

# DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings  
From: Mohnish Pabrai, Managing Partner  
Date: April 13, 2018  
Re: **Q1 2018 Results et. al.**

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Dear Partners:

For the quarter ended March 31, 2018, a total of \$17.45 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$7.5 million
Dhandho India Zero Fee Offshore Fund:	\$6.7 million
Dhandho Junoon US Fund:	\$2.5 million
Dhandho Junoon Offshore Fund:	\$0.75 million
<b>Total:</b>	<b>\$17.45 million</b>

The Dhandho Zero Fee Funds are open to US Accredited Qualified Purchasers (net worth over \$1 million with gross investments over \$5 million) and non-US investors who are Qualified Clients (net worth over \$2.1 million). The minimum initial investment is \$1.5 million for the India Zero Fee Funds and \$500,000 for the Junoon Zero Fee Funds. Existing partners can add as little as \$25,000.

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is July 1, 2018. Funds and subscription docs must be in by June 30, 2018 to make the July 1<sup>st</sup> opening date. If you are interested to subscribe or would like more information, please nudge either Fahad Missmar at [fm@dhandhofunds.com](mailto:fm@dhandhofunds.com) or me at [mp@dhandhofunds.com](mailto:mp@dhandhofunds.com).

Dhandho Holdings is in capital return mode. We've returned about 50% of the capital we raised in Q1 2018. More distributions are expected in 2019 and beyond.

The updated performance numbers of the India Zero Fee Funds are:

**Dhandho India Zero Fee Fund LP (US Qualified Purchasers) Performance Summary:**

	<b>S&amp;P 500</b>	<b>India US (net to investors)</b>
10/1/17 - 12/31/17	<b>6.6%</b>	<b>1.1%</b>
1/1/18 - 3/31/18	<b>-0.8%</b>	<b>-8.7%</b>
<b>Cumulative</b>	<b>5.8%</b>	<b>-7.7%</b>

**Dhandho India Zero Fee Fund Offshore Ltd. (Offshore/IRA Investors) Performance Summary:**

	<b>S&amp;P 500</b>	<b>India Offshore (net to investors)</b>
10/1/17 - 12/31/17	<b>6.6%</b>	<b>0.5%</b>
1/1/18 - 3/31/18	<b>-0.8%</b>	<b>-8.0%</b>
<b>Cumulative</b>	<b>5.8%</b>	<b>-7.6%</b>

The updated performance numbers of the Junoon Zero Fee Funds are:

**Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:**

	<b>S&amp;P 500</b>	<b>Junoon US (net to investors)</b>
7/1/16 - 12/31/16	<b>7.8%</b>	<b>12.9%</b>
1/1/17 - 12/31/17	<b>21.8%</b>	<b>15.6%</b>
1/1/18 - 3/31/18	<b>-0.8%</b>	<b>2.2%</b>
<b>Annualized</b>	<b>16.4%</b>	<b>17.9%</b>
<b>Cumulative</b>	<b>30.3%</b>	<b>33.4%</b>

**Dhandho Junoon Offshore Limited (Offshore/IRA Investors) Performance Summary:**

	<b>S&amp;P 500</b>	<b>Junoon Offshore (net to investors)</b>
7/1/16 - 12/31/16	<b>7.8%</b>	<b>12.6%</b>
1/1/17 - 12/31/17	<b>21.8%</b>	<b>17.8%</b>
1/1/18 - 3/31/18	<b>-0.8%</b>	<b>2.5%</b>
<b>Annualized</b>	<b>16.4%</b>	<b>19.2%</b>
<b>Cumulative</b>	<b>30.3%</b>	<b>36.0%</b>

## **Quarterly Letter Format**

Beginning with this quarter, I am merging the quarterly letter for the Dhandho Zero Fee Funds and Dhandho Holdings into a single letter. Although the various funds are separate and have unique mandates, they are affiliated: Dhandho Funds, which is the General Partner that manages the India Zero Fee Funds and Junoon Zero Fee Funds, is a subsidiary of Dhandho Holdings. There are plenty of investors who have invested in more than one of these vehicles. This merged approach will optimize your reading time and perhaps help save a tree or two.

## **The Zero Fee Funds**

*In the short-run, the stock market is a voting machine.  
In the long run it is a weighing machine.*

- Ben Graham

The India Zero Fee US and offshore funds were down 8.7% and 8.0%, respectively for the quarter versus a 0.8% decline in the S&P 500. There is not much to read here. The funds are just six months old. Most of our investments in these funds are just a few weeks old and virtually everything I buy always proceeds to go down after I'm done buying ☺. I like what we own very much – and I expect the India Zero Fee Funds to do quite well over the long haul.

In that same period, the Junoon Zero Fee US and offshore funds were up 2.2% and 2.5%, respectively. Junoon is now nearly two years old and these funds have delivered a 17.9 - 19.2% annualized return since inception, versus 16.4% for the S&P 500. Even during a period in which the S&P 500 has been a tough index for most active managers to beat, our portfolio of cannibals, spinoffs and cloned ideas is meaningfully ahead of the S&P 500.

## **Dhandho Holdings**

Dhandho Holdings' estimated tangible NAV at 3/31/18 was \$5.65 per unit, slightly higher than its tangible NAV at 12/31/17. We completed our first \$5/unit distribution this past quarter. The unaudited 12/31/17 tangible NAV was \$5.50 after all closing costs associated with the Stonetrust sale that were incurred in Q1 2018 (versus our estimate of \$5.53). All of these NAVs are net of the \$5/unit distribution all of you received in Q1 2018.

Dhandho Holdings has approximately \$55 million in cash and investments. In addition, there are \$30.4 million in receivables (subject to adjustments) from the sale of Stonetrust. Our investment portfolio is invested in a handful of high conviction names on whose prospects I remain bullish. Dhandho Holdings plans to make its next distribution of around \$2/unit in Q1 2019. There may be more distributions in 2019 to get most, if not all, the contributed capital back to investors by 2020. We expect distributions to continue after all the capital has been returned.

I am very pleased with the progress we are making on the Zero Fee Funds. The assets under management in these funds are now over \$86 million. It was just \$8.7 million a year ago and \$38 million six months ago. If we can scale the assets to a few hundred million and deliver double digit annualized returns in the years ahead, it will end up being a very nice business with significant value creation.

Following the first \$5/unit distribution, I gave Dhandho Holdings investors who wanted to exit an option to do so – and receive an additional \$5/unit. I laid out the long case for Dhandho Holdings in the January 2018 quarterly letter to partners and recommended that investors not exit. However, for those who still wanted to exit, I said that I would be happy to buy their units. And if I exhausted my ability to buy, there were other investors that had expressed an interest to buy more units as well.

As of 12/31/17 I was the only member of Dhandho's management team that owned units. My ownership stake was 6% of units outstanding. As Dhandho's dominant operating business becomes asset management, it is important that key personnel have large stakes so incentives are properly aligned. Thus I decided that Dhandho would loan \$\$\$ to two key team members (not me) to enable them to buy Dhandho units from folks who preferred a full exit. I also told these two team members that they could buy as many units as they wanted from their own funds (in addition to the loaned funds). I am pleased to report that both took 100% of the loan offered to them (collectively \$375,000) and inclusive of the loan they bought nearly \$900,000 worth of units. For both of them it represents the overwhelming portion of their net worth (and then some). They are both deeply pregnant now with Dhandho 😊.

To accommodate folks wanting to exit (and increase our stake), my family invested an additional \$10.9 million to buy more Dhandho units. In addition, my family foundation, The Dakshana Foundation, bought \$940,000 worth of units. My family's investment in Dhandho Holdings is worth north of \$18 million and my family, other insiders and The Dakshana Foundation now own about 23% of Dhandho Holdings.

I intend to follow a similar modus operandi as future opportunities arise to accommodate existing investors who prefer to lighten up or exit. This way we kill two birds with one stone. Increasing insider ownership aligns interests further. It's good for all unit holders. It is important to note that Dhandho has never issued stock options or given units to management below fair value, etc. Every unit we own has been bought on the same terms as you. And my advice to all investors is constant: Do what Mohnish does. Do not sell units to him when he is enthusiastically buying!

### **The Zero Fee Structure**

The fee structure of the Dhandho Zero Fee Funds is a reflection both of our commitment to generating value for investors and our belief in our product. We only get paid if the funds deliver better than 6% annualized. There are no management fees. Just performance fees, which are 0% until a 6% annualized return is delivered; above 6% investors keep  $\frac{3}{4}$  of the gains and Dhandho Funds keeps  $\frac{1}{4}$ . For example, if a fund is up 10% in a year, Dhandho Funds gets 1% of AUM as a performance fee. If it is up 5%, we get nothing. It is a win-win proposition that puts us in full alignment with you.

Dhandho Funds did not earn a performance fee for the India Zero Fee Funds this quarter.

Dhandho Funds received a performance fee of \$18,404 for Junoon US and \$28,637 for Junoon Offshore for Q1 2018. Dhandho Funds will reinvest its fee back into Junoon US and will take its fee for Junoon Offshore in cash as BVI rules do not allow us to reinvest our performance fees in the offshore fund.

### **Updated Investor Presentations**

You can view the India Zero Fee Funds' updated slide deck here:

<http://dhandhofunds.com/india/pdf/web/viewer.html?file=Deck.pdf>.

You can view the Junoon Zero Fee Funds' updated slide deck here:

<http://dhandhofunds.com/hedge/pdf/web/viewer.html?file=Deck.pdf>.

To access either presentation, the id is **dhandho** and password is **zerofee**.

### **Annual Report – Will be out in Q2 2018**

Our modus operandi is to provide expansive commentary in the annual reports and the annual meetings. The quarterly letter will continue to provide updated performance numbers and announcements, but minimal commentary. The annual report, which will include the Dhandho Zero Fee Funds and Dhandho Holdings, is slated to be published in Q2 2018.

### **Final K-1's (for US Investors)**

For US investors in Dhandho India Zero Fee Fund LP, Dhandho Junoon LP, Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP, your final K-1s have been emailed to you (password protected). If you (or your accountant) are still waiting for the K-1, please nudge Fahad at [fm@dhandhofunds.com](mailto:fm@dhandhofunds.com) and he will get it to you immediately.

### **Chai with Pabrai Blog and Twitter**

My blog can be accessed here: <http://www.chaiwithpabrai.com/>. And you can follow me on Twitter here: <https://twitter.com/MohnishPabrai>.

### **The New 2018–2019 Uber Cannibals**

I published the new 2018-2019 Uber Cannibals are on my blog. Here is the link:

<http://www.chaiwithpabrai.com/blog/the-new-2018-2019-uber-cannibals4839631>

### **Shout-out by Charlie Munger**

It was truly an honor to receive a shout-out by Charlie Munger during the 2018 Daily Journal Annual meeting in February of this year.

The full transcript of the meeting can be found here:

<http://www.chaiwithpabrai.com/blog/shout-out-by-charlie-munger-at-daily-journal-annual-meeting-feb-14-2018>

### **Q&A session with Dakshana Scholars**

I held a Q&A session with Dakshana Scholars entitled "Compounding is the 8th Wonder of the World" at the Dakshana Valley Campus on Dec. 26, 2017.

<http://www.chaiwithpabrai.com/blog/compounding-is-the-8th-wonder-of-the-world-lecture-qa-at-dakshana-dec-26-2017>

### **Lecture & Q&A at Peking University**

On December 22, 2017, I gave my second lecture to Peking University's Guanghua School of Management on compounding. Here is the link:

<http://www.chaiwithpabrai.com/blog/compounding-is-the-8th-wonder-of-the-world-lecture-qa-at-peking-university-dec-22-2017>

### **Q&A session at JNV Bengaluru Urban**

I very much enjoyed my joint Q&A session to Dakshana Scholars on compounding with Raamdeo Agrawal, founder of Motilal Oswal on Oct. 26, 2017.

<http://www.chaiwithpabrai.com/blog/qa-session-with-dakshana-scholars-at-jnv-bengaluru-urban-oct-26-2017>

### **Patel's Business Secrets - Video On the Dhandho Investor**

I enjoyed this video that summarized the Patels' business practices from my book The Dhandho Investor:

<http://www.chaiwithpabrai.com/blog/patels-business-secrets-video-on-the-dhandho-investor>

### **2018 Annual Meetings – Save the Date**

There will be two annual meetings held sequentially in Orange County, California & Chicago. These meetings will cover Pabrai Funds, Dhandho Holdings and Dhandho Funds.

Prior to the California meeting on September 8, 2018, we will have the 5th Annual Gran Fondo Dhandho Bike Ride. It's a scenic ride around the Newport Estuary with views of the Pacific Ocean in Newport Beach, California. Biking can be a dangerous activity; we only want folks who are decent bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers. Here is a link to the Starbucks location:

<http://www.starbucks.com/store/18175/us/jamboree-bristol/3601-jamboree-road-newport-beach-ca-926602961>

Several out-of-towners rented bikes from The Path Bike Shop last year. Here is a link to their website: <http://www.thepathbikeshop.com/>. They have a great selection of bikes and will deliver and pick up the bikes from your hotel. Bikers are best off staying at the Newport Beach Marriott Bayview, as it is less than 0.5 miles from our Starbucks rendezvous point. Here is a link to the hotel's website: <http://www.marriott.com/hotels/travel/npbst-newport-beach-marriott-bayview/>.

I hope you'll join me on Saturday morning to experience some of the magic of Southern California.

The **California** meeting is scheduled to be on **Saturday, September 8th, 2018** at 4:00 PM at:

[Soka University](#)

Performing Arts Center

1 University Drive, Aliso Viejo, California 92656

Tel. +1949.480.4000

Soka University has a spectacular campus nestled in the scenic hills of Aliso Viejo. It is a 20-minute drive from Orange County Airport (SNA), and about an hour drive from LAX.

There is a fantastic Marriott Club Sport hotel about 3 miles from Soka University:

[Marriott Renaissance ClubSport](#)

50 Enterprise

Aliso Viejo, CA 92656

Reservations: 800-468-3571

Phone: 949-643-6700

There are many hotels in the area. Here is a link to other hotels near Soka University:

<http://tinyurl.com/8dmevvu>

The **Chicago** meeting is thus scheduled to be on **Saturday, September 15th, 2018** at 4:00 PM at:

[Carlucci's Restaurant](#)

(The Auditorium)

6111 North River Road, Rosemont, Illinois 60018

Tel. +1847.518.0990

Carlucci's is a five-minute taxi ride away from O'Hare airport. [The Marriott Suites O'Hare](#) and [The Westin O'Hare](#) are both next to the restaurant. In addition, there are a plethora of hotels in the vicinity. Good deals on O'Hare hotels are usually available on the major travel-related websites.

Agenda:

4:00 – 4:30 PM: Meet and Greet



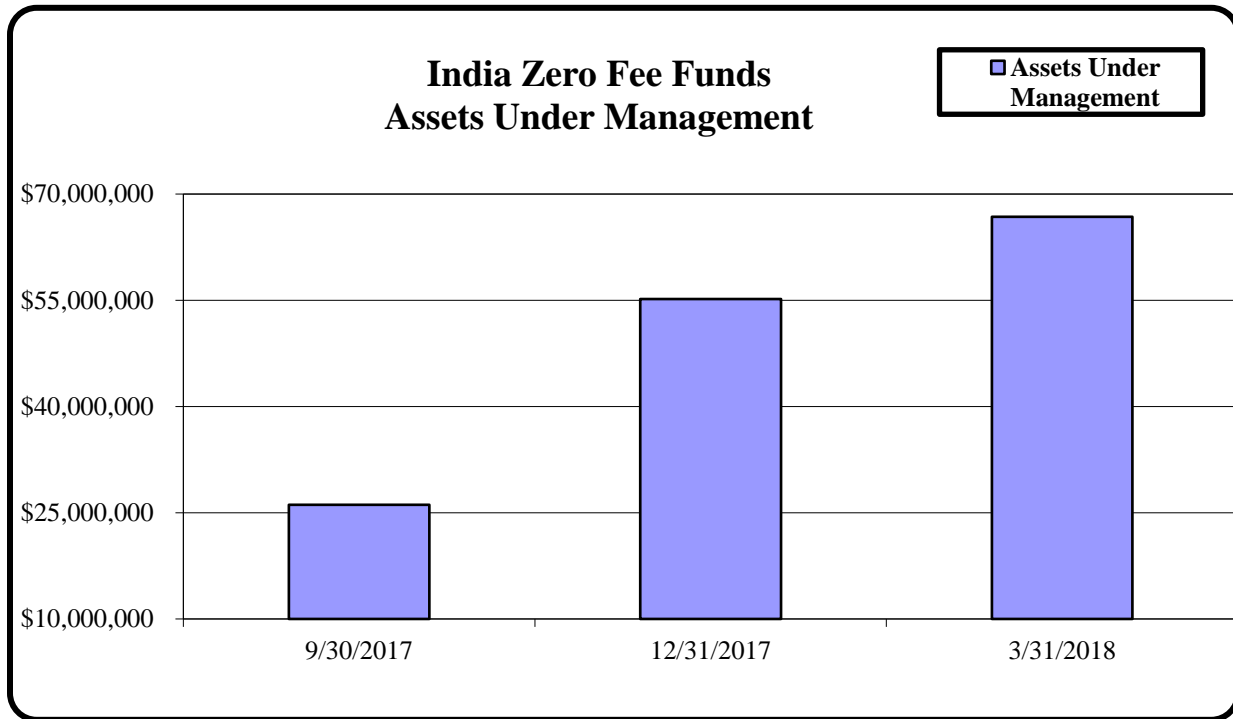
4:30 – 6:30 PM: Presentation and Q&A  
6:30 PM: Cocktails  
7:15 PM: Dinner (Chicago only)

In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

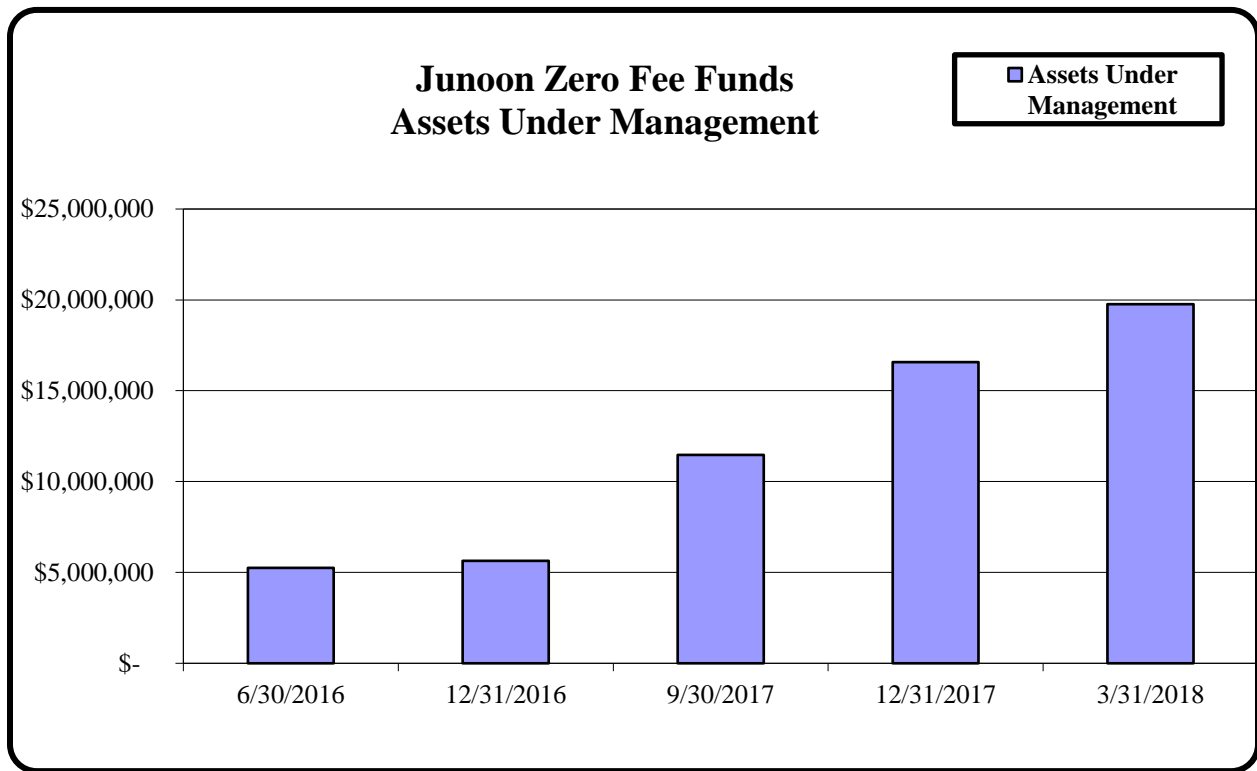
The invites will go out electronically via email in July 2018. Look for it in your inbox! Your significant other and kids of all ages are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests (excluding family members) must be "accredited investors." The invitation is non-transferable. I look forward to seeing you in September.

**Assets Under Management**

There is \$66.8 million in assets under management in the India Zero Fee Funds as of April 6, 2018.



There is \$19.7 million in assets under management in the Junoon Zero Fee Funds as of April 6, 2018.



Thanks for your continued interest, referrals and support. Feel free to call me at +1949.878.3557 or email me at [mpabrai@dhandho-holdings.com](mailto:mpabrai@dhandho-holdings.com) with any queries or comments.

Warm regards,

Mohnish Pabrai

*Note: Various indices are included throughout this letter for reference. Reference to an index or benchmark does not imply that the strategy will achieve returns, experience volatility, or have other results similar to the index. As an example, Junoon may invest in foreign securities, however the indices presented only include U.S. securities.*

## Appendix A

### Dhandho India Zero Fee Fund LP's Performance History (Net to Investors)

No. of Units	Date	NAV
1,830,217	10/1/2017	\$10.00
3,183,760	12/31/2017	\$10.11
3,990,876	3/31/2018	\$9.23

### Dhandho India Zero Fee Fund Offshore Ltd. Performance History (Net to Investors)

No. of Units	Date	NAV
780,489	10/1/2017	\$10.00
2,218,439	12/31/2017	\$10.05
2,941,434	3/31/2018	\$9.24

## Appendix B

### Dhandho Junoon LP's Performance History (Net to Investors)

No. of Units	Date	NAV
425,000	07/1/2016	\$10.00
400,000	12/31/2016	\$11.29
402,216	03/31/2017	\$11.54
428,128	06/30/2017	\$11.45
446,888	09/30/2017	\$12.61
582,360	12/31/2017	\$13.05
769,745	03/31/2018	\$13.34

### Dhandho Junoon Offshore Ltd. Performance History (Net to Investors)

No. of Units	Date	NAV
99,998	07/1/2016	\$10.00
99,998	12/31/2016	\$11.26
363,991	03/31/2017	\$11.43
363,991	06/30/2017	\$11.42
457,397	09/30/2017	\$12.85
638,352	12/31/2017	\$13.26
693,511	03/31/2018	\$13.60

## Appendix C

### Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV <sup>1</sup>
14,837,687	03/31/2014	\$10.00
15,218,640	12/31/2014	\$9.93
15,288,640	12/31/2015	\$8.36
15,218,640	12/31/2016	\$8.73
15,218,640	03/31/2017	\$9.31
15,218,196	06/30/2017	\$9.53
15,218,196	09/30/2017	\$10.76
15,217,877	12/31/2017	\$6.11 <sup>2</sup>
15,217,877	03/31/2018	\$5.65* <i>estimate</i>

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<sup>1</sup> The NAV listed in this chart represents the NAV of Dhandho Holdings LP (“DHLP”), in which the majority of investor’s interests are held. The NAV of Dhandho Holdings Qualified Purchaser LP (“DHQP”) may differ slightly.

<sup>2</sup> The unaudited NAV as of 12/31/17 of \$6.11 excludes closing costs associated with the sale of Stonetrust and includes \$6.8 million of intangibles and goodwill that were held on Dhandho Holdings’ balance sheet on 12/31/17 but that were taken to zero on 1/1/18 on the closing date of Stonetrust’s acquisition. The tangible NAV as of 12/31/17 is \$5.50, which is after all Stonetrust sale closing costs and after removing the intangibles and goodwill that were held on our balance sheet prior to the closing of the sale of Stonetrust.