

## Mohnish Pabrai at Annual Morningstar India Conference on October 24, 2018

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**Speaker 1:** Our next speaker successfully combines the old value tenets of Graham and Buffett with a modern holistic approach to investing. In June 2007, he made headlines by winning a bid of over 650,000 US dollars, along with a friend for a charity lunch with Warren Buffett.

**Speaker 2:** He's the author of "The Dhandho Investor" a book on his investment style and Mosaic, perspective on investing in which he distilled the Warren Buffett method of investing. His approach to life is covered extensively in Guy Spier's book, the dedication of a Value Investor. He is an investor with nerves of steel and invests with unshakeable conviction.

**Speaker 1:** Ladies and gentlemen, please put your hands together for Mohnish Pabrai, managing partner Pabrai Investment Funds as he shares his insights with us.

**Mohnish:** Thank you very much. It's a pleasure to be here. It's a pleasure to be at a Morningstar conference. I used to live in Chicago in the eighties and nineties and knew Morningstar when it was very embryonic. It's always done really good work. It's just a coincidence but their focus on the investor first, kind of dovetails with what I've always thought, is important in fundamental aspects of investing. Anyway, the subject at hand today, which I'm going to talk about is the 10 Commandments of Investment Management. These commandments basically evolved over the years, and actually, I came up with a framework in the last few months, but they've been very fundamental, and I don't think they're really subject to debate, if you will. It's almost like the laws of physics. Given that we are on a somewhat tight schedule, I'll get going with them. The first commandment is "thou shalt not skim off the top". Just in case that's nebulous. When Warren Buffett and Charlie Munger ran their investment partnerships in the 1950's and 60's the fee structure that Buffett followed was to not charge any management fees. There were zero management fees, and then there was a 6% hurdle, and then he got paid one fourth of the returns above 6% and was subject to high watermarks. For example, if the fund was up 10%, in a year he would get paid 1%. If it was up 5%, he wouldn't get paid anything. If it was up 15% he would get about two and a quarter percent. It was a complete alignment with the investors. The fee structure has a number of effects on how fund managers think. One of the first effects it has is that they stop becoming asset-gathering machines because you don't get paid for assets, you get paid for performance. That's generally a good thing. The second is that they get focused on trying to do the best investment they can. It would lead to a lot of other things, like, for example, being relatively concentrated. The lack of fees also means the lack of a team, which I will get to in the second commandment. Basically, there's an intense focus that comes out of that on not having frivolous expenses. The question that a lot of investment managers would have as well is, how do I take care of the expenses of an

investment operation if I'm not guaranteed a certain amount of fees? I mean my answer to that is that if you set up a steel mill or you start an airline, or almost any other business venture, set up a refinery, there is nothing ordained in capitalism that assures you that those ventures would make money. It's a risk. Investment management also, if you set up an operation, now this is relatively low Capex, but if you set up an operation, you have some expenses, well that's fine. If you do well, the operation will end up being successful. If you don't do well, then it doesn't deserve to skim off the top and cover some of the losses. It works out. Now, the second commandment, which actually dovetails from the first one, is "thou shall not have an investing team". This is something that always kind of puzzles and surprises me, is when I look at Warren Buffett and Charlie Munger again. Today, Buffett is managing, I think something north of 400 billion in assets. I think the stock portfolio, cash investments is about north of 200 billion. There's no team. He doesn't have an analyst; he doesn't have any associates. He manages that by himself. Besides managing the \$200 billion of investments, on the side he until recently also managed about 80 CEOs and businesses that are producing 10, \$20 billion a year in cash flows. Not only is he a leader of a large conglomerate with lots of direct reports is a very significant portfolio. On the other hand, I routinely run into funds that will have maybe under a hundred crores or 200 crores of assets with several people hovering around. I don't understand what they do because basically you need to find about three or four stocks in a year. I don't know why you need even more than half a human to do that. The industry works a certain way and it doesn't work the way the high priests of the industry and the gods of investing have said that it should work. When you follow the first commandment, which is not skimming off the top, it automatically leads to following the second commandment. If you're not going to be collecting fees on a certain amount of assets, you'd be careful about how the money's being spent. I routinely see investment operations with a lot of fat and a lot of misuse of management fees. They go to areas that really have nothing to do with delivering performance. Going on to commandment three, I'm going to move along on these at a little fast pace because we got to get through all 10 of these and then have some time for Q and A but the third one is "Thou shalt accept that thou shalt be wrong at least 1/3 of the time". This comes from John Templeton, and if we are going to try to figure out the future of a business, what a business looks like five years from now, or 10 years from now by definition, that type of an endeavor is going to have a very high error rate because there are lots of uncertainties that come in when we look at long term futures of businesses. Even the best investment manager or John Templeton introduces even the best investment analyst will be wrong at least one out of three times. Now, when they're wrong, it doesn't mean that they lose money. It could be that you thought, oh, this stock is going to triple and it flat lines, or maybe it goes down 10%, or it may be goes up 50%, but it doesn't do what you expected it to do. The good news with the investment business is that even with a very healthy error rate, even if you're wrong 4 out of 10 times you are going to hit the ball out of the park. If you are a brain surgeon, you cannot have a 40% error rate or a 4% error rate, or even a 0.4% error rate, it doesn't work. The investing business is a very forgiving business, and it tolerates a high error rate, which is great. The next one "Thou shalt look for hidden PE of 1 stock" and so there's no confusion. PE one means that the company in the next one year earns what the market cap is which is generally good for your financial health.

There are, let's say around 50,000 publicly traded stocks on the planet. Let's say I run a screen that says I only want to look at stocks that have a multiple of 40 or less, well, probably tens of thousands of companies will fit that. Then if you keep tightening the noose to saying, I want PE of 30 or less, or 20 or less, that number's going to keep going down. In an auction driven market which most all stock markets, auction driven markets, it is the norm that we get wide mispricing and every so often we get mispricing, which is very much in our favor as buyers. Sometimes it's in our favor as sellers when things get very euphoric. Generally, when things get very pessimistic, we want to be buying and when things get very euphoric, we want to be selling and taking advantage of Mr. Market. When I look back, I think I've been managing money professionally for a little over 19 years. When I look back over the last 19 years, there's been at least six or seven of these hidden PE of 1 that have shown up in the portfolio. They're not very common. I think my own history is they show up probably every two or three years. One can do really well if one is attuned to looking at these types of businesses. Just to give some examples I mean one in India which I invested in about three years ago, the company called Rain Industries. Rain Industries basically does about \$2 billion a year in revenue. In 2015, the market cap was about \$200 million, a little less than that, about \$180 million. They were trading at like one 10th of revenue, PEs of 0.1 which is also nice but rain Industries, it had a normal multiple. I think it was trading at 10 or 15 times earnings at the time. If one kind of peeled the onion and dug a little bit, one would see that the business had some cyclical to it. They were sitting on a kind of multi-year low in terms of cyclical and that they were a number of market forces that were likely to get them to a very different sort of earnings in a few years. My best guess was that the odds were high when I was buying in 2015, that in 2018 or 2019, the company's earnings per share would exceed the company's top price. Always a nice thing. Actually, now we are at 2018 and it's I think approximately true, I think they now make something around 10 rupees a quarter about 40, maybe 35 to 50 rupees a year. We were buying between 30 and 45 rupees. The 2015 stock is a 2018, 2019 at a PE of 1. When you do that, generally good things happen to you. One is that stop trading at a PE of 1 and then life is even better. Commandment five is "thou shalt never use Excel" and when you don't have people on your team spending all day and all week on Excel. Investing is a game where if you find yourself reaching for Excel to do investment analysis, it should be an automatic path. I mean, just to go back to the Rain industry example I didn't even need a calculator, much less Excel. In fact, I didn't even need both hands. I just needed the fingers on one hand to figure it out. Basically, the math is pretty straightforward that, if I buy a company for \$200 million market caps, and at some point their earnings are \$200 million in the next few years generally speaking, the market won't price it at \$200 million. It'll come to its senses and no excel needed. Commandment six, I think this is very timely to talk about commandment six. "Thou shalt always have a rope to climb out of the deepest well" I think many people today are in deep wells and they have a need for some rope to come out. This is actually a quote from my dad. My dad used to be an entrepreneur, actually. We used to live in Bandra not too far from here. He was kind of the quintessential serial entrepreneur and started a number of different businesses and different industries. The common theme was that at some point, almost all of them blew up. In some cases, they scaled up a decent amount, got to a hundred or 200 employees. My dad was always very optimistic, and he was always very levered. It was

a kind of a toxic combo. One time, I think I was nine or 10 years old, and my parents were just not very good in terms of financial management or savings. When the business was not doing well, then we would personally in the household not doing very well financially because there'd be no money for rent and groceries and all that. We'd be asking friends and family to help us and so on. It was not a good situation but after one of these blowups, I think I was nine or 10 years old, I noticed that there used to be this astrologer who was invited by my dad to come home on Sunday and tell him about what would happen in the future. This guy has orange robes, a lot of marks on his forehead with a hairdo like mine. He would give my dad all kinds of, from my perspective, mumbo jumbo about what is going to happen in the future. My dad would pay him, and then he'd come back again the following Sunday and my dad was an engineer, a very rational guy. I told him, listen you have got to know that this guy, whatever he's saying is utter nonsense. My dad said to me that I am at the bottom of a very deep well, and I need a rope to climb out of it. When I pay this guy to tell me about the future, he makes sure that he tells me about a very rosy future, because he wants to come back the next week to collect some money as well. He wants to keep that gravy train growing. He's not going to tell me the future's groom and doom. When he tells me that the future's great, I just suspend rationality and choose to believe him. It's kind of like, I think Steve Jobs talked about his, distorted reality field. Sometimes distorted reality fields are very useful. They're useful in producing iPhones, and they're useful in getting out of deep wells. When we find ourselves in market conditions like we are in today, I think we've got some turbulence. It's not significant turbulence. I think its significant turbulence if you're levered, which we'll get too soon, I think that's coming up in a couple of commandments. If you just basically invested money and you don't have leverage, you don't owe anyone anything, and it went down a bit, you just hang out, and things will work out just fine. During the financial crisis in 2008 my portfolio from the peak of 2007 to the bottom of March 2009 went down about 70%. I think I was running about \$600 million at the time. We were down to like a \$200 million, less than \$200 million. I already told you we don't get paid for assets. For me to get paid a fee after 2007 at \$600 million, I needed to be at least \$636 million in 2008 and probably somewhere around, \$675 million in 2009 with no money being added. By the time 2009 came around, instead of \$675 million after which I collect fees, the assets are under 200 million. I found myself at the bottom of a very deep well, and I didn't have the email address of the orange robe guy, and I don't know if I had a need for him, but I couldn't find him. He's probably passed away, may rest in peace. What I did is I decided to violate commandment number five, and I fired up Excel. I put my portfolio and what I did is instead of putting the current stock prices in there with the quantities of shares. I put in what I thought those stocks might trade for at the end of 2010 and at the end of 2011. It was a great time because everything had collapsed in price, and we were picking up dollar bills for 20 cents and such at the time. I was seeing numbers where these \$200 million portfolios looked like it was worth a billion or more. Those numbers look great to me. I decided let's suspend reality and just focus on those nice-looking numbers and the nice looking fee I would collect if the portfolio actually got to a billion. Life was fine, I got out of the well, long live Excel, so use it once in a while not very often. Then we get to commandment number seven "thou shalt be singularly focused like Arjuna", you turn on all the financial news channels and there's a lot of noise, and there's a lot of

things, like suddenly, we thought that with Khashoggi, Brent will go to 200, and then suddenly with Khashoggi, Brent is down to 76. Strange things happen. The thing is, we really don't care about Brent and we really don't care about anything. What we care about is that Rain industries, that \$200 million market cap, and they might in a few years, be making \$200 million and everything else is irrelevant. I think all of the story from the Mahabharata with Arjuna and Dronacharya, and he's going to test all his princes on their archery scales, and he puts up this pole with the fish on it, and then he puts the pole in a kind of a pool of water, and he asks his students look at the pool of the water and shoot out the center of the eye of the fish. One by one, the princess stepped forward, and he asked them what they see. They say, oh, I see the pole, I see the water, I see the fish. He tells them sit down one after the other. Finally, Arjuna stands up, our hero and Dronacharya asks him, what do you see? He says, I can only see the center of the eye of the fish. Dronacharya tells him to Fire at will. He takes the eye out. That's what we want to do in investing. I really don't care what the Reserve Bank does with rates or what the Fed does with rates, or what happens to crude or what happens to the currency or what's happening with ILFS or what's happening with NBFC. None of that is relevant to what we are trying to get done. What we are trying to get done is identify businesses that are within our circle of competence, figure out what they're worth, and then if they're available ideally in this environment for one fourth or less, then what they're worth, let's do something. If not, come to the Morningstar conference and give a talk. Commandment eight "thou shalt never short". I think the thing is that shorting is an exercise that never ever made much sense to me. Your maximum upside is a double if the company goes to zero, and your maximum downside is bankruptcy. I don't know why anyone would want to kind of play with those sorts of odd, if we go long, when we buy a stock, we don't have to put up more capital when it goes down. When we short a stock and it goes up, we have to keep putting up capital. Those capital calls have no limit. That's a very unpleasant place to be. I haven't ever shorted a stock in my life, and I think I will go to my grave without ever having shorted a stock. I think it's a very simple exercise. Buffett and Munger always say that they've over their careers, identified hundreds of great short candidates. They've been right almost a hundred percent of the time, and they've been wrong on the timing almost a hundred percent of the time. The problem with shorting is that you can't get the timing right, and markets don't follow any kind of rationality. They can price things at one time earnings and such. They can do all kinds of strange things to stock prices. We don't want anything which requires us to look at quotes every five minutes. Commandment nine, this comes from Hamlet, Shakespeare had a character in Hamlet called Polonius, and Polonius is giving advice to his son who's going to go off on a long journey. You can go to God Google and just ask God Google, Polonius advice to his son Hamlet, and you'll get the entire one page of advice he gives. I actually think it's great advice for all of you to give to your kids as they're heading off into their lives. One of those lines that he tells his son is neither a lender nor a borrower be, and in fact, Buffett rephrased Polonius, and he said neither a short-term borrower nor a long-term lender be. If you look at the testosterone fueled NBFCs, they forgot to read Hamlet, and they forgot to read Buffett because they did is they basically loved the fact that if you borrow short and lend long, you get really fat juicy spreads. The problem with borrowing short, which we saw in the financial crisis, is you got to turn that paper over. If you are a levered

financial institution, most levered financial institutions go bust without running out of money. They usually go bust because they run out of confidence and way before they run out of money. I think it's interesting, we see it right now in India where the assets of the entities are good. I think the assets are solid, but they've got a liquidity mismatch. There was no reason to have a liquidity mismatch. If you are lending to someone for five years, borrow for five years as well. If you borrow for three months or one year, you'll get a bigger spread. To finish first, you have to first finish, and you don't get to finish the game if you do that and finally my favorite commandment 10, "thou shall be a shameless cloner". I forgot to put my email address on the slides, but mp@pabraifunds.com. I'm kind of low on PE of 1, so please feel free. Thank you

**Interviewer:** Thank you for your insights. We have lots of questions for you. The first one from the audience is, you won that lunch with Warren Buffett. The question is, what was the key investment insight that you got from that lunch with Warren a number of years ago?

**Mohnish:** Well, when I was first bidding for the lunch, my wife thought I'd gone nuts. Now when we talk about it she says, it's the best investment I ever made other than marrying her. Which I think is true. I think the lunch with Warren, I had no expectations at that lunch other than wanting to thank him. I just felt that this person was alive when I was alive. He was willing to take a bribe and sit down for a meal. He was willing to hang out. I said, if you lived in the time of Einstein or Gandhi or Newton or Swami Vivekananda and you had a chance to hang out with them would you take the chance? I think many of you would say yes. My main motivation for doing the lunch was that I wanted to thank him because, I had made all this money using his intellectual property, not paying any IP fees, and I wanted just truly thank him directly to his face that I was eternally grateful for that. Warren's perspective is somewhat different at these lunches. His perspective, which I didn't realize when I went in, is that he wants to make sure that whoever wins this lunch comes away at the end of the lunch thinking they got a bargain. He's much focused on making sure that he delivers more value than whatever was being paid which I didn't realize. When he came for the lunch, he said, "Look, I got nothing going on all afternoon. My daughter's here, she was 12 years old at the time, and my other daughter was 10." They sat on both sides of him. They don't pay much attention to what I say, but Warren told them the most important decision you'll make is who you decide to marry. I think they should remember that which is good, because if I said it wouldn't have any impact. I think I made some notes after the lunch. I think there were like 54 different questions. He pretty much said I'm here all afternoon and if you get tired of me, I'll leave. There are lots and lots of takeaways. Some of the things that really stood out were, we had a discussion about inner scorecard verses without a scorecard. He said, look, you can live your life two ways. He said, "Look, would you rather be the greatest lover in the world, but known as the worst, or the worst lover in the world, but known as the greatest?" He said, if you know how to answer that question, then rest of the thing falls into place. The inner scorecard, which is you do not care about the impact of what you do from a societal perspective, you care about it being the right thing to do from your inner conscious is a huge advantage in life. I would say to me that was one of the big takeaways. I would also say that Buffett and Munger is, almost



everything about them is a public domain. If you want to gain from them, you do not need to have a meal with them. For example, this inner scorecard discussion is there in the book Snowball, but what it helped me do, it helped me calibrate what was really important to him. That was something that was really important.

**Interviewer:** In one of your books, you talk about mutual funds not being a great sort of vehicle for wealth creation. I think you talk about, potentially the holding percentages of many mutual funds. Maybe you can talk a little bit about your approach to sizing positions in your portfolios.

**Mohnish:** Yeah, I mean a lot of mutual funds, I think are like the kind of like one night stands, in the sense that they may have something approaching a hundred positions, 50, 100, 150 positions. I don't know how you would know that many businesses that well and they're turning over 70, 80% of the portfolio every year. I mean, businesses take a few years to get to fair value. They don't really happen overnight. I think for most investors, the best approach is just a broad index. We can invest in broad indices at relatively low friction costs. I think that's a great way to go. In my case, I'm managing money for a relatively small number of high net worth individuals, and my natural tendencies go towards concentration. Typically, if I want to make a bet, I don't want to make a bet less than 10%, ideally. I think in my portfolio, by the time you get to the fifth or sixth stock, we are already getting to 70% or more of the pie. I think for stock pickers it makes no sense to hold 25 stocks. I just don't think that makes any sense.

**Interviewer:** In terms of investing in India where a lot of stocks are sort of more in the growth as seen or have sort of high growth companies. Ben Graham, I think you read his books. He's always been sort of skeptical about growth. He has its Net Nets where he just looks at the assets. How do you apply your value philosophy in an Indian market context where, maybe payouts are further in the future than sort of in more mature markets like the United States?

**Mohnish:** Yeah, I think growth and value are two sides of the same coin. They pretty much joined at the hip. You can't be a growth investor or a value investor. You're really kind of both, if you will. The ideal investment is one that has significant growth ahead. That's an ideal business. I mean if you are investing in a set of assets where the value of those assets does not grow meaningfully over time, and you buy those assets at a huge discount to what they're worth, you will do well, but you will do far better if you are able to buy a growing pie. Of course, I think the big caveat is that, ideally you want that growing pie without paying up for it. It is relatively easy to identify great assets, I think great assets are around us all the time. I recently met the MD, CEO of Mother'son Sumi. I think last couple of years I probably met close to 200 Indian listed company CEOs. I would say, Chaand at Mother'son, I would probably rate him one of the best. Just an amazing manager, running an amazing business at a not so amazing price. I told Chaand, I love you, but I can't get in bet with you, not yet anyway. He said, "Well, I'm going to make you regret that". Such is life. But yeah, what we want to do is, we want to find great assets and ideally at bargain prices.

**Interviewer:** Tips of your investing with a margin of safety. Do you have any sort of guidelines or rules around that? Seth Klarman has explicit views about that. Can you just give us some perspective on buying an asset with a margin of safety?

**Mohnish:** Yeah, I think what happens is that you get a free lunch. If you buy a dollar bill for 40 cents or 30 cents, or maybe nowadays 20 cents, there are two things that happen to you. One is that the odds that you lose money go way down. The second is your upside goes way up. Like they say in the Miller commercial, it tastes great and is less filling. I think basically we don't get very many free lunches in investing, but if you can reduce your downside, while at the same time increasing the upside that's what you get with the margin safety.

**Interviewer:** Have you seen the margins maybe looking at the past 5 to 10 years, I mentioned that the Net Nets that Ben Graham looked at, where you basically looked at, he was able to buy a stock that traded at below its net asset value. Arguably, today there's very few of these opportunities. Have you seen that sort of asymmetry change in sort of this market cycle?

**Mohnish:** Yeah. I would say Ben was shell shocked after the great depression and security analysis got written. I mean, the 34 of the first edition, 1940 second edition, I mean, at that time US markets were drowning in Net Nets. They were all over the place because the stock markets have been decimated. You could do really well buying these businesses where quick liquidation of just the current assets would give you a massive return. I think the irony with Ben Graham is that I think he focused on Net Nets because of the error it came out in, they went down dramatically over subsequent decades. But he made all his money on a great business, he owned GEICO which was an incredible business. Even today, it's a great business for Berkshire Hathaway. Most of Ben Graham's net worth came out of owning a great business, not out of dancing in and out of Net Nets. I think if Ben Graham were young and alive today, he would not have written the security analysis that he wrote in 34 in 2018. He would've written a different book. I think that between buying assets that are undervalued, but not going to grow much, and buying assets that you have to pay up for a little bit, but have significant growth ahead you almost always will be better off with the latter. Growing pies is really where the focus ought to be. I did get to the 11th commandment, which is unreasonable, so the ideal situation is we want growth at a PE of 1.

**Interviewer:** Your first commandment is about fees. The way you structure your fees, you're sort of aligning yourself with the investor. But there's a question whether that could lead to sort of excessive risk taking where you sort of shoot for the stars. Do you have any thoughts on that?

**Mohnish:** Well, I think that there's a couple of things even I didn't talk about, but I think, also it's important to be co-invested with your investors. I'm the largest investor in Pabrai Investment funds, and so I would face the impact of dumb investing in two ways. I would face it with my net worth going down with my own money, and I would face it with lack of fees in the future. At least I don't think I've ever taken an approach. I mean, we don't short, we don't lever, and we don't go into options of derivatives. We've been wrong many times. We'll continue to be wrong in the future as well. But overall, it works out. I think, every dollar my investors gave me in 99 is now like 14 or \$15 after my outrageous fees. It's always been about trying to make sure that we protect the downside.

**Interviewer:** There's a question. What should somebody do to have lunch with you?



**Mohnish:** Actually, thank you for the segue way into an advertisement. I run a foundation, “The Dakshana Foundation” which is a lot of fun. As you saw in commandment 10 be a shameless cloner. A few years back, I started auctioning off lunch with myself. I wonder where I got that idea. The proceeds go to the foundation, and I've been doing these lunches for like seven or eight years, met some just incredible people over the years, people I didn't know came out of the woodworks. We run the auction, I think usually in November next year. If you go on our website [dakshana.org](http://dakshana.org), we'll put up something when we run that auction, we'll run that on eBay. The lunch can be in any of the metro cities in India, or it can be in like California or New York in the US. The bidding starts at 1 cent, and there's no reserve and there's no minimum price. You can win it at 1 cent if no one decides to bid.

**Interviewer:** I want to talk a little bit about your current portfolio. Where do you see a value today in the market? Maybe, initially from a regional standpoint, where do you see the greatest opportunities?

**Mohnish:** Well, I find personally a lot of opportunity in India. I mean, most parts of the Indian markets, I think are still overheated and still overvalued in spite of whatever corrections have happened. But the thing is, there are so many companies that the management teams in India in general don't do a good job of explaining their businesses. In fact, I think they do a poor job of that. That leads to an arbitrage on the degree of understanding of the business. If you're willing to dig in and truly understand the future of many of these companies, you'd be in the minority. In some cases, there's a very significant delta between the future of the business and what is baked into the stock price. Rain is a good example of that. The thing is, why should it have traded at the price it was trading at in 2015? It didn't make rational sense, but that's where it was.

**Interviewer:** You think there's a question on Rain specifically. Do you think that right now Rain is a good investment given some of the price drops we've found?

**Mohnish:** We are not into stock tips.

**Interviewer:** Okay.

**Mohnish:** Rain was a tremendous investment in 2015.

**Interviewer:** A question about cash. What is your approach to cash in your portfolio? Maybe you can share what that number looks like today, and you know cash for the first time in a decade now has a positive real return. Just maybe start off with that.

**Mohnish:** Yeah, I think I manage about 800 million or approximately about 10% cash. I think the last 10% becomes what I would call, “very expensive capital from my perspective”. I mean, I don't want to put the money to get a double, I think we would like to get something north a 40% a year on the last 10%, and it's kind of like a five or six X in the next five years. When we find that, we put that to work.

**Interviewer:** Warren Buffett was one of your key inspirations early on. If you think about the last maybe 5 to 10 years what are some of the books you've read or some of your key influences into your investment thinking off late?

**Mohnish:** Yeah, I think the books would be the usual suspects. I think one book that I try to reread every year is “Poor Charlie's Almanack” which was the

biography on Munger. Every year when I reread it, I would swear to you that I'm reading stuff that I've never read before. I say, I never saw that before. There are these renovations. The other thing that I think is a tremendous resource that got added online recently is that, Berkshire Hathaway never used to release the videos of the annual meetings. They've put the entire archive on the web. If you go to [buffett.cnbc.com](http://buffett.cnbc.com) you will see all the videos of the Berkshire annual meetings from 1994 to just a few months ago 2018. Those videos, they're about five or six hours each. I think it's about a north of 150 hours. I set up a waterproof Bluetooth speaker in my shower. When I'm getting ready every day, I go through about a 30 minutes and sometimes it's probably the most productive 30 minutes of the day, so to have Warren and Charlie. Now I think I started with 94. I'm now up to the year 2003, and I just keep plowing through that. I think those videos that they've got transcripts as well, if you prefer to read them. But I think just hearing them on a multitude of subjects just lends so much clarity on a variety of subjects. I think that Poor Charlie's Almanack is really good. If you are looking for great entertainment "Bad Blood" is a great book to read. That's the Theranos story and that's going to become a motion picture soon, which will be good. Those are some of the things I think worth delving into.

**Interviewer:** Right, so last question. You have 10 commandments and, as a Christian myself, it's tough to follow all commandments. If you were to pick one, which one is the most important one?

**Mohnish:** You can't do one commandment. I mean, the commandments like "thou shalt covet thy neighbor's wife" thou shalt not covet thy neighbor's sheep, they're a very good reason why they have 10. I think they're not 10. You can manage 10. It's not that many. Right. I think you can deal with 10. Do you think you can deal with 10? Say yes if you can. Yeah. 10 is the manageable number. We got 10 fingers. We don't need Excel.

**Interviewer:** Excellent. Well, thank you so much, Mohnish. A round of applause for Mohnish Pabrai.

**Mohnish:** Thank You.

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