

DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings
From: Mohnish Pabrai, Managing Partner
Date: October 12, 2018
Re: **Q3 2018 Results et. al.**

Dear Partners:

For the quarter ended September 30, 2018, a total of \$6.0 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:	\$3.9 million
Dhandho India Zero Fee Offshore Fund:	\$2.1 million

Total: \$6.0 million

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 January 1, 2019. Funds and subscription docs must be in by December 31, 2018 to make the January 1st opening date. If you are interested to subscribe or would like more information, please nudge either Fahad Missmar at fm@dhandhofunds.com or me at mp@dhandhofunds.com.

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

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

	S&P 500	India US (net to investors)
10/1/17 - 12/31/17	6.6%	1.1%
1/1/18 - 9/30/18	10.6%	-19.3%
7/1/18 – 9/30/18	7.7%	-7.3%
Cumulative	17.9%	-18.4%

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

	S&P 500	India Offshore (net to investors)
10/1/17 - 12/31/17	6.6%	0.5%
1/1/18 - 9/30/18	10.6%	-18.3%
7/1/18 – 9/30/18	7.7%	-7.4%
Cumulative	17.9%	-17.9%

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

Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:

	S&P 500	Junoon US (net to investors)
7/1/16 - 12/31/16	7.8%	12.9%
1/1/17 - 12/31/17	21.8%	15.6%
1/1/18 – 9/30/18	10.6%	4.5%
7/1/18 – 9/30/18	7.7%	0.2%
Annualized	18.0%	14.8%
Cumulative	45.2%	36.4%

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

	S&P 500	Junoon Offshore (net to investors)
7/1/16 - 12/31/16	7.8%	12.6%
1/1/17 - 12/31/17	21.8%	17.8%
1/1/18 – 9/30/18	10.6%	4.6%
7/1/18 – 9/30/18	7.7%	0.1%
Annualized	18.0%	15.7%
Cumulative	45.2%	38.7%

The Zero Fee Funds

India Zero Fee Funds

The India Zero Fee US and offshore funds are down 7.3% and 7.4%, respectively, for the quarter, after all fees and expenses, while the S&P 500 is up 7.7%. In the first three quarters of 2018, the US and offshore funds are down 19.3% and 18.3%, respectively, while the S&P 500 is up 10.6%.

While we benchmark against the S&P 500, in the near-term our results are significantly affected by volatility in Indian markets. The S&P India small and mid-cap indices are down 15% and 9.8% in dollar terms this quarter. They are down 34% and 27%, respectively, for the year. There has been virtually no place to hide. Even our P/E of 1 stocks in India have gone through substantial drops.

These declines have been very good news for us. It has allowed us to buy some exceptional assets at good prices. We are net buyers and lower prices are great for our financial health. I prefer the Indian indices being down 34% versus being up 34%. The funds have 52% of assets invested in India, 11% outside India, and 36% in cash.

I'd be a bum on the street with a tin cup if the markets were always efficient.

- Warren E. Buffett

Mr. Market currently values the securities we own (excluding cash) at \$43 million. My estimate of their intrinsic value is well over \$100 million. We have plenty of dry powder and I fully expect our cash position to decline in the next few weeks as we add some remarkable assets to our portfolio at prices that have me drooling.

I love what the India Zero Fee Funds own. I hope I am smart enough to hang on to them for a long time. In the long-term, over the next few years, I fully expect the India Zero Fee Funds to trounce the S&P 500.

Junoon Zero Fee Funds

The Junoon Zero Fee US and offshore funds are up 0.2% and 0.1%, respectively, for the quarter, after all fees and expenses, while the S&P 500 is up 7.7%. Since inception on July 1, 2016, the funds are up 14.8 – 15.7% annualized, versus an impressive 18.0% for the S&P 500. Over the last 27 months, the S&P 500 has been on a tear – performing 2x as well as its historic average. Junoon has managed to nearly keep up with this performance – without any exposure to the FAANGS – which is quite remarkable.

Here is the current Junoon portfolio:

Company	Bucket	Weight as of 9/30/2018
Sonic Corp	Cannibal	9.1%
Corning Inc	Cannibal	7.0%
Domino's Pizza Inc	Cannibal	6.9%
Discover Financial Services	Cannibal	5.8%
PulteGroup Inc	Cannibal	4.5%
Legg Mason Inc	Cannibal	4.2%
Lear Corp	Cannibal	4.2%
Altaba Inc	Cloned Idea	4.8%
BYD Co Ltd	Cloned Idea	4.7%
Restaurant Brands International Inc	Cloned Idea	3.3%
Fiat Chrysler Automobiles NV	Cloned Idea	3.1%
General Motors Co	Cloned Idea	2.9%
Enova International Inc	Spin-Off	7.8%
Marriott Vacations Worldwide Corp	Spin-Off	6.9%
Science Applications International Corp	Spin-Off	6.1%
Kimball Electronics Inc	Spin-Off	4.2%
Rayonier Advanced Materials Inc	Spin-Off	4.1%
Vectrus Inc	Spin-Off	3.3%
Conduent Inc	Spin-Off	2.2%
AdvanSix Inc	Spin-Off	1.8%
Hewlett Packard Enterprise Co	Spin-Off	1.7%
Adient PLC	Spin-Off	1.1%

From quarter to quarter, we continue to observe the merits of having a blend of three strategies in an index-like vehicle. This quarter, although the Spin-Offs were down 1.4% and Cloned Ideas were down 0.4%, the Cannibals bucket was up 2% and pulled the portfolio's overall performance into very modest positive territory.

In Q3 2018, no performance fees were earned by Dhandho Funds from its management of the Junoon Zero Fee Funds.

Dhandho Holdings

Dhandho Holdings' estimated NAV at 9/30/18 was \$4.55 per unit, down 4% from the final NAV of \$4.73 at 6/30/18, and down 7.5% for the year so far. The dip in our NAV year-to-date is due to a decline in the market values of Fiat Chrysler and the handful of India stocks that Dhandho Holdings owns. If no discount or haircut is applied to future Stonetrust payments, then Dhandho's estimated NAV is \$5.18/unit as of 9/30/18.

Of the \$70.4 million sale price of Stonetrust, we have received about \$53 million so far. \$40 million was paid to us at closing, \$15 million was due to us on May 15, 2018 and another \$15.4 million is due within 4 years. For the \$15 million tranche due on May 15th, we have received \$13 million to date. Any payments not made on their due date accrue interest to Dhandho.

Of the remaining \$17.4 million due to be paid to us, \$15.4 million is subject to reduction if there is adverse development of Stonetrust reserves for claims incurred through closing. Our buyer and us are required to each engage independent actuaries annually to come up with updated reserve estimates. By mutual agreement the 1st such annual actuarial opinions were waived by both parties earlier this year. The buyer was very comfortable that any such actuarial drill-down would likely show no adverse development and suggested both parties save the money we'd have otherwise spent on the actuaries. This is a big deal and important. As we move further and further away from the closing date with no adverse development, the odds of such negative news declines.

During our 2015-17 ownership of Stonetrust, we tried hard to reinforce strong underwriting discipline and repeatedly stressed to management the importance of declining to write underpriced business. We also supported many improvements to claim handling procedures with the objective of working hard to reduce open claims while acting fairly. We also aligned management incentives with the aforementioned objectives. So far, our buyer is very happy with the purchase and I am cautiously optimistic that we'll get no negative surprises over the next 3¼ years.

We plan to make the next distribution of \$1 - \$2 per unit in Q1 2019. We will also have a mechanism to allow full exits in Q1 2019 for those that prefer that option. This time we'll prorate the sale among interested buyers after insiders (excluding me) have made their purchases. With that said, *if I were you, I would not sell any of my Dhandho units.*

Alignment of Interests

My family's investment in Dhandho Holdings is worth approx. \$14.5 million at the estimated 9/30/18 NAV and The Dakshana Foundation's interest is worth \$853,000. A Dhandho Holdings investor advised us of his interest to sell his units and fully exit Dhandho this past quarter. We helped Dhandho's CFO Fahad Missmar buy those units at the 9/30/18 estimated NAV using an employee loan. Fahad is a key member of Team Dhandho. It is in the best interest of all of us Dhandho Holdings owners that he is a significant owner.

As a result, my family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation now own about 24% of Dhandho Holdings. 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.

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 ¾ of the gains and Dhandho Funds keeps ¼.

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 this quarter.

Through September 30, 2018, Dhandho Funds has reinvested total performance fees of \$177,525 into Junoon US; these shares have a current value of \$188,004.

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**.

Pabrai Funds/Dhandho 2018 Annual Meeting Presentation

We had two very successful annual meetings in September at Soka University in California and at Carlucci's in Chicago. It was a pleasure to meet old friends and partners and welcome new ones. I'm very grateful to Lynn, Betsy, Karen, Valerie, Julie and Jennifer for all their diligence in organizing the various facets of the meetings and dinners so flawlessly.

The link to the annual meeting presentation is here and on our website for your perusal (the password to the video is "Munger"):

<https://vimeo.com/290342536>

The transcript to the meeting will be posted on the website in Q1 2019.

Estimated K-1's (for US Investors)

For Dhandho Junoon LP and Dhandho India Zero Fee Fund LP investors, we provide estimated K-1's in October and December. The first one gives the estimated gains through September 30th, and the second through November 30th. These will be emailed to you by late-October and late-December, respectively, from our Administrator, Liccar. Your final K-1's are issued in March.

For Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP investors, we will also provide estimated K-1's in October and December. The first one will give the estimated gains through June 30th, and the second through September 30th. These will be emailed to you by late-October and late-December, respectively, from our Administrator, Liccar. Your final K-1's are issued in March.

Redemptions – India Zero Fee Fund and Junoon Zero Fee Fund Investors

Please note that if you plan to redeem funds, we must have the request in writing by November 1, 2018. Funds go out approximately 20 business days after year end based on the December 31 NAV. You can send in the redemption notice by 11/1, and still reduce or eliminate your request all together up to 12/31. To get the redemption form emailed to you, please nudge Lynn Dann at ldann@pabraifunds.com.

As a reminder to our older IRA investors, keep in mind that redemptions are paid in January when submitting a redemption for any Required Minimum Distribution (RMD). If you are turning 70.5 in 2019, you may need to submit your redemption form this year to satisfy the RMD. If you elect to delay your first RMD as allowed by the IRS until April 1, 2020 and submit your redemption form in 2019, then you will need to also include your second RMD distribution in that total.

Chai With Pabrai Blog

Please check out my blog www.ChaiWithPabrai.com which I try to keep updated. Here are some recent additions to the blog:

The Trust vs. Truth Talk at JNV Bundi (Rajasthan)

I recently gave the “Trust vs. Truth” talk to the Class of 2019 Dakshana Scholars at JNV Bundi (Rajasthan, India) on June 2, 2018. These scholars will take the IIT entrance exams in 2019. The majority are likely to be accepted by the IITs.

We explored the variables Buffett believes are key to success in life (integrity, intelligence, and energy), Marcus Aurelius’ Stoicism and the importance of adversity, and the motivations behind establishing the Dakshana Foundation.

<http://www.chaiwithpabrai.com/blog/the-trust-vs-truth-talk-at-jnv-bundi-rajasthan-on-june-2-2018>

2019 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 7, 2019, we will have the 6th 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 have rented bikes from The Path Bike Shop. 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 7th, 2019** 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 14th, 2019** 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 – 7:15 PM:	Cocktail Hour
7:15 PM:	Dinner (Chicago only)

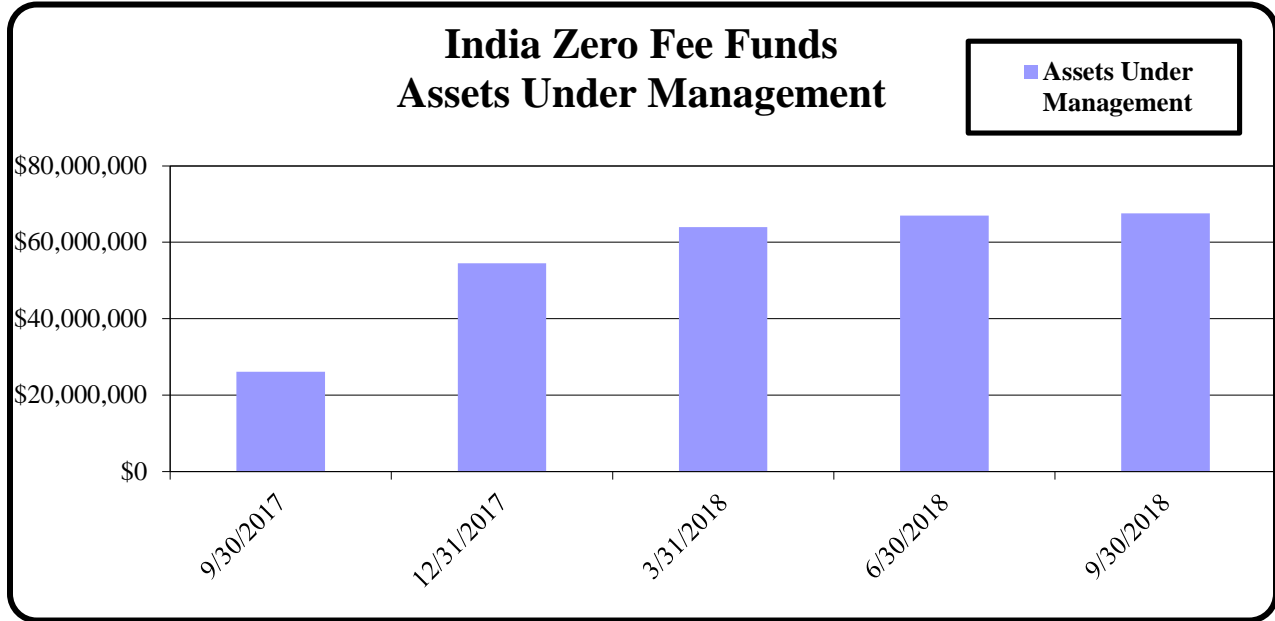
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2019. 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.

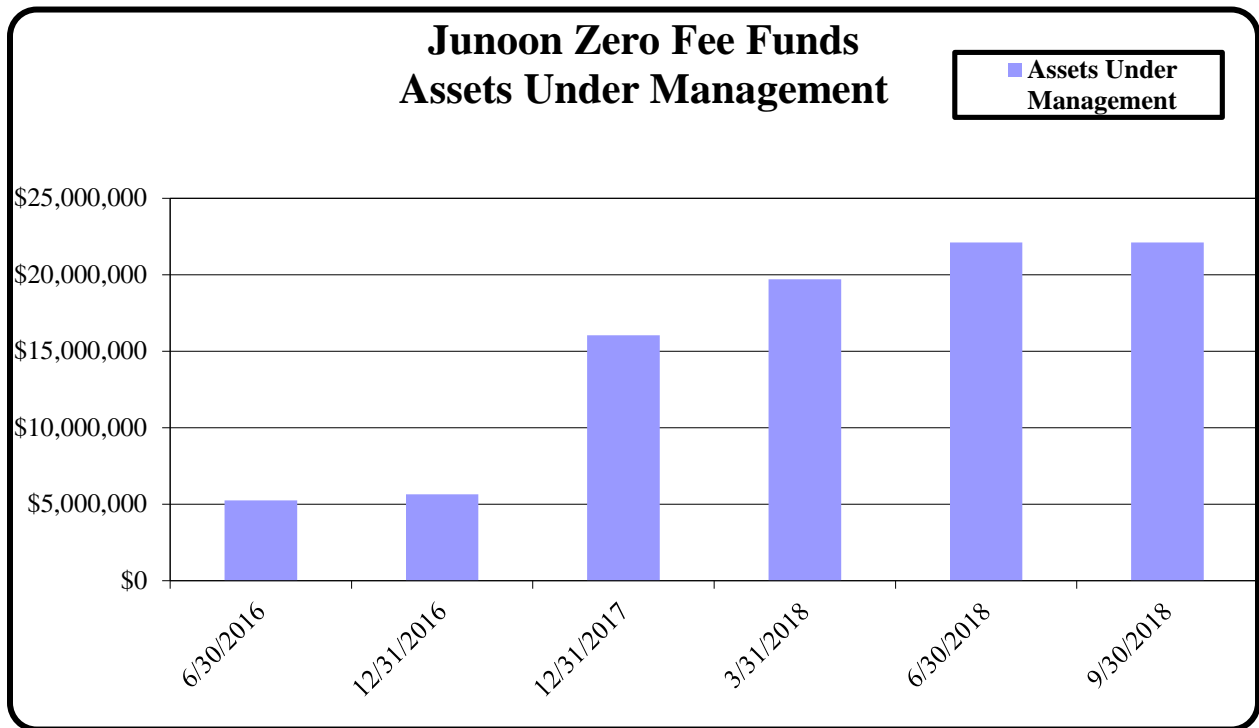
I look forward to seeing you in September.

Assets Under Management

There is \$67.6 million in assets under management in the India Zero Fee Funds as of October 1, 2018.



There is \$22.1 million in assets under management in the Junoon Zero Fee Funds as of October 1, 2018.



Thanks for your continued interest, referrals and support. Feel free to call me at +1949.878.3557 or email me at mp@dhandhofunds.com with any queries or comments.

Warm regards,

A handwritten signature in black ink, appearing to read 'Mohnish Pabrai', with a long horizontal flourish extending to the right.

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, the Dhandho Zero Fee Funds may invest in foreign securities, however the indices presented only include U.S. securities.

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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	03/31/2018	\$9.23
4,271,456	06/30/2018	\$8.80
4,750,901	09/30/2018	\$8.16

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	03/31/2018	\$9.24
3,314,358	06/30/2018	\$8.86
3,517,856	09/30/2018	\$8.21

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
844,651	06/30/2018	\$13.62
844,651	09/30/2018	\$13.64

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
763,442	06/30/2018	\$13.86
763,442	09/30/2018	\$13.87

Appendix C

Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV ¹
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
15,217,801	12/31/2017	\$4.92
15,217,801	03/31/2018	\$5.01
15,215,635	06/30/2018	\$4.73
15,215,635	09/30/2018	\$4.55* <i>estimate</i>

¹ 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.