ebb and flow and they are going to have issues and hiccups and things that happen to them.

And so if you have an understanding that whatever has happened to them is a temporary hiccup. So one of the advantages we have versus the market is the market overweighs short-term factors. And if we can have a more balanced waiting of the business or longer time, that can give us an edge against the market. We gain an edge over them if we are patient enough to hold for much longer periods. So for an investor like me, I want to have my cake and eat it too. So I don't want to pay up for a great business, just doesn't work for me, even though it makes all the sense. I want to have a great business without paying up for it. Since they are 50,000 stocks, and some are on the operating table, I am willing to do the work once in a while. I will get a business on the operating table that I can see, it is a temporary issue, and it will go away, and we can do just fine. That can work out extremely well.

Maureen: Hi, this is Maureen Armando speaking. And I have another question already implied in your previous answers, but I want to get this straight. My question is, how do you navigate in a bearish market, where we have macroeconomics hitting the screen every single minute? What are your takes on the short-term inflation, the interest rate increases, and all these new numbers we hear daily?

Mohnish: I think you have to overlay those numbers in the context of a business you might own or want to own. For example, I own a business like Costco or Amazon. So how does the price of oil affect Costco? How does inflation

affect Costco? And I think the answer comes out if all prices go up, their Costco goes up, their customers have to spend more to get to the store. It is a negative. And inflation is a negative people have less money to spend and so on. But when I overlay that with the nature of the business, which is that they have a secular structural advantage over their competitors, Costco opened two stores in China recently, maybe in the last year or two years. And the stores could not handle it. And I don't think even now they can handle the volume of the crowds that want to shop at those two stores. And those two stores for Costco in China are insanely profitable because of the high volumes. So how many stores will Costco have in China in 20 years? We don't know the answer. We know it is likely to be more than two. It might be more than 200. It might even be more than a thousand. We don't know that. If Costco ends up with a thousand stores in China, in the US, they only have 800 stores, but they end up with thousands of stores in China, that is a factor that has a huge impact on how well an investor does. When you find yourself in the happy place of partial ownership of a great business, the best way to think about it is you think about it like it is your family business. And if your family owned 70% of Costco and somebody came to you and said, "Hey, can I buy your business?" You would say no, we might have 2000 stores in China in 20 years. And we are only in 10 countries. And in 20, 30 years, we might be in 30 countries and have 10,000 stores in 30, 40 years. Who knows? So because the future possibly looks great and the probability that the future looks bleak is pretty low. All the other noise coming at us is completely irrelevant.

When Rakesh Jhunjhunwala bought Titan, the Indian jewelry industry was very fragmented. No one has even a 1% market share. And if you fast forward 30, or 40 years, Titan might be 25%, and nobody else might be even 2%. And that runway continues. For me, what is important is that those are the factors. That's what matters. So separate the signal from the noise and ignore the noise and especially noise that you have a hard time understanding or calibrating. Who cares about what the Fed does, inflation, the price of oil, and the outcome of the Ukraine war, even though it is a sad situation? There are a lot of things that don't matter. And we should focus on the things that are likely to affect us. The factors around the business are likely to affect the business and not factors around the economy.

Maureen: Great answer. Thank you very much for your time.

Interviewer 3: Hi Mohnish. Thank you for being here. Big fan here. I wanted to know your thoughts on the future of value investing. It has changed since Ben Graham and the idea of the Cigar Butts.

Mohnish: Charlie Munger tells me that if he and Warren started today, they could not do what they did. He said that when they started, they used to shoot fish in a barrel after letting the water out. And relatively few people looked at a large universe of different stocks and assets. Now we have a lot of brain power directed towards relatively fewer stocks and markets. So anytime you have a large number of intelligent people with a lot of money looking at certain assets, you are generally not going to find a lot of mispriced opportunities. They will still exist because if you think long term, that can give you an edge. I think you have to zag when people are zigging. For the most part, I have one stock I own in the US and a few stocks in Turkey. No one has any interest in Turkey, which has 80% annual inflation on an official basis, and on an unofficial basis, it might be even higher than that. And so

everyone and their brother has exited Turkey. When I bring up Turkey to smart friends of mine who are really good value investors, who moan and groan that they cannot find anything to buy. They immediately dismiss it. I don't want to talk about Turkey. I want to talk about the US. The thing is that there are always mispriced securities and underpriced securities in some area or segment that is usually hated or unloved. And most people do not want to go into hated and unloved places, but if you are willing to go to some of those places. I would say in Turkey, it is really simple. It is really difficult to invest in a place with 80% or higher inflation and do well in dollars. But some businesses in Turkey have all or 95-98% of their revenue in Euros and almost all their costs in Lira. And something like every 10% drop in the Lira increases their Euro earnings by 2, 3, 4%. So high inflation is a tailwind. For example, there is a fruit juice company in Turkey. I don't own this company, but just giving an example where 90% of 98% of the revenue is exported into the European Union. So Turkey is part of the European common market. It can be exported to the European Union with no duties or tariffs. So all their revenues come in Euros from Europe, their expenses are the payments they make to the Turkish farmers and the processing, etc.

Those payments keep declining in Euros, and the revenues are stable, but it has been taken out back and shot because it is in Turkey, and therein lies the opportunity. So it might be like 2% or 3% of listed businesses in Turkey have this dynamic of Euro revenues, Turkish Lira cost. And when everything was shot in Turkey, these were shot as well. So the Indian guy can go into Turkey and focus only on this particular metric that I want Euro revenues and Lira expenses. And I want to pay three times for all this, and it is available on our planet, and no one else is interested. Life is great. I am not a big fan of Jim Cramer, but he says there is always a bull market somewhere. And I agree with that. So there is always value available somewhere because there are 50,000 stocks. Some stocks are on the operating table, and some countries are on the operating table. And if you are willing to sift through, it may pay off.

Francisco: Are these companies you are talking about in listed companies or is this part of

Mohnish: They are listed Francisco and waiting for your buy order. I want to tell you something about Turkey that you may find interesting. When I made my first trip to the country, I had the grilled blue fish on the Bosphorus Liver brought in by the fisherman a few hours ago, and nothing is better than that. By the way, I enjoy my trips to Turkey, Mexico, and Istanbul. So I can dine on the blue fish and buy my three times earning stock. And then I again dine on the blue fish the next day. And life is great. So on my first trip to Turkey, which was in 2018, I met the CFO of one of the largest conglomerates in Turkey. And he says to me, Mohnish, do you know that every country has a national game? Do you know what the national game of Turkey is? I said, why don't you educate me? The national game of Russia is Chess, Poker in the US, Baccarat in China, and Backgammon in Turkey. They have all these kinds of parlors, like video parlors, like backgammon parlors where people go and play backgammon. So he said chess requires pure skill, no luck. Poker is a combination of skill and luck. Baccarat and backgammon are pure luck, no skill. So he said the Turkish stock market 80% is held by insiders or foreigners. It is just static. There is almost no trading of that 80%. The 20% is

“free float” with retail and international Turkish investors that turn over every nine days.

So the trading volumes of the 20% float are completely turning over every 9 days. If I look at a typical US stock, maybe the entire market cap changes hands one or two times a year. It is changing hands 35, 40 times a year. And it is not just 35, 40 times a year. Most Turkish investors don't even say I am investing in the stock market. They say I am playing in the stock market. They call it playing the stock market, not investing. Their model is that I want to put my money at 10 o'clock at \$10 per share, or 10 Lira a share. And by 1 o'clock, I want to sell it for 11 Lira and move on. And the next day again, do it over and over. And this other CFO, this lady, very nice lady. She was telling me that I get these calls from retail investors in Turkey.

And they think they are like buying carpets. So they ask her how much you want for one share. So she says that it is traded on the stock market. No, no. You tell me how much, give me a good price. I buy it. After buying it, how much can I sell it to you tomorrow? These are real conversations. She says I don't even know how to respond. But this is what happens. So our friend Warren has a quote. You know he has all these quotes. He has the operating table. He says the stock market is a mechanism to take wealth from the active to the inactive. And I look at this in Turkey with the CFO telling me about this nine days trading volume. I said they wanted to give me their wealth.

They are saying, please take my wealth. The Indian guy says, okay, no problem. I will help you. I'll take your wealth. The trading volumes are high. The people investing for four hours, three hours, or two days, don't care about the business. They don't care what will happen to Costco in 20 years in China. That is not on the radar. They are concerned about what happens to Costco in the next hour. That is what they are focused on. So I see this company in Turkey is the largest warehouse operator with 12 million square feet of warehouses. You could liquidate the whole business in six months and you would get 700 or 800 million for these prime warehouses. The market cap when I first invested was 20 million.

It was trading at 3% of liquidation value. And I couldn't find anything wrong with it. My Turkish friend took me to see the company who owned the stock, and it looked like a legitimate company. I thought I had never gotten any shares out of this. And because of this rapid-fire trading, we owned one-third of the company for \$7 million. Hallelujah! And that 20 million, now is like 120 or 140 million. It has gone up a little bit. But the value of the business has gone up even more because they are like the juice seller. Either the leases are in Euros, or they are inflation-indexed. They are borrowing at Lira at 14% when the inflation rate is 80% or 100%, and by the time they pay those Lira back, they will pay back 5% of what they borrow. That it's not a loan, it is a grant. The bank loan is just a grant. So they make, they make money even on the bank loan. When we have a dynamic country like Turkey, and nobody is interested, the Indian guy will be interested. And the food is great, and the atmosphere is great. Everything is great.

Javier: Thank you very much, Mohnish. I think we are two minutes away, so maybe we should be wrapping up. It has been insightful to hear you, especially in these times where value investing has become almost a meme in some corners of the investment world. But I agree that in the long run, it is

probably the way to prevail in this industry. And I think one of the best takeaways was that it is easier to pick a value stock, especially for practitioners. These days, it is easier to pick a value stock than a value investor. So that was quite interesting. And it was great having you, especially having Charlie Munger bust overlooking your library. I assume his partner is probably nearby. In the name of the CFA Society, Mexico, we would thank you for your time and insights.

Mohnish: Thank you Javier. I really enjoyed the session. And I am sorry. My answers tend to be long-winded, so we didn't get a chance to go into too many areas. But hopefully, we can repeat this at some point. And I look forward to the continued dialogue. Thank you.

Javier: Okay. I would be delighted to have you back.

Mohnish: All right. Thank you. Bye.

Javier: Thank you.

Interviewer: Thank you, Mohnish.

Mohnish: Bye.

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