

# DHANDHO

1220 Roosevelt, Suite 200  
Irvine, CA 92620-3675  
USA

Tel. +1949.878.3557  
[mp@dhandhofunds.com](mailto:mp@dhandhofunds.com)  
[www.dhandho-holdings.com](http://www.dhandho-holdings.com)

To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings  
From: Mohnish Pabrai, Managing Partner  
Date: July 19, 2019  
Re: **Q2 2019 Results et. al.**

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Dear Partners:

For the quarter ended June 30, 2019, a total of \$4.1 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:	\$2.0 million
Dhandho India Zero Fee Offshore Fund:	\$1.3 million
Dhandho Junoon Zero Fee US Fund:	\$0.8 million
Dhandho Junoon Zero Fee Offshore Fund:	\$0.1 million

**Total: \$4.1 million**

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is October 1, 2019. Funds and subscription docs must be in by September 30, 2019 to make the October 1<sup>st</sup> opening date. 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. If you are interested 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).

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 Professional Investors (net worth over \$1 million).

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 - 12/31/18	<b>-4.5%</b>	<b>-21.2%</b>
1/1/19 - 6/30/19	<b>18.5%</b>	<b>0.5%</b>
<b>Annualized</b>	<b>11.4%</b>	<b>-11.9%</b>
<b>Cumulative</b>	<b>20.8%</b>	<b>-19.9%</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 - 12/31/18	<b>-4.5%</b>	<b>-20.2%</b>
1/1/19 - 6/30/19	<b>18.5%</b>	<b>0.2%</b>
<b>Annualized</b>	<b>11.4%</b>	<b>-11.8%</b>
<b>Cumulative</b>	<b>20.8%</b>	<b>-19.7%</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 - 12/31/18	<b>-4.5%</b>	<b>-16.2%</b>
1/1/19 – 6/30/19	<b>18.5%</b>	<b>15.2%</b>
<b>Annualized</b>	<b>14.2%</b>	<b>8.0%</b>
<b>Cumulative</b>	<b>48.7%</b>	<b>26.0%</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 - 12/31/18	<b>-4.5%</b>	<b>-16.2%</b>
1/1/19 – 6/30/19	<b>18.5%</b>	<b>14.0%</b>
<b>Annualized</b>	<b>14.2%</b>	<b>8.2%</b>
<b>Cumulative</b>	<b>48.7%</b>	<b>26.6%</b>

## **The Zero Fee Funds**

### *India Zero Fee Funds*

The India Zero Fee US and offshore funds were down 7.3% and 7.0%, respectively, for the quarter while the S&P 500 was up 4.3%. Year to date, the India Funds are virtually flat (up 0.2% - 0.5%), vs. the S&P 500, which is up a whopping 18.5%.

We benchmark against the S&P 500, but we have meaningful exposure to Indian small-cap and mid-cap stocks. In dollar terms, the Indian small-cap and mid-cap indices were down 5% and 4%, respectively, in Q2 2019, and are down 2% and 3% year to date.

We had an opportunity to bump up our stake in a few of our highest conviction businesses in India this quarter and we took it. We also increased our non-India exposure to a mix of new and existing businesses outside of India.

We have some exceptional businesses in the India Funds' portfolio that are trading at levels well below my view of their intrinsic value. Ben Graham said that markets are voting machines in the short-run, and weighing machines in the long-run. The ride may be bumpy. But over the long-run we expect that we will do very well.

*In the short run, the market is a voting machine,  
But in the long run, it is a weighing machine.*

- Ben Graham

### *Junoon Zero Fee Funds*

After rising 15% in the first quarter, the Junoon Zero Fee US and offshore funds were flat in Q2 (up 0.1% and 0.02%, respectively), while the S&P 500 was up 4.3%. The funds are up 14.0 - 15.2% year to date, versus 18.5% for the S&P 500. Since inception, Junoon is lagging the S&P 500 (8% annualized vs. 14.2%), which continues its meteoric rise at close to double its historic rate.

Within Q2, the Cloned Ideas bucket was down 0.5%, while the Spin-Off and Cannibals buckets were up 0.8% and 0.6%, respectively. The mix of the three buckets helps temper volatility in Junoon (vs. a single bucket approach). It's often the case that we see that one or two buckets help make up losses in the third, which is what we saw this quarter and why we like Junoon's blended construction.

Junoon was launched on July 1, 2016. On its 2-year birthday, one year ago, Junoon was up 16.7% - 17.7% annualized since inception, vs. the S&P 500, which was up 16.1% during that same period. In the past 1 year (7/1/18 - 7/1/19), Junoon lost about 8%, while the S&P 500 gained 10%. Junoon may fluctuate from quarter to quarter, and year to year, and will underperform in some stretches. But I am confident it will do very well over the S&P 500 over the long-run.

## **Dhandho Holdings**

Dhandho Holdings' estimated NAV at 6/30/19 was \$3.48 per unit. This value is net of the \$1/unit distribution that was distributed to all investors in the second quarter. If you add back the \$1/unit, the estimated 6/30 NAV of \$4.48/unit is up a modest 2.7% over the 3/31/19 final NAV of \$4.39/unit.

Francis Chou had approx. \$3.4 million in principal and interest due to us earlier this year, which he paid to us in full a few weeks ago. Dhandho Holdings now does not have any outstanding Stonetrust receivables that have come due and are payable. Assuming no adverse development at Stonetrust, an additional \$13.4 million, or \$0.88/unit, should be paid to us between now and January 1, 2022, with the next \$2 million coming due on 1/1/2020. This entire \$13.4 million is held as a warranty for any adverse development that may occur at Stonetrust for pre-closing claims. As a result, we are applying haircuts and discounts to account for uncertainty, and holding this receivable on our books at approx. \$6 million, or \$0.40/unit.

### *Next Distribution*

Dhandho Holdings successfully distributed \$1/unit to all investors this past quarter. Our next distribution of \$1/unit is planned for early 2020. Similar to this quarter's distribution, we will offload positions from our holding company public securities portfolio to raise some of the capital we need for the amount to distribute. At the time of the distribution, we will also have a mechanism to allow existing investors to fully exit for those that prefer that option. We'll prorate the sale among interested buyers after insiders (excluding me) have made their purchases. With that said, *I have no plans to sell any of my Dhandho units.*

### *Alignment of Interests*

My family's investment in Dhandho Holdings is worth approx. \$11 million at the estimated 6/30/19 NAV and The Dakshana Foundation's interest is worth \$0.7 million. My family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation own about 24% of Dhandho Holdings. Fahad and Jaya both reinvested a portion of the distribution that they received in Dhandho and bought some units from exiting partners at 6/30. 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 zero 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 this quarter for its management of the India Zero Fee Funds or Junoon Zero Fee Funds.

## **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 – 2018**

You can view the 2018 annual report here:

<http://dhandho-holdings.com/dhandho-ar2018/> (to access, the id: **dhandho** and pw: **wealth**).

Our modus operandi is now 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.

## **Annual Redemption Date Only for Retirement Account RMDs in Zero Fee Funds**

We have added an annual redemption date on September 30<sup>th</sup> only for retirement accounts invested in the India Zero Fee Funds and Junoon Zero Fee Funds in which the beneficial owner is 70 years or older. The purpose of this addition is to allow folks who are 70 years or older and who are invested in the Zero Fee Funds with retirement assets to meet their annual required minimum distributions (RMDs). The maximum amount that these folks can redeem on September 30<sup>th</sup> is 25% of the value of their balance on that date. These investors can also still redeem whatever they wish on 12/31 with 60 days' advance notice.

We recommend that these folks make their first redemption request with the next 5 years in mind and redeem 20% of their balance. They can then keep those retirement funds in cash or a low-cost index fund with daily liquidity (e.g., an S&P 500 index fund with their broker/custodian) and tap that annually for RMDs as needed. Then, each year, they can redeem an additional 3.5% - 7% to make sure that they have sufficient funds for RMDs at all times.

We need to receive the redemption request with 60 days' advance notice (i.e., by August 1<sup>st</sup>). Please nudge Valerie Magursky at [vm@dhandhofunds.com](mailto:vm@dhandhofunds.com) if this is of interest and she will provide you with a redemption request form.

## **Chai With Pabrai Blog**

Please check out my blog [www.ChaiWithPabrai.com](http://www.ChaiWithPabrai.com) which I try to keep updated. Here is a recent addition to the blog:

### **Lecture and Q&A with Students of Peking Univ. (Guanghua School of Mgmt.) – May 1, 2019**

I very much enjoyed giving my lecture “Great Businesses vs. Great Investments” to the students of Peking University's Guanghua School of Management in Irvine. We discussed my stock picking games with Guy Spier and other investors, my love of shamelessly cloning, and the ten commandments of investment management. The presentation included a rich Q&A session on a diverse set of topics.

<http://www.chaiwithpabrai.com/blog/lecture-and-qa-with-students-of-peking-univ-guanghua-school-of-mgmt-may-1-2019>

### **Trinity College Dublin Talk – February 21, 2019**

I very much enjoyed being back in Ireland to give a talk to the Trinity Student Managed Fund at Trinity Business School, Trinity College in Dublin. We took a historical look at the performance of various global markets over time. We also had a wonderful Q&A during which I reflected on key lessons I've taken from Warren Buffett and Charlie Munger.

<http://www.chaiwithpabrai.com/blog/trinity-college-dublin-talk-february-21-2019>

### **The Investor’s Podcast**

I very much enjoyed returning to the Investor’s Podcast with Preston Pysh and Stig Brodersen. We dove into cloning, the difficulty of beating a broad-based index like the S&P 500, and my lessons from owning a property and casualty insurance company.

<http://www.chaiwithpabrai.com/blog/the-investors-podcast6329007>

### **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)



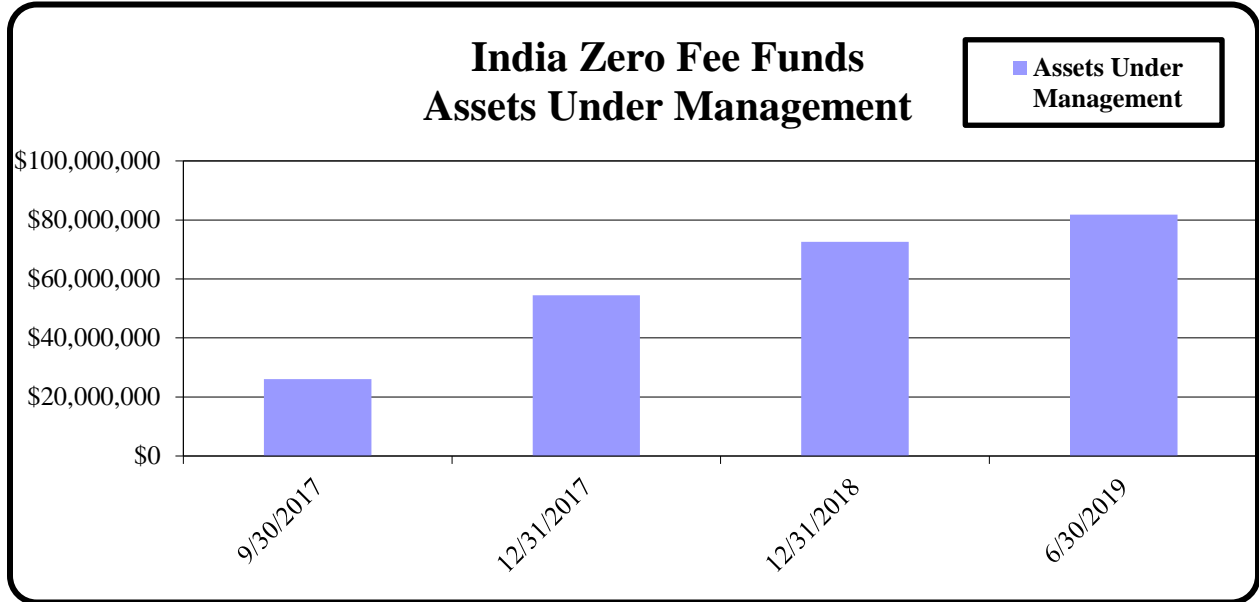
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2019. If you didn't receive it, please contact [invite@pabraifunds.com](mailto:invite@pabraifunds.com). 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.

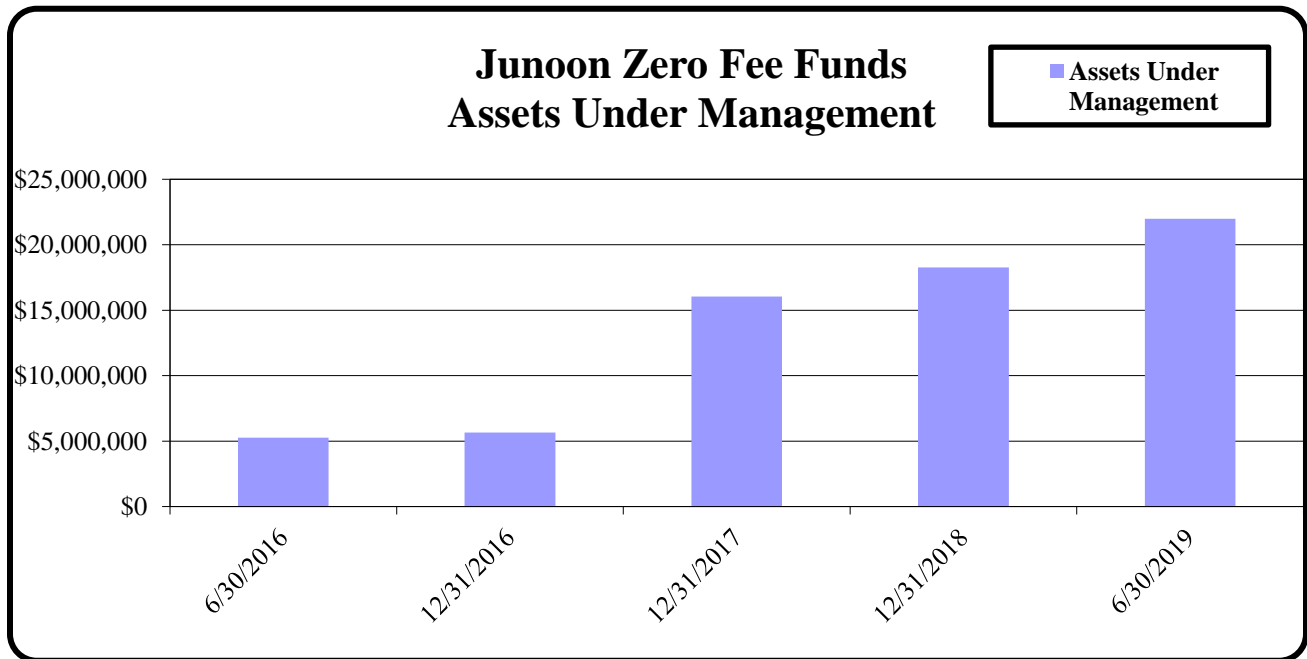
I look forward to seeing you in September.

**Assets Under Management**

There is \$81.8 million in assets under management in the India Zero Fee Funds as of July 1, 2019.



There is \$22.0 million in assets under management in the Junoon Zero Fee Funds as of July 1, 2019.



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

Warm regards,

A handwritten signature in black ink, appearing to read 'Mohnish Pabrai', with a long, sweeping horizontal line above the letters.

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)

<b>No. of Units</b>	<b>Date</b>	<b>NAV</b>
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
5,334,464	12/31/2018	\$7.97
5,601,158	03/31/2019	\$8.64
5,848,319	06/30/2019	\$8.01

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

<b>No. of Units</b>	<b>Date</b>	<b>NAV</b>
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
3,747,823	12/31/2018	\$8.02
4,184,409	03/31/2019	\$8.64
4,347,454	06/30/2019	\$8.03

## 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
849,508	12/31/2018	\$10.94
857,455	03/31/2019	\$12.58
920,966	06/30/2019	\$12.60

### 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
808,442	12/31/2018	\$11.11
816,339	03/31/2019	\$12.66
820,101	06/30/2019	\$12.66

## 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
15,217,801	12/31/2017	\$4.92 <sup>2</sup>
15,217,801	03/31/2018	\$5.01
15,215,635	06/30/2018	\$4.73
15,215,635	09/30/2018	\$4.53
15,215,635	12/31/2018	\$4.12
15,215,635	03/31/2019	\$4.39
15,215,635	06/30/2019	\$3.48* <i>estimate</i> <sup>3</sup>

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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> A distribution of \$5.00/unit was made to all investors effective December 31, 2017.

<sup>3</sup> A distribution of \$1.00/unit was made to all investors in Q2 2019.