

Mohnish Pabrai's Session with University of Nebraska, Omaha on May 1, 2026

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Prof. Liu: This is our fourth year, and I think it is our best year. For those joining us for the first time, my name is Jane Liu. I am the assistant professor of economics here at UNO. It is my genuine honor to be your moderator today. Every year, I walk into this room thinking about what question I most want to ask, and every year, I leave wishing I had more time. That is the mark of a truly exceptional conversation partner. Our guest this morning came to investing not through Wall Street, but through entrepreneurship. He built and sold a technology company and did something most people only talk about. He studied the greatest investors who ever lived, Buffett and Munger, and built a framework from what he learned. He is the founder and managing partner of Pabrai Investment Funds, where he has delivered outstanding long-term returns by following a philosophy that is deceptively simple, low risk, high uncertainty, and patience to wait for the right pitch. He is also the founder of the Dakshana Foundation, which has transformed the lives of thousands of students from India's most disadvantaged backgrounds by giving them access to elite higher education. Dakshana is itself a mental model in action. Find the highest return investment, concentrate resources, and let compounding do the rest. Apply it not to capital, but to human potential. Please join me in welcoming Mr. Mohnish Pabrai.

Mohnish: Thank you. It is a pleasure to be here, and thanks for taking the time to attend.

Charlie Munger gave a talk a few decades back at Harvard, *The Psychology of Human Misjudgment*. That talk is also in *Poor Charlie's Almanack*. He modified that talk a little bit and updated it when it was going to be printed. I try to reread the talk every year, and every year I am reading some things that I have never read before. I always pick up things that I feel I am encountering for the first time. It took me more than a decade to understand what Charlie was talking about. It was a journey to understand how he was looking at mental models and how he was using the latticework of mental models. I am going to give you my take on it today. I had given a talk somewhat similar to this a few weeks back at South by Southwest. That talk focused more on mental models for startups and for entrepreneurs. This is a little different. It is going to focus on capital allocation.

The important thing about mental models is that when you start overlaying models on each other at the same time, that is when 1 plus 1 becomes 11, or 1 plus 1 plus 1 plus 1 becomes over 1,000. That is what Charlie calls the Lollapalooza Effect. You get results that are better than the results of someone who may work harder than you or someone who is smarter than you. The mental models hack gives you a leg up in life. It is worthwhile.

The first model, which I call the bedrock model, is what Munger states as, "You take a simple idea, and you take it seriously." None of the other models work if you do not go all in on this one. This one is always a baseline. It has to be there.

Obviously, with capital allocation, we start with Ben Graham. But one needs to calibrate, so we cannot overdose on Ben Graham. In fact, one of the big problems I had in life was that there was too much Ben Graham and too little Charlie Munger. Ben Graham came up with three important models. The first is that you are not buying a stock; you are buying a piece of a business. The second is that Mr. Market is there to serve you, not to advise you. We are not trying to learn something about a company with a stock price. The third is the margin of safety. We always want to be buying things well below what the underlying value is. Again, the thing is that Ben Graham talks about a lot of other things. My suggestion is not to focus on the rest of it, because it might hurt you more than it helps you.

We add to Ben Graham's core principles *Poor Charlie's Almanack*, Phil Fisher, and, more recently, Pulak Prasad, along with what I learned about investing from Darwin. These books, overlaid with the core Graham principles, are a great framework to start with.

Buffett talks about the "20-punch card." He says that if in an investing lifetime, you only get to invest in 20 stocks, and each time you invest in a stock, you punch the card once, then all of us would be careful about what we invest in. In an investing lifetime of 70 or 80 years, on average, you would be making one bet every three to five years.

Fast is slow. You are better off slowing things down and looking at things from a perspective where we want to make a few bets, and we want to be thoughtful about how we make those bets.

Now, we will talk about "circle of competence." As Warren says, the size of the circle is not relevant. Staying in its epicenter is relevant. In this picture, the guy on the left is Mark Andreessen, the lady in the middle is his wife, and the guy on the right is her father, John Arrillaga. John Arrillaga passed away two to three years ago, and he was a billionaire. His daughter is a billionaire to the power of billionaire. She started as a billionaire and then married a billionaire. John Arrillaga was a friend of Charlie Munger's, and his circle of competence was extremely tiny. He only invested in real estate within a mile of the Stanford campus. Throughout his life, that is all he did. He never ventured beyond that. Starting with nothing, he became a billionaire. If you walked with John around the Stanford campus, he could give you the history of every single building: when it was built, who owned it, what the rents were, what the different transactions were, when it was bought and sold. He knew everything about every piece of real estate around. He acted on these properties when there was distress. Whenever there were downturns and people were distressed, and these properties came up, he knew which were the ones he wanted and were underlevered. Everyone else was feeling pain, and he kept these properties forever and did extremely well. We should always remember that we do not need to know everything about everything. If we know a little bit, we can do a lot.

It is guaranteed that we are going to have a high error rate in this business. John Templeton used to say that the best analyst is going to be wrong one-

third of the time. I believe one-third is low. We are going to be wrong more than half the time.

If we look at the US equity markets over the last 90 years, about 4% of companies have delivered all the market returns. It was important to be invested in those 4% companies, and if you miss those, then things would not work out, which is why the index does so well. The index owns the whole thing, and so it gets the benefit of that. Most equities that are publicly traded are not good investments. The overwhelming majority of them are not good investments, which again goes back to the 20-punch card.

The 4% is similar to what Warren pointed out a few years ago, where he said that 12 of the ideas that he had over time had led to the creation of Berkshire Hathaway. I believe Ajith was number one. If you think about Berkshire Hathaway over the last 60 years, Warren has made at least 300 or 400 different investments and key hires. Out of those 300 or 400, it has been 12, according to him, that have led to the creation of Berkshire Hathaway. Even for someone like Warren Buffett, it has been a low hit rate. It has been a 4% approximate hit rate, maybe even 3%. We have to remember that a few ideas we come up with are going to end up moving the needle.

What this 4% implies is that when we get into the wonderful situation of owning a great business, we should be reluctant to sell it. We should be reluctant to sell the business when it is fully priced. We should also be reluctant to sell it when it is overpriced. The only time we should think about selling the business is when it is egregiously overpriced. This is where we depart from Ben Graham, and it is an important departure to make. One of the things to remember about Ben Graham is that he was smart, but his entire security analysis came from the experience of the 1930s. The 1930s were an extreme time in US market history, where we had severe dislocations and 25% unemployment. We did not see that level of unemployment in the financial crisis or during the pandemic or anything else that has happened since then. It may happen in the future, but we should not be investing with the framework of assuming it is happening next week. The risk of owning a great business above what it is worth, in my opinion, is lower than being in a constant Gin Rummy game of buying and selling all the time. This is an important departure that Munger influenced Buffett on. We need to keep these things forever. The interesting thing is that if we look at Berkshire Hathaway, the longest held public equity that they own is Coca-Cola. They bought Coke in 1988, which is 38 years ago. Warren is going to be 96 this year. The first buy and hold forever stock in Berkshire Hathaway came when he was about 57 or 58 years old. It did not come early in his life. He started doing buy and hold when he started buying businesses like See's Candies. But on the public equities, that discipline came fairly late in life. So many of you in the room are well under 58. You do not need to wait till you are 58 to figure this out. We have got it figured out now. There are businesses that I used to own but no longer own. I wish I still owned them, but I was overdosing on Graham and underdosing on Munger, which we are trying to balance off here. The main reason I am giving this talk is to educate myself.

Do not cut the flowers, and do not water the weeds. When I look at an investment manager, I try to understand what frameworks they are using and how they are operating. One of the things I look for is if they have been

running things for a few decades, then their top two or three positions should make up 70, 80% of the pie. Of course, the reality is that I am hardly able to find those managers. I do not find managers where the top two or three things are 70, 80%. The reason we do not find that is that they have cut the flowers, and after that, they did something worse. They watered the weeds. We do not want to be cutting the flowers, and we do not want to be watering the weeds. We want to water the flowers.

I am the shameless cloner, and I have no original ideas. In fact, I had the annual meeting for my fund a few weeks back, and someone asked me at the meeting, "Why do you call yourself the shameless cloner when you have all these interesting ideas and good investments?" I said, "When I look at my portfolio, everything is cloned. There is nothing I own that has not come from someone else." I do not even know why you guys are here. There are no original ideas. It is all recycled stuff. We do not need to come up with investment ideas. In fact, it is dangerous to come up with investment ideas on your own. Please do not come up with investment ideas on your own. That is not a good idea.

The best things in life are free. The Value Investors Club is free. You do not have to pay anything. They are not going to bother you. You can sign up. But even if you do not sign up, you can look at all the ideas posted there. The membership requirements to become a member of Value Investors Club are so stringent that the universe of people posting ideas there is significantly above average. When I am looking at a business, the first thing I look at is if there is a weak Value Investors write-up. I print that off and start reading it because that accelerates things a lot. DataRoma publishes every quarter an update on what good investors have bought over the quarter. It is another great resource. SumZero also has great resources, but unfortunately, it requires a subscription. The picture on the right is Turkey's Costco, which you may not have heard of yet, but now you have. That is my latest cloned idea.

History does not repeat itself, but it does rhyme. Charlie and Warren mentioned several times publicly that the opportunity set they had in the 60s and 70s, even in the early 80s, does not exist today. They said repeatedly that if they were starting today, they would not be able to build Berkshire Hathaway. At that time, they faced a much less competitive world with far less brainpower applied to security analysis. But what I have found is that there are other parts of the world where similar situations still exist. For example, the Turkish stock market has a lot of parallels to what was going on in the US equity markets in the mid-70s and early 80s in terms of disparity between price and value. We may not be able to find things exactly the way they were before, and things may not go back to the way they were, but you may be able to find them somewhere else. It is important to keep that in mind.

If you cannot explain your investment thesis to a 10-year-old in about four sentences, it is a useless investment. Please do not make it. A 10-year-old is not going to understand an Excel spreadsheet. The four sentences do not need too many numbers. They need to be simple.

Our next model might take a little bit of time. You always need a rope to get out of the deepest well. Why do I say this? My dad was an engineer. He was a rational guy who started many different businesses. He was good at

getting businesses off the ground. He would come up with great ideas, get them off the ground, but then he was aggressive with leverage and everything else. He wanted to grow as fast as possible. When the first storm showed up, the businesses would fail. My parents were poor financial planners, so when the business failed, we did not have money for rent or groceries. We were borrowing from relatives and friends. It was a roller coaster when I was growing up. When I was 11 or 12 years old, my dad had gone through an intense bankruptcy of a company. He was lost and did not know what to do next. I noticed that there was a guy in an orange robe with marks on his head who would come to our house on Sunday. He was an astrologer. My dad would sit with him, and this guy would tell my dad what was going to happen in the future. My dad would pay him, and then the next week the guy would be back again. I mustered up some courage and talked to my dad. I said, "You have to know that whatever he is telling you is utter nonsense. Nothing of what is going to happen in the future is known to that guy. We do not have money. Money is tight, and you are giving it to this guy. That is not the best thing to do." My dad said, "I am at the bottom of a deep well. I need a rope to get out of that well. When this guy shows up, and I give him some money, he is not going to tell me that the future is bleak. He knows that if he tells me the future is so bad, he is not going to be coming back next week. He is going to tell me the future is phenomenal. I need him to tell me the future is phenomenal, because that is my rope." A few decades later, Steve Jobs called it the "reality distortion field." The reality distortion field built Apple. It is not so bad to suspend reality temporarily. Sometimes it is a good idea to do that.

When the financial crisis hit in 2008 and 2009, I used to be managing about 600 million, and it went down to 200 million. It did not go from 600 to 200 because people pulled money. There was a reduction in asset values. The fund was down 65-67%, two-thirds gone. I remembered my dad, and I remembered that I am now in a deep well. I did not have that guy in the orange robe on speed dial. I could not find the guy. He might have been dead by then. I needed to find my own version of a rope to get myself out. There is going to be a model coming up later, which I violated because the rope was more important than violating that model. What I did was fire up Excel. I put my portfolio in with the prices that I thought these things were worth, not the prices at which they were trading. That looked like a much better number; above 600 million. I would come every morning and look at that number and say, "That is what it is worth." Everything felt great. That was the rope. Sometimes you have to use a rope that you do not want to use. But it worked well. I always have a subscription to Microsoft Office just in case a rope is needed.

My friend Nick Sleep and his partner, Zach, were managing about \$2.6 billion 10, 12 years ago. They are based in the UK, in London. The British regulator was giving them grief, saying that they are too concentrated and need to broadly diversify the portfolio. The two of them looked at each other and said, "We have more money than we ever thought we would have. We are richer than we ever thought we would be. We can return all the money and then invest our money the way we want. No regulator is going to tell us anything." They liked the idea. They wrote a letter to their partner saying, "We had a great ride. We are returning all your capital." Nick told his investors, "I am going to put my own money, one-third into Amazon, one-

third into Costco, and one-third into Berkshire Hathaway. My suggestion for all of you is that when we return the money to you, do the same thing. The good news is you do not need to pay anyone any fees anymore. Warm regards." I get a panicked call from an endowment in the US telling me, "Did you hear that Nick is returning all the money?" I said, "Yes, but he also told you what to do." He said, "Yes, but we are not allowed to buy individual stocks in our endowment. We have a rule. We can give the money to outside managers, but we cannot buy individual stocks." I said, "Let me get this straight. I can set up a fund with the three holdings, and then you can invest. You can pay me 2 and 20." He said, "Yes, that would work." I want to let you know the way the world works. Anyway, Nick put his money in these three stocks. If you calculate from 2014 till now, he beat everybody. He is riding motorcycles in China, he is racing cars in Japan, he is doing many things, but he is not looking at his portfolio.

After 2014, Amazon took off a lot more than the other two. Amazon became 80% of the pie. Nick forgot something known as escape velocity. Once we get escape velocity, it does not matter if one stock has a high portion. He had 200 million; 67 million went into each of these three. If he let it run till today, it would be over a billion. How does it matter if 800 million is in one stock and 100 million in the other two each? Because even at 200 million, he had escape velocity. It did not matter. But what happened is he forgot this. He takes his Amazon position and sells half of it. He buys what I think is a useless company called ASOS. I told him that. I said, "You could have asked me. I would have told you it is useless." Anyway, he buys this company ASOS, which of course goes nowhere. But even with the inefficiency of doing that, he still beat everybody.

Nick loves a book called *Zen and the Art of Motorcycle Maintenance*. It is difficult to get past the first three pages. It is difficult to get past the ghost. Once the ghost shows up, that is it. A lot of you are going to give up. But what I would suggest to you is that even though it is going to be hard to read the book, please read it. The first time you read it, it will make no sense to you. Then read it one more time, and you will start to understand that the important thing about that book, which is reflected in those three companies, is that you pursue the highest levels of quality in the businesses that you are investing in. The highest level of quality in these businesses is in terms of the management, how they do their business, and all that is going to get you to the promised land. When we look at these three companies, they have those attributes. That is where we need to be.

The next model applies in all situations except when you are in a deep well. If you cannot do the math quickly in your head, you need to take a pass. Also, if you need Excel, then the 10-year-olds are not going to understand. We need to be able to do the math in our heads. We cannot do the math if there is a problem.

Use a pre-investment checklist. I started developing my checklist about 15 years ago. It used to have about 70 to 80 questions. Now it has about 213 questions. That helps a lot because we will be able to see upfront what the possible failure points are. We can then make a go vs. no-go decision before we invest. When I built my checklist, I did not do it in the blue sky. What I did was I looked at investment mistakes that had been made by great investing minds. For example, Berkshire bought Dexter Shoes. Dexter Shoes

eventually went to zero, and that did not bother Warren as much as the fact that he gave away 2% of Berkshire stock to buy Dexter Shoes. He said that it made him feel good whenever the stock went down, that he did not give away so much. But that was a huge mistake. Dexter Shoes was done by a low-cost offshore manufacturing. One of the questions that I put in the checklist is, "Is this a business that could be negatively affected by cheaper offshore manufacturing?" It may not apply to a lot of businesses we look at, but it might apply to some. When I did that whole checklist, I re-categorized in buckets where these failures were coming from. The single biggest reason why investments did not work was leverage. The second biggest reason was that there was some misunderstanding of the moat, where they thought they had a durable moat, and it turned out not to be the case. And the third was something to do with questionable leadership or ownership. There were also things like trade unions and different things, but these were the three big ones. In general, these are the three big ones that led to negative impacts.

Some of you may not have heard of Arjuna, so we are going to talk about a story which you might enjoy. Back in ancient times in India, the royal families used to send their adolescent kids to be trained by a guru in the forest. They would get a multifaceted education, including martial arts, becoming good archers or swordsmen. There was a guru called Dronacharya who was going to test all the kids on their ability to shoot the bow and arrow. He said, "There is a bird in the tree. I want you to shoot the eye of the bird out." He asked the first student, what do you see? The student said, "I see the tree. I see the bird. I see the eye." The teacher said, "You are not ready. Sit down." Then he asked the second student to come up and asked the same question. The student said, "I see the sky, I see the tree, I see the bird." The teacher told him that he was not ready and that he should sit down. Finally, our hero, Arjuna, comes up and he is asked the same question. He said, "I can only see the center of the eye of the bird." The guru says, "Fire at will." He takes the eye out. We have to be singularly focused. When we are looking at a business, we cannot be distracted. We have the 20-punch cards. When we are looking at things, we have to go all in. We have to be like Arjuna. We cannot see anything else.

There is a horse on the left. That horse has an unfortunate name. The name is "Read the Footnotes." The horse has passed away, but used to be owned by Seth Klarman. Seth grew up in Baltimore, right near the Pimlico Race Course, which is one of the places where the Triple Crown is run. He got interested in horse racing and betting. When he made some money at Baupost, he started buying Thoroughbreds, and they all got names like "Read the Footnotes," and "Margin of Safety." You can hear the announcer say, "Read the Footnotes by a nose, Read the Footnotes." What Seth wanted was for "Read the Footnotes" to get repeated over and over and over for people to hear. He has quite a sense of humor. "Read the Footnotes" did extremely well. He was a good-looking horse. There was even a horse called "Turn Every Page." "Turn Every Page" is a great Netflix documentary. It is free. You are already paying for the subscription, so you can watch it.

In this picture, Robert Caro is on the left, and Gottlieb is on the right. Gottlieb has passed away now. In my opinion, Robert Caro is the best researcher and the best writer the human race has ever produced. His first book was *The Power Broker*, and then he did all the Lyndon Johnson biographies, and they

are the best. I would say that if you have not read Caro, the big upside is that you are going to have an almost euphoric experience in the future when you do. Start with *The Power Broker*. Each one is around 1,000 pages, but they are extremely well done. Then keep going. Before that, though, to get yourself warmed up, you can watch the documentary *Turn Every Page*. It was a great collaboration between a great writer and a great editor. That is what we need to do. We need to read the footnotes, and we need to turn every page.

Yesterday, I went to a dim sum restaurant in what used to be the Aksarben Race Course. The area has since been redeveloped. When I used to come to Omaha 30 years ago, the meeting was held at the Aksarben Race Course. "Aksarben" is "Nebraska" spelled backward. Warren used to go to the racetrack when he was 12 years old, and he would pick up all the tickets that everyone had discarded; the tickets they used for their bets. Then, he would go home and look at every single ticket one by one to see if some drunk had thrown away a winning ticket. Of course, people think there will be no winning tickets thrown away, but that is not true. He would find winning tickets. He could not go to the counter to claim them because he was underage, so he gave them to his Aunt Alice. She was his favorite aunt. She used to go collect the money and then give it to Warren. Aunt Alice was the first investor in the Buffett partnerships, and she died extremely wealthy. But the same kid who, at 12 years old, was at Aksarben gathering up those tickets was the same guy who, at 24, was going through the Moody's Manuals. The Moody's Manuals were the equivalent of race tickets for him. He was turning one page at a time, looking at all these companies and studying the fine-print financials that were listed. It was kind of like the Value Line of the 1950s, but there were maybe five or seven companies on one page, with thin paper and extremely small text. He went through these multiple times and found companies like Western Insurance, where the stock was at \$15, and earnings were at \$25. With Western Insurance, which he bought and later sold, he did not yet have the full framework. But from then until now, if you had kept it, it would have compounded at around 19% for something like 70 years.

The same kid who, at 12, was gathering those tickets was still, in his 80s, going through the Japan Company Handbook, which is the same as the Moody's Manuals, except it covers Japanese stocks. Guy Spier and I had won an auction to have lunch with Warren Buffett in 2007, and then we met him for lunch in 2008. During the process of setting up the lunch, we had a lot of back-and-forth with his assistant, Debbie. We got to know her pretty well. I told Debbie that both of us would love to have lunch with her. She said, "Mohnish, if you come to Omaha on a Thursday, I am usually free and can go to lunch with you guys." I said, "Okay, we will do that." Guy and I would show up in Omaha in 2010, 2011, on Thursday, and we would go to lunch with Debbie. Lunch with Debbie was way better than lunch with Warren. I would tell Debbie, "Between us girls, can we talk?" She would say, "What do you want to know, Mohnish? I will tell you everything." We had a great time.

Anyway, one year, 2012 or 2013, Guy and I went to Berkshire headquarters for our lunch with Debbie. Warren is at the elevator bank. I thought he was leaving, and we bumped into him. He says, "Do you guys want a tour of the headquarters?" I said, "If you want to waste time with a couple of yo-yos, no problem." He gives us a whole tour, showing us all of it: "This is the letter I

sent to Long-Term Capital Management,” and “This is the first share of Burlington Northern,” and all that. Then he shows us the fountain machine in the headquarters. The Coke fountain where he gets his Cokes. Then I thought, he does not have anyone to go to lunch with. I said, “Warren, you are welcome to join us. Do you want to join us for lunch? We do not mind. It is OK.” He said, “No, no, they got me my lunch.” He asked Debbie, “Where is my lunch?” There is this thick shake in the fridge. That was his lunch that day. Anyway, we were in his private office, and I saw the Japan Company Handbook on his desk. He had been leafing through it. I had been going through the same issue and had finished it. I told him, “Warren, I can tell you which companies you need to look at. You do not need to look at all of them.” Without waiting for him to answer, I took his copy of the Japan Company Handbook and dog-eared a few pages, mutilating his copy without his permission. Then I told him, “Warren, the good stuff is in the back. It is going to take you a while to get to the good stuff.” He said, “The good stuff is always in the back.” I said, “Why do you start with the A's? Why not start with the Z's?” Anyway, he has been reading the Japan Company Handbook continuously. Every three months, there is a new one that comes out. In the late 80s, he found the five Japanese trading companies. This thing is less than 100 bucks. He puts \$5 billion into those five trading companies. He did not want to use his cash because he loves his cash. He borrows the entire \$5 billion in yen in Japan, even though Berkshire is drowning in cash. They give it to him at a half a percent interest rate. 100% levered. The trading companies are giving an 8% dividend. He is collecting 7.5% by investing, because it is 16 times the amount of interest he is paying. In a few years, they will double all the dividends. Now he is getting 16%, still paying half a percent. Then the stocks double. The \$5 billion becomes \$10 billion. Then he is collecting almost a billion dollars a year in dividends on top of that. He goes and meets the companies with Greg Abel. They bump up the investment. Two or three of them have gone over 10%. All of it started at Aksarben. It is the kid at Aksarben who made the Japanese investment. We need to enjoy hunting for needles in haystacks.

Now we go 2,700 years back to the Upanishads, which some of you may not have read yet. They say in there, “As is your desire, so is your will. As is your will, so is your deed. And as is your deed, so is your destiny.” Then the punchline is “Your deepest desire is your destiny.” One of the things about these mental models is that they only work if you believe in them. You have to go all in on them. If you want something to happen, if you desire something deeply, it is going to happen. If I were to say, for example, I only want to invest in stocks that are PE of 1. There are 50,000 stocks in the world. Trust me, there are plenty of them at a PE of 1. On my first trip to Turkey in 2018, I told my friend, Haydar, that I wanted to visit companies in his portfolio. He would send me a list of companies we were going to visit. I never looked at these companies before because they meant nothing to me. I said, “I am going to meet them. If I like meeting them, then I am going to study them.” We would be driving to these businesses, and I would ask him questions so I would not appear totally idiotic at the meeting. The first company we were visiting, I said, “What is going on here, Haydar?” He said, “Well, it is at a PE of 0.1.” It was not a PE of 1, which means that the market cap of the company was equal to one month's earnings. What they were making in one month was what you could buy the whole business for. I said, “What did they do? Wow, this is going to be a great trip. We are starting with

0.1. This is awesome.” He said, “This is one of the largest banks in Turkey. It is like a blue-chip bank.” I asked why they were at a PE of 0.1, and he said that the chairman of the bank decided to ignore UN sanctions and was doing all these wires in and out of Iran, in violation of all the laws and all the sanctions that were in place. The New York Fed got word of this. The CFO of the bank had traveled to the US to go to Disney World with his family. When he landed at JFK with his family, they put him in Rikers prison in New York, and they sent the rest of the family on to Disney World. Erdogan was calling Trump, asking him to please release the guy, and Trump is explaining that it was not the feds who did it. It was the Southern District of New York, which did not care about him at all. He could not get him out. Then the stock is trading in Turkey, and all this stuff is hitting the news. I told my friend that this is too much hair even for me. Let us go to the next company. We had that meeting. It was a good company, but I could never get there.

Anyway, if you want PE of 1, you can find a lot of them. If you want to find great compounders at bargain prices, you will find those. If you want to find great compounders, at less than 3% of liquidation value, you can find those too. I invested in a company in 2019 in Turkey called Reysas. It was super cheap. Whatever you desire, if you are all in, it is going to happen.

You should always have someone to discuss your investment ideas with. This came from Charlie. Do not come up with ideas on your own. They are going to be useless. The brain is a dangerous place. If you do come up with ideas, you need to have somebody else to talk to. When Charlie told me this, he said, “Mohnish, it is important that when you have investment ideas, you have someone to talk to.” I said, “You mean like Warren Buffett?” He said, “It was not always Warren. But I always had somebody to talk to.” When I first met Charlie in 2009, he told Li Lu and me, “I want you guys to meet each other once a month for lunch.” I told Charlie, “If Li Lu wants to hang out with the yo-yo, that is fine by me. No problem.” Li Lu and I would meet at Din Tai Fung, a good dumpling place. There was only one branch at that time in the U.S., which was in Arcadia, California. We would go to Din Tai Fung, have great food, and have a great conversation. Now, he is in Seattle, and I am in Texas, so we do not do our lunches. Obviously, with Guy Spier, I also found it useful. If you get the investment ideas from Value Investors Club, it has gone through one brain. It has already been through one brain filter, and then it is coming into your brain, which is a second filter, and that is pretty good. But if you can get it through those two filters and then talk to someone you trust, that can be huge. It can be powerful.

The next model is “The mistress only looks hotter than the wife.” In reality, the wife is hotter. Please remember that. What do I mean by that? What you do not own looks hotter than what you do own. But what you do own is better. Do not be distracted by the bright, shiny objects around you. Stay focused.

Then, there is Polonius, who told his son, “Neither a lender nor a borrower be.” I decided to adjust Polonius a little bit with some help from Warren to: “Neither a short-term borrower nor a long-term lender be.” It is okay to be a short-term lender and a long-term borrower, but please remember Polonius.

The introduction of randomness in your life is important. Charlie was interested in meeting all kinds of new people. Part of the reason was that

he wanted the introduction of randomness in his life. One time, he was telling me, "Most of my friends are dead." I said, "Yes, when you are 99, most of your friends are going to be dead. You do not need to worry about it. You have new ones like me. It is OK." We can live with it. I had never looked at investing, stocks, or anything. In 1994, my wife and I were coming back from a vacation, and I was looking for something to read on the plane. I picked up a book, *One Up on Wall Street*. I do not even know why I picked it up. But I read the book, and I enjoyed it. I said, "Oh, this is an interesting area. I want to go further." There was another Peter Lynch book, *Beating the Street*. I read that book, and then I was out of Peter Lynch books. He had only written two books at that time. He was talking about Warren Buffett in one of the books, in reverential terms. So I said, "Let us figure out who this Buffett guy is." Then I found the first couple of biographies on Buffett, along with the Berkshire letters and the Buffett partnership letters. That opened up a huge world for me, which eventually led me to start making investments and then change my career. But it started with something random. I never worked in the industry before. It is always good to bring or have things in your life that allow randomness to come in. We do not know what connects with what. I remember that in 97, I was on the fence about whether to come to Omaha or not. That would have been my first time coming to Omaha for the Berkshire meeting. I was thinking that I do not know anyone. The transcripts were published in OI D at that time, Outstanding Universal Digest. I had young kids, and I could not justify it. I was on the fence, but finally I said, "Let us go. What the hell? We will go see what the hoopla is all about." Again, it opened up such a big world. Many friends and many great relationships came because of that trip. We should always be willing to go outside our comfort zone and do things that we are not sure about, to introduce randomness. It is a good thing to have.

The next few models I am going to talk about, which are like a Swiss Army knife, violate one of the earlier models. But we will ignore that for now. Focus on spin-offs. I said earlier, the 20-punch card, 20 stocks. I also mentioned the 4% rule. A few investments are going to eventually lead to most of your wealth. But these are some areas to pay attention to. Joel Greenblatt talked about spin-offs in his book. It is worth focusing on the spin-offs. It is important to focus on "Uber Cannibals," like NVR, AutoZone, and AutoNation. I own one right now, Alpha. Then focus on the spawners. These are the companies that are creating new businesses. Amazon is a great spawner. Alphabet is a great spawner. We have a couple in our portfolio, Constellation and Reysas.

The arbitrage is wonderful. I remember that when Rupert Murdoch was chasing Dow Jones, he wanted to acquire Dow Jones. The consensus on the street was that the family did not want to sell. They were not interested in selling to Murdoch at all. People did not expect that deal to close. The deal was going to be at \$60 a share that he had offered. The stock price had gone up a little bit, but it was in the high 40s. There was a pretty large spread between where the stock was trading and where the deal would close. Warren has studied Murdoch for decades, and of course, he used to own a newspaper, so he understood Rupert well, and he knew that Dow Jones was going to end up with Murdoch one way or another. It was not going to end in any other way. He made a merger bet on that, and it paid off. There is a

Netflix documentary on the Murdochs. Once you see that, you will know he was going to win that battle. He was not going to go anywhere else.

The next model is “Heads I win, tails I do not lose much.” We want to focus on situations where there is upside without downside. Because equity markets are auction-driven, we constantly run into these things where they have an asymmetric payoff. I had invested in a Canadian steel company called IPSCO in 2004. IPSCO was a situation that was simple. I could have explained it in three sentences to a 10-year-old. They had \$15 share in cash on their balance sheet. They made tubular steel that went into pipelines and oil wells. They had contracts going out several years to deliver these steel pipes to pipelines. They said that the next two years we are going to make \$15 a share for each of the next two years. The stock was at 40, and the company is telling you that between the cash today and the cash coming in over the next two years, you would have \$45. There was no debt, and all the plant equipment and inventory were free. In the third year, it could go to zero. It could even go negative because it is a cyclical business. But my view was that why not own it for two years and see what happens? I want to see how Mr. Market would price this when there is \$45 of cash in the balance sheet. We put 10% of the fund into IPSCO, and a year later, they announced that they had one more year of \$15, and by now the stock has been creeping up and is at 90. It has gone from 40 to 90. Still a cyclical business, still can go anywhere. I was about getting to long-term gain, so I was thinking, “Okay, we won. We can end the bet.” As I am thinking through that, one day I wake up, and the stock is at 155. A Swedish company came to buy them at 160. One femtosecond after that, I sold everything. I had fond memories of IPSCO.

Someone on X posted that, “Oh, this bet David Einhorn made on CONSOL Energy looks like Mohnish's IPSCO bet.” This is why I mention these things at these talks. Because then I said, “Oh, CONSOL Energy. I have never heard of it in my life before. Let us go look at that.” I look at it, and I see it is like IPSCO. Long live the internet. I said, “It is so nice to go back to IPSCO again.” Then I bought CONSOL, and it was a similar situation, not the same, but they are forward selling their coal. They have a band where they say that it will be sold at the index price at the time, but no less than X and no more than Y. It was similar, where you could look at the cash flows in the future. It was not even speculative. It was there. We want to look for opportunities where there is upside, but the downside is muted. We want to pay attention to that.

In the next model, the formula is that we have low risk in combination with high uncertainty. Wall Street hates high uncertainty. Wall Street loves low uncertainty. If you look at a business like, for example, ADP, which processes payroll, they have no variance in their earnings. Like next quarter, they have their clients who are processing payroll. There will be some small change here or there if unemployment goes up and down, but nothing meaningful. They keep producing cash flows. The market loves that, and it awards a high multiple for that. On the other hand, if you have, let us say, an oil company, which is completely unhedged, where oil can go anywhere, how do you price that? Markets have a difficult time pricing businesses like that. What we want to look for is businesses where the risk is low, the uncertainty is high, because then it is likely that the rewards are high. IPSCO is a good example of that. We could not see much risk. The risk was low. But there

was uncertainty, because after year three, year four, year five, what happens? This model is an important one with low risk and high uncertainty.

The last model is "Do not skim off the top." Most managers like to skim off the top. I have an ETF; I do not have a choice. We have to charge a fee. But if the fees allow it, then make it like the Buffett partnerships, 0/6/25, and win with your investors.

When you combine all these models, and you use them at the same time, that is when you get the Lollapalooza Effect: 1 plus 1 becomes 11. It is important to go all in on these and apply them together. If you go through these books, *Poor Charlie's Almanack*, influenced by Robert Cialdini, and the one I ran into recently, which is by Kevin Kelly, *Excellent Advice for Living*, they are phenomenal books for mental models. Of course, we encounter models all the time. When you look at something that challenges your view of reality, you should pay attention to that. That could be a model that you can add to your repertoire, because that will give you an edge over other humans.

I had given a talk earlier, which was on starting or growing a business. That had a different set of models. In some future talks, which I have not yet given, there will be more models for leading a great life. At some point, we will get to these. But I have not gotten to these yet. Maybe we will do it next year. We went through 30 models today. Amazingly, we got through them all. Thank you so much.

Prof. Liu: Thank you for being so generous, sharing those models with us. Among all the models, which one do you think most people understand but still fail to follow?

Mohnish: Probably the first one, which is you take a simple idea and take it seriously. People will think that it is too simple.

Prof. Liu: Why do you think knowing something is not enough most of the time, just by knowing, like following a simple idea and following it?

Mohnish: You have to take deliberate action. Just knowing it is not going to work, but in many ways, you have to be fanatical. Humans tend not to want to go to one extreme or the other, but using the models will push you to one extreme or the other. That can be uncomfortable for some people.

Prof. Liu: You show that only 4% of the companies outperform the market returns over 90 years. For Warren's money, 4% can move the needle. The whole game came down to finding the good business. How do you feel? At the moment, you know you found the one. How does it feel like you know it at the moment?

Mohnish: For most of my career, I was overdosing on Ben Graham. I was buying 50 cents, 40 cents, and selling at 90 cents. When I look back, I see that there were so many great businesses that were let go because of using the wrong framework. The thing to remember is that even when we think we own a great business, that may or may not be true. The reality with capitalism is that almost all moats disappear. Because capitalism is all about people wanting to take away your business from you. It is almost an anomaly that a business will do well for 50, 100, or 150 years. That is rare. But on the other side, if you focus on the great businesses, you only need to be right once.

You do not need to be right 4% of the time. It tolerates a high error rate. If you look at Nick Sleep's example, two of those three could go away. It still works. What we have to get comfortable with is that what we think is a great business may or may not be great forever. But you do not have one. You might have five or ten. Then, over time, there will be two or three that become the ones that you are left with.

Prof. Liu: As you said, you only need to find one good business. Also, more than a third of the analysts out there are wrong. You have a 213-question checklist. After all that discipline, what is the mistake you have made more than once, a pattern in your own thinking that your checklist still did not catch?

Mohnish: We are still going to make mistakes because the thing is that you are looking at the future of a business. Anytime you are looking at the future of a business, the future is uncertain. What I find is that the mistakes that have hurt the most are not the ones that cost you money, or even if it goes to zero. What hurts the most are the ones that you sell that you should not have sold. Those are the ones. It is inverted from what you normally think about.

Prof. Liu: Interesting. Your deepest desire is your destiny, and you have built a remarkable investment fund and a foundation that has changed the lives of thousands of people. After all of it, what is your actual deepest desire right now? Not as an investor, but as a person. Is there music you are still trying to get out?

Mohnish: That particular model, "Your deepest desire is your destiny," is powerful, especially if you go all in on it. It is the one model that goes across the different things that we are looking at. It applies to life. It applies to investing. It might apply when you have a business. What I find in myself is that I am naturally a person who can only be focused on one or two things at a time, usually only one thing. When I get enough time to focus on one thing, that is a favorable outcome. I have found this to be true in my life. One has to have faith, and if you do have faith, then you go all in.

Prof. Liu: Thank you so much, Mohnish.

Mohnish: Thank you.

Speaker: Mohnish, thanks for your talk. I have been a Berkshire shareholder for 30 years, and the guy does not pay any dividend. My son wants to be a filmmaker. Should I sell to fund his movie career? Or should I wait for the dividend?

Mohnish: What Warren did, even though he did not want to do it, is he split the stock. He gave us B shares. I know you are an A- share kind of guy. You are not a B-share kind of guy. But what you can do, which is more efficient because capital gains rates are lower than ordinary income dividend tax rates, is when you need the money for your son's film, which is a good idea to put some money in, you split the A-share into some B-shares. Then you sell some B-shares, and you pay some long-term gains. Life is good.

Speaker: Mohnish, welcome to Omaha again. It is amazing to see you in our beautiful town. I am from Omaha, by the way. The only thing that is common between you and me is Din Tai Fung. I understand nothing about the 4% rule. I could

probably go like three pages in the Ben Graham book. I simply buy index funds. Should I be sleeping well at night?

Mohnish: It is a good way to go. Yes, sure.

Speaker: Hi, I am Bridget. I am from Hawaii and Omaha. I am going to go straight to your Model 12, the rope, power positivity. You revalued your portfolio when you saw the 08-09 crisis values. My question for you is, in revaluing those, in setting your own values in that Excel spreadsheet, you had to come up with that value. You must have a system for valuing a company. I look at intrinsic values. They are all over the board. If you were going to recommend a resource when we are getting into the thick of a company and trying to come out on the other side with some simple explanation, what resource do you recommend for figuring out the closest truth to intrinsic value on a company?

Mohnish: The intrinsic value question requires us to stay within the circle of competence. When we are within our circle of competence, one of the core things that should be obvious is what the asset is worth. If we do not have clarity on what the asset is worth, we are not within our circle of competence. The bottom line is that if we are operating within our circle of competence, the value of the business should be obvious. Any business can have a couple of values. It can have a conservative intrinsic value. It can have an aggressive intrinsic value. Probably go toward conservative. But we should be able to figure that out for the businesses that we think we understand. And it should not be hard to do.

Speaker: Mohnish, great talk. I am Mike from the San Francisco Bay Area, California. My first Berkshire meeting. I watched your talk on YouTube that you gave at South by Southwest. It is good. But in that talk, you mentioned the *Founders* podcast. It is a wonderful podcast. You mentioned starting at the beginning and going through all the episodes. You are using it to kind of speed-read through a lot of these biographies that David Senra spent all his time reading. My question is, where are you in the *Founders* podcast? Number 400 is a banger. James Dyson is so good. Are you still using *Founders* to speed-read, or are you going through Moody's Manuals one by one, Japanese Company Handbook one by one, and using that framework in your analysis?

Mohnish: That is a great question. The *Founders* podcast is excellent. Many of you might be familiar with it. It goes into one of the models, which is to "introduce randomness." When I read books, one of the problems is that I pick the books I am going to read. No one else is picking them, which is inherently biased because I am going to try to pick books that I am interested in. With the *Founders* podcast, I am going through every episode that he has done. I do not get to pick books. He has books on Picasso, Churchill, and Sam Walton. It is all over the place. He has all kinds of people. I am going through it backward. I started the most recent going backward. I am at number 115 out of about 415. I am six years back now. It has been wonderful because of the randomness. He decided to do, at that time in the pandemic years, a deep dive into the early years of the US auto industry. It is amazing. All these people, Olds and Chrysler, and the same guy founded Lincoln and Cadillac. On the stock side, the equivalent of Moody's Manual, I have my assistant print out the first two pages of all the new ideas in Value Investors Club, every couple of months. I go through the first two or three

pages of those ideas to see if there is anything there that I want to go deeper into. I find that it is a concentrated way to get ideas flowing in. I also look at DataRoma, the 13F filings, and then SumZero. I have friends and different things that I am reading. A combination of that. On the other side, we do not need that many ideas. We need one or two ideas a year. We can find one, two, or three, then we are good. If I were limited to only making investments through Value Investors Club, that would be sufficient. There is enough there. We do not need a lot. It is more important to go an inch wide and a mile deep than to be a mile wide and an inch deep.

Speaker: Hi, thank you so much for the session, Mohnish. My name is Druthi, and I am a student from Pennsylvania. As a student, in the next 5 to 10 years, what kind of pockets of dislocation should I be focusing on? You mentioned some companies in Turkey, international economies, and spin-offs. Are there any other opportunities that you think will continue to expand in the next 5 to 10 years that we should be looking at?

Mohnish: One of the things about investing is that the more assets we manage, the smaller the opportunity set. Warren talks about that. He has to deploy tens of billions of dollars at one time. There is a limited number of places. As that number goes down, the opportunity set gets wider. What happens is that when there are good investors, and they get started with small amounts of capital, they are forced to abandon the pond in which they were fishing to go into larger ponds because their assets are growing. The smallest opportunities become available to the next generation, because people have to keep moving up. The good news is that this is an evergreen system where a person starting with a small amount of capital has a wide arena where there are not a lot of people playing who are good because they have already moved up. From then on, it depends on what you are most interested in. As I mentioned earlier, John Arrillaga is in real estate around Stanford. The important thing is what you are most interested in and passionate about. Because that will drive the interest to spend the time and focus, and turn the pages. It is the wrong way to look at things to say, "What is going to do well in the future?" That should not be the question you should ask. The question you should be asking is, "What am I most excited about?" Whatever you are most excited about can become an opportunity. But trying to pursue what looks like may become hot in the future can be a negative.

Speaker: Thank you, Mr. Pabrai. My name is Jordan Coe from Vancouver, Canada. From what I know, your background is in engineering. In William Greene's *Richer, Wiser, Happier* book, you mentioned that engineering courses are hard. As a fourth-year computer engineering student myself and also passionate about investing, how can I fix my process and become someone like you, as you did in the 90s with your company, and how do I win in the future? In other words, how do I start cloning the shameless cloner?

Mohnish: Well, you made a start by coming here to Omaha and Berkshire. That is wonderful. I would say that, for me, the starting point was reading *Buffett: The Making of an American Capitalist* by Roger Lowenstein. The Buffett biographies are good because they explain a lot of things about how he went through it. An exercise in self-discovery is you have to understand whether you have the interest and the passion to go down that rabbit hole. If you have, then you keep going on that path, and you will figure it out then.

Speaker: I am Jamie from Houston, Texas. I have been reading a lot of Peter Kaufman, and he talks about public companies having perverse incentives and “the dirty shirt” problem. Why are we not looking at private companies –100-year, evergreen, family-run businesses –and building a Berkshire Hathaway out of that?

Mohnish: There is a lot of research that family-run businesses do well. The issue is that for most of us, they are not that easily accessible. You are talking about private equity and that sort of thing. In fact, the best course of action for most companies is to never go public. Just keep it private. Also, some of the biggest companies do not need capital to grow because they are good businesses. One choice you have is to focus on family-controlled public companies. There are plenty of companies like Walmart, for example. The family still has more than 40%. It has been more than 50 years since the IPO. The family has not sold. We have a lot of public companies where family ownership is significant. If you were to limit yourself to that universe, it is generally going to be a better return than looking at the whole thing.

Speaker: My name is Dan. I am from Steamboat Springs. Thanks for your time today. I want to, as a citizen of the world, thank you for your work with the foundation. I think that as the leaves turn with Warren's life, there might be an opportunity for additional capacity for you to be endowed with additional resources. I wonder what capacity you mentally have for that around your foundation, of course.

Mohnish: The thing with giving money away is more difficult than making it. Because when you are trying to make investments, you have a wide-open field. When you are trying to improve the world, there have been a lot of smart humans and smart governments that have already taken a crack at it. The problems that are left are problems that have not been solved by a lot of well-meaning people with a lot of well-meaning resources. I always find that giving away money is more difficult. At Dakshana, we currently spend about \$3 million a year. We have a good model with that engine. That engine will max out at 6 or 7 million a year. Until we get to that point, we stay focused on that. I am pretty sure that if and when we have resources that go beyond that, the outcomes will not be as good. We will have to do the next best thing, which is the same thing in investing, where you go with the best of the options you have. In giving money away, it is even more of a headwind when the numbers become large. It becomes more and more complicated. When you look at Buffett's situation, and especially with their mandate to finish it all off in a few years, that is a tough problem. On top of that, he has also set up that all three of them have to agree. The three kids have to be in agreement before any money can be given away. He did that so no one could be approached to give something. The negative is that you now get to committees that are not good at anything. I have some skepticism about that. The whole giving away money stuff is a difficult problem. One way or another, I believe a place like the University of Nebraska, Omaha, is going to end up with a good bit of the money, which is good. They might go tuition-free.

Speaker: Hi, I have a Dakshana business card from you with your handwriting that says, “East or West, Micron is the best. Buy Micron.” I obediently went and bought Micron at \$30 per share. You also mentioned a couple of times that

it is all about the doubles, so when it got to \$60, I sold. Today, it is close to \$600. What is wrong with me?

Mohnish: Thank you. That is a great question. I also sold at a double. What year did I give you the card? It was 2017-2018. I did not put Micron on the list of companies I regret, because I could not have foreseen what was going to happen. A lot of things that happened with Micron were pretty outliers, because in 2017-2018, AI and things were not even on the radar, and so that happens.

Speaker: Thanks, Mohnish. My question is, how do we think about these large numbers, companies like Nvidia, \$5 trillion? People say it will be \$10 trillion. Now, the GDP of the biggest companies, like India and Germany, is \$5 trillion. In one of the talks last year, you said Amazon is just starting. They have close to \$1 trillion in revenue now, \$3 trillion market cap. Where is it going in the next 10, 20 years? How do you think about it?

Mohnish: There is a box on Buffett's desk that he has talked about several times. It says "too hard" on it. When I went to his office and was going through the Japan Company Handbook, I noticed the box was empty. I told Warren, "How come the 'too hard' box is empty?" He said, "Let me fill it up right now for you, Mohnish." He took a bunch of papers and dumped them in there. We have to remember that 99 percent of investment ideas should go in the "too-hard" pile. They are outside our circle of competence, or we do not understand them. When you asked the question, or you said the things about Nvidia, you actually answered your own question. It is not obvious to you that Nvidia is a great investment. It is not obvious to you that Amazon is a great investment. All of it needs to go in the "too-hard" pile. Till one day, something shows up, and you say, "This is unbelievable. I can understand it. It is cheap. It is going to grow a lot." When that happens, which will not happen often, as Charlie said, we will get to make trips to the pie counter few times in our lives. When we go to the pie counter, we have to load up on a lot of pie. Pie counter trips are rare. When you get to the pie counter, take a lot of pie. What he forgot to tell me is, "Do not drop the pie on your way back." So much of the pie, like Ferrari, Progressive, and Goldman Sachs, got dropped on the way back. I never got to eat it. Not only do you have to go to the pie counter and load up, but you also have to keep it. Make sure you do not lose it. Thank you.

Prof. Liu: Thank you, everyone.

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