Mohnish Pabrai's Session with the CFA Society, United Kingdom on June 12, 2024

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Brishni: Good evening everyone. We are delighted to welcome you to CFA UK's eminent speaker series and I am delighted to have with me Mohnish Pabrai. Mohnish, as many of you know, is the director, founder, and managing partner of Pabrai Investment Funds. Mohnish is also involved very heavily with the Dakshana Foundation, which does a lot of great charitable work, particularly when it comes to the field of medical sciences. Mohnish made a transition from being a technologist or a technology-focused investment professional to investing. He follows the path of Ben Graham, Warren Buffett, and Charlie Munger. With that Mohnish, we are delighted to welcome you.

For those who do not know us, my name is Brishni Mukhopadhyay, and I am delighted to be joined by my colleague Oliver as well. We are both the co-chairs of CFA UK's value investment special investing group. For those who are not yet members or have not yet renewed the dues for CFA UK, there is still time to sign up, so please do so. With that, Ollie, I will hand it over to you.

Oliver: Mohnish, thank you so much for joining us. It is very generous of you to come and also your generosity in sharing your ideas on investing, on your life, books, articles, and interviews. I am sure many here will be familiar with your back story. But for those less familiar or as a reminder I was going to ask you to walk us through your early years and, in particular, I was interested in whether having a magician for a grandfather and an entrepreneur for a father who started many businesses brought you to where you find yourself today.

Mohnish: It is wonderful to be here. Thank you for having me. I am glad we could make it work. Well, in many ways, I feel like I kind of won the Ovarian Lottery. I had wonderful parents and an amazing grandfather. My grandfather passed away when I was about 12 years old. He was a world-famous magician; probably top four or five in the world. Initially, learned his trade here in London from a British magician named Owen Clark. He was always, right till the end, trying to continuously improve as a magician. But as a grandfather, he would take summers off and we would visit him. We would go to my mom's childhood home and foothills in the Himalayas. We had very nice summers in that place. He would start the day by doing magic tricks for us. He was very good at close-up magic. Magicians could do many different things, but he was really good at close-ups, which is more difficult. We would get up in the morning and have all

these different tricks and things he would do. Then, he would want us to have dessert. It would immediately go from magic to going to someplace that had great desserts. Of course, he ignored my grandmother and my mother and all of that. His focus was to make sure that all the grandkids had the time of their lives. Summers were really amazing with him.

My father was a kind of quintessential entrepreneur. He must have started, grown, and bankrupted at least a dozen companies in a dozen different industries. The common theme was that he was really good at identifying offering gaps in the market. He was really good at looking at what was going on and saying, “Oh, if there was a product or service like this it could do well.” It never really stopped him in terms of whether he had competence in that particular area. He was really good at figuring out things in a variety of different industries.

One of the ventures that he had started, actually paid for our college education in the US before it went bankrupt. He started a gold jewelry factory in Dubai, and then he went bankrupt. That bankruptcy in 77 was pretty intense for him. He had switched for the first time in several decades to a job. He would take a job in Dubai, some semblance of stability, and he was on a flight going from Mumbai to Dubai. There was this guy in the gold business who was sitting next to him throughout our flight. By the end of the flight, they decided to become partners. They were going to create a new venture. My dad just talked to him about his business and it turned out that the UAE had no duties or tariffs on raw gold coming in, but they had a 2% duty on finished gold coming in, in jewelry form. The 2% was on the entire value of the jewelry. If you just looked at the labor content, the duty was much higher because most of the content was gold; labor was a small portion. The guy who was a jeweler was telling my dad that there is no jewelry manufacturing that exists in Dubai or the UAE but if someone were to set it up, and move the goldsmith from India, even though the cost would be higher there was an arbitrage because there was a big spread between your elevated costs and what would be the cost of finished gold coming in. That is what my father is all about; the arbitrage spread. He thought, “Okay, this guy knows the jewelry business. I understand spreads. We can do this.” The fact that he had no capital, was always a minor detail for my dad, and it worked. He was smart. The guy who was his partner was a third generation, 70-80 years in the jewelry business, and he kind of grew up with it. He had a lot of knowledge. My dad in about 10 months was equal to him in knowledge. He knew just as much about the businesses as him, and he was better than him because he had done a lot of things in manufacturing. He was able to bring in a bunch of processes and things, which were better than what this guy could do. That business took off because there was a spread. Then other people figured out that there was a spread. Then the second competitor, the third, and then a lot of competitors, and that spread just vanished. It became really hard.

By that time, my brother and I were two-thirds our way through our degree when he went bankrupt. One of my uncles helped us finish college. That

business which was happening from the time I was about 14 or 15 onwards, he used to take me on sales calls with him when I was about 16. I really do not know why he did that, because I was a squammy underweight kid with no charisma for sales or anything. He would be calling these jewelers and then walking in with a teenager, but he really did not care about all that. It taught me a lot because I just saw how he would walk into a store where he does not know anyone and they do not know him, and he closed deals. Jewelry is a big trust business; people have to really trust you. He was able to build that quickly. By the time I was 18, so many of these businesses went bankrupt. When my brother and I were 12 or 13, we used to sit down with him. We were elected board of directors at night, and we had to figure out how to make business last for one more day. All the walls were caving in, the business was dying, and we were just trying to make it last for one more day. We make it last for one more day, and then the next night, we would sit down and think of ways to make it last for one more day. I finished several MBAs by the time I was 18. There was no plan for any of this, but looking back, without that experience, I would not have been able to be an investor. It helped me. I did not even know I had this skill, but I can crack business models really fast in a lot of industries that I may not have seen before because I got so much exposure in those years. I am very grateful that it went that way.

Oliver: That is fascinating. Thanks. Let us fast forward a bit. You became an employee at Tellabs and then moved into international sales and marketing and eventually founded your own business. Do you want to talk a bit about that journey maybe to the point where you sold a minority stake to seed your first investment?

Mohnish: Because my parents were really bad financial planners, I had seen so much turmoil in my childhood. When the business went bankrupt, there was no money for rent or groceries or anything. They are trying to borrow from family and friends and it was pretty traumatic. My take was that once I got my degree in engineering, I knew that I would have good job prospects, a good career, and a decent income. I would put away 15% in a retirement plan and let it compound and so on. I really had no interest in ever being an entrepreneur. That is what I had resigned myself to. That is what I was doing.

My dad was visiting me when I was 24, and one day he told me that it was time to quit and start my own thing. I said, “Do you remember my childhood? It is not the path I want to go down.” He said, “All I remember was a lot of excitement. Look, there are only two kinds of people who matter in large businesses; the people who create and the people who sell. Then a lot of fill-in-the-blanks in the middle. You never want to be in the middle. You either do not want to be on the creative side, or you want to be on the selling side if you want to work for someone.” I was at that time on the selling side, and before that, I was on the creative side on the R&D side. When I was in R&D, he told me “Look, you could drop that tomorrow. And they would not even know that that has happened. They would not even miss you.” He helped me move to the other

side because he said, "Even if you are a mediocre sales guy doing something, you add value to the business." I moved to international marketing and sales, and then he told me, "Look it is good that you made the move from creative to selling, but all the spoils go to someone else. You do not really see much of the spoils and you need to capture more of the spoils for yourself." I was getting bored with the bureaucracy, so I thought maybe he was right. I will take the plunge. I will try to make it as low-risk as possible. Then I found an offering gap because I knew how to find offering gaps. I can find offering gaps really easily. Even Pabrai Investment Funds had an offering gap. I went down the path and then accidentally heard about Warren Buffett and Charlie Munger, exactly about 30 years ago. That was a big eye-opener for me because I said, "Wow, this is cool because you are using the same brain cells to do investment research as you would to figure out a strategy in a business that you are running." I found it more interesting that I thought it would be more interesting and more leverage to apply those brain cells in investing because you would not have to do any execution. I always enjoyed the strategy part of the business much more than the execution part. The execution is a lot of heavy lifting. It is fun, the first few times, but it is better to be on the strategy side and figure the business out. The big aha moment for me with Warren Buffett was that all he does is figure businesses out. He does not really run them. That is how it was made. I tried to see if I could make that transition. Then I did it being an investor for myself. I sold a small portion of the company at a million dollars. For the first time, I had cash in the bank. About five years later that million was about 13 million. The public investing went way better than I thought between 1994 and 2000. That led to the formation of Pabrai Investment Funds, and I went from there.

Brishni: That is an interesting one, Mohnish. You mentioned low risk and the offering gap piece, and you talked about the menteeship that you had with Charlie Munger and Warren Buffett. How do you look at that offer gap as well as those low-risk scenarios and sectors that might not necessarily be ones that you would have traditionally focused on? What would be your suggestions to someone who is maybe young and starting in the industry for the first time, or maybe even to experienced investors?

Mohnish: Well, our job is to look for anomalies. Our job as investors is to look for things that make no sense. When things make no sense, that is when there is some opportunity. On a steady-state basis, markets are mostly efficient. If you have a business like Coca-Cola and they sell set up to bottlers and have a dominant brand all over the world, it is unlikely that a business like that would trade for one times earnings most of the time. It is unlikely we even trade for 10 times earnings. Sometimes things get euphoric, and it may trade for 40, 50 times earnings like it did in 99, 2000. Sometimes things get kind of pessimistic like in the early seventies and until the early eighties when it is trading at seven times earnings, so it vacillates. When a business like that gets to the low-end extreme of being very undervalued, then that is interesting. I do not like to quote Jim

Kramer too much, but he says, “There is always a bull market somewhere.” He is right in a way. It is not possible that in a global market of 50,000 traded equities, everything is perfectly priced. It is the nature of markets that they are going to undershoot and overshoot. In fact, if you just throw darts on all the businesses in the London Stock Exchange or the New York Stock Exchange, any random company that the dart hits, you look at a 52-week range on that stock, it is going to be like 60 to a hundred or like 75 to 125 or 75 to 150. It is not possible for most businesses that there is that much value change happening in a single year. The core business does not change that much in a year, but the stock price, because it is an auction-driven market, the nature of auction-driven markets is that the way the mechanism by which prices get set can have a deviation from underlying fundamentals. That is what allows us to make a living. That is what we do. There are always things that are going on in markets, and I have always felt that whatever criteria you set, you will find. If you said “I only want to buy things that are at a trailing PE-1,” you would find those. If you said “I only want to buy things that are trailing PE of 0.1,” you would find those too. If you said, “I only want to buy things at one-third book value,” you find those as well. You can set any criteria you want, and Mr. Market will give you companies that fit that criterion. Then you can drill down and see whether that works for you or does not work for you. Take it from there.

Oliver: Would you be able to describe a bit about when you generated the growth from one to 13 million and maybe in your first few years running the Pabrai Investment Funds, would you say it is more deep value? Or if you do not want to label it, but devalue special situations, or were there quality companies as well in that mix?

Mohnish: When I first started as an investor, I spent a lot of time reading up on Warren Buffett and Charlie Munger and Berkshire annual reports and all of that. Because I was running this IT business, my circle of competence was very heavily technology. Technology has the nuance of having high returns on equity for the most part. It is a good place to be. As long as you are not paying too much, it is always great to be in businesses that have growth and that have high returns on equity. From 94 to about 99 or 2000, I was very much a growth investor. Almost the entire portfolio was 10 at that time, probably 80, 90% was 10. But I got concerned. I had privately started a .com and it failed. That was painful. I lost about 3 million. I had some outside investors that lost about 2 million. But that gave me about a three-month look ahead of what the market could see. I could see that we were in a very big bubble in early 2000, and late 99. I did not know when it would blow and how it would blow, but I was pretty sure at some point this party would come to an end. Pabrai Investment Funds started in July 99, and I made a complete switch at that point. I went from these great tech businesses and so on because they have become just so frothy to deep value. In fact, the day the NASDAQ peaked, I think March 9th, 2000 was the day Berkshire hit a multi-year low. People were literally selling Berkshire to buy pets.com and chemex.com and whatever else was happening then. Stable

businesses in the markets became hated and unlocked, and they became really cheap. I was buying funeral homes and companies having oil tankers and that sort of thing. We did really well. NASDAQ crashed and burned and Pabrai Investment Funds, from 99 to like 2007, before fees, did 37% a year; no down years for about eight years. It was done with a bunch of very basic non-growth type businesses. I got so comfortable with the deep value. By around 2011 or 12, I should have switched back because, by that time, all the froth and stuff had gone away, but I had become so comfortable in this. I was about six years late in actually realizing I needed to kind of go back to the better businesses. But you know, it is a forgiving business and life is okay.

Brishni: On that theme that you mentioned about looking at deep value versus growth, do you find any resonances right now, let's say the AI team or deep growth? And how does one cut away the noise from looking at true value-oriented sectors or companies?

Mohnish: Value and growth are joined at the hip. It is like a coin with two sides. I cannot think of them differently. All businesses are worth the sum of future cash. They produce discounted to present value at some reasonable interest rate. It does not matter whether they are looking at Nvidia, some fuel home, or any business. Any business has a very clear-cut single definition of what it is worth. The controversies come in when considering what are those cash flows and how certain are you. That is where the difficulties come in, because businesses, by nature, are very unpredictable. There is a wide range of things that can happen to a business over time, especially the further out you go in the years. The inside of Nvidia could not tell us what it will look like five or 10 years from now in terms of revenue and cash flow. They might have some difficulties with that, so people on the outside looking in would have even greater difficulties. I do not particularly go one way or another. It is always better to be invested in a business that has growth prospects and high returns of equity. It could be better to do that and even pay a higher multiple than a very low PE on something flat or declining. The bias should always be toward a great growing business, but one should kind of be agnostic. You should just look at the landscape, see what is going on, and take it from there.

Oliver: Whitney Tilson calls himself a money investor. Over the years with Pabrai Investment Funds, have you found certain sectors that you have done better in or worse in? Or has it really been style-agnostic? Sector agnostic, just look for opportunities?

Mohnish: It is an opportunistic business. People asked Warren and Charlie, “If you guys were starting today, how would you do?” Charlie’s answer was, “We would do terribly.” In the sixties or seventies, they were shooting fish in a barrel after letting the water out. They had so many opportunities. In 74, 75 that was an orgasmic period to be a value investor. It was unbelievable. You could pretty much have bought anything and you would have done well. Equities were prime to do well for the next couple of decades. Today, Charlie and Warren

always complain that the brain power that is focused on public equities and all of that is very significant. We have more mutual funds than stocks in the US probably similar in the UK, and we have more hedge funds than stocks. We have more analysts than stocks by some factor three to one or four to one or something. A lot of stuff is picked over. I found in the last few years that it is quite difficult to find stuff.

When I look at my portfolio currently, it is the weirdest portfolio you can think of. I manage about a billion dollars, bought 600 million in Turkey in three names, another 300 million in coal, three or four names, and a few other things, which do not matter that much. I would have never guessed that way. Just to tell you how weird and opportunistic this business is, 13 months back, my investments in coal were zero. I had no investments in the coal business. About 13 months ago May 18th or so, I saw a tweet on Twitter where someone had pushed my hand up on the tweet and said David Einhorn's position in CONSOL Energy looks a lot like Mohnish's IPSCO bet. IPSCO is a business that I have very fond memories of. When I saw that tweet, I thought that even though God loves me, he does not love me so much to give me a second IPSCO; it is one and done. What happened in 2003 or 2004 was never going to happen in my lifetime again. IPSCO was a tubular steel manufacturer in the US and Canada. They made steel for pipelines and oil fields. The company with no debt had $15 a share in cash, and they had given guidance that for the next two years, their net income and free cash flows were going to be $15 a year for each year, for the next two years. The stock was at $40. If you just look for the cash on the balance sheet and the next two years of cash coming in, you would be at $45 and the plant, equipment, and inventory would all be free. There was no debt. This was not really guidance. When these people built pipelines, they gave purchase orders to IPSCO because they wanted a guarantee that that steel would be delivered at certain times in certain places. These were firm purchase orders. The company had extreme clarity on exactly what they would produce and what their cash flows would be. It was not like Apple giving guidance or Microsoft giving guidance. This was a contractually set and very cyclical business. It was possible that after two years, cash flows could be zero, or negative, but I thought why focus on the negative? Let us keep them like my dad. Let us always take the glasses overflow. The extent of the analysis I did was that I just wanted to own this for two years. I just want to see what Mr. Market prices this at two years from now and there is $45 in the balance sheet. I really want to see if this price is at 40; that would be fun to see. That was the extent of the analysis. I had no insight into what happens in year three or year four.

One year goes by and the company announces that we are going to have one more year or $15 a share. Now we are at 60. Well done Mohnish. The stock is now at 90. It has been moving up and it is more than double. We still have this issue where it is a very cyclical business and who knows what happens. I was thinking that if we got long-term gains, we could unload and move on. While I

was running this thing through my head one day, I woke up and the stock is at 155. A Swedish company offered to buy it for $160 a share. I do not know why the Swedes did not come a year earlier and buy it for $60 a share, but things do not make sense on this planet. As Mark Twain says, "Fiction makes sense, but reality never makes sense." In one femtosecond, after reading that, I unloaded the shares. When I was reading this tweet, someone said, "IPSCO is back." That is a wonderful life. I said, "Let us look into CONSOL Energy," which I have never heard of in my life. I looked into it and I realized that there were some differences, but there was a big positive in CONSOL, which was not there in IPSCO. CONSOL was furiously buying back shares. If IPSCO was doing buybacks, it would have been on steroids. That would have been something; a sight to behold. There were very few management teams that were enlightened enough to do buybacks. This does not fit for most management. A CEO of one of them was telling me, "I buy my stock, the cash leaves and nothing happens to a stock price. It just goes into the ether." Management teams have a really hard time with buybacks. It turned out that CONSOL also has contracts a year in advance. For example, most of the next 12 months of their sales, they already know what they are going to collect. They also know a bit about two years and three years; not a hundred percent that they know more and they are using all the cash or buybacks and so on. In many ways, it is not as tight as IPSCO, but in some ways, it is better. It is not identical, but quite similar. I said, "This is wonderful. It is back. IPSCO is back. Life is good." I spent a lot of time last year with coal miners and in the coal mines, and that also was an orgasmic experience. It was really good actually. Coal miners are some of the best people on the planet. They are just wonderful people; in Northern, Central, and Southern Appalachia. They were so wonderful. I spent about eight months trying to get my arms around coal. I still have a lot more to learn. We have some more trips coming up later in the summer and are looking forward to those. Here we are with 30% in coal and life is good.

Brishni: It is a very interesting point that you bring up, Mohnish. It really shows behavioral biases in terms of the need to try and understand the investments that you are making based on your time spent with the coal miners. Are there any similar unloved sectors that you spot or sectors that are overhyped due to either cyclical trends or maybe long-term trajectories? How does one go about even approaching that clearly coal was not a sector you were looking at, but you did the deep dive and understood that? When someone starts looking at a sector and has got no idea about it, how should they approach those scenarios?

Mohnish: A good way to look at it is to try to focus on what is hated and unloved. Hated and unloved is a good way to start. I made my first trip to Istanbul in 2018. I was just in Istanbul before coming to London. I made that trip just because I was looking at numbers and Turkey was screening super cheap. Of course, it had a lot of issues. It had inflation, crazy monetary policies, and the currency getting decimated; all recipes for great disasters. But I thought that the bluefish was very good. I should make a trip to Turkey and see what is happening. I had a

friend who was a Ben Graham disciple; a nice guy. I said, "Hey, if I came to Istanbul, could we visit the businesses in your portfolio?" He said, "Oh, it would be so much fun." I said, "Look, here are the rules. Number one, do not take me to any company that you do not have an investment in. Number two, let us start with idea number one, and then idea number two, just go down the list." I started to look into Turkey and I found that a lot of it was correctly beaten down because it deserved to be beaten down, but there were some babies thrown out of the bath water. We just need a couple of babies. We do not need much; one or two. That is what we are looking for. We are looking for some anomalies, and Turkey had a few because no one was interested. No one wanted to be there, and so you had some really, really high-quality businesses like Coke bottlers and dominant beer brands. A lot of the footprint of these companies that were listed in Istanbul, the revenues were coming outside of Turkey, so they were being punished just because they were listed there. We said, "Okay, we can do that." There is no strategic plan that one can come up with. One needs to read newspapers and keep your eyes and ears open, look at value line or whatever is the equivalent in the UK, and look at what things are in an area where not too many people are paying attention or people hate it. That are generally going to be areas where there could be possibilities of something. We do not need a whole lot. If you can find one of those in a year, we are doing well.

Brishni: Great. Before we open the room to questions, there is one final question that we got from a member who could not make it. How much attention should a bottom-up value investor pay to macro trends? I know the CPI numbers came out today, some would suggest they are lower than what was expected. So some of the equity indices have certainly rallied, but is that necessarily a concern?

Mohnish: It is in the noise level. The less clutter in your mind, the better it is. It is hard enough to just figure out what one simple business is going to do long term. We do not need to complicate the situation. Our energies need to be focused on the micro, on the individual business, the individual managers, and what are the likely range of outcomes for that business. When you start overlaying, macro and CPI and interest rates and all that, it is just going to, for the most part, lead you astray. Keep it simple, focus on the business, and make sure you understand the business. If you understand the business, then you understand what it is worth. Then you can divide it by two or three to see if you can get it in; one-third, one-half, or some number lower than that, and then we go from there.

Brishni: Sounds good. Well, Mohnish, thank you so much for answering the stage segment. With that, let us open the floor up to questions.

Alan Smith: Hello. I am Alan Smith. The last speaker at CFA society was all about macro, actually Russell Napier. We talked about financial repression, but the reason I brought him up was he started the Library of Mistakes, and they were to open

up a branch of the Library of Mistakes in London. I remember you talking about that a couple of years ago. It was a Latticework, and you said that you were studying your own mistakes diligently and going to produce taxonomy because there were learnings on that. Could you perhaps share that with us?

Mohnish: Charlie used to say to me that you want to learn from your mistakes, but you do not want to learn too much. Investing is a business where if you have a 50% error rate or 40% error rate, that is par for the course. It is a business where there is going to be a large error rate because we are trying to project into the future. It is fraught with uncertainties. You are going to have a lot of errors, and it is a useful exercise to look at the things that have not worked and why have they not worked. It is also a much richer data set if you can look at the investment mistakes of the greats because your own mistakes will take a long time to build a record.

If you were to look at Berkshire Hathaway or other investors you admire, we have several decades of history. That can accelerate the learning. Warren and Charlie have been very transparent about many mistakes they have made. You can look at the businesses, and the question to ask is what was very obvious at the time the investment was made by this great mind that was visible and should have been a showstopper, but the great mind missed it. Then, what I did is I converted that into a checklist question. That is exactly how checklists were designed in aviation, and that is why flying is so safe. The FAA in the US has a definition of what a human life is worth. I am sorry to report to you that they have a very finite number that they assigned to a human life. I have not looked at it recently, but maybe 10 years ago when I looked at it, it was 1.8 million or something, US two and a half or 3 million now. What they would do is that when a plane crashed, they would look at what happened, how many people died, and if nothing was done, how many people were likely to die in the next 10 or 20 years. Then they would multiply that number by the 1.8 million and they would only ask the industry to make changes if the cost of those changes was below that number. It was very pragmatic in the sense that if there is a particular issue with the aircraft engine or something that they want to change, not fixing this issue would lead to a hundred people dying a year. The budget is 180 million per year, so you would have a billion dollars or $2 billion or something that you could ascribe and tell the industry to fix it. The approach the nuclear industry took in the US was that a human life was worth infinity. Their perspective was that we cannot lose a single life. That is the depth of the nuclear industry and a very clean solution for energy. It never got a fair shake. I much prefer the FAA's approach.

Going back to the checklist, they came up with these checklists for pilots for takeoffs and landings and all these things based on making sure that they did all the things they were supposed to do. The investing checklist was just one based on error. If we saw that the Dexter shoe investment did not work at Berkshire, we would ask the question, "Is this the bit of a business that can be decimated by lower-cost foreign manufacturers?" The US air investment that

Berkshire made is the business unionized and can unions do the business in? Is it a low-cost operator? USA was a high-cost operator and it had unions and it had Southwest come in into their backyard and give them a lot of problems. That is how I went about building the checklist. It was faster to use other people's mistakes. I also used my own mistakes, and that has been actually quite useful.

Melvin: Thank you, Mohnish, for coming. You have been a great influence on my life. You do not know this, but I am telling you, the first lesson I learned from you was not about investing, but it was taking a nap, which I read in an interview of yours probably in 2002, or 2003. Since then, I have been taking a nap. Thank you very much.

Mohnish: I took a nap just before this, so I am ready to rock and roll.

Melvin: I am not going to insult your time by asking you what the different value and growth are investing and nonsensical questions like that. What I want to ask you about is after working for 17 years for other people, I started my own company and I have an investment management business. You have said in the past that it is very easy for entrepreneurs to become investors, but not investors to become entrepreneurs or something around that. Long story short, the question is how have you thought about building Pabrai Investment Funds as a business, but more kind of spreading out and really building an asset management business? Some tips and tricks would be gratefully received. Thank you.

Mohnish: Buffett says, "I am a better businessman because I am an investor and I am a better investor because I am a businessman." There is a lot of interplay between the two. If you have done one, you have got some advantage in doing the other. In general, going from entrepreneur to investor is easier than going the other way, especially if you have done a bunch of this in your teen years. Running lemonade stands at the age of 12 is very useful. In the investment business, there are some really simple things that I latched onto that Warren Buffett had talked about. He said that if you delivered above-market returns, they would swim to you in the middle of the Atlantic through shark-infested waters to invest with you, even if you were a leper. You do not need any sales skills; they will find you. The key is that above-market returns after frictional costs and all of that is a rarity. The important thing when you are running an investment management operation is the focus has to be on doing well. If you do well for your investors, then without even that much nudging they probably want to give you more money. What you can also do is nudge them. One of the things I found very peculiar about the investment business when I started was that because I was running these private partnerships and hedge funds, the FCC in the US did not allow me to speed dial a bunch of dentists in North Carolina and pound them on the phone and say, "Please invest with me." That would be illegal for someone like me to do that. That is how I built my business. My father would go to doors. You basically build a list of likely customers and you just go

through the list. When I heard the rules that you can only talk to people you know, and you cannot talk to people you do not know, I said, "I am going to run out of people I know in about 15 minutes. Then what am I going to do after that?" I really was in a quandary, but then I said, "Okay, humans are looking for a purpose in life. We were lucky the first year; we were up like 70% or something. I went to my investors and said, "Thank you for your confidence and support, and please give me more money to manage." I remember there is a great quote by Bill Gates and he says that even if you are a monopoly, you have to ask for the order. I went to my investors and very directly asked for the order, and then the second thing I told them was, "You can talk to your friends and family, but the FCC will not let me talk to them until they call me. I need you to tell them that I am the greatest thing since sliced bread and that they should call me. Once they call me or email me, I can pound them forever and nobody has any problems with that. Please set it up so I can bother the people closest to you." They were very willing to do that too because they wanted to be led to the promised land. I was telling them, that this is the path to the promised land. The math is really simple. Let us say I started with $1 million. A year later, I had like two and a half million; it became 1.7 million from the growth. About seven, 800,000 came in. If you were running an investing operation where your returns were, let us say 15 or 20%, and assets coming in were another 10, or 15%, this would be 25, 30, or 35% a year. That 35% a year would be assets doubling every two years. Anything that is doubling every two years will grow pretty fast. On a million dollar, 2 million or $3 million base to bring in a million dollars or half a million dollars is not that hard. I had eight investors when I started, a year later I had 17 investors, and then two years later I had about 25 investors. I was spending a lot of time on those 25 and I was pushing for them to open up their networks and for them to open up their checkbooks, and we just kept going. Thankfully what was helpful to me was the numbers were really good as we were growing. It worked. Also, the other useful thing is to focus on friends, family, and food, especially the food. Then it works well.

Andrew: Thanks, Mohnish. If I were looking at your fund or someone else, they might say those are pretty concentrated bets on Turkey and coal, and they might think that seems a bit hairy, perhaps. With the deep value style, the issue might be that you can never have to be wrong because if you are wrong in a big way with such concentrated bets, there are a lot of downsides. What would you say to an investor who is concerned about that? If it goes well and the coal mines do well, you have to find the next deep-value opportunity. It is less of a kind of a compounder. I suppose you have this question from investors. How would you answer that?

Mohnish: Those are really good questions. My portfolio is so weird at this time. Most of my net worth is in the funds. I have multiple incentives to not get it wrong. I spend a lot of time actually thinking about that. The conclusion I came to is that I really cannot think of Turkey as a monolith. We have three bets in Turkey, two out of the three bets the vast majority of their income and assets are outside

Turkey. There are subsidiaries and all of that. There is a lot of inferencing around those other subsidiaries. It is kind of difficult to come up with scenarios where there is a total implosion. I really cannot think of scenarios where something like that can happen easily. That would be a very extreme outlier. In effect, this becomes around five bets. Five bets are okay. It is very comfortable with these bets. Two of them do not work, and maybe even three of them do not work. The third one, we do not have a complete buyout. The end of that will still be okay. As I sit here today, I have difficulty figuring out or coming up with scenarios where even one does not work. It is probabilistic. It is positive; the upside was the downside. There is a lot of focus on the downside. Even on the cold side, these businesses have no debt, which is very unusual for mining companies to not have debt. They actually have net cash, and they are very focused on returning the cash to shareholders. They are very relatively simple businesses in terms of how they are running. They were all resilient. If you have businesses with no debt, they are all anti-fragility potent. The other question about what happens in the future, well, this is all opportunistic. There is no strategic plan here. We may find things in due course or we may not. Time will tell, so we do not find it. I hope I am smart enough to either put the money in treasuries or something benign and be patient.

Brishni: 4.5% 10-year yields. It is not bad.

Speaker: Hi Mohnish. Thank you so much for doing this. It has been great. My question is about persistence. You said your trip in 2018 helped you invest in Turkey and understand the businesses there, but then before the return to orthodoxy, what was happening there? All the headlines around Turkey about the economy were negative. How do you still have the persistence? Do you still keep holding those stocks and not sell them?

Mohnish: That is a great question. When I went in 2018 and 2019 and later, I did not doubt that the Turkish lira would continue to get decimated. For example, in 2018 when I visited, it was three lira to the dollar. In 2019, it was five lira to the dollar. Now it is approaching 33 liras to the dollar. In dollar terms, we are heavily up on our investments. I concluded that probably out of around 200 listed Turkish companies, maybe 180 or 190 or more were not investible because they would face headwinds with those sorts of inflation numbers and devaluation numbers. But it was very clear that some businesses were either going to be totally unaffected by it or were actually going to get tailwinds out of it.

One of the investments we made in Turkey was a company called TAV Airports. All the revenues of TAV inside Turkey and outside Turkey are denominated in Euros. In Turkey, a lot of their costs are denominated in lira. The Turkish people suffer a lot, so their wages did not go up at the rate of inflation. What has been happening with TAV airports is that their costs in Euros, when you convert the liras to Euros are declining in this headwind environment. When I looked at it, I said that this business is not going to be effective, plus a very large percent of their footprint is outside Turkey; even if you ignore all the currency issues and

all that. On top of that, there was a deal they had done in the middle of COVID where they took over the Almaty airport in Kazakhstan. There are very few airports in the world. First, most airports are run by the government, but a few are private. Most of the private ones are under BOT arrangements. Will it operate transfer where eventually the concession runs out and you transfer every take to the government? Heathrow is different from that and very few airports are like Heathrow, but the Almaty airport was an outright purchase. It is a very rare, unusual situation for an outright purchase. It was an outright purchase, and it was a purchase happening when passenger traffic was zero. You can imagine what kind of price the buyer would pay when the business is producing losses, heavy losses with no end in sight, and a lot of uncertainty. They got a great deal on that purchase. There are two Harvard Business School cases. You can buy them for like $7 or $8 a piece; the price is right. They are on TAV airports. One of them is about the deal with Almaty. That transaction took place when they bought that airport for 400 million. They put in about 200 million of CapEx. They just opened a new terminal; a total of 600 million. On a bad day today, they could unload that for several billion dollars. If they offered it for sale, there would be bidders coming in at 3, 4, 5, and 6 billion for that property. They would refuse to sell at those prices anyway, so that was in the mix as well. When I looked at it, I said, "The baby is thrown out of the bath water. We have to be very careful about this environment."

We have a Coke bottler in Turkey, but a large portion of the footprint is outside Turkey. They are the number one. They have all the bottling rights in Pakistan. They just got half of Bangladesh and they have about eight or nine other countries. Most of the footprint is outside Turkey. Even within Turkey, if we had a global thermonuclear event and everything got wiped out and out of seven or 8 billion humans, we had 15 million humans left, let us say somebody would restart a Coke bottling project and the Coca-Cola company would still have the trademark even if they had to pay for it in seashells, the currency is not relevant. People will be willing to trade a certain amount of their labor for a Coke. They will be ready for a Coke especially after such a thermonuclear event. That business has been around for like 140 years and it is not going anywhere for another 140 years. There was a lot of resilience when you have iconic assets like that at valuations, that make no sense. That is why we went and did it. The headline is all Turkey and 60% and all of that, but when you kind of drill down into it, we have 12 million square feet of prime real estate and warehouses in Turkey. The Indian guy with a weird mustache, owns one-third of it. The Indian guy with a weird mustache paid 8 million for the one-third, which has got a liquidation value of approaching 2 billion now. We are one-third of that and that footprint is Amazon, Ikea, Carrefour, Toyota, and Mercedes. These are the tenants; long leases, and inflation index leases. I could not find a way that it was going to go away suddenly.

Brishni: Thank you very much, Mohnish. Thank you to everybody for participating. We really appreciate it.

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