2019
ANNUAL REPORT

DHANDHO HOLDINGS
DHANDHO ZERO FEE FUNDS

DHANDHO

DHANDHO

# 2019 Annual Report

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Dear Partner:

This annual report covers Dhandho Holdings and the Dhandho Zero Fee Funds. Although the various entities 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.

Investors in the Dhandho Zero Fee Funds can skip ahead to page 5 for the India Fund and 14 for Junoon.

**Dhandho Holdings**

Dhandho Holdings ended 2019 with a NAV of $3.73/unit. In 2019, we made a $1.00/unit cash distribution to all investors. Adding back this distribution, the year-end NAV of $4.73/unit was up about 15% over the 2018 year-end NAV of $4.12/unit.

In the first quarter of 2020, Dhandho Holdings made its third distribution to investors of $1.50/unit. Dhandho's estimated NAV as of June 30, 2020 was $2.07/unit. If you add back the $1.50/unit distribution made in the first quarter, Dhandho's NAV is down 4% year to date in 2020.

The first quarter distribution brings the total cash returned to $7.50/unit, or 75% of the initial capital of $10/unit that most partners contributed in 2014. An important milestone for me is to get $10/unit back to you at the earliest. The wind-down of Dhandho Holdings is going very well. Our efforts are focused on growing and scaling Dhandho Funds and carefully overseeing the remaining capital at Dhandho Holdings to maximize future distributions to unit holders.

*Stonetrust Payment*

We delayed this annual report as I have some great breaking news to share! At the beginning of 2020, we had two payments remaining from Francis Chou, the buyer of Stonetrust:

1. A $2 million payment due on January 1, 2021, and
2. The final $9.4 million due on January 1, 2022.

Both payments were subject to adverse development on pre-closing claims. This $11.4 million receivable was carried on our books at $5.2 million to account for the time value of money and the outstanding warranty on any adverse development of pre-closing claims. In June 2020, we came to an agreement with Francis for the full early payment of the remaining amount due to us at a $2 million discount.

The discount was given to account for the time value of money and to permanently release Dhandho from all claims of adverse development at Stonetrust. It is a win-win for both parties and it took Francis and me less than ten minutes on the phone to reach a deal. The $9.4 million cash paid to Dhandho represents a full and final settlement of the Stonetrust transaction. This ends our journey with Stonetrust.

Once I realized that the Stonetrust purchase was a mistake, I focused on a quick and graceful exit. It was important to me that we not only minimized any permanent capital loss, but also left Stonetrust in great hands. Mission Accomplished! Not only did we sell Stonetrust for a small gain, but the company is thriving under its new ownership and leadership. Stonetrust has a wonderful control owner in Francis Chou and an excellent CEO in Mike Dileo. Its surplus is at an all-time high, which is great for all its policy holders, claimants, team members and owners.

I agreed to the discounted early payment because we currently happen to have just about enough good investment ideas to redeploy that $9.4 million well. Dhandho unit holders are likely to earn robust returns on these investments.

*What Remains at Dhandho Holdings?*

Putting the toothpaste back in the tube has not been an easy task. I am very pleased with the manner in which we've executed our capital return program. The future looks bright! Dhandho Holdings' tangible assets now mostly consist of a concentrated public stock portfolio, our private investment in Tandem Fund, and cash. Our tangible book value is likely to be meaningfully higher in the years ahead.

Here is an approximate breakdown of our tangible assets:

| **As of 6/30/2020**, *estimated, unaudited* | **Value** | **Value Per Unit** |
|---|---|---|
| Stock Portfolio | $ 17,000,000 | $ 1.12 |
| Investment in Tandem Fund | $ 9,000,000 | $ 0.59 |
| Cash | $ 4,000,000 | $ 0.26 |
| Other (e.g., Dhandho Funds book value) | $ 1,400,000 | $ 0.09 |
| **Total** | **$ 31,400,000** | **$ 2.07** |

*Stock Portfolio*

The diligent reader will note that Francis recently gave us $9.4 million, but cash is just $4 million. The reason is that we have already put several million to work. We are still buying one position. If it stays within our buy limit for a few more days/weeks, we'll have used all the cash in short order. I love the stock portfolio at Dhandho Holdings. We have some great irons in the fire that are likely to change hands at meaningfully higher valuations in the years ahead. I hope I am smart enough to leave the stock portfolio alone for a few years.

*Tandem*

In 2015, we committed $10 million to Tandem, a venture capital fund in the Bay Area, and the fund has since called 95% of our commitment. The $9.5 million that we contributed to date is worth $9 million as per the most recent valuation by Tandem and Dhandho has received distributions of $0.25 million so far. Most of Tandem's value is in three of its holdings:

1. Outdoorsy is a two-sided marketplace that allows consumers to book fully insured RVs from dealers and owners;

2. Lambda School is an online vocational school that grants degrees in computer programming to students who pay no tuition upfront, and instead commit to paying back 17% of their income post-graduation if they earn an annual salary of $50,000 or higher;

3. Belwether helps coffee retailers produce freshly roasted coffee beans under their own brand through its own internet-connected roasting machine.

Tandem's General Partners are upbeat on the prospects of the fund and expect that our investment will be worth multiples of the current NAV in the years to come. They may be right. Regardless, we don't think we'll receive any meaningful distributions from Tandem in the next few years, unless one of their larger holdings gets acquired. Tandem has not been a good investment, but the odds of any significant permanent capital loss appear quite muted at this time.

It is well documented that the disparity in returns between top and bottom quartile VC firms is substantial. I must have had a momentary lapse of reason when I committed to the Tandem investment. The good news is that we limited it to less than 7% of the capital we raised, and that most of that 7% got called gradually between 2015-20.

*Dhandho Funds*

A (hopefully) important part of Dhandho Holdings' intrinsic value is not reflected in our NAV. It lies within Dhandho Funds, which is the General Partner of the India Zero Fee Funds and Junoon Zero Fee Funds. Together the Zero Fee Funds have raised over $125 million in investor capital and continue to scale. Both funds are currently under water, and below their fee-earning thresholds.

Dhandho Funds does not have a predictable flow of income as it only earns performance fees above a certain hurdle. It earned a little over $250k in fees from Junoon in 2017 – 2018 but has since not earned any fees. This is not unusual. The business can go years without seeing any revenue. This gets exacerbated in periods of market distress, like the one we are experiencing today. Given the patchy and unpredictable nature of its cash flows, Dhandho Funds is very difficult to value. As such, it is currently held at its assets minus liabilities (book value), which likely understates its intrinsic value.

Dhandho Funds' "0/6/25" fee structure is modeled after the Buffett Partnerships of the 1950s, and it is the exact same one I have at Dalal Street, which is the General Partner of Pabrai Investment Funds. Dalal Street has also had long stretches without any cash flow; between 2007 and 2017, Dalal Street's revenue from its oldest fund, PIF2, was $0. In the 2008/9 financial crisis, Pabrai Funds was down 67%. Would I have sold a single share of Dalal Street at book value in 2008, even if I knew it could take 10+ years to generate fees from PIF2? Not a chance. And I feel the same way about my interest in Dhandho Funds. These entities are incredibly valuable when they are above high-water marks and earning fees.

> *The wise ones bet heavily when the world offers them that opportunity. They bet big when they have the odds. And the rest of the time, they don't. It's just that simple.*
>
> \- Charlie Munger

The India Zero Fee Funds were valued at a large discount to the underlying intrinsic value of their holdings at the start of 2020 and the recent Covid-19 sell-off has widened that gap even further. I am confident that Junoon and the India Funds will do very well in the next few years.

*Selling your Dhandho Holdings Units*

We frequently get inquiries from individuals who have an interest in buying units of Dhandho Holdings. I do not recommend selling your units. *I have no plans to sell any of my precious Dhandho units*. In fact, I have never ever sold a unit of Dhandho. I have only been a buyer. Other Dhandho insiders like Fahad and Jaya are eager buyers of any units that come up for sale. However, life circumstances can change and we want to try to be helpful. Please email Fahad Missmar (fm@dhandhofunds.com) if you are interested in a full or partial sale. Historically these sales have taken place around tangible book value.

**Alignment of Interests**

My investment in Dhandho Holdings was worth about $6.5 million at the 6/30/20 NAV and The Dakshana Foundation's interest is worth $0.4 million. My family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation 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.

**The India Zero Fee Funds**

The India Zero Fee Funds were launched on October 1, 2017. The updated performance numbers are included in the chart below. This chart includes the estimated 2020 performance through

6/30/20 based our internal calculations, and these are subject to change as our fund administrator issues the final NAV for the 6/30 quarter later in July:

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

| | S&P 500 | India Small Cap Index | India US (net to investors) |
|---|---|---|---|
| 10/1/17 - 12/31/17 | **6.6%** | **22.1%** | **1.1%** |
| 1/1/18 - 12/31/18 | **-4.5%** | **-29.9%** | **-21.2%** |
| 1/1/19 - 12/31/19 | **31.5%** | **-8.9%** | **-4.3%** |
| 1/1/20 - 6/30/20 | **-3.1%** | **-14.8%** | **-19.2%** |
| **Annualized** | **9.9%** | **-13.8%** | **-16.2%** |
| **Cumulative** | **29.7%** | **-33.5%** | **-38.4%** |

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

| | S&P 500 | India Small Cap Index | India Offshore (net to investors) |
|---|---|---|---|
| 10/1/17 - 12/31/17 | **6.6%** | **22.1%** | **0.5%** |
| 1/1/18 - 12/31/18 | **-4.5%** | **-29.9%** | **-20.2%** |
| 1/1/19 - 12/31/19 | **31.5%** | **-8.9%** | **-4.5%** |
| 1/1/20 - 6/30/20 | **-3.1%** | **-14.8%** | **-19.4%** |
| **Annualized** | **9.9%** | **-13.8%** | **-16.1%** |
| **Cumulative** | **29.7%** | **-33.5%** | **-38.2%** |

Between the India Fund's birth date on 10/1/17 and 6/30/20, the India Small Cap Index was down 33.5% and our funds were down 38%. The Covid-driven March 2020 sell-off exacerbated our decline. We have recovered some of these losses in the second quarter when the funds rose 27-30%, but we are still down 38% since inception.

Much of our decline stems from significant (and I believe temporary) drawdowns in a few of our holdings. I discussed these in the April 2020 Letter to Partners (to access, the id: ***dhandho*** and pw: ***zerofee***). I am confident that the intrinsic value of the India Fund is multiples of its current value – well over 3x from present levels. We will do quite well over the long run.

*Our Journey So Far (2017 – 2020)*

In 2017, most of the investment ideas I was finding were in India. My interest wasn't in India's high-flying blue chips. It was in its more obscure and neglected small and mid caps. There are 4500 publicly listed companies in India, the most of any country on the planet. Of these, 4000 have a market cap below $1 billion and are a great pond to fish in. Many are led by owner operators who own well over 50% of the business. I focused on investing in a handful of undervalued compounders in this mix run by exceptional entrepreneurs.

Several positive developments happened in India prior to our fund launch in October 2017 that seemed to be putting India on a glide path to 7% annual growth. The government issued over a billion biometric identity cards through a system called Aadhaar. This brought huge swathes of the population into the formal economy, making it easier to open a bank account, get a mortgage, establish a mobile connection, etc. In addition, India's most valuable company, Reliance, launched the ultimate low-cost disruptor, Jio, which provided 4G data to hundreds of millions of Indians at no cost. Jio forced competitors to dramatically reduce their prices, which catapulted digital connectivity across India. From a standing start less than five years ago, Jio now has over 400 million subscribers. Facebook and Silverlake Partners recently bought stakes in Jio at a valuation of $57 billion.

Around the same time, the government enacted several reforms that improved the regulatory landscape in India. In 2017, India's Real Estate Regulatory Act, or RERA, went into effect. RERA is a heavily pro-consumer law designed to protect buyers from unscrupulous developers. It includes long prison sentences for serious violations. Shortly after that, the nationwide Goods and Services Tax (GST) was implemented. GST had important provisions of input tax credits that provided plenty of monetary incentives to play by the rules. These actions, and others, delivered a positive jolt to the Indian economy.

Between October 2017 and December 2018, I was in India approx. every 6 weeks, and met with over 150 companies. My trips were exhilarating and helped winnow down our pool to a few promising names. During this time, the India Funds picked up stakes in a few exceptional businesses. I also made a few mistakes of commission.

In mid-2018, defaults among a few subsidiaries of ILF&S, an infrastructure giant in India, triggered fears of contagion among India's non-bank financial companies (NBFCs). Lending by NBFCs grinded to a halt, which in turn rattled the entire small and mid-cap space, which disproportionately banked with NBFCs. Between 1/1/18 and 1/1/20, in USD terms, India's Small Cap Index fell 36% and we dropped 24% during the same period.

The good news is that during this period, the India Funds were net buyers and picked up large stakes in some exceptionally wide moat businesses that are very well run. We became larger owners of Sunteck Realty, Kolte Patil Developers, Edelweiss Financial Services, and Rain

Industries during this period. The India Fund has a full position in each of these companies, and I discussed them in the April 2020 Letter to Partners (to access, the id: ***dhandho*** and pw: ***zerofee***). I also made some mistakes, including Care Ratings, profiled later in our post-mortems.

> *Even the best investment analyst is going to be right just two out of three times.*
>
> \- Sir John Templeton

The India Funds have the flexibility to invest up to of 1/3 of their assets outside India, and we have made some great non-India bets. These include Micron Technology and Nice Holdings (Korea). Both these businesses provide wonderful diversity to the portfolio (as they hardly correlate with anything else). They are both deeply undervalued with tremendous tailwinds.

*Covid-19 Portfolio Adjustments*

Every week 1600+ businesses in the United States go out of business. They get replaced by a similar number of businesses that are, on average, higher quality enterprises. The creative destruction forces of capitalism are brutal. However, they are the reason that we have seen our standard of living rise more than seven to one in the last century in the United States. By their very nature, most businesses are very fragile. Most cannot survive if they have no revenues for a few weeks. It is like cutting off the oxygen.

The global Covid-19 shutdowns are unprecedented and doing damage whose scars will last for decades. In the light of Covid, I reevaluated the resilience of the businesses we owned. As a result, we exited a few names whose prospects were pushed into the "too hard" pile by Covid. We also added one new business that is likely to be a strong multi-bagger in the years ahead.

The deliberate actions we have taken since the onset of Covid have increased the intrinsic value of the India Funds further. We continue to be at a very significant discount to the intrinsic value of our underlying holdings. Coming out of the last sharp downturn in 2008/9, Pabrai Funds went up more than 4x in less than five years from 2009-13. At the time, Pabrai Funds had overdosed on discounted pies. Today, the India Funds is mostly loaded with great growing pies. Growing pies bought at reasonable valuations will virtually always do better than discounted pies. We'll likely do even better this time around.

**Post-mortems**

It is always instructive to drill down on the businesses we no longer own.

## CARE Ratings

| CARE Ratings | |
|---|---|
| First Bought on: | 6/6/2018 |
| Last Sold on: | 3/30/2020 |
| Total Amount Invested: | $6.8 million |
| Total Proceeds: | $2.0 million |
| Annualized Return: | -49.2% |

70.8% realized loss over a holding period of 1.8 years.

Care is India's third largest credit ratings agency. Very few businesses have the deep moats of dominant rating agencies. These businesses tend to be oligopolies with massive barriers to entry. Once they get scale there is little correlation between revenues and expenses. For example, Moody's generates $5 billion in revenue and has more than $2.2 billion of operating income. It is pretty much mandatory for debt instruments to get rated to be acceptable to most investors. The cost of the rating is irrelevant versus the ability to access debt markets, optimize borrowing costs, etc.

Much of the mayhem in the 2008-09 financial crisis was caused by Moody's and Standard and Poor's. Their AAA rated mortgage-backed securities (MBS) turned out to be toxic garbage and was the driver of the housing bubble that eventually brought Western civilization to its knees. Both firms got off with very light reprimands. Moody's is currently valued at more than three times its pre-crisis 2007 peak. These are the ultimate Teflon businesses. Even when they screw up badly, life goes on. Or so I thought.

I have been studying credit rating agencies for a long time and drooling at the incredible moats and pricing power they possess. However, whenever I'd look at them in various geographies around the planet, they were always recognized as great businesses and traded at nosebleed valuations. India's credit markets are embryonic. There is no question that they will undergo considerable growth and it is very unlikely that the top three incumbent rating agencies can be unseated. CRISIL is the #1 player in India and is majority-owned by Standard and Poor's. ICRA is #2 and majority-owned by Moody's. Care is #3 with no foreign affiliation. And finally Fitch owns a stake in the #4 player, India Ratings.

I was attracted to Care because it was not trading at a huge multiple like the others. While there are clear benefits to being a subsidiary of Moody's or S&P, it is also an advantage to be independent. Unlike CRISIL or ICRA, Care is not restricted from venturing overseas. And they are not required to do lower-margin outsourced work from the US rating agencies. They have more flexibility in the path they choose to pursue. For example, Care has experimented with venturing overseas in South Asia, setting up small offices in Nepal and the Maldives. Some countries in Asia and Africa probably do not want subsidiaries of S&P and Moody's to control 80+% of the ratings of various debt instruments. Some of these could be opportunities for Care in the long run.

Moody's cemented its reputation during the Great Depression of the 1930s. The credits they rated AAA did not default and Moody's was off to the races and built one of the most enduring business franchises in the last century.

Rating agencies routinely get ratings wrong. Its par for the course. But if paper they recently rated AAA defaults, then all hell breaks loose. It is all the media focuses on - and regulatory pressure and anger get overwhelming. Rating agencies can get ratings wrong, but not the stuff they have slapped the highest possible rating on.

IL&FS is one of the largest infrastructure development and finance companies in India. It has more than 250 subsidiaries that are mostly project-specific. The debt of these subsidiaries is mostly non-recourse to the parent. Many of these subsidiaries have questionable financial strength, however virtually all of them were rated AAA by Care and ICRA (CRISIL did not rate IL&FS) assuming an implicit backstop by the parent. The mothership is owned by pristine blue chip companies like Life Insurance Corporation of India with unquestioned financial strength. In 2018, when some of IL&FS's subsidiaries defaulted on their debt and the parent did not immediately step in, all hell broke loose in India's debt markets.

Both Care and ICRA were sternly reprimanded by their regulator and their leaders were summarily fired. The IL&FS defaults triggered the NBFC (non-bank finance company) crisis in India and the whole sector became untouchable. Issuances of new debt plummeted and Care's topline declined substantially. Then rumors started trickling out that Care had been selling ratings. That is the best way to kill the golden goose. So dumb.

I met with the Care team several times before and after we invested. I questioned them at length about the integrity of ratings and they assured me that the company had many checks and balances that prevented the sale of ratings. I was blatantly lied to. Once these facts started coming to light, I decided to exit. It was entirely my fault. My excitement around owning a meaningful fraction of one of India top three credit rating agencies led me to ignore meaningful disconfirming evidence.

Care had core problems with its culture. Several visits to their office revealed that they did not value their employees highly or treat them very well. Management wasn't concerned with high employee turnover when I quizzed them. I failed to give this datapoint enough weight. It wasn't the reason the investment did not work, but I should always pass on any organization that does not value its people.

Care is not a large organization. It is possible that, under the right leader, its culture could get fixed and it may well become an incredible business in a decade or two. Count me as a skeptic on the prospect of that happening.

The Care Ratings bet led to significant permanent capital loss. If there is any good news, it is that I learnt a few important things from this mistake that are sure to help reduce future mistakes.

**LG Group**

**LG Group (Common Stock)**

| | |
|---|---|
| First Bought on: | 9/17/2019 |
| Last Sold on: | 1/3/2020 |
| Avg. Buy Price | $59.74 |
| Avg. Sell Price: | $61.43 |
| Total Amount Invested: | $4.9 million |
| Total Proceeds: | $5.2 million |
| Annualized Return: | 18.7% |

5.2% realized gain over a holding period of 0.3 years.

The business landscape in South Korea is dominated by large, family-controlled conglomerates called *chaebols*. These mega businesses rose to prominence in the 1960's when the strong-handed military dictator, General Park Chung-hee, co-opted them to deliver on his aggressive five-year plans to transform South Korea into a high-tech export powerhouse. Park directed the *chaebols* to develop certain industries and incentivized them with generous tax breaks, protection from foreign competition and low-interest loans. As a result, the *chaebols* grew in size and prominence, and played a key role in transforming South Korea from an undeveloped backwater into an indispensable node of global commerce. In just 60 years, Korea went from a GDP per capita of $50 in the 1950s to over $33,000 today. The *chaebols* made the "The Miracle on the Han River" possible.

Samsung, SK, Hyundai, LG, and Lotte are among the largest *chaebols* today. These five business houses, including their various companies, make up over 40% of the market capitalization of the entire Korean stock market.

Although Korea is home to some of the most competitive businesses on the planet with an ultra-high-quality labor force, its stock market is one of the cheapest. A back-of-the envelope analysis reveals just how cheap. The total market capitalization of the Korean public equity market is about $1.5 trillion. Many of the companies are in sizable net cash positions, so one can consider 20-30% of the stock market capitalization as net cash. If you take that out, you get to about $1 trillion of value. One can buy everything that is publicly listed in Korea (including their factories, land, buildings, etc.) for less than Microsoft's market cap!

LG is one of the oldest and most established *chaebols* in Korea. It is focused on consumer electronics, home appliances, semiconductors, cosmetics, personal hygiene products, batteries, petrochemicals, and telecommunications. It has built one of the most recognized brands in the world. And it has done so through the "LG Way," a set of ethically-minded management principles emphasizing integrity, which is rooted deeply in the organization's culture and DNA.

LG Corporation is the parent holding company that houses 25%+ interests in the many different LG companies, many of which are publicly listed. These include LG Chem (a petrochemical and EV battery powerhouse), LG Household and Healthcare (cosmetics business and Korea's Coca Cola bottler), LG Electronics (dominant home electronics and home appliance business), LG Uplus (third largest wireless provider in Korea), as well as a bunch of smaller companies. Some of the businesses like LG Household and Healthcare are compounders with exceptional economics. Others are stable cash generation engines like LG UPlus. And a few others like the challenged mobile phone business within LG Electronics that hemorrhages cash, are dogs that should be taken out back and shot.

While the attractiveness of the different LG businesses varies, it pays to sit at the parent. You are more aligned with the ownership of the LG family. The parent receives $750+ million from a variety of income streams from the various LG companies, including brand royalties for using the LG name, rental income and dividends. Costs at the parent are limited and $500 million drops to the bottom line. This cash stream is very valuable. This $500 million of net cash added to the parents' coffers annually is so stable that I think it alone is worth the $10 billion LG market cap. However, LG Corp also owns chunks of all those LG businesses, and the interests in the publicly traded ones alone are valued by Mr. Market at $20 billion. Many of these businesses are themselves undervalued. On a bad day LG Corp. is trading at 1/3 of underlying intrinsic value.

But wait. There's more! LG Corp's preferred stock typically trades at a 25-35% discount to the Common and practically has the same value as the LG Corp common shares. The LG Corp Preferreds are likely trading at 1/5$^{th}$ of underlying intrinsic value!

I love LG Corp and its culture. It was a no-brainer to buy the LG Preferreds. However the preferreds trade by appointment and it is hard to build a position. So I decided to buy a full position of the common stock and then gradually replace the common with the preferred. I planned to unload the common as I loaded on the preferred, thus maintaining the LG position, while increasing the intrinsic value of the India funds with every such trade.

> *Intelligent people make decisions based on opportunity costs.*
>
> \- Charlie Munger

The $5.2 million LG Corp common stock sold was used to meet redemptions (about $600,000), buy LG Corp Preferred and another Korean business, which is capital light, generates great ROE, is very cheap and has a long history of prudent capital allocation and great governance. The sale and redeployment of LG Corp common shares increased the intrinsic value of the India Funds. It is all about opportunity cost.

**Fiat Chrysler Automobiles NV**

**Fiat Chrysler Automobiles NV (FCA)**

| | |
|---|---|
| First Bought on: | 10/3/2017 |
| Last Sold on: | 2/21/2020 |
| Avg. Buy Price | $18.23 |
| Avg. Sell Price: | $13.50 |
| Total Amount Invested: | $8.6 million |
| Total Proceeds: | $7.4 million |
| Annualized Return: | -6.1% |

14.0% realized loss over a holding period of 2.4 years.

Over the last few years, I have written and spoken about our investment in Fiat Chrysler several times. Here are links to some of these past commentaries:

1. April 2020 Letter to Partners, pages 6-7.
2. 2019 Annual Meeting Transcript, Slides 34-41 on pages 5-6.
3. 2018 Annual Meeting Transcript, Slides 3-5 on page 1 and slides 15-16 on page 3.
4. 2017 Annual Meeting Transcript, Slides 23-26 on pages 5-6.

In the absence of Covid-19, I had already begun lightening up our FCA position. Covid-19 brought the planet to a grinding halt, unemployment skyrocketed and auto plants globally shut down. Automobile manufacturers are massive aircraft carriers. FCA went into the too hard pile. Jeep and Ram are strong profit drivers for FCA and these brands will continue to be quite profitable, but FCA as a group will have more challenges post-Covid.

*Never count on making a good sale. Have the purchase price be so attractive that even a mediocre sale gives good results.*

- Warren E. Buffett

**The Junoon Zero Fee Funds**

The Junoon Zero Fee Funds turned three years old on July 1, 2019. The updated performance numbers are included in the chart below. This chart includes the estimated 2020 performance through 6/30/20 based our internal calculations, and these are subject to change as our fund administrator issues the final NAV for the 6/30 quarter later in July:

**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 - 12/31/18 | **-4.5%** | **-16.2%** |
| 1/1/19 – 12/31/19 | **31.5%** | **14.6%** |
| 1/1/20 – 6/30/20 | **-3.1%** | **-15.5%** |
| | | |
| **Annualized** | **12.4%** | **1.4%** |
| **Cumulative** | **59.7%** | **5.9%** |

**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 - 12/31/18 | **-4.5%** | **-16.2%** |
| 1/1/19 – 12/31/19 | **31.5%** | **13.9%** |
| 1/1/20 – 6/30/20 | **-3.1%** | **-15.6%** |
| | | |
| **Annualized** | **12.4%** | **1.7%** |
| **Cumulative** | **59.7%** | **6.8%** |

*A Tale of Two Indices*

Since its launch in 2016, Junoon has significantly underperformed the S&P 500. Our backtests showed that Junoon periodically underperforms the S&P 500 for multiple years, but over the long haul it does better. Most of the S&P 500's edge over Junoon has come from a sliver of highflyer stocks. While the S&P 500 has averaged a 12.4% annualized rate of return, its 380 smallest components by market cap are up just 5.7% annualized. Then, there are the following ten highflyers:

1. **F**acebook
2. **A**pple
3. **A**mazon
4. **N**etflix
5. Alphabet (**G**oogle)
6. **S**alesforce

These top six make up the FAANGS. The remaining four are:

7. Microsoft
8. Adobe
9. Nvidia
10. Paypal

All ten are incredible businesses with amazing moats and growth prospects. Their weight in the S&P 500 is about the same as the 380 smallest market cap businesses in the index. These ten stocks have been on fire. They were up an annualized 35.7% over the 2016-20 period (versus just 5.7% annualized for 380 smallest S&P 500 constituents). The S&P 500 returns over the last few years is really a story of two indices. A few highflyer names have been on a tear while the rest of the index languishes.

To put this another way, the high-flyer 10 have the same cumulative market value as the smallest 380 businesses in the S&P 500. If you asked me which I'd prefer to own over the next decade, I'd pick the bottom 380. The high-flyer 10 are clearly better businesses than the bottom 380. However, in my opinion the bottom 380 will generate way more cash than the high-flyers over the next decade or two. And that is what matters. I believe the high-flyers in the S&P 500 are mostly in bubble territory. There is a lot of euphoria around these names.

*History does not repeat it, but it often rhymes.*

- Mark Twain

We have seen this movie before. In early 2000, at the invitation of a Pabrai Funds investor, I visited Microsoft headquarters in Redmond, Washington. At the time, Microsoft sported a $600 billion market cap and was the most valuable company on the planet. Many of the senior executives and engineers I met with had 80+% of their net worth tied up in Microsoft stock. And their paycheck came from Microsoft as well. I told them that the stock was seriously overvalued and they might want to diversify. Pabrai Funds had just launched and I suggested that Pabrai Funds was likely a better, more diversified place for them to move some of their chips. Some of them did give me some funds to manage, but virtually all of them brushed off my perspective on Microsoft.

All they had seen their wonderful company do was go from strength to strength since its founding a quarter century ago. Microsoft had a very strong entrenched monopoly position in most of its markets. It continued to do well after 2000. In fact, its earnings went from $8 billion in 1999 to over $43 billion recently. Unfortunately, as I had predicted, the stock was a dud. From 1999 to 2016, the stock delivered zero returns. It was at $59 a share in 1999 and $59 a share in 2016. But that wasn't the worst of it. By 2009, Microsoft had lost 75% of the value it had in 2000. It was a very bumpy ride with huge drawdowns.

Valuation matters. Every business, no matter how strong and powerful has a finite value. Auction driven markets can seriously overvalue businesses from time to time – as was the case with Microsoft. With all its growth and brilliant execution, Microsoft could not overcome its nosebleed valuation at the start of the millennium. I see a similar situation today in most of the ten stocks I highlighted. These ten companies as a group will likely do very well in the next decade. Their earnings are likely to undergo spectacular growth. Just like Microsoft. However, investors who own these names over the next decade are likely to be quite disappointed.

Exhibit 1 is Salesforce.com. I love the company. Dhandho's entire Customer Relationship Management (CRM) system is based on Salesforce.com's awesome cloud-based software. However, with $18 billion in revenues, non existent GAAP profits and a $170 billion market cap, it is the definition of a bubble. If investors think they'll get a 15% annualized return from here on out on Salesforce, the 2030 market cap would need to be $700 billion with no increase in share count.

That type of valuation would require 2030 GAAP earnings to exceed $35 billion, which translates into subscription revenues needing to be north of $120 billion. Growing revenues over 6x in the next 10 years off its current $18 billion base is a tall order. Very few businesses in the entire history of the human race have ever gotten to revenues of over $100 billion or more. The creative destructive forces of capitalism are too intense.

**The Nifty Fifty of Fifty Years Ago**

The top ten highflyers of the S&P 500 may have more in common with the Nifty Fifty of fifty years ago than the Microsoft of twenty years ago. Investor memories stretch for a maximum of 34 years. Hardly anyone remembers the Nifty Fifty. These businesses were the Apple and Googles of their day. This grouping of fifty stocks included such stalwarts as McDonald's, Xerox, Disney, Coca-Cola, PepsiCo, 3M, Johnson & Johnson etc. These were wide-moat businesses. Many of them are still dominant after half a century. In 1972 Disney and McDonald's both traded at a trailing P/E of over 70.

Like the movie *Back to the Future* imagine if you could have parachuted forward from 1970 to 2020 and then back to 1970. You'd definitely want to go long Disney and McDonald's in 1970. It would not have been a wise move. They got crushed in the 73-74 crash. The entire Nifty Fifty was taken out back and shot. One would have to have had a lot of intestinal fortitude to hold these names as their prices drifted lower daily. At the end of the day, it is not about buying great businesses at any price. Price matters – regardless of the width and depth of the moat.

*Junoon versus the S&P 500*

Putting a portion of your net worth in a low-cost, broad U.S. index like the S&P 500 and holding it over a long period of time is usually a great idea. As stated earlier, the S&P 500 today looks like a barbell. It is two indices in one: a sliver of highflyers coupled with hundreds of more moderately priced businesses. It is possible, even likely, that the S&P 500 will do fine in the years ahead. The highflyers may take a breather while the boring names carry it through.

Junoon, on the other hand, hardly has any highflyers in the mix. The only FAANGS it owns is a 3.4% stake in Alphabet (Google). Google's valuation is far easier to justify than that of Salesforce or Tesla. Junoon is very well positioned to trounce the S&P 500 in the years ahead. Let's take a peek at Junoon under the covers. Here are the current Junoon constituents:

| Junoon Portfolio | | |
|---|---|---|
| **Company** | **Bucket** | **Weight as of 6/30/2020** |
| Keysight Technologies | Spin-Offs | 13.5% |
| Primerica | Cannibal | 12.2% |
| Globe Life | Cannibal | 12.0% |
| Micron Technology | Cloned Ideas | 7.9% |
| FirstService | Spin-Offs | 7.4% |
| Jack in the Box* | Cannibal | 5.0% |
| Discover Financial Services | Cannibal | 4.8% |
| Chipotle Mexican Grill* | Cloned Ideas | 4.7% |
| Alphabet* | Cloned Ideas | 3.5% |
| Coca-Cola Icecek* | Cloned Ideas | 3.2% |
| Science Applications International | Spin-Offs | 3.0% |
| Fiat Chrysler Automobiles | Cloned Ideas | 2.9% |
| Navient | Cannibal | 2.5% |
| Investors Bancorp* | Cannibal | 2.3% |
| Assured Guaranty* | Cannibal | 2.0% |
| Hamilton Beach Brands Holding* | Spin-Offs | 2.0% |
| Brookfield Business Partners* | Spin-Offs | 1.8% |
| Livent* | Spin-Offs | 1.7% |
| AdvanSix* | Spin-Offs | 1.7% |
| nVent Electric* | Spin-Offs | 1.6% |
| Arcosa* | Spin-Offs | 1.6% |
| RMR Group* | Spin-Offs | 1.6% |
| Haci Omer Sabanci Holding | Wallet | 1.1% |
| **New addition to portfolio on April 1, 2020* | | |

Most aren't household names, but I love the mix of businesses that make up Junoon. We have a wide range of businesses in the portfolio. From Turkey's coke bottler to Chipotle, I love the Junoon portfolio. Globe Life and Primerica are buying back a lot of stock at modest valuations. Both are Uber cannibals that consistently return all their excess capital to shareholders mainly through buybacks. Their businesses are growing and generate high returns on invested capital.

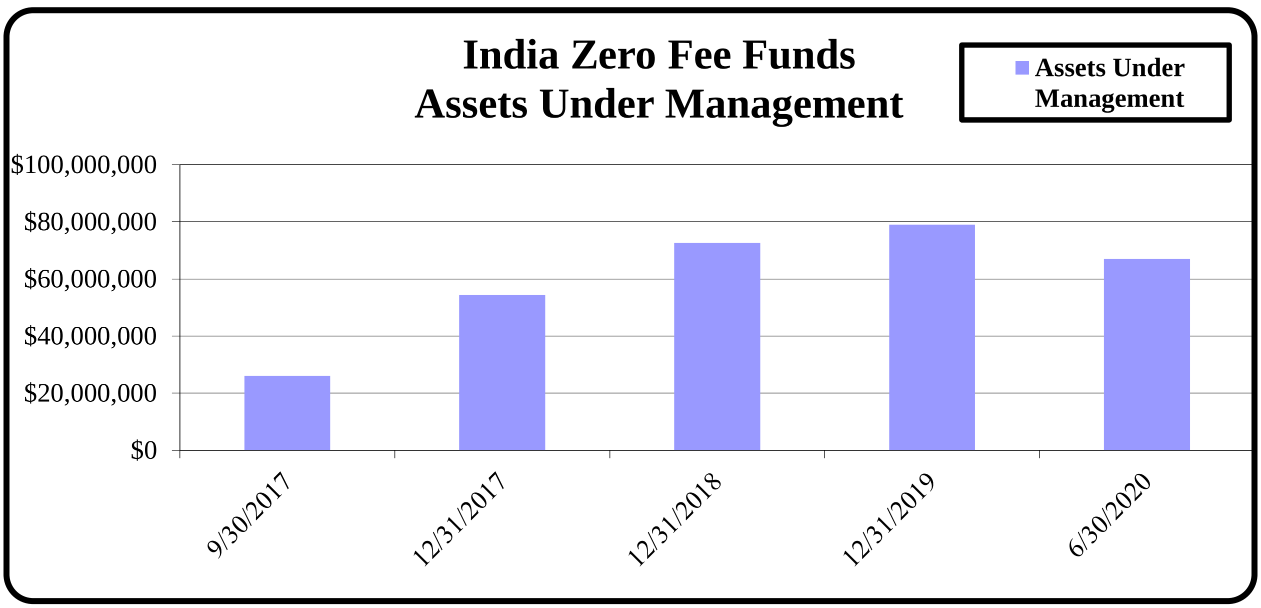
Every two years, all the cloud servers at Amazon, Google and Microsoft, etc. need to be replaced. The single biggest capital expense for data centers is memory. And there are just three memory companies that make up 95% of the market. Micron is one of these three. In effect, Micron gets a royalty each fourth time you run a search or use your phone or your desktop or your tablet. I think Micron will widely outperform the ten highflyers over the long haul. It is very cheap with a huge runway ahead.

Let's compare Salesforce to Primerica. It is Junoon's 2nd largest holding and an Uber Cannibal. Since its IPO in 2011, Primerica has bought back 43% of shares outstanding. Without much fanfare, it has delivered a 26% annualized return to shareholders since its IPO. Primerica has a stable business model, delivers very high returns on equity and returns all excess capital to shareholders aggressively. While Salesforce trades at more than nine times *revenue*, Primerica is changing hands at less than a P/E of 14. Fund managers and closet indexers aren't clamoring to own Primerica. They just wanna overdose on Salesforce.

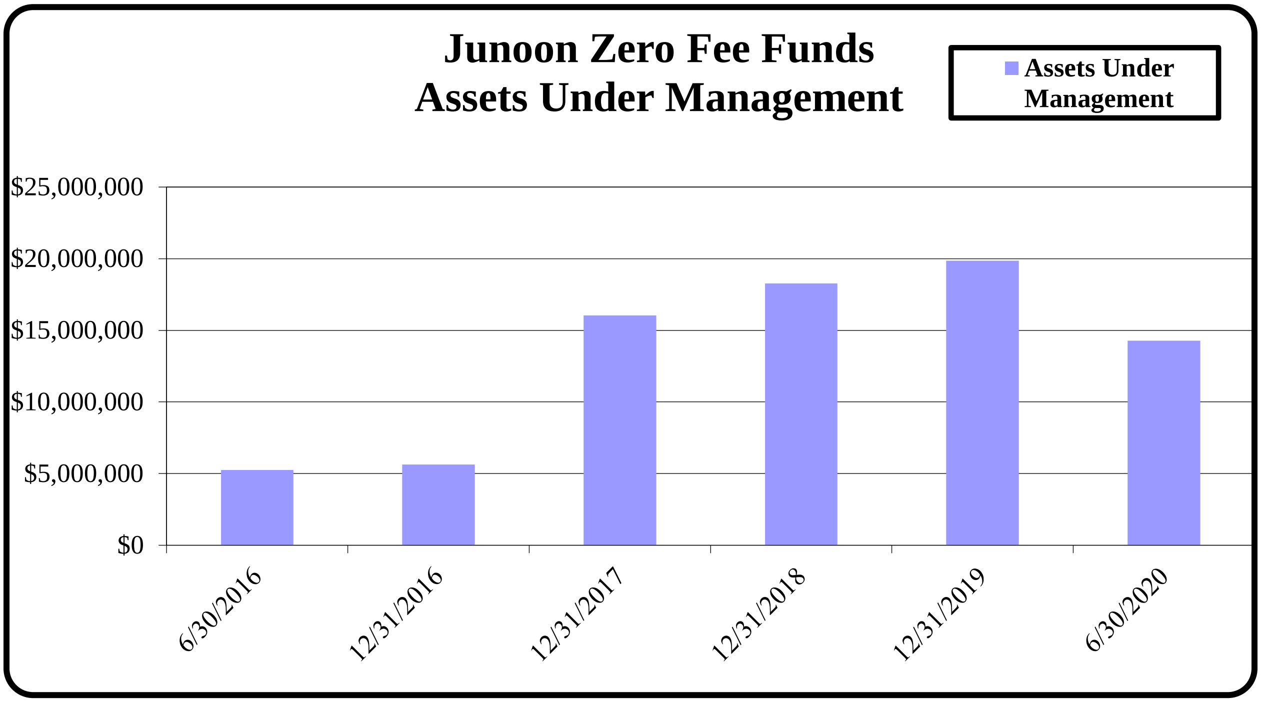
How are these two stocks likely to perform over the next decade? It is an unfair contest. Even though Salesforce is the better business, Primerica will likely leave Salesforce in the dust. I'll try to remember to give you an update in 2030. Junoon is beginning to flex its muscles. From April 1 through June 30 of this year, Junoon is up approx. 22% versus the 21% for the S&P 500. Stay tuned.

**<u>Assets Under Management</u>**

There is $67.0 million in assets under management in the India Zero Fee Funds as of July 1, 2020.



There is $14.3 million in assets under management in the Junoon Zero Fee Funds as of July 1, 2020.




**<u>The Zero Fee Structure</u>**

The fee structure of the Dhandho India Zero Fee Funds and Junoon 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.

No performance fees have been collected in the Dhandho India Zero Fee Funds since inception on 10/1/17.

We did not collect any fees from Junoon Zero Fee Funds until each had at least $5 million in assets under management (as a courtesy to the early investors). Both funds breached that threshold at different points in 2017. Since it started to collect fees in mid-2017 through December 2019, Dhandho Funds has collected at total of $254k in fees from the Junoon funds, of which $178k was reinvested in the onshore fund in Dhandho Funds' name (deepening our alignment with our investors).

**2019 Annual Meeting Transcript and Presentation**

The Annual Meeting transcript and presentation slides are posted on our website. The transcript is best read in conjunction with the presentation slides. Here are the links:

2019 Annual Meeting Transcript (to access, the id: *dhandho* and pw: *zerofee*).

https://vimeo.com/360365619 (to access, the pw: *Munger*)

**An Exceptional Team**

Fahad, Jaya, Betsy, Valerie, Julie and Kelly are simply a delight to work with. I have nothing but praise for the crew at Liccar, and Mike Froy at Dentons. Along with our offshore legal advisors Conyers, Dill and Pearman, our auditors, the Cayman PwC team, are a pleasure to work with. Ajay Desai and his group at UBS is our prime broker and custodian, and they are also very much a part of our team. Also part of our team is The Kotak Mahindra group, our custodian and broker for the India stock portfolio. And Finsec Legal Advisors, our legal advisor in India. I am blessed to be able to work with these exceptional groups in Irvine, Chicago, BVI, Cayman Islands and India. It makes my job a pure joy.

**2020 Annual Meeting – Save the Date**

Given the realities of Covid, there will be just one annual meeting in 2020. It will be held digitally via video conference on Saturday, September 12 at 4:30 PM Pacific (7:30 PM Eastern). The meeting and Q&A will last for a maximum of two hours. We will send you details closer to the date.

This meeting will be a combined meeting for Pabrai Funds and all Dhandho entities. I look forward to e-meeting you. Thanks for your continued interest and support. Feel free to call me at +1949.453.0609 or email me at mpabrai@dhandhofunds.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, the Dhandho Zero Fee Funds may invest in foreign securities, however the indices presented only include U.S. securities.*

# Appendix A

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

| No. of Units | Date | NAV[1] | Cumulative Capital Returned | NAV + Capital Returned |
|---|---|---|---|---|
| 14,837,687 | 03/31/2014 | $10.00 | $0.00 | $10.00 |
| 15,218,640 | 12/31/2014 | $9.93 | $0.00 | $9.93 |
| 15,288,640 | 12/31/2015 | $8.36 | $0.00 | $8.36 |
| 15,218,640 | 12/31/2016 | $8.73 | $0.00 | $8.73 |
| 15,217,801 | 12/31/2017 | $4.92 | $5.00 | $9.92 |
| 15,215,635 | 12/31/2018 | $4.12 | $5.00 | $9.12 |
| 15,193,811 | 12/31/2019 | $3.73 | $6.00 | $9.73 |
| 15,171,441 | 3/31/2020 | $1.61 | $7.50 | $9.11 |
| 15,171,441 | 6/30/2020 | $2.07**estimate* | $7.50 | $9.57**estimate* |

# Appendix B

### 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 |
| 5,334,464 | 12/31/2018 | $7.97 |
| 5,758,774 | 12/31/2019 | $7.63 |
| 5,932,677 | 03/31/2020 | $4.75 |
| 6,022,930 | 06/30/2020 | $6.16**estimate* |

### 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 |
| 3,747,823 | 12/31/2018 | $8.02 |
| 4,586,341 | 12/31/2019 | $7.66 |
| 4,836,675 | 03/31/2020 | $4.85 |
| 4,836,675 | 06/30/2020 | $6.18**estimate* |

[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.

# Appendix C

## 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 |
| 582,360 | 12/31/2017 | $13.05 |
| 849,508 | 12/31/2018 | $10.94 |
| 853,033 | 12/31/2019 | $12.53 |
| 841,080 | 03/31/2020 | $8.66 |
| 824,757 | 06/30/2020 | $10.59**estimate* |

## 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 |
| 638,352 | 12/31/2017 | $13.26 |
| 808,442 | 12/31/2018 | $11.11 |
| 724,336 | 12/31/2019 | $12.65 |
| 594,019 | 03/31/2020 | $8.75 |
| 519,185 | 06/30/2020[2] | $10.68**estimate* |

# Dhandho Holdings, L.P.

***REPORT OF INDEPENDENT AUDITORS***
***AND***
***AUDITED FINANCIAL STATEMENTS***

December 31, 2019

**Dhandho Holdings, L.P.**
**Index**
**December 31, 2019**

**Page(s)**

**Report of Independent Auditors**

To the General Partner of Dhandho Holdings, L.P.

We have audited the accompanying financial statements of Dhandho Holdings, L.P. (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations, of changes in partners' capital, and of cash flows for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho Holdings, L.P. as of December 31, 2019, and the results of its operations, changes in its partners' capital, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

April 29, 2020

*PricewaterhouseCoopers, 18 Forum Lane, Camana Bay, P.O. Box 258, Grand Cayman KY1-1104, Cayman Islands*
*T: +1 (345) 949 7000, F: +1 (345) 949 7352,* www.pwc.com/ky

**Dhandho Holdings, L.P.**
**Statement of Assets, Liabilities and Partners' Capital**
**December 31, 2019**
***(expressed in United States dollars)***

| | | 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 58,624 |
| Investments, at fair value (cost $32,862,693) | | 39,727,208 |
| Receivable from sale of private company | | 3,854,908 |
| Prepaid expenses | | 11,972 |
| Due from affiliates | | 2,108 |
| Total assets | $ | 43,654,820 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| Redemption payable | $ | 74,289 |
| Accrued operating expenses | | 81,659 |
| Due to broker | | 1,997,450 |
| Total liabilities | | 2,153,398 |
| Partners' capital | | |
| General partner | | - |
| Limited partners (11,122,506 units at $3.73 per unit) | | 41,501,422 |
| Total partners' capital | | 41,501,422 |
| Total liabilities and partners' capital | $ | 43,654,820 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**
**Statement of Operations**
**Year ended December 31, 2019**
***(expressed in United States dollars)***

| | | 2019 |
|---|---|---|
| **Investment Income:** | | |
| Dividends | $ | 2,605,910 |
| Interest income | | 186,538 |
| Total Investment Income | | 2,792,448 |
| **Expense:** | | |
| Interest expense | | 53,861 |
| Professional fees | | 115,387 |
| Management fees | | 146,480 |
| Administration fees | | 88,000 |
| Total expenses | | 403,728 |
| **Net Investment income** | | 2,388,720 |
| **Net realized and unrealized gain/(loss) on investments** | | |
| Net realized (loss) from investments | | (135,105) |
| Net realized (loss) on foreign currency transactions | | (27,327) |
| Net change in unrealized appreciation on investments | | 2,114,897 |
| Re-measurement of provision for impairment of receivable from sale of private company | | 2,490,173 |
| Net realized and unrealized gain (loss) on investments | | 4,442,638 |
| Net increase in partners' capital resulting from operations | $ | 6,831,358 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**
**Statement of Changes in Partners' Capital**
**Year Ended December 31, 2019**
***(expressed in United States dollars)***

| | General Partner | Limited Partners | Total |
|---|---|---|---|
| **Balance January 1, 2019** | $ - | $ 45,891,494 | $ 45,891,494 |
| Capital contributions | | 1,790,782 | 1,790,782 |
| Capital withdrawals | - | (1,868,769) | (1,868,769) |
| Capital distributions | | (11,143,443) | (11,143,443) |
| Increase in partners' capital resulting from operations | - | 6,831,358 | 6,831,358 |
| **Balance, December 31, 2019** | $ - | $ 41,501,422 | $ 41,501,422 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**
**Statement of Cash Flows**
**Year Ended December 31, 2019**
***(expressed in United States dollars)***

| | | **2019** |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net increase in partners' equity resulting from operations | $ | 6,831,358 |
| Adjustments to reconcile net increase in partners' equity resulting from operations to net cash provided by operating activities: | | |
| Net realized (loss) from investments | | 135,105 |
| Net change in unrealized appreciation on investments | | (2,114,897) |
| Re-measurement of provision for impairment of receivable from sale of private company | | (2,490,173) |
| Purchase of equity investments | | (8,087,825) |
| Sale of equity investments | | 12,190,120 |
| Purchase of investment in other private investments | | (1,265,828) |
| Payments received on receivable from sale of private company | | 3,985,288 |
| Change in other assets and liabilities: | | |
| Prepaid expense | | 299 |
| Due to affiliates | | (11,130) |
| Accrued operating and trading expenses | | 46,880 |
| Due to broker | | 1,946,110 |
| **Net cash provided by operating activities** | | 11,165,307 |
| Cash Flows from Financing Activities | | |
| Partner withdrawals | | (3,698) |
| Partner capital distributions | | (11,143,443) |
| **Net cash used in financing activities** | | (11,147,141) |
| **Net increase in cash** | | 18,166 |
| Cash: | | |
| Beginning of year | | 40,458 |
| End of year | $ | 58,624 |

Supplemental information:

| | |
|---|---|
| Non-cash operating activities not included herein consist of an in-specie distribution in securities from DHC to the Partnership. | 233,736 |
| Non-cash financial activities not included herein consist of partner contributions and withdrawals as a result of transfers between limited partners. Refer to notes 4 for further information. | 1,790,782 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**
**Condensed Schedule of Investments**
**December 31, 2019**
***(expressed in United States dollars)***

| Number of Shares | | Value as a Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Semiconductor | | | |
| 141,000 | Micron Technology Inc. | 18.27% | $ 5,368,422 | $ 7,582,980 |
| | Total United States | 18.27% | 5,368,422 | 7,582,980 |
| | **India** | | | |
| | Chemicals | 4.51% | 1,964,486 | 1,873,484 |
| | Financial Services | | | |
| 3,494,876 | Edelweiss Financial Services Limited | 12.90% | 5,767,028 | 5,354,554 |
| | Real Estate Property Development | | | |
| 642,330 | Sunteck Realty Limited | 9.04% | 3,993,035 | 3,750,845 |
| | Total India | 26.45% | 11,724,549 | 10,978,883 |
| | **United Kingdom** | | | |
| | Automotive | | | |
| 984,779 | Fiat Chrysler Automobiles N.V. | 34.86% | 9,602,387 | 14,466,404 |
| | Total United Kingdom | 34.86% | 9,602,387 | 14,466,404 |
| | Total Common Stocks | 79.58% | 26,695,358 | 33,028,267 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Holdings, L.P.
# Condensed Schedule of Investments
# December 31, 2019
***(expressed in United States dollars)***

| Company Name | Investment | Value as a Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| **Private operating companies** | | | | |
| Dhandho Funds, LLC | | | | |
| Limited Liability Company engaged in investment advisory. | Member Units | | | |
| The Partnership owns 73.24% of Dhando Funds, LLC. | (73 units) | 2.12% | $ 635,986 | $ 879,790 |
| Monti Kids, Inc. | | | | |
| Corporation organized to proivde early-childhood educational | Preferred Stock | | | |
| toys. | (61,033 shares) | 0.12% | 36,620 | 47,835 |
| Total private operating companies | | 2.24% | 672,606 | 927,625 |
| **Private equity funds** | | | | |
| Tandem Fund III, LP * | | 13.91% | 5,494,729 | 5,771,316 |
| Total investments, at fair value | | 95.73% | $32,862,693 | $39,727,208 |

* Objective of private equity fund: Primarily invest in securities of privately held companies building innovative technology businesses. Redemption terms: Voluntary redemptions are not permitted. The Fund will continue until March 8, 2023 unless extended by agreement of the partners or is terminated prior thereto under circumstances provided for in the LP Agreement dated January 7, 2015.

The accompanying notes are an integral part of these financial statements.

## 1. ORGANIZATION

Dhandho Holdings, L.P. (the “Partnership”) is a limited partnership organized in December 2013, pursuant to the laws of the State of Delaware. The purpose of the Partnership is to make equity investments in privately and publicly held businesses. In February 2014, the Partnership had its first closing with total contributed capital of approximately $112,165,000.

The affairs of the Partnership are managed by its general partner, Dhandho GP, LLC (the "General Partner"), a limited liability company organized under the laws of the State of California. The General Partner is a subsidiary of Dalal Street, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission. Dalal Street, LLC and the General Partner are both controlled by Mohnish Pabrai, Managing Partner.

The General Partner holds Limited Partner interest of 15.05% through Dalal Street, LLC.

The General Partner has the overall responsibility for the management of the Partnership and provides portfolio management and administrative services. The General Partner is paid a Management Fee, as described in note 5.

The Partnership owned 73.24% of the outstanding stock of Dhandho Holdings Corp (“DHC”), a corporation organized under the laws of the Commonwealth of Puerto Rico on October 31, 2014 for the purpose of investing in private and public enterprises. The remaining outstanding stock of DHC was owned by Dhandho Holdings Qualified Purchaser, LP (“DHQPLP”), a related entity, which is also managed by the General Partner. Shortly after its formation, the Partnership contributed $111.3 million to DHC. Effective December 31, 2014, DHC acquired 100% of the outstanding common stock of Stonetrust Commercial Insurance Company and subsidiary (together, “Stonetrust”) for approximately $35 million and contributed an additional $30 million to Stonetrust. Stonetrust is domiciled in the State of Nebraska and is engaged in providing workers compensation insurance.

On September 29, 2017, DHC entered into a Stock Purchase Agreement to sell Stonetrust for $70.4 million. The sale closed on January 1, 2018. Under the terms of the Stock Purchase Agreement, DHC received a payment of $40 million at the closing of the transaction and an additional $15 million came due 135 days after the closing date. The final $15.4 million (the “Holdback Payments”) is paid out in payments over the course of four years as a warranty for future adverse development that may take place in the reserves at Stonetrust allocated to claims existing prior to closing. Interest will accrue on any payments not made when due. Assuming no adverse development, the Holdback Payments over the four years are paid $2 million per year on the first three anniversary dates of closing, and then $2 million plus the additional amount due to DHC on the fourth anniversary date.

On December 19, 2018, DHC distributed the balance of the receivables from the sale of Stonetrust up to the Partnership and DHQPLP in proportion to each entity's ownership of DHC, with the Partnership receiving $5,107,584 and DHQPLP receiving $1,866,179. The gross value of the receivables at DHC at the time of the distribution was $16.8 million, consisting of $1.4 million due from the $15 million tranche due in May 2018, and $15.4 million in Holdback Payments. The distribution was done at the receivables' fair value, which was determined to be $7.0 million after considering impairments to account for risks. During 2019, $5.4 million in payments was received by the Partnership and DHQPLP consisting of the remaining $1.4 million due from the $15 million tranche due in May 2018, the $2 million Holdback Payment due on December 31, 2018 and the $2 million Holdback Payment due on December 31, 2019. During 2019, $0.3 million in accrued interest was received related to the late payment of $4.9 million of the $15 million tranche due in May 2018, of which $3.5 million was received in 2018 and $1.4 million was received in 2019, and the $2 million Holdback Payment due on December 31, 2018, which was received in 2019.

Effective December 20, 2019, DHC was dissolved. All remaining assets were transferred to Partnership and DHQPLP according to their respective ownership percentages.

The Limited Partnership Agreement (the "Agreement") provides for one class of Limited Partner Interest, which corresponds to the dollar amount of the Limited Partner's investment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Partnership, which conform to U.S. GAAP include the following:

***Basis of Presentation*** **-** Management has evaluated the Partnership's structure, objectives and activities and has determined that the Partnership meets the characteristics of an investment company. As such, the Partnership's financial statements apply the guidance set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services – Investment Companies*.

***Use of Estimates -*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the General Partner to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ significantly from those estimates.

***Cash and Cash Equivalents*** **-** The Partnership considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Due From Affiliate*** – The amount shown as due from affiliate represents the overpayment amount paid by the Partnership in 2018 to Dhandho Holdings Offshore Ltd. for redemption proceeds.

***Due To Broker*** - The amount shown as a due to broker represents a payable to brokers as of December 31, 2019. For the year ended December 31, 2019 due to broker is $1,997,450.

***Security Valuation -*** Investments listed on a national securities exchange are valued at their last sales price on the date of valuation on the primary exchange. In the event no such price is available for such date, then the last reported sale price within the last five-day period preceding the valuation date is utilized. If no such price is reported, then the security will be valued at the representative bid price at the close of business on the valuation date.

Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the General Partner. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net asset value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Partnership, in its sole discretion, the listed price for any security held by the Partnership does not accurately reflect the value of such security, the Partnership may value such security at a price which is greater or less than the quoted market price for such security.

***Valuation of Investments*** **-** The Partnership values its investments Dhandho Funds LLC ("DF") and Monti Kids, Inc. (“Monti”) at fair value as determined in good faith by the General Partner in accordance with ASC 820. Because of inherent uncertainty of valuations, estimated values may differ significantly from values that would have been used had a ready market for the investment existed, and the difference could be material.

***Receivable from Sale of Private Company*** – These amounts are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due. Significant financial difficulties and default in payments are considered indicators that the receivables are impaired. As of December 31, 2019, the gross value of the Receivable from Sale of Private Company due to the Partnership and DHQPLP was $11.4 million which has been measured at $5.2 million after impairment, of which $3.8 million was held at the Partnership and $1.4 million was held at DHQPLP. Change in measurement of impairment is included in Re-measurement of provision for impairment of receivable from sale of private company in the Statement of Operations.

***Security Transactions and Income and Expense Recognition*** - Investment transactions are recorded on trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

***Foreign Currency Transactions -*** Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

***Income Taxes -*** No provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are not the responsibility of the Partnership. Each partner is required to report on his/her income tax return his/her proportionate share of the items of income and deduction of the Partnership.

The Partnership executes trades on the Indian exchange and, therefore, may be subject to taxes levied in that country. The investments in common stock traded on the Indian exchange are subject to short-term capital gains tax at 15% and long-term capital gain tax at 10%. Prior to April 1, 2018 long-term capital gains were not subject to tax. The Fund intends to hold the Indian securities for the long-term. For countries with double taxation treaties, the treaty rate prevails only if it is more favorable than the standard rate. As of December 31, 2019, $2,388 was accrued for these taxes.

Management has continued to evaluate the application of Accounting Standards Codification ("ASC") 740, "Income Taxes", and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax years ended December 31, 2016 through December 31, 2019. The Partnership is not aware of any examinations in progress. The Partnership has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Partnership's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019. The Partnership is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

## 3. FAIR VALUE MEASUREMENT

The Partnership has adapted financial reporting rules that establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument. Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The General Partner does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price. Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the General Partner in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

As permitted under U.S. GAAP, the General Partner uses, as a practical expedient, the net asset valuations provided by the underlying private investment company to value its investment in other funds when the net asset valuation of the investments are calculated in a manner consistent with U.S. GAAP for investment companies. However, if it is probable that the Partnership will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Partnership considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

***(expressed in United States dollars)***

During the year ended December 31, 2019, there were no such adjustments to fair value recorded. In accordance with ASU 2015-07, the Partnership's investment in other investment companies has not been categorized in the fair value hierarchy nor in a roll forward of investment activity.

The following table presents the financial instruments carried on the Statement of Assets, Liabilities and Partners' Capital by level:

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investments | | | | |
| Common stock | $ 33,028,267 | $ - | $ - | $ 33,028,267 |
| Private operating companies | - | - | 927,625 | 927,625 |
| Total investments | $ 33,028,267 | $ - | $ 927,625 | $ 33,955,892 |

There were no transfers in and out of either Level 1, Level 2 or Level 3 as of or during the year ended December 31, 2019.

As of December 31, 2019, the Partnership owns 73.24% of the outstanding members' units of DF with an estimated market value of approximately $879,790. DF is a limited liability company organized under the laws of the state of Delaware and is the General Partner of other funds managed by Mohnish Pabrai. DF was valued by the General Partner at the price that would be received in a current sale, using expected discounted cash flows.

As of December 31, 2019, the Partnership owns 61,033 shares of the outstanding preferred stock of Monti with an estimated market value of approximately $47,835.

At December 31, 2019, the Partnership's investment in the Tandem as measured at NAV as practical expedient was $5,771,316.

The General Partner values the Partnership's Level 3 investments on a quarterly basis using the net asset valuation. The management of the General Partner reviews information about the underlying assets of the Level 3 investments and arrives at a consensus about their valuation.

***(expressed in United States dollars)***

The following table summarized the changes in assets presented at fair value using Level 3 inputs:

Level 3 Investments - December 31, 2019

| | Balance at January 1, 2019 | Purchases | Distributions | Realized Gain/(Loss) | Unrealized Gain/(Loss) | Balance at December 31, 2019 |
|---|---|---|---|---|---|---|
| Common Stock of Dhandho Holdings Corp. | $ 146,480 | - | (242,439) | 53,661 | 42,298 | $ - |
| Dhandho Funds LLC | 817,036 | 584,718 | - | - | (521,964) | 879,790 |
| Monti Kids, Inc. | 36,620 | - | - | - | 11,215 | 47,835 |
| Total | $ 1,000,136 | $584,718 | $ (242,439) | $ 53,661 | $ (468,451) | $ 927,625 |

The following table presents the qualitative unobservable inputs used to value Level 3 investments at December 31, 2019:

Level 3 Investments - December 31, 2019

| | Fair Value | Valuation Technique | Unobservable Input | Range of inputs |
|---|---|---|---|---|
| Dhandho Funds LLC | 879,790 | Discounted Cash Flow | Discount Rate<br>Annual Growth Rate<br>Annual Performance Rate | 13.50%<br>10% - 15%<br>6% - 12% |
| Monti Kids, Inc. | 47,835 | Recent Transaction | N/A | N/A |
| Total | $ 927,625 | | | |

***(expressed in United States dollars)***

## 4. PARTNERS' CAPITAL

**Subscriptions and Units -** All Limited Partners of the Partnership must be "accredited investors" as defined in the Investment Company Act of 1940. In exchange for each Partner's subscription to the Partnership, the Partnership issues Units, which represent an undivided proportionate interest in the assets and liabilities of the Partnership. Units were initially issued at $10 on March 1, 2014 and are subsequently offered at Net Asset Value Per Unit. As of any valuation date, the Net Asset Value Per Unit is determined by dividing the Partners' Capital of the Partnership by the total number of Units outstanding.

**Withdrawals** - The Partnership does not permit redemptions by Limited Partners; however, Limited Partners may transfer their interests to other investors with the approval of the General Partner.

**Transfers -** Interests are not transferable without the consent of the General Partner.

**Distributions -** The General Partner may cause the Partnership to make distributions to the Limited Partners before the dissolution of the Partnership at such times and in such amounts as it determines in its sole discretion.

**Allocations of Profits and Losses -** Allocations of net increase/decrease in Partners' Capital to partners are made in accordance with the Limited Partnership Agreement (the "Agreement"), which calls for such allocations to be generally proportional to contributed capital. Net Profits, which includes net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expense, are generally allocated at least annually and each time new Units are issued/redeemed, in proportion to the Units held at the beginning of such fiscal period. The allocation will be first, 100% to the Limited Partners until the allocation equals the aggregate of their respective capital contributions to the partnership. After this first condition is met, net increases in Partners' capital will be allocated 90% to the Limited Partners, pro rata in accordance with their respective capital contributions, and 10% to the General Partner, which is referred as the General Partner's "Carried Interest". The General Partner may determine when to distribute or to retain realized gains on investments.

Units Summary

| | |
|---|---|
| **Balance January 1, 2019** | 11,143,442.95 |
| Subscription of Units | - |
| Redemption of Units | (20,936.58) |
| Transfer in of Units | 499,844.26 |
| Transfer out of Units | (499,844.26) |
| **Balance, December 31, 2019** | 11,122,506.37 |

***(expressed in United States dollars)***

## 5. RELATED PARTY TRANSACTIONS

The Partnership is a member of a group of affiliated companies and has transactions and relationships with members of the group. As of December 31, 2019, the Partnership due from (to) related parties was as follows:

| | Due From | Due To | Net |
|---|---|---|---|
| Dhandho Holdings Offshore Ltd. | $ 2,108 | - | $ 2,108 |
| Total due from related parties | $ 2,108 | $ 74,289 | $ 76,397 |

In 2019, DHC distributed cash and net receivables of $242,439 to the Partnership of which $233,736 has been reserved for doubtful receivable.

The General Partner charges a management fee in consideration for the services it provides to the Partnership and all normal overhead expenses of the General Partner. In general, the annual management fee is an amount set by the General Partner, not to exceed 1% of the aggregate amount of capital contributions of all Limited Partners. For the year ended December 31, 2019, $146,480 of management fees was charged to the Partnership.

As of December 31, 2019, the affiliates of the General Partner (including Dhandho Holdings Offshore Ltd.) held 50.92% of the Partnership’s interest.

The Partnership engaged in cross transactions with other funds managed by Mohnish Pabrai in securities that are illiquid or subject to regulatory ownership limits. These cross transactions were at market prices and achieved business and investment purposes for the relevant funds. During 2019 the Partnership sold securities totaling $9 million to and purchased securities totaling $2.9 million from related entities.

## 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the Partnership expects the risk of loss to be remote.

The Partnership’s total commitments in Tandem is $7,324,000 out of which $1,098,600 is unfunded as of December 31, 2019.

## 7. RISK

The Partnership's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The significant types of financial risks to which the Partnership is exposed include, but are not limited to market risk, price risk/nature of investment, interest rate risk, liquidity risk, currency risk, emerging market risk, credit risk and other additional risks. Certain aspects of those risks are addressed below.

*Market Risk*

Market risk encompasses the potential for both losses and gains and includes price risk and interest rate risk.

*Price Risk/Nature of Investment*

Certain of the Partnership's investments are long-term and highly illiquid and there is no assurance that the Partnership will achieve its investment objectives including targeted returns. Due to the illiquidity of the investments, valuation of the assets may be difficult, as there generally will be no established markets for these assets. As the Partnership's financial instruments are carried at fair value with fair value changes recognized in the Statement of Operations, all changes in market conditions will directly affect the net asset value of the Partnership.

*Interest Rate Risk*

The Partnership and the Partnership's portfolio companies may invest in fixed income securities and/or debt. Any change to the interest rates relevant to particular securities may result in the inability to secure similar returns on the expiration of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the value of the fixed interest securities will decline. A decline in interest rates will in general have the opposite effect.

*Liquidity Risk*

Certain of the Partnership’s portfolio companies are privately held. As a result, there is no readily available secondary market for the Partnership's interests in such portfolio companies, and those interests will be subject to legal restrictions on transfer. Therefore, there is no assurance that the Partnership will be able to realize liquidity for such investments in a timely manner, if at all. The Partnership faces liquidity risk from DF, Tandem and Monti.

*Currency Risk*

The Partnership invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

*Emerging Markets Risk*

Investments in securities and instruments traded in developing or emerging markets, or that provide exposure to these securities or markets, can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments or investments in more developed international markets. For example, emerging markets may be subject to, among other risks, greater market volatility; lower trading volume and liquidity; greater social, political and economic uncertainty; governmental controls on foreign investments and limitations on repatriation of invested capital; lower disclosure, corporate governance, auditing and financial reporting standards; fewer protections of property rights; restrictions on the transfer of securities or currency; and settlement and trading practices that differ from U.S. markets and markets of more developed countries. Each of these factors may impact the ability of the Partnership to buy, sell or otherwise transfer securities, adversely affect the Partnership and cause the Partnership to decline in value.

*Credit Risk*

The Partnership and its portfolio companies may include the acquisition of debt securities. Investment portfolios with debt securities are subject to credit risk. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risks may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline the market value of such Securities.

***(expressed in United States dollars)***

## 8. FINANCIAL HIGHLIGHTS

Financial highlights are calculated for a Limited Partner unit outstanding for the entire period. An individual Limited Partner's return and ratios may vary based on timing of capital transactions. The ratios are computed based on the average Limited Partners' capital, calculated for all Limited Partners as a group.

| | | | |
|---|---|---|---|
| **Selected per unit data** | | | |
| Net asset value, beginning of year | $ | 4.12 | |
| Income from investment operations[1] | | | |
| Net investment income | | 0.23 | |
| Net realized gain /(loss) and net change in unrealized appreciation / (depreciation) | | 0.39 | |
| Investment management fee | | (0.01) | |
| Distribution made during the year | | (1.00) | |
| Net asset value, end of year | $ | 3.73 | |
| | | | |
| **Total return** | | | |
| Total return before performance allocation | | 15.89 | % |
| Performance allocation | | 0.00 | |
| Total return after performance allocation | | 15.89 | % |
| | | | |
| **Ratios to average limited partners' capital** | | | |
| Operating Expenses | | 0.94 | % |
| Performance allocation | | 0.00 | |
| Total operating expenses and performance allocation | | 0.94 | % |
| Net investment income | | 5.56 | % |

(1) Calculated using the average number of units outstanding during the year.

## 9. SUBSEQUENT EVENTS

The Partnership evaluated subsequent events through the issuance of the Partnership's Financial Statements on April 29, 2020.

From January 1, 2020 through April 29, 2020, the Partnership distributed approximately $16,718,494 to its partners.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Partnership's performance.

# Dhandho Holdings Qualified Purchaser, L.P.

***REPORT OF INDEPENDENT AUDITORS***
***AND***
***AUDITED FINANCIAL STATEMENTS***

December 31, 2019

**Dhandho Holdings Qualified Purchaser, L.P.**
**Index**
**December 31, 2019**

**Report of Independent Auditors**

To the General Partner of Dhandho Holdings Qualified Purchaser, L.P.

We have audited the accompanying financial statements of Dhandho Holdings Qualified Purchaser, L.P. (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations, of changes in partners' capital, and of cash flows for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho Holdings Qualified Purchaser, L.P. as of December 31, 2019, and the results of its operations, changes in its partners' capital, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

April 29, 2020

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**Dhandho Holdings Qualified Purchaser, L.P.**
**Statement of Assets, Liabilities and Partners' Capital**
**December 31, 2019**
***(expressed in United States dollars)***

| | | 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 53,151 |
| Investments, at fair value (cost $11,986,515) | | 14,485,599 |
| Receivable from sale of private company | | 1,408,483 |
| Prepaid expenses | | 1,789 |
| Total assets | $ | 15,949,022 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| Due to broker | $ | 760,267 |
| Redmptions payable | | 3,303 |
| Accrued operating and trading expenses | | 43,593 |
| Total liabilities | | 807,163 |
| Partners' capital | | |
| General partner | | - |
| Limited partners (4,071,304 units at $3.72 per unit) | | 15,141,859 |
| Total partners' capital | | 15,141,859 |
| Total liabilities and partners' capital | $ | 15,949,022 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings Qualified Purchaser, L.P.**
**Statement of Operations**
**Year ended December 31, 2019**
***(expressed in United States dollars)***

| | | **2019** |
|---|---|---|
| **Investment Income:** | | |
| Dividends | $ | 952,066 |
| Interest income | | 68,168 |
| Total Investment Income | | 1,020,234 |
| **Expense:** | | |
| Interest expense | | 20,138 |
| Professional fees | | 40,726 |
| Management fees | | 53,520 |
| Administration fees | | 42,000 |
| Total expenses | | 156,384 |
| **Net Investment income** | | 863,850 |
| **Net realized and unrealized gain/(loss) on investments** | | |
| Net realized (loss) from investments | | (50,028) |
| Net realized (loss) on foreign currency transactions | | (10,030) |
| Net change in unrealized appreciation on investments | | 764,401 |
| Re-measurement of provision for impairment of receivable from sale of private company | | 909,843 |
| Net realized and unrealized gain (loss) on investments | | 1,614,186 |
| Net increase in partners' capital resulting from operations | $ | 2,478,036 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings Qualified Purchaser, L.P.**
**Statement of Changes in Partners' Capital**
**Year Ended December 31, 2019**
***(expressed in United States dollars)***

| | General Partner | Limited Partners | Total |
|---|---|---|---|
| **Balance January 1, 2019** | $ - | $ 16,739,319 | $ 16,739,319 |
| Capital contributions | | 5,400,410 | 5,400,410 |
| Capital withdrawals | | (5,403,714) | (5,403,714) |
| Capital distributions | - | (4,072,192) | (4,072,192) |
| Increase in partners' capital resulting from operations | - | 2,478,036 | 2,478,036 |
| **Balance, December 31, 2019** | $ - | $ 15,141,859 | $ 15,141,859 |

The accompanying notes are an integral part of these financial statements.

## Dhandho Holdings Qualified Purchaser, L.P.
## Statement of Cash Flows
## Year Ended December 31, 2019
***(expressed in United States dollars)***

| | | 2019 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net increase in partners' equity resulting from operations | $ | 2,478,036 |
| Adjustments to reconcile net increase in partners' equity resulting from operations to net cash provided by operating activities: | | |
| Net realized (loss) from investments | | 50,028 |
| Net change in unrealized appreciation on investments | | (764,401) |
| Re-measurement of provision for impairment of receivable from sale of private company | | (909,843) |
| Purchase of equity investments | | (2,997,865) |
| Sale of equity investments | | 4,451,450 |
| Purchase of investment in other private investments | | (462,512) |
| Payments received on receivable from sale of private company | | 1,456,120 |
| Change in other assets and liabilities: | | |
| Prepaid expenses | | 1,073 |
| Due from affiliates | | 11,130 |
| Due to broker | | 741,517 |
| Accrued operating and trading expenses | | 12,520 |
| **Net cash provided by operating activities** | | 4,067,253 |
| Cash Flows from Financing Activities | | |
| Partner capital distributions | | (4,072,192) |
| **Net cash used in financing activities** | | (4,072,192) |
| **Net decrease in cash** | | (4,939) |
| Cash: | | |
| Beginning of year | | 58,090 |
| End of year | $ | 53,151 |
| Supplemental information: | | |
| Non-cash operating activities not included herein consist of an in-specie distribution in securities from DHC to the Partnership. | | 85,401 |
| Non-cash financial activities not included herein consist of partner contributions and withdrawals as a result of transfers between limited partners. Refer to notes 4 for further information. | | 5,400,410 |

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings Qualified Purchaser, L.P.**
**Condensed Schedule of Investments**
**December 31, 2019**
***(expressed in United States dollars)***

| Number of Shares | | Value as a Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Semiconductor | | | |
| 51,000 | Micron Technologies Inc. | 18.11% | $ 1,941,103 | $ 2,742,780 |
| | Total United States | 18.11% | 1,941,103 | 2,742,780 |
| | **India** | | | |
| | Chemicals | 4.52% | 717,688 | 684,453 |
| | Financial Services | | | |
| 1,276,138 | Edelweiss Financial Services Limited | 12.91% | 2,105,851 | 1,955,191 |
| | Real Estate Property Development | | | |
| 234,708 | Sunteck Realty Limited | 9.05% | 1,460,451 | 1,370,562 |
| | Total India | 26.48% | 4,283,990 | 4,010,206 |
| | **United Kingdom** | | | |
| | Automotive | | | |
| 359,768 | Fiat Chrysler Automobiles N.V. | 34.90% | 3,508,026 | 5,284,993 |
| | Total United Kingdom | 34.90% | 3,508,026 | 5,284,993 |
| | Total Common Stocks | 79.49% | 9,733,119 | 12,037,979 |

The accompanying notes are an integral part of these financial statements.

## Dhandho Holdings Qualified Purchaser, L.P.
## Condensed Schedule of Investments
## December 31, 2019
***(expressed in United States dollars)***

| Company Name | Investment | Value as a Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| **Private operating companies** | | | | |
| Dhandho Funds, LLC | | | | |
| Limited Liability Corporation engaged in investment advisory. | Member Units | | | |
| The Partnership owns 26.76% of Dhandho Funds, LLC. | (27 units) | 2.12% | 232,384 | 321,452 |
| Monti Kids, Inc. | | | | |
| Corporation organized to proivde early-childhood educational | Preferred Stock | | | |
| toys. | (22,300 shares) | 0.12% | 13,380 | 17,478 |
| Total private operating companies | | 2.24% | 245,764 | 338,930 |
| **Private equity funds** | | | | |
| Tandem Fund III, LP * | | 13.93% | 2,007,632 | 2,108,690 |
| Total investment, at fair value | | 95.66% | $ 11,986,515 | $ 14,485,599 |

* Objective of private equity fund: Primarily invest in securities of privately held companies building innovative technology businesses. Redemption terms: Voluntary redemptions are not permitted. The Fund will continue until March 8, 2023 unless extended by agreement of the partners or is terminated prior thereto under circumstances provided for in the LP Agreement dated January 7, 2015.

The accompanying notes are an integral part of these financial statements. .

## 1. ORGANIZATION

Dhandho Holdings Qualified Purchaser, L.P. (the “Partnership”) is a limited partnership organized in February 2014, pursuant to the laws of the State of Delaware. The purpose of the Partnership is to make equity investments in privately and publicly held businesses. In February 2014, the Partnership had its first closing with total contributed capital of $36,212,400. In April 2014, a second closing of $4,000,000 brought contributed capital to $40,212,400.

The affairs of the Partnership are managed by its general partner, Dhandho GP, LLC (the "General Partner"), a limited liability company organized under the laws of the State of California. The General Partner is a subsidiary of Dalal Street, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission. Dalal Street, LLC and the General Partner are both controlled by Mohnish Pabrai, Managing Partner. The General Partner holds Limited Partner interest of 36.64% through Dalal Street, LLC and Mr. Pabrai. In 2014 Dalal Street, LLC made a capital contribution of $1,991,818 and Mohnish Pabrai made a capital contribution of $6,820,582.

On January 1, 2015 the Partnership issued 70,000 units with a value of $700,000 in payment of an amount due to a former stockholder of Stonetrust by Dhandho Holdings Corp in accordance with the acquisition agreement. In consideration for this payment, the Partnership received 4.60 common shares of DHC with a value of $700,000.

The General Partner has the overall responsibility for the management of the Partnership and provides portfolio management and administrative services. The General Partner will be paid a Management Fee described in note 5.

The Partnership owned 26.76% of the outstanding stock of Dhandho Holdings Corp (“DHC”), a corporation organized under the laws of the Commonwealth of Puerto Rico on October 31, 2014 for the purpose of investing in private and public enterprises. The remaining outstanding stock of DHC was owned by Dhandho Holdings, LP (“DHLP”), a related entity, which is also managed by the General Partner. Shortly after its formation, the Partnership contributed $39.9 million to DHC. Effective December 31, 2014, DHC acquired 100% of the outstanding common stock of Stonetrust Commercial Insurance Company and subsidiary (together, “Stonetrust”) for approximately $35 million and contributed an additional $30 million to Stonetrust. Stonetrust is domiciled in the State of Nebraska and is engaged in providing workers compensation insurance.

On September 29, 2017, DHC entered into a Stock Purchase Agreement to sell Stonetrust for $70.4 million. The sale closed on January 1, 2018. Under the terms of the Stock Purchase Agreement, DHC received a payment of $40 million at the closing of the transaction and an additional $15 million came due 135 days after the closing date. The final $15.4 million (the “Holdback Payments”) is paid out in payments over the course of four years as a warranty for future adverse development that may take place in the reserves at Stonetrust allocated to claims existing prior to closing. Interest will accrue on any payments not made when due. Assuming no adverse development, the Holdback Payments over the four years are paid $2 million per year on the first three anniversary dates of closing, and then $2 million plus the additional amount due to DHC on the fourth anniversary date.

On December 19, 2018, DHC distributed the balance of the receivables from the sale of Stonetrust up to the Partnership and DHLP. in proportion to each entity's ownership of DHC, with the Partnership receiving $1,866,179 and DHLP receiving $5,107,584. The gross value of the receivables at DHC at the time of the distribution was $16.8 million, consisting of $1.4 million due from the $15 million tranche due in May 2018, and $15.4 million in Holdback Payments. The distribution was done at the receivables' fair value, which was determined to be $7.0 million after considering impairments to account for risks. During 2019, $5.4 million in payments was received by DHLP and DHQPLP consisting of the remaining $1.4 million due from the $15 million tranche due in May 2018, the $2 million Holdback Payment due on December 31, 2018 and the $2 million Holdback Payment due on December 31, 2019. During 2019, $0.3 million in accrued interest was received related to the late payment of $4.9 million of the $15 million tranche due in May 2018, of which $3.5 million was received in 2018 and $1.4 million was received in 2019, and the $2 million Holdback Payment due on December 31, 2018, which was received in 2019.

Effective December 20, 2019, DHC was dissolved. All remaining assets were transferred to the Partnership and to DHLP. according to their respective ownership percentages.

The Limited Partnership Agreement (the "Agreement") provides for one class of Limited Partner Interest, which corresponds to the dollar amount of the Limited Partner's investment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Partnership, which conform to U.S. GAAP include the following:

***Basis of Presentation*** – Management has evaluated the Partnership's structure, objectives and activities and has determined that the Partnership meets the characteristics of an investment company. As such, the Partnership's financial statements apply the guidance set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services – Investment Companies*.

***Use of Estimates -*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the General Partner to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ significantly from those estimates.

***Cash and Cash Equivalents*** - The Partnership considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Due to Broker*** – The amount shown as a due to broker represents a payable to brokers as of December 31, 2019. For the year ended December 31, 2019 due to broker is $760,267.

***Security Valuation*** **-** Investments listed on a national securities exchange are valued at their last sales price on the date of valuation on the primary exchange. In the event no such price is available for such date, then the last reported sale price within the last five-day period preceding the valuation date is utilized. If no such price is reported, then the security will be valued at the representative bid price at the close of business on the valuation date. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the General Partner. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net asset value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Partnership, in its sole discretion, the listed price for any security held by the Partnership does not accurately reflect the value of such security, the Partnership may value such security at a price which is greater or less than the quoted market price for such security.

***Valuation of Investments*** - The Partnership values its investments in Dhandho Funds LLC ("DF") and Monti Kids, Inc. (“Monti”) at fair value as determined in good faith by the General Partner in accordance with ASC 820. Because of inherent uncertainty of valuations, estimated values may differ significantly from values that would have been used had a ready market for the investment existed, and the difference could be material.

***Receivable from Sale of Private Company*** – These amounts are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due. Significant financial difficulties and default in payments are considered indicators that the receivables are impaired. As of December 31, 2019, the gross value of the Receivable from Sale of Private Company due to the Partnership and DHLP was $11.4 million which has been measured at $5.2 million after impairment, of which $1.4 million was held at the Partnership and $3.8 million was held at DHLP. Change in measurement of impairment is included in Re-measurement of provision for impairment of receivable from sale of private company in the Statement of Operations.

***Security Transactions and Income and Expense Recognition*** - Investment transactions are recorded on trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

***Foreign Currency Transactions -*** Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

***Income Taxes*** No provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are not the responsibility of the Partnership. Each partner is required to report on his/her income tax return his/her proportionate share of the items of income and deduction of the Partnership.

The Partnership executes trades on the Indian exchange and, therefore, may be subject to taxes levied in that country. The investments in common stock traded on the Indian exchange are subject to short-term capital gains tax at 15% and long-term capital gain tax at 10%. Prior to April 1, 2018 long-term capital gains were not subject to tax. The Fund intends to hold the Indian securities for the long-term. For countries with double taxation treaties, the treaty rate prevails only if it is more favorable than the standard rate. As of December 31, 2019, $0 was accrued for these taxes.

Management has continued to evaluate the application of Accounting Standards Codification (“ASC”) 740, “Income Taxes”, and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax years ended December 31, 2016 through December 31, 2019. The Partnership is not aware of any examinations in progress. The Partnership has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Partnership's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019. The Partnership is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

## 3. FAIR VALUE MEASUREMENT

The Partnership has adapted financial reporting rules that establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument. Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The General Partner does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price. Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the General Partner in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

As permitted under U.S. GAAP, the General Partner uses, as a practical expedient, the net asset valuations provided by the underlying private investment company to value its investment in other funds when the net asset valuation of the investments are calculated in a manner consistent with U.S. GAAP for investment companies. However, if it is probable that the Partnership will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Partnership considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

***(expressed in United States dollars)***

During the year ended December 31, 2019, there were no such adjustments to fair value recorded. In accordance with ASU 2015-07, the Partnership's investment in other investment companies has not been categorized in the fair value hierarchy nor in a roll forward of investment activity.

The following table presents the financial instruments carried on the Statement of Assets and Liabilities and Partners' Capital by level:

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investments | | | | |
| Common stock | $ 12,037,979 | $ - | $ - | $ 12,037,979 |
| Private operating companies | - | - | 338,930 | 338,930 |
| Total investments | $ 12,037,979 | $ - | $ 338,930 | $ 12,376,909 |

There were no transfers in and out of either Level 1, Level 2 or Level 3 as of or during the year ended December 31, 2019.

As of December 31, 2019, the Partnership owns 26.76% of the outstanding members' units of DF with an estimated market value of approximately $321,452. DF is a limited liability company organized under the laws of the state of Delaware and is the General Partner of other funds managed by Mohnish Pabrai. DF was valued by the General Partner at the price that would be received in a current sale, using expected discounted cash flows.

As of December 31, 2019, the Partnership owns 22,300 shares of the outstanding preferred stock of Monti with an estimated market value of approximately $17,478.

At December 31, 2019, the Partnership's investment in the Tandem as measured at NAV as practical expedient was $2,108,690.

The General Partner values the Partnership's Level 3 investments on a quarterly basis using the net asset valuation. The management of the General Partner reviews information about the underlying assets of the Level 3 investments and arrives at a consensus about their valuation.

***(expressed in United States dollars)***

The following table summarized the changes in assets presented at fair value using Level 3 inputs:

Level 3 Investments - December 31, 2019

| | Balance at January 1, 2019 | Purchases | Distributions | Realized Gain/Loss | Unrealized Gain/Loss | Balance at December 31, 2019 |
|---|---|---|---|---|---|---|
| Common Stock of Dhandho Holdings Corp. | $ 53,520 | - | (88,581) | 19,668 | 15,393 | $ - |
| Dhandho Funds LLC | 298,510 | 213,652 | - | - | (190,710) | 321,452 |
| Monti Kids, Inc. | 13,380 | - | | - | 4,098 | 17,478 |
| Total | $ 365,410 | $ 213,652 | $ (88,581) | $ 19,668 | $ (171,219) | $ 338,930 |

The following table presents the qualitative unobservable inputs used to value Level 3 investments at December 31, 2019:

Level 3 Investments - December 31, 2019

| | Fair Value | Valuation Technique | Unobservable Input | Range of inputs |
|---|---|---|---|---|
| Dhandho Funds LLC | 321,452 | Discounted Cash Flow | Discount Rate<br>Annual Growth Rate<br>Annual Performance Rate | 13.50%<br>10% - 15%<br>6% - 12% |
| Monti Kids, Inc. | 17,478 | Recent Transaction | N/A | N/A |
| Total | $ 338,930 | | | |

## 4. PARTNER'S CAPITAL

**Subscriptions and Units -** All Limited Partners of the Partnership must be “qualified purchasers” as defined in the Investment Company Act of 1940. In exchange for each Partner’s subscription to the Partnership, the Partnership issues Units, which represent an undivided proportionate interest in the assets and liabilities of the Partnership. Units were initially issued at $10 on March 1, 2014 and are subsequently offered at Net Asset Value Per Unit. As of any valuation date, the Net Asset Value Per Unit is determined by dividing the Partners’ Capital of the Partnership by the total number of Units outstanding.

**Withdrawals** - The Partnership does not permit redemptions by Limited Partners; however, Limited Partners may transfer their interests to other investors with the approval of the General Partner.

**Transfers -** Interests are not transferable without the consent of the General Partner.

***(expressed in United States dollars)***

**Distributions -** The General Partner may cause the Partnership to make distributions to the Limited Partners before the dissolution of the Partnership at such times and in such amounts as it determines in its sole discretion.

**Allocations of Profits and Losses -** Allocations of net increase/decrease in Partners' Capital to partners are made in accordance with the Limited Partnership Agreement (the "Agreement"), which calls for such allocations to be generally proportional to contributed capital. Net Profits, which includes net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expense, are generally allocated at least annually and each time new Units are issued/redeemed, in proportion to the Units held at the beginning of such fiscal period. The allocation will be first, 100% to the Limited Partners until the allocation equals the aggregate of their respective capital contributions to the partnership. After this first condition is met, net increases in Partners' capital will be allocated 90% to the Limited Partners, pro rata in accordance with their respective capital contributions, and 10% to the General Partner, which is referred as the General Partner's "Carried Interest". The General Partner may determine when to distribute or to retain realized gains on investments.

At December 31, 2019, three Limited Partners held approximately 47% of the total Partners' capital.

Units Summary

| | |
|---|---|
| **Balance January 1, 2019** | 4,072,192.37 |
| Subscription of Units | - |
| Redemption of Units | (888.10) |
| Transfer in of Units | 1,353,897.20 |
| Transfer out of Units | (1,353,897.20) |
| **Balance, December 31, 2019** | 4,071,304.27 |

## 5. RELATED PARTY TRANSACTIONS

The Partnership is a member of a group of affiliated companies and has transactions and relationships with members of the group.

In 2019, DHC distributed cash and net receivables of $88,581 to the Partnership, of which $85,401 has been reserved for doubtful receivable.

The General Partner charges a management fee in consideration for the services it provides to the Partnership and all normal overhead expenses of the General Partner. In general, the annual management fee is an amount set by the General Partner, not to exceed 1% of the aggregate amount of capital contributions of all Limited Partners. For the year ended December 31, 2019, $53,520 of management fees was charged to the Partnership.

As of December 31, 2019, the affiliates of the General Partner held 37.90% of the Partnership's interest.

During the year ended December 31, 2019, there was a transfer of 682,058 units worth $2,985,486 between related parties.

The Partnership engaged in cross transactions with other funds managed by Mohnish Pabrai in securities that are illiquid or subject to regulatory ownership limits. These cross transactions were at market prices and achieved business and investment purposes for the relevant funds. During 2019 the Partnership sold securities totaling $3.2 million to and purchased securities totaling $1.1 million from related entities.

## 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the Partnership expects the risk of loss to be remote.

The Partnership's total commitments in Tandem is $2,676,000 out of which $401,400 is unfunded as of December 31, 2019.

## 7. RISK

The Partnership's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The significant types of financial risks to which the Partnership is exposed include, but are not limited to market risk, price risk/nature of investment, interest rate risk, liquidity risk, currency risk, emerging market risk, credit risk and other additional risks. Certain aspects of those risks are addressed below.

*Market Risk*

Market risk encompasses the potential for both losses and gains and includes price risk and interest rate risk.

*Price Risk/Nature of Investment*

The Partnership's investments are long-term and highly illiquid and there is no assurance that the Partnership will achieve its investment objectives including targeted returns. Due to the illiquidity of the investments, valuation of the assets may be difficult, as there generally will be no established markets for these assets. As the Partnership's financial instruments are carried at fair value with fair value changes recognized in the Statement of Operations, all changes in market conditions will directly affect the net asset value of the Partnership.

*Interest Rate Risk*

The Partnership and the Partnership's portfolio companies may invest in fixed income securities and/or debt. Any change to the interest rates relevant to particular securities may result in the inability to secure similar returns on the expiration of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the value of the fixed interest securities will decline. A decline in interest rates will, in general, have the opposite effect.

*Liquidity Risk*

Certain of the Partnership's portfolio companies are privately held. As a result, there is no readily available secondary market for the Partnership's interests in such portfolio companies, and those interests will be subject to legal restrictions on transfer. Therefore, there is no assurance that the Partnership will be able to realize liquidity for such investments in a timely manner, if at all. The Partnership faces liquidity risk from DF, Tandem and Monti.

*Currency Risk*

The Partnership invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

*Emerging Markets Risk*

Investments in securities and instruments traded in developing or emerging markets, or that provide exposure to these securities or markets, can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments or investments in more developed international markets. For example, emerging markets may be subject to, among other risks, greater market volatility; lower trading volume and liquidity; greater social, political and economic uncertainty; governmental controls on foreign investments and limitations on repatriation of invested capital; lower disclosure, corporate governance, auditing and financial reporting standards; fewer protections of property rights; restrictions on the transfer of securities or currency; and settlement and trading practices that differ from U.S. markets and markets of more developed countries. Each of these factors may impact the ability of the Partnership to buy, sell or otherwise transfer securities, adversely affect the Partnership and cause the Partnership to decline in value.

*Credit Risk*

The Partnership and its portfolio companies may include the acquisition of debt securities. Investment portfolios with debt securities are subject to credit risk. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risks may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline the market value of such security.

***(expressed in United States dollars)***

## 8. FINANCIAL HIGHLIGHTS

Financial highlights are calculated for a Limited Partner unit outstanding for the entire period. An individual Limited Partner's return and ratios may vary based on timing of capital transactions. The ratios are computed based on the average Limited Partners' capital, calculated for all Limited Partners as a group.

| | | | |
|---|---|---|---|
| **Selected per unit data** | | | |
| Net asset value, beginning of year | $ | 4.11 | |
| Income from investment operations(1) | | | |
| Net investment income | | 0.23 | |
| Net realized gain /(loss) and net change in unrealized appreciation / (depreciation) | | 0.39 | |
| Investment management fee | | (0.01) | |
| Distribution made during the year | | (1.00) | |
| Net asset value, end of year | $ | 3.72 | |
| **Total return** | | | |
| Total return before performance allocation | | 15.80 | % |
| Performance allocation | | 0.00 | |
| Total return after performance allocation | | 15.80 | % |
| **Ratios to average limited partners' capital** | | | |
| Operating Expenses | | 1.00 | % |
| Performance allocation | | 0.00 | |
| Total operating expenses and performance allocation | | 1.00 | % |
| Net investment income | | 5.52 | % |

(1) Calculated using the average number of units outstanding during the year.

## 9. SUBSEQUENT EVENTS

The Partnership evaluated subsequent events through the issuance of the Partnership's Financial Statements on April 29, 2020.

From January 1, 2020 through April 29, 2020, the Partnership distributed approximately $6,108,289 to its partners.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Partnership's performance.

# Dhandho India Zero Fee Fund, L.P.

**Financial Statements**
**For the Year Ended December 31, 2019**

# Dhandho India Zero Fee Fund, L.P.
## Index
## December 31, 2019

pwc

## Report of Independent Auditors

To the General Partner of Dhandho India Zero Fee Fund, L.P.

We have audited the accompanying financial statements of Dhandho India Zero Fee Fund, L.P. (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations and of changes in partners' capital for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho India Zero Fee Fund, L.P. as of December 31, 2019, and the results of its operations and changes in its partners' capital for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

March 26, 2020

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# Dhandho India Zero Fee Fund, L.P.
## Statement of Assets, Liabilities and Partners' Capital
## December 31, 2019
*(expressed in United States dollars)*

| | |
|---|---|
| **Assets** | |
| Cash | $ 2,604,872 |
| Investments, at fair value (cost $55,723,570) | 44,502,460 |
| Other assets | 89,287 |
| Total assets | 47,196,619 |
| **Liabilities** | |
| Subscriptions received in advance | 2,500,000 |
| Redemptions payable | 3,301,760 |
| Accrued expenses and other liabilities | 67,254 |
| Total liabilities | 5,869,014 |
| **Partners' capital** | |
| Limited partners (5,419,606 units at $7.63 per unit) | 41,327,605 |
| Total partners' capital | 41,327,605 |
| Total liabilities and partners' capital | $ 47,196,619 |

The accompanying notes are an integral part of these financial statements.

# Dhandho India Zero Fee Fund, L.P.
## Statement of Operations
## For the Year Ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Investment income** | | |
| Dividend income (net of withholding tax of $49,933) | $ | 1,169,479 |
| Interest income | | 36,332 |
| Total investment income | | 1,205,811 |
| **Expenses** | | |
| Professional fees | | 21,500 |
| Administration fee | | 46,500 |
| Other expense | | 86,174 |
| Interest expense | | 238 |
| Total expenses | | 154,412 |
| Net investment income | | 1,051,399 |
| **Net realized and unrealized gain/(loss) on investments** | | |
| Net realized gain on investments | | 19,698 |
| Net realized gain on foreign currency transactions | | 33,502 |
| Net change in unrealized depreciation on investments | | (3,310,238) |
| Net realized and unrealized gain/(loss) on investments | | (3,257,038) |
| Net decrease in partners' capital resulting from operations | $ | (2,205,639) |

The accompanying notes are an integral part of these financial statements.

# Dhandho India Zero Fee Fund, L.P.
## Statement of Changes in Partners' Capital
## For the Year Ended December 31, 2019
*(expressed in United States dollars)*

| | General Partner | Limited Partners | Total |
|---|---|---|---|
| **Balance, December 31, 2018** | $ - | $ 37,469,914 | 37,469,914 |
| Contributions (1,151,690 units) | - | 9,365,090 | 9,365,090 |
| Withdrawals (432,985 units) | - | (3,301,760) | (3,301,760) |
| Net decrease in partners' capital from operations | - | (2,205,639) | (2,205,639) |
| **Balance, December 31, 2019** | $ - | $ 41,327,605 | $ 41,327,605 |

The accompanying notes are an integral part of these financial statements.

# Dhandho India Zero Fee Fund, L.P.
## Condensed Schedule of Investments
## December 31, 2019
*(expressed in United States dollars)*

| Number of Shares | | Value as Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Industrials | | | |
| 327,928 | Graftech Internaitonal Ltd | 9.22% | $ 3,689,832 | $ 3,810,523 |
| | Semiconductor | | | |
| 126,702 | Micron Technologies Inc. | 16.49% | 4,900,003 | 6,814,034 |
| | Total United States | 25.71% | 8,589,835 | 10,624,557 |
| | **India** | | | |
| | Chemicals | | | |
| 2,446,290 | Rain Industries Limited | 8.19% | 4,400,131 | 3,384,182 |
| | Consumer Defensive | | | |
| 508,089 | Kaveri Seed Company Limited | 8.77% | 3,916,110 | 3,625,286 |
| | Financial Services | | | |
| 396,883 | BSE Limited | 6.76% | 3,483,140 | 2,792,280 |
| 1,807,386 | Edelweiss Financial Services Limited | 6.70% | 4,900,080 | 2,769,124 |
| 2,002,994 | Indian Energy Exchange Limited | 9.71% | 4,700,334 | 4,013,070 |
| | Other | 9.29% * | 7,698,235 | 3,838,100 |
| | Healthcare | 2.09% | 3,111,180 | 861,786 |
| | Real Estate Property Development | | | |
| 736,275 | Sunteck Realty Ltd | 10.40% | 4,800,322 | 4,299,431 |
| 975,392 | Kolte-Patil Developers Limited | 8.26% | 4,761,165 | 3,412,380 |
| | Total India | 70.17% | 41,770,697 | 28,995,639 |
| | **Korea** | | | |
| | Consumer Electronics | | | |
| 48,822 | LG Corporation | 7.54% | 2,916,565 | 3,117,268 |
| | Telecommunication | 1.02% | 315,423 | 422,646 |
| | Total Korea | 8.56% | 3,231,988 | 3,539,914 |
| | **United Kingdom** | | | |
| | Automotive | 2.25% | 1,399,993 | 930,582 |
| | Total United Kingdom | 2.25% | 1,399,993 | 930,582 |
| | Total Common Stocks | 106.69% | $ 54,992,513 | $ 44,090,692 |
| | **Preferred Stocks** | | | |
| | **Korea** | | | |
| | Industrial Manufacturing | 1.00% | 731,057 | 411,768 |
| | Total Korea | 1.00% | 731,057 | 411,768 |
| | Total Preferred Stocks | 1.00% | 731,057 | 411,768 |
| | Total Investments | 107.69% | $ 55,723,570 | $ 44,502,460 |

* No individual security represents greater than 5 percent of partners' capital.

The accompanying notes are an integral part of these financial statements.

### 1. Organization

Dhandho India Zero Fee Fund, L.P. (the “Partnership”), a Delaware limited partnership, was organized on May 17, 2017 and commenced operations on October 1, 2017. The Partnership will continue indefinitely until wound up in accordance with the provisions of the Partnership’s Limited Partnership Agreement.

Dhandho Funds, LLC serves as the Partnership’s General Partner (the "General Partner") and is responsible for the management of the Partnership’s assets. The Partnership’s investment objective is to earn long-term appreciation by investing at least 2/3 of its assets (at cost) in marketable securities of companies that are publicly listed in India and/or have significant operations in India (“Indian Companies”) or in cash and cash equivalents, and up to 1/3 of its assets (at cost) in marketable securities of Indian Companies and non-Indian Companies. The Partnership may engage in any and all activities necessary or incidental to the accomplishment of the foregoing and any and all of the Partnership’s activities or objectives may be modified, subject to the provisions of the Partnership’s Limited Partnership Agreement, in the discretion of the General Partner.

The Partnership utilizes UBS Securities LLC (“UBS”) as its principal broker-dealer and maintains its cash and investments with UBS. Additionally, the Partnership utilizes Kotak Mahindra Bank Limited and UBS Financial Services Inc. All subscriptions and proceeds from investors are received into the UBS account, and all redemptions and disbursements are made from the UBS account.

The Partnership has also entered into an agreement with Liccar to perform all general administrative tasks of the Partnership, including keeping the financial records, preparation of reports to Limited Partners and approval of all disbursements.

### 2. Significant Accounting Policies

**Method of Reporting**
The Partnership’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The General Partner has evaluated the structure, objectives and activities of the Partnership and determined that the Partnership meets the characteristics of an investment company.

**Use of Estimates**
The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

**Contingencies and Commitments**
In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the General Partner expects the risk of material loss to be remote.

**Security Valuation**
Securities that are listed on an exchange and are freely transferable shall be valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the “bid” price on such exchange at the close of business on such day and if sold short at the “asked” price at the close of business on such day. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the General Partner. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net asset value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Partnership, in its sole discretion, the listed price for any security held by the Partnership does not accurately reflect the value of such security, the Partnership may value such security at a price which is greater or less than the quoted market price for such security.

**Security Transactions and Income and Expense Recognition**
Investment transactions are recorded on the trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

**Foreign Currency Transactions**
Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

**Income Taxes**
No provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are not the responsibility of the Partnership. Each partner is required to report on his/her income tax return his/her proportionate share of the items of income and deduction of the Partnership.

The Partnership executes trades on the Indian and Korean exchanges and, therefore, may be subject to taxes levied in each country. The investments in common stock traded on the Indian exchange are subject to short-term capital gains tax at 15% and long-term capital gain tax at 10%. Prior to April 1, 2018 long-term capital gains were not subject to tax. For the year ended December 31, 2019, the Partnership is expecting to receive $65,606 of Indian taxes paid. The Partnership intends to hold the Indian securities for the long-term. The investments in common stock traded on the Korean exchange are subject to 22% tax on interest and dividend income. Capital gains tax is exempted if holdings are less than 25% of outstanding shares on the Korean exchange and the securities transaction is executed through Korean exchange, not the over-the-counter market. If holdings are more than 25% of outstanding shares on the Korean exchange or if the trade is executed through the over-the-counter market, a 22% standard rate or 11% of sales proceeds (including resident tax), whichever is lower, will be levied. The investments in common stock traded on the Turkish exchange are subject to withholding based taxation applicable on capital gains and interest for equities and fixed income securities purchased on or after January 1, 2006. The current tax rate is zero for equities and 10% for fixed income securities. Dividends are subject to dividend withholding tax at the rate of 15%. Provisions of tax treaties are reserved. For countries with double taxation treaties, the treaty rate prevails only if it is more favorable than the standard rate. As of December 31, 2019, $16,466 was accrued for these taxes.

Management has continued to evaluate the application of Accounting Standards Codification (“ASC”) 740, “Income Taxes”, and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax year from October 1, 2017 (commencement of operations) through December 31, 2019. The Partnership is not aware of any examinations in progress. The Partnership has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Partnership's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019. The Partnership is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

**Redemptions Payable**
The Partnership accounts for subscriptions, allocations and redemptions on a per share basis.

**Subscriptions received in advance**
Subscription received in advance represents the amount of subscriptions received in advance.

**Statement of Cash Flows**
The Partnership has elected not to provide a Statement of Cash Flows as permitted by the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 230-10-15, “Statement of Cash Flows-Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale.”

## 3. Fair Value Measurement

The Partnership complies with financial reporting rules that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The General Partner does not adjust the quoted price for such instruments, even in situations where the General Partner holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the General Partner in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

For the year ended December 31, 2019, the Partnership had no investments classified within Level 3. There were no transfers in or out of either Level 1 or Level 2 as of or during that period as well.

The following table presents the financial instruments carried on the Statement of Assets and Liabilities and Partners' Capital by level:

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Common stock | $ 44,090,692 | $ - | $ - | $ 44,090,692 |
| Preferred Stocks | 411,768 | - | - | 411,768 |
| | $ 44,502,460 | $ - | $ - | $ 44,502,460 |

## 4. Partners' Capital

**Subscriptions and Units**

Each Limited Partner of the Partnership must qualify as an “accredited investor” within the meaning of Regulation D under the Securities Act of 1933 and a “qualified purchaser” as defined under the Investment Company Act of 1940. In exchange for each Partner’s subscription to the Partnership, the Partnership issues Units, which represent an undivided proportionate interest in the assets and liabilities of the Partnership. Units were initially issued at $10 and are subsequently offered at Unit Value. As of any valuation date, the Unit Value is determined by dividing the Partners’ Capital of the Partnership by the total number of Units outstanding. The initial investment by each Limited

Partner may not be less than $1,000,000, and each additional investment may not be less than $25,000. The General Partner, in its sole discretion, reserves the right to increase the minimum investment amount as the number of Partners increases and/or to accept investments below the then applicable minimum investment amount. For the year ended December 31, 2019 the Partnership had subscriptions of $9,365,090.

**Withdrawals**
Subsequent to 90 days after an investor's initial investment in the Partnership, an investor may, once a year, effective December 31st, request the withdrawal of all or a portion of his Units, upon at least 60 days prior written notice to the General Partner; provided that no partial withdrawal which would reduce an investor's capital account below $100,000 will be accepted. The Partnership, in its discretion, may at any time redeem all or a portion of the Units of any investor. Withdrawals may be paid in cash or, at the discretion of the General Partner, in marketable securities of the Partnership at their fair market value. Withdrawals made with effective dates other than December 31st will be made based on the unaudited Net Asset Value as of the last business day prior to the effective date, and true-ups will be made as promptly as possible once the audited net asset value is available to the extent of any differences between the unaudited and audited net asset value. For the period ended December 31, 2019, the General Partner approved partners' withdrawal requests of $3,301,760, all of which was paid out subsequent to year-end.

**Transfers**
Interests are not transferable without the consent of the General Partner.

**Distributions**
The Partnership does not intend to make distributions of income to its Partners.

## 5. General Partner Allocation

The General Partner is entitled to a performance allocation equal to 25% of the amount by which the increase, if any, in the Net Asset Value Per Unit exceeds 6% on a annual basis over the "High Water Mark" in effect immediately prior to the applicable valuation date. The valuation date is defined as the last day of each fiscal quarter and the day immediately preceding the date upon which a capital contribution of the Partnership or withdrawal of capital in excess of $25,000 is made. The "High Water Mark" initially means the Net Asset Value Per Unit of $10, and is adjusted, as of each valuation date, to equal the greater of (a) the High Water Mark immediately prior to such valuation date, increased at a per annum rate of 6% or (b) the Net Asset Value Per Unit as of such valuation date.

During the year ended December 31, 2019 the General Partner earned no performance allocation.

## 6. Related Party

At December 31, 2019, the General Partner held no interest in the Partnership.

The Partnership engaged in cross transactions with related entities in securities that are illiquid or subject to regulatory ownership limits. These cross transactions were at market prices and achieved business and investment purposes for the relevant funds. For the year ended December 31, 2019, the Partnership purchased securities worth $6,829,221 from various related entities.

## 7. Principal Limited Partner

At December 31, 2019, no limited partners held more than 5% of the total partners' capital.

## 8. Risks

**Market and Credit Risks**

The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of security prices and interest rates. As recent events have demonstrated, unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in the U.S. or global markets in which the Partnership may directly or indirectly hold positions could impair the Partnership's ability to carry out its business and could cause the Partnership to incur substantial losses.

The Partnership's trading activities expose the Partnership to both market risk, the risks from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract.

Market risk is the potential for changes in fair value of financial instruments from market changes, including fluctuations in market prices. Market risk is directly affected by the volatility and liquidity in the markets in which the related underlying assets are traded.

Credit risk exists from the possibility of loss from the failure of the counterparty to perform according to the terms of a contract.

The Partnership has a substantial portion of its assets on deposit with brokers in connection with its trading of certain investments and its cash management activities. In the event of a financial institution's insolvency, recovery of the Partnership assets on deposit may be limited.

**Currency Risks**

The Partnership invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

**Emerging Market Risk**

Investments in securities and instruments traded in developing or emerging markets, or that provide exposure to these securities or markets, can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments or investments in more developed international markets. For example, emerging markets may be subject to, among other risks, greater market volatility; lower trading volume and liquidity; greater social, political and economic uncertainty; governmental controls on foreign investments and limitations on repatriation of invested capital; lower disclosure, corporate governance, auditing and financial reporting standards; fewer protections of property rights; restrictions on the transfer of securities or currency; and settlement and trading practices that differ from U.S. markets and markets of more developed countries. Each of these factors may impact the ability of the Partnership to buy, sell or otherwise transfer securities, adversely affect the Partnership and cause the Partnership to decline in value.

## 9. Financial Highlights

Financial highlights are calculated for a Limited Partner unit outstanding for the year ended December 31, 2019. An individual Limited Partner’s return and ratios may vary based on timing of capital transactions. The ratios are computed based on the average Limited Partners' capital, calculated for all Limited Partners as a group.

| | | | |
|---|---|---|---|
| **Selected per unit data** | | | |
| Limited Partner unit value, beginning of year | $ | 7.97 | |
| Income from investment operations[1] | | | |
| Net investment income / (loss) | | 0.20 | |
| Net realized gain/(loss) and net change in unrealized appreciation/(depreciation) | | (0.54) | |
| Performance allocation | | - | |
| Limited Partner unit value, end of year | $ | 7.63 | |
| **Total return** | | | |
| Total return before performance allocation | | (4.33) | % |
| Performance allocation | | - | |
| Total return after performance allocation | | (4.33) | % |
| **Ratios to average limited partners’ capital** | | | |
| Operating Expenses | | 0.29 | % |
| Performance allocation | | - | % |
| Total operating expenses and performance allocation | | 0.29 | % |
| Net investment gain | | 2.44% | % |

[1] Calculated using the average number of units outstanding during the year.

## 10. Subsequent Events

The Partnership has evaluated subsequent events through the issuance of the Partnership's financial statements on March 26, 2020.

From January 1, 2020 through March 26, 2020 the Partnership received capital contributions of approximately $2,586,344 of which $2,500,000 was received in advance.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Partnership's performance.

# Dhandho India Zero Fee Fund Offshore Ltd.

**Financial Statements**
**December 31, 2019**

# Dhandho India Zero Fee Fund Offshore Ltd.
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## December 31, 2019

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**Report of Independent Auditors**

To the Board of Directors of Dhandho India Zero Fee Fund Offshore Ltd.

We have audited the accompanying financial statements of Dhandho India Zero Fee Fund Offshore Ltd. (the "Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations and of changes in net assets for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho India Zero Fee Fund Offshore Ltd. as of December 31, 2019, and the results of its operations and changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

March 26, 2020

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# Dhandho India Zero Fee Fund Offshore Ltd.
## Statement of Assets and Liabilities
## December 31, 2019
*(expressed in United States dollars)*

| | |
|---|---|
| **Assets** | |
| Cash | $ 1,906,155 |
| Investments, at fair value (cost $41,538,352) | 33,189,547 |
| Other assets | 112,749 |
| Total assets | 35,208,451 |
| **Liabilities** | |
| Subscriptions received in advance | 1,830,000 |
| Accrued expenses | 46,255 |
| Other liabilities | 28,360 |
| Total liabilities | 1,904,615 |
| Net assets | $ 33,303,836 |
| **Net assets consist of:** | |
| Management shares (100 authorized; 100 issued and outstanding) | $ 1 |
| Shares (4,347,454 issued and outstanding) | 33,303,835 |
| Total net assets | $ 33,303,836 |
| Net asset value per share | $ 7.66 |

The accompanying notes are an integral part of these financial statements.

# Dhandho India Zero Fee Fund Offshore Ltd.
## Statement of Operations
## Year Ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Investment income** | | |
| Dividend income (net of withholding tax of $44,621) | $ | 871,877 |
| Interest income | | 20,512 |
| Total investment income | | 892,389 |
| **Expenses** | | |
| Professional fees | | 20,750 |
| Administration fee | | 30,000 |
| Other expense | | 108,596 |
| Interest expense | | 257 |
| Total expenses | | 159,603 |
| Net investment income | | 732,786 |
| **Net realized and unrealized gain (loss) on investments** | | |
| Net realized (loss) on investments | | (81,529) |
| Net realized gain on foreign currency transactions | | 28,951 |
| Net change in unrealized depreciation on investments | | (2,521,828) |
| Net realized and unrealized gain (loss) on investments | | (2,574,406) |
| Net decrease in net assets resulting from operations | $ | (1,841,620) |

The accompanying notes are an integral part of these financial statements.

## Dhandho India Zero Fee Fund Offshore Ltd.
### Statement of Changes in Net Assets
### Year Ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Decrease in net assets from operations** | | |
| Net investment income | $ | 732,786 |
| Net realized (loss) on investments | | (81,529) |
| Net realized gain on foreign currency transactions | | 28,951 |
| Net change in unrealized depreciation on investments | | (2,521,828) |
| Net decrease in net assets resulting from operations | | (1,841,620) |
| **Capital transactions** | | |
| Subscriptions of common shares (856,647 shares) | | 7,144,460 |
| Redemptions of common shares (27,049 shares) | | (216,970) |
| Net change in net assets resulting from capital transactions | | 6,927,490 |
| Net increase in net assets for the year | | 5,085,870 |
| **Net assets at:** | | |
| Beginning of year | | 28,217,966 |
| End of year | $ | 33,303,836 |

The accompanying notes are an integral part of these financial statements.

# Dhandho India Zero Fee Fund Offshore Ltd.
## Condensed Schedule of Investments
## December 31, 2019
*(expressed in United States dollars)*

| Number of Shares | | Value as Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Industrials | | | |
| 262,105 | Graftech Internaitonal Ltd | 9.15% | $ 2,946,734 | $ 3,045,660 |
| | Semiconductor | | | |
| 94,173 | Micron Technologies Inc. | 15.21% | 3,700,020 | 5,064,624 |
| | Total United States | 24.36% | 6,646,754 | 8,110,284 |
| | **India** | | | |
| | Chemicals | | | |
| 1,844,252 | Rain Industries Limited | 7.66% | 3,300,108 | 2,551,327 |
| | Consumer Defensive | | | |
| 371,635 | Kaveri Seed Company Limited | 7.96% | 2,877,460 | 2,651,668 |
| | Financial Services | | | |
| 302,924 | BSE Limited | 6.40% | 2,587,731 | 2,131,229 |
| 1,358,129 | Edelweiss Financial Services Limited | 6.25% | 3,699,434 | 2,080,810 |
| 1,488,211 | Indian Energy Exchange Limited | 8.95% | 3,500,214 | 2,981,684 |
| | Other | 9.00% * | 6,001,146 | 2,995,963 |
| | Healthcare | 1.84% | 2,208,812 | 612,201 |
| | Real Estate Property Development | | | |
| 547,416 | Sunteck Realty Ltd | 9.60% | 3,600,304 | 3,196,601 |
| 698,934 | Kolte-Patil Developers Limited | 7.34% | 3,423,009 | 2,445,200 |
| | Total India | 65.00% | 31,198,218 | 21,646,683 |
| | **Korea** | | | |
| | Consumer Electronics | | | |
| 33,857 | LG Corporation | 6.49% | 2,022,519 | 2,161,758 |
| | Telecommunication | 0.93% | 228,228 | 309,641 |
| | Total Korea | 7.42% | 2,250,747 | 2,471,399 |
| | **United Kingdom** | | | |
| | Automotive | 2.14% | 1,003,873 | 712,127 |
| | Total United Kingdom | 2.14% | 1,003,873 | 712,127 |
| | Total Common Stocks | 98.92% | $ 41,099,592 | $ 32,940,493 |
| | **Preferred Stocks** | | | |
| | **Korea** | | | |
| | Industrial Manufacturing | 0.75% | 438,760 | 249,054 |
| | Total Korea | 0.75% | 438,760 | 249,054 |
| | Total Preferred Stocks | 0.75% | 438,760 | 249,054 |
| | Total Investments | 99.67% | $ 41,538,352 | $ 33,189,547 |

* No individual security represents greater than 5 percent of net assets.

The accompanying notes are an integral part of these financial statements.

## 1. Organization

Dhandho India Zero Fee Fund Offshore Ltd. (the “Fund”), a British Virgin Islands Corporation, was organized on June 1, 2017 and commenced operations on October 1, 2017. The Fund will continue indefinitely until wound up in accordance with the provisions of the Fund’s Articles of Association.

The Fund has been recognized as a professional fund under the Securities and Investment Business Act, (British Virgin Islands) (the “Funds Act”). The shares of a “professional fund” as defined in the Funds Act may be made available (including issued or transferred) to persons who are “professional investors” within the meaning of the Funds Act and on the basis that investment in the Fund by each investor is not less than $100,000.

Dhandho Funds, LLC serves as the Fund’s Investment Manager (the "Investment Manager") and is responsible for the management of the Fund’s assets. The Fund will seek to earn long-term appreciation by investing at least 2/3 of its assets (at cost and exclusive of future redemptions) in marketable securities of companies that are publicly listed in India and/or have significant operations in India (“Indian Companies”) or cash and cash equivalents, and up to 1/3 of its assets (at cost and exclusive of future redemptions) in marketable securities of Indian Companies and non-Indian Companies.

The Fund utilizes UBS Securities LLC (“UBS”) as its principal broker-dealer and maintains its cash and investments with UBS. Additionally, the Fund utilizes Kotak Mahindra Bank Limited and UBS Financial Services Inc. All subscriptions and proceeds from investors are received into the UBS account, and all redemptions and disbursements are made from the UBS account.

The Fund has also entered into an agreement with Liccar to perform all general administrative tasks of the Fund, including keeping the financial records, preparation of reports to shareholders and approval of all disbursements.

## 2. Significant Accounting Policies

### Method of Reporting

The Fund’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Investment Manager has evaluated the structure, objectives and activities of the Fund and determined that the Fund meets the characteristics of an investment company.

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

### Contingencies and Commitments

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Investment Manager expects the risk of material loss to be remote.

**Security Valuation**

Securities that are listed on an exchange and are freely transferable shall be valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the "bid" price on such exchange at the close of business on such day and if sold short at the "asked" price at the close of business on such day. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the Investment Manager. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net asset value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Fund, in its sole discretion, the listed price for any security held by the Fund does not accurately reflect the value of such security, the Fund may value such security at a price which is greater or less than the quoted market price for such security.

**Security Transactions and Income and Expense Recognition**

Investment transactions are recorded on the trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

**Foreign Currency Transactions**

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

**Income Taxes**

The Fund has conducted and intends to conduct its operations so that it will not be engaged in a United States trade or business and, therefore, will not be subject to United States federal income tax on its net income from United States sources, except for United States withholding tax at a 30% rate on United States source dividend income received. Generally, there is no withholding on portfolio interest income and capital gains derived from United States securities.

The Fund executes trades on the Indian and Korean exchanges and, therefore, may be subject to taxes levied in each country. The investments in common stock traded on the Indian exchange are subject to short-term capital gains tax at 15% and long-term capital gain tax at 10%. Prior to April 1, 2018 long-term capital gains were not subject to tax. For the year ended December 31, 2019, the Fund is expecting to receive $73,151 of Indian taxes paid. The Fund intends to hold the Indian securities for the long-term. The investments in common stock traded on the Korean exchange are subject to 22% tax on interest and dividend income. Capital gains tax is exempted if holdings are less than 25% of outstanding shares on the Korean exchange and the securities transaction is executed through Korean exchange, not the over-the-counter market. If holdings are more than 25% of outstanding shares on the Korean exchange or if the trade is executed through the over-the-counter market, a 22% standard rate or 11% of sales proceeds (including resident tax), whichever is lower, will be levied. The investments in common stock traded on the Turkish exchange are subject to withholding based taxation applicable on capital gains and interest for equities and fixed income securities purchased on or after January 1, 2006. The current tax rate is zero for equities and 10% for fixed income securities. Dividends are subject to dividend withholding tax at the rate of 15%. Provisions of tax treaties are reserved. For countries with double taxation treaties, the treaty rate prevails only if it is more favorable than the standard rate. As of December 31, 2019, $10,883 was accrued for these taxes.

Under the current British Virgin Islands legislation, the Fund is not required to pay taxes in the British Virgin Islands on income or capital gains. Because the Fund is not subject to taxation in the British Virgin Islands and it is management's opinion that its method of operations does not result in its being subject to income taxes, no provision for taxes has been made in these financial statements.

Management has continued to evaluate the application of Accounting Standards Codification ("ASC") 740, "Income Taxes", and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax year from October 1, 2017 (commencement of operations) through December 31, 2019. The Fund is not aware of any examinations in progress. The Fund has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Fund's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019.

**Redemptions Payable**
The Fund accounts for subscriptions, allocations and redemptions on a per share basis.

**Subscriptions received in advance**
Subscription received in advance represents the amount of subscription received in advance.

**Statement of Cash Flows**
The Fund has elected not to provide a Statement of Cash Flows as permitted by the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 230-10-15, "Statement of Cash Flows-Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale."

## 3. Fair Value Measurement

The Fund complies with financial reporting rules that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Manager's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The Investment Manager does not adjust the quoted price for such instruments, even in situations where the Investment Manager holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the Investment Manager in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Investment Manager in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Investment Manager due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations.

For the year ended December 31, 2019, the Fund had no investments classified within Level 3. There were no transfers in or out of either Level 1 or Level 2 for the year ended December 31, 2019 as well.

The following table presents the financial instruments carried on the Statement of Assets and Liabilities by level:

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Common stocks | $ 32,940,493 | $ - | $ - | $ 32,940,493 |
| Preferred stocks | 249,054 | - | - | 249,054 |
| | $ 33,189,547 | $ - | $ - | $ 33,189,547 |

## 4. Share Capital

### Non-Voting Common Shares

The Fund is authorized to issue an unlimited number of non-voting shares without a par value (the "Shares"). The Shares were offered at an initial price of $10 per share, and are thereafter offered at the then net asset value of such shares. The Shares have no voting rights, but do participate in all profits and losses of the Fund, including net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expense (including the investment management fee as described in Note 5). Such profits and losses are generally allocated at least annually and each time new Shares are issued and redeemed.

The net asset value of a Share is determined by dividing the net assets attributable to the Shares by the total number of Shares outstanding.

The initial investment by each investor may not be less than $1,000,000. The Investment Manager may, at its discretion, allow initial investments of lower amounts but not less than the statutory minimum, currently $100,000 for initial subscriptions. Minimum additional amounts are determined by the Investment Manager at its discretion.

### Management Shares

The Fund has authorized 100 shares of voting, non-participating Management Shares without par value. The Management Shares, which are the sole voting shares, are not entitled to participate in any profits or income of the Fund. The Management Shares are redeemable at $0.01 and are owned by the Investment Manager.

### Redemptions

Subsequent to 90 days after an investor's initial investment in the Fund, an investor may, annually, effective on the December 31st, request the redemption of all or a portion of his Shares, upon at least 60 days prior written notice to the Investment Manager; provided that no partial withdrawal which would reduce an investor's capital account below $100,000 will be accepted. The Fund, in its discretion, may at any time redeem all or a portion of the Shares of any investor. Redemptions may be paid in cash or, at the discretion of the Investment Manager, in marketable securities of the Fund at their fair market value. Redemptions made with effective dates other than December 31st will be made based on the unaudited Net Asset Value as of the last business day prior to the effective date, and true-ups will be made as promptly as possible once the audited net asset value is available to the extent of any differences between the unaudited and audited net asset value**.**

### Transfers

Interests are not transferable without the consent of the Investment Manager.

### Distributions

The Fund does not intend to make distributions of income to its Shareholders.

## 5. Investment Management Fee

An investment management fee will be payable to the Investment Manager from time to time, but no less frequently than quarterly, in an amount equal to 25% of the amount by which the increase, if any, in the net asset value of the Fund at the time such investment management fee becomes payable exceeds 1.5%, on a quarterly basis, of the net asset value of the Fund at the time such investment management fee was most recently paid to the Investment Manager, except that no investment management fee will be paid unless at the time such investment management fee becomes payable the net asset value of a Share is at its historic highest value after giving effect to distributions, if any, to investors by the Fund and any share split or share dividends with respect to Shares of the Fund.

An Investment Management Fee will become payable to the Investment Manager on the last day of each quarter and on the final trading day immediately preceding (i) any investment in Shares of the Fund by a new or existing investor and (ii) any redemption by an investor of all or any portion of such investor's Shares of the Fund (or transfer of ownership of such investor's Shares of the Fund not solicited by the Investment Manager).

For the year ended December 31, 2019, the Investment Manager did not earn any investment management fee.

## 6. Related Party

At December 31, 2019, the Investment Manager held no interest in the Fund.

The Fund engaged in cross transactions with related entities in securities that are illiquid or subject to regulatory ownership limits. These cross transactions were at market prices and achieved business and investment purposes for the relevant funds. For the year ended December 31, 2019, the Fund purchased securities worth $4,591,110 from various related entities.

## 7. Principal Shareholders

At December 31, 2019, two shareholders held approximately 24% of the net asset value of the total Common Shares issued.

## 8. Risks

**Market and Credit Risks**
The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of security prices and interest rates. As recent events have demonstrated, unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in the U.S. or global markets in which the Fund may directly or indirectly hold positions could impair the Fund's ability to carry out its business and could cause the Fund to incur substantial losses.

The Fund's trading activities expose the Fund to both market risk, the risks from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract.

Market risk is the potential for changes in fair value of financial instruments from market changes, including fluctuations in market prices. Market risk is directly affected by the volatility and liquidity in the markets in which the related underlying assets are traded.

Credit risk exists from the possibility of loss from the failure of the counterparty to perform according to the terms of a contract.

The Fund has a substantial portion of its assets on deposit with brokers in connection with its trading of certain investments and its cash management activities. In the event of a financial institution's insolvency, recovery of the Fund assets on deposit may be limited.

**Currency Risks**

The Fund invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

**Emerging Market Risk**

Investments in securities and instruments traded in developing or emerging markets, or that provide exposure to these securities or markets, can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments or investments in more developed international markets. For example, emerging markets may be subject to, among other risks, greater market volatility; lower trading volume and liquidity; greater social, political and economic uncertainty; governmental controls on foreign investments and limitations on repatriation of invested capital; lower disclosure, corporate governance, auditing and financial reporting standards; fewer protections of property rights; restrictions on the transfer of securities or currency; and settlement and trading practices that differ from U.S. markets and markets of more developed countries. Each of these factors may impact the ability of the Fund to buy, sell or otherwise transfer securities, adversely affect the Fund and cause the Fund to decline in value.

### 9. Financial Highlights

Financial highlights are calculated for a Share outstanding for the year ended December 31, 2019. An individual investor's return and ratios may vary based on the timing of capital transactions. Ratios are computed based on average monthly net assets.

| | | Common Shares | |
|---|---|---|---|
| **Selected per share data** | | | |
| Net asset value, begining of year | $ | 8.02 | |
| Income from investment operations[1] | | | |
| Net investment income | | 0.18 | |
| Net realized gain/(loss) and unrealized appreciation/(depreciation) on investments | | (0.54) | |
| Net asset value, end of year | $ | 7.66 | |
| **Total return** | | | |
| Total return before management fees | | (4.50) | % |
| Management fees | | - | |
| Total return after management fees | | (4.50) | % |
| **Ratios to average net assets** | | | |
| Operating expenses | | 0.50 | % |
| Management Fees | | - | % |
| Total operating expenses and management fees | | 0.50 | % |
| Net investment gain | | 2.32 | % |

(1) Calculated using the average number of shares outstanding during the year.

### 10. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the Fund's financial statements on March 26, 2020.

From January 1, 2020 through March 26, 2020 the Fund received capital contributions of approximately $1,908,722 of which $1,830,000 was received in advance.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Fund's performance.

# Dhandho Junoon LP

## Financial Statements

## For the Year Ended December 31, 2019

# Dhandho Junoon LP
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## December 31, 2019

**Page(s)**

**Report of Independent Auditors**

To the General Partner of Dhandho Junoon LP

We have audited the accompanying financial statements of Dhandho Junoon LP (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations and of changes in partners' capital for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho Junoon LP as of December 31, 2019, and the results of its operations and changes in its partners' capital for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

March 26, 2020

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*T: +1 (345) 949 7000, F: +1 (345) 949 7352,* www.pwc.com/ky

# Dhandho Junoon LP
## Statement of Assets, Liabilities and Partners' Capital
## December 31, 2019
*(expressed in United States dollars)*

| | |
|---|---|
| **Assets** | |
| Cash | $ 1,007,329 |
| Investments, at fair value (cost $10,725,532) | 10,867,050 |
| Dividends receivable | 3,256 |
| Other assets | 28,594 |
| Total assets | 11,906,229 |
| **Liabilities** | |
| Subscriptions received in advance | 890,000 |
| Withdrawals payable | 1,072,837 |
| Other liabilities | 31,822 |
| Payable for securities purchased | 82,764 |
| Accrued expenses and other liabilities | 29,619 |
| Total liabilities | 2,107,042 |
| **Partners' capital** | |
| General partner (13,780 units at $12.53 per unit) | 172,675 |
| Limited partners (768,228 units at $12.53 per unit) | 9,626,512 |
| Total partners' capital | 9,799,187 |
| Total liabilities and partners' capital | $ 11,906,229 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon LP
## Statement of Operations
## For the year ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Investment income** | | |
| Dividend income (net of withholding tax of $3,284) | $ | 163,628 |
| Interest income | | 617 |
| Total investment income | | 164,245 |
| **Expenses** | | |
| Professional fees | | 15,750 |
| Administration fee | | 33,500 |
| Other expense | | 18,342 |
| Total expenses | | 67,592 |
| Net investment income | | 96,653 |
| **Net realized and unrealized gain/(loss) on investments** | | |
| Net realized (loss) on investments | | (718,978) |
| Net realized gain on foreign currency transactions | | 1,193 |
| Net change in unrealized gain on investments | | 1,941,629 |
| Net realized and unrealized gain/(loss) on investments | | 1,223,844 |
| Net increase in partners' capital resulting from operations | $ | 1,320,497 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon LP
## Statement of Changes in Partners' Capital
## For the year ended December 31, 2019
*(expressed in United States dollars)*

| | General Partner | Limited Partners | Total |
|---|---|---|---|
| **Balance, January 1, 2019** | $ 150,719 | $ 8,540,772 | $ 8,691,491 |
| Contributions (126,315 units) | - | 1,500,000 | 1,500,000 |
| Withdrawals (138,958 units) | - | (1,712,801) | (1,712,801) |
| Net increase in partners' capital from operations | 21,956 | 1,298,541 | 1,320,497 |
| **Balance, December 31, 2019** | $ 172,675 | $ 9,626,512 | $ 9,799,187 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon LP
## Condensed Schedule of Investments
## December 31, 2019
*(expressed in United States dollars)*

| Number of Shares | | Value as Percentage of Partners' Capital | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Consumer Discretionary | 3.55% | 351,270 | 347,800 |
| | Financials | | | |
| 3,189 | Credit Acceptance Corporation | 14.39% | 1,399,926 | 1,410,590 |
| 11,012 | Globe Life | 11.83% | 1,165,870 | 1,159,013 |
| 6,457 | Primerica Inc | 8.60% | 858,327 | 843,026 |
| | Other* | 10.25% | 1,007,153 | 1,003,953 |
| | Industrials* | 7.38% | 511,085 | 723,593 |
| | Information Technology | | | |
| 13,362 | Keysight Technologies Inc | 13.99% | 1,391,344 | 1,371,342 |
| 24,238 | Knowles Corp | 5.23% | 527,068 | 512,634 |
| | Other* | 7.11% | 566,341 | 696,578 |
| | Total United States | 82.34% | 7,778,384 | 8,068,529 |
| | **Bermuda** | | | |
| | Financials | 3.87% | 381,309 | 379,062 |
| | Total Bermuda | 3.87% | 381,309 | 379,062 |
| | **Canada** | | | |
| | Real Estate | | | |
| 5,585 | Firstservice Corporation | 5.30% | 524,944 | 519,628 |
| | Consumer Discretionary | 3.15% | 294,429 | 308,455 |
| | Total Canada | 8.45% | 819,373 | 828,083 |
| | **China** | | | |
| | Consumer Discretionary | | | |
| 145,599 | BYD Co. Ltd | 7.41% | 977,728 | 725,957 |
| | Total China | 7.41% | 977,728 | 725,957 |
| | **Turkey** | | | |
| | Financials | 6.38% | 550,444 | 625,120 |
| | Total Turkey | 6.38% | 550,444 | 625,120 |
| | **United Kingdom** | | | |
| | Consumer Discretionary | 2.45% | 218,294 | 240,299 |
| | Total United Kingdom | 2.45% | 218,294 | 240,299 |
| | Total Common Stocks | 110.90% | $ 10,725,532 | $ 10,867,050 |

* No one security represents greater than 5%.

The accompanying notes are an integral part of these financial statements.

## 1. Organization

Dhandho Junoon LP (the “Partnership”), a Delaware limited partnership, was organized on April 18, 2016 and commenced operations on July 1, 2016. The Partnership will continue indefinitely until wound up in accordance with the provisions of the Partnership’s Limited Partnership Agreement.

Dhandho Funds, LLC serves as the Partnership’s General Partner (the "General Partner") and is responsible for the management of the Partnership’s assets. The Partnership will seek to earn above market returns and long-term appreciation by investing in common equity securities pursuant to a rules-based algorithm named the Dhandho Junoon Algorithm (the “Algorithm”). The General Partner reserves the right to modify any and all parameters of the Algorithm no more frequently than on a quarterly basis. Since the launch of the fund, the Investment Manager has reduced the number of stocks from 100 to 22.

The Partnership utilizes UBS Financial Services Inc. (“UBS”) as its principal broker-dealer and maintains its cash and investments with UBS. All subscriptions and proceeds from investors are received into the Northbrook Bank & Trust – Wintrust Funds Group (“Wintrust”) account, and all redemptions and disbursements are made from the Wintrust account. Additionally, the Partnership utilizes UBS Securities LLC.

The Partnership has also entered into an agreement with Liccar to perform all general administrative tasks of the Partnership, including keeping the financial records, preparation of reports to Limited Partners and approval of all disbursements.

## 2. Significant Accounting Policies

### Method of Reporting

The Partnership’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The General Partner has evaluated the structure, objectives and activities of the Partnership and determined that the Partnership meets the characteristics of an investment company.

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

### Contingencies and Commitments

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the General Partner expects the risk of material loss to be remote.

### Security Valuation

Securities that are listed on an exchange and are freely transferable shall be valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the “bid” price on such exchange at the close of business on such day and if sold short at the “asked” price at the close of business on such day. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the General Partner. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net assets value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Partnership, in its sole discretion, the listed price for any security held by the Partnership does not accurately reflect the value of such security, the Partnership may value such security at a price which is greater or less than the quoted market price for such security.

**Security Transactions and Income and Expense Recognition**
Investment transactions are recorded on the trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

**Foreign Currency Transactions**
Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

**Income Taxes**
No provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are not the responsibility of the Partnership. Each partner is required to report on his/her income tax return his/her proportionate share of the items of income and deduction of the Partnership.

Management has continued to evaluate the application of Accounting Standards Codification (“ASC”) 740, “Income Taxes”, and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax year from January 1, 2017 through December 31, 2019. The Partnership is not aware of any examinations in progress. The Partnership has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Partnership's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019. The Partnership is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

**Redemptions Payable**
The Partnership accounts for subscriptions, allocations and redemptions on a per share basis.

**Subscriptions received in advance**
Subscription received in advance represents the amount of subscriptions received in advance.

**Statement of Cash Flows**
The Partnership has elected not to provide a Statement of Cash Flows as permitted by the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 230-10-15, "Statement of Cash Flows-Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale."

## 3. Fair Value Measurement

The Partnership complies with financial reporting rules that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The General Partner does not adjust the quoted price for such instruments, even in situations where the General Partner holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the General Partner in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

For the year ended December 31, 2019, the Partnership had no investments classified within Level 3. There were no transfers in or out of either Level 1 or Level 2 during year ended December 31, 2019 as well.

The following table presents the financial instruments carried on the Statement of Assets and Liabilities and Partners' Capital by level:

| | **Assets at Fair Value as of December 31, 2019** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Common stock | $ 10,867,050 | $ - | $ - | $ 10,867,050 |
| | $ 10,867,050 | $ - | $ - | $ 10,867,050 |

## 4. Partners' Capital

### Subscriptions and Units

Each Limited Partner of the Partnership must qualify as an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933 and a "qualified purchaser" as defined under the Investment Company Act of 1940. In exchange for each Partner's subscription to the Partnership, the Partnership issues Units, which represent an undivided proportionate interest in the assets and liabilities of the Partnership. Units were initially issued at $10 and are subsequently offered at Unit Value. As of any valuation date, the Unit Value is determined by dividing the Partners' Capital of the Partnership by the total number of Units outstanding. The initial investment by each Limited Partner may not be less than $1,000,000, and each additional investment may not be less than $25,000. The General Partner, in its sole discretion, reserves the right to increase the minimum investment amount as the number of Partners increases and/or to accept investments below the then applicable minimum investment amount. For the year ended December 31, 2019 the Partnership had subscriptions of $1,500,000

### Withdrawals

Subsequent to 90 days after an investor's initial investment in the Partnership, an investor may, once a quarter, effective on the last day of the corresponding quarter, request the withdrawal of all or a portion of his Shares, upon at least 60 days prior written notice to the General Partner; provided that no partial withdrawal which would reduce an investor's capital account below $100,000 will be accepted. The Partnership, in its discretion, may at any time withdraw all or a portion of the Shares of any investor. Withdrawal may be paid in cash or, at the discretion of the General Partner, in marketable securities of the Partnership at their fair market value. Withdrawals made with effective dates other than December 31st will be made based on the unaudited Net

Asset Value as of the last business day prior to the effective date, and true-ups will be made as promptly as possible once the audited net asset value is available to the extent of any differences between the unaudited and audited net asset value. For the year ended December 31, 2019, the General Partner approved partners' withdrawal requests of $1,712,801 of which $1,072,837 was paid out subsequent to year–end.

**Transfers**
Interests are not transferable without the consent of the General Partner.

**Distributions**
The Partnership does not intend to make distributions of income to its Partners.

## 5. General Partner Allocation

The General Partner is entitled to a performance allocation equal to 25% of the amount by which the increase, if any, in the Net Asset Value Per Unit exceeds 1.5% on a quarterly basis over the "High Water Mark" in effect immediately prior to the applicable valuation date. The valuation date is defined as the last day of each fiscal quarter and the day immediately preceding the date upon which a capital contribution of the Partnership or withdrawal of capital in excess of $25,000 is made. The "High Water Mark" initially means the Net Asset Value Per Unit of $10, and is adjusted, as of each valuation date, to equal the greater of (a) the High Water Mark immediately prior to such valuation date, increased at a per annum rate of 6% or (b) the Net Asset Value Per Unit as of such valuation date.

During the year ended December 31, 2019 the General Partner earned no performance allocation.

## 6. Related Party

At December 31, 2019, the General Partner held approximately 2% of the net asset value of the total equity.

## 7. Principal Limited Partner

At December 31, 2019, three limited partners held 43% of the total partners' capital.

## 8. Risks

**Market and Credit Risks**
The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of security prices and interest rates. As recent events have demonstrated, unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in the U.S. or global markets in which the Partnership may directly or indirectly hold positions could impair the Partnership's ability to carry out its business and could cause the Partnership to incur substantial losses.

The Partnership's trading activities expose the Partnership to both market risk, the risks from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract.

Market risk is the potential for changes in fair value of financial instruments from market changes, including fluctuations in market prices. Market risk is directly affected by the volatility and liquidity in the markets in which the related underlying assets are traded.

Credit risk exists from the possibility of loss from the failure of the counterparty to perform according to the terms of a contract.

The Partnership has a substantial portion of its assets on deposit with brokers in connection with its trading of certain investments and its cash management activities. In the event of a financial institution's insolvency, recovery of the Partnership assets on deposit may be limited.

**Currency Risks**

The Partnership invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

**Algorithm Risks**

The Partnership's investments are driven largely through investment decisions generated by a rules-based algorithm. This differs from a traditional "actively managed fund." As a result, the Partnership will generally hold constituent securities identified by the Algorithm regardless of the current or projected performance of a specific security or a particular industry or market sector. Maintaining investments in securities regardless of market conditions or the performance of individual securities could cause the Partnership's return to be lower than if the Partnership employed a traditional active strategy. Furthermore, limited historical performance is available for the Algorithm and the Partnership. The General Partner reserves the right to modify any and all parameters of the Algorithm on a quarterly basis. While the General Partner will not intentionally make any modifications that it believes will adversely impact the performance of the Algorithm and/or the Partnership, no assurances can be given that some or all of the modifications made by the General Partner will not turn out to adversely (or materially adversely) impact the performance of the Algorithm and/or the Partnership.

## 9. Financial Highlights

Financial highlights are calculated for a Limited Partner unit outstanding for the year ended December 31, 2019. An individual Limited Partner's return and ratios may vary based on timing of capital transactions. The ratios are computed based on the average Limited Partners' capital, calculated for all Limited Partners as a group.

| | | | |
|---|---|---|---|
| **Selected per unit data** | | | |
| Limited Partner unit value, beginning of year | $ | 10.94 | |
| Income from investment operations[1] | | | |
| Net investment income / (loss) | | 0.12 | |
| Net realized gain/(loss) and net change in unrealized appreciation/(depreciation) | | 1.47 | |
| Performance allocation | | - | |
| Limited Partner unit value, end of year | $ | 12.53 | |
| **Total return** | | | |
| Total return before performance allocation | | 14.57 | % |
| Performance allocation | | - | |
| Total return after performance allocation | | 14.57 | % |
| **Ratios to average limited partners' capital** | | | |
| Operating Expenses | | 0.67 | % |
| Performance allocation | | 0.00 | % |
| Total operating expenses and performance allocation | | 0.67 | % |
| Net investment income / (loss) | | 1.10% | % |

(1) Calculated using the average number of units outstanding during the year.

## 10. Subsequent Events

The Partnership has evaluated subsequent events through the issuance of the Partnership's financial statements on March 26, 2020.

From January 1, 2020 through March 26, 2020 the Partnership received capital contributions of approximately $890,000 of which $890,000 was received in advance.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Partnership's performance.

# Dhandho Junoon Offshore Ltd.

**Financial Statements**
**For the Year Ended December 31, 2019**

# Dhandho Junoon Offshore Ltd.
## Index
## December 31, 2019

**Report of Independent Auditors**

To the Board of Directors of Dhandho Junoon Offshore Ltd.

We have audited the accompanying financial statements of Dhandho Junoon Offshore Ltd. (the "Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations and of changes in net assets for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dhandho Junoon Offshore Ltd. as of December 31, 2019, and the results of its operations and changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

March 26, 2020

*PricewaterhouseCoopers, 18 Forum Lane, Camana Bay, PO Box 258, Grand Cayman KY1-1104, Cayman Islands*
*T: +1 (345) 949 7000, F: +1 (345) 949 7352,* www.pwc.com/ky

# Dhandho Junoon Offshore Ltd.
## Statement of Assets and Liabilities
## December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Assets** | | |
| Cash | $ | 94,554 |
| Investments, at fair value (cost $10,169,758) | | 10,251,242 |
| Dividends receivable (Net of withholding tax of $769) | | 2,306 |
| Other assets | | 22,213 |
| Total assets | | 10,370,315 |
| **Liabilities** | | |
| Payable for securities purchased | | 60,045 |
| Other liabilities | | 17,923 |
| Accrued expenses | | 22,102 |
| Redemptions payable | | 1,106,655 |
| Payable to Investment Manager | | 89 |
| Total liabilities | | 1,206,814 |
| Net assets | $ | 9,163,501 |
| **Net assets consist of:** | | |
| Management shares (100 authorized; 100 issued and outstanding) | $ | 1 |
| Shares (724,336 issued and outstanding) | | 9,163,500 |
| Total net assets | $ | 9,163,501 |
| Net asset value per share | $ | 12.65 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon Offshore Ltd.
## Statement of Operations
## For the year ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Investment income** | | |
| Dividend income (net of withholding tax of $35,728) | $ | 121,869 |
| Interest income | | 419 |
| Total investment income | | 122,288 |
| **Expenses** | | |
| Professional fees | | 15,000 |
| Administration fee | | 20,000 |
| Other expense | | 17,027 |
| Total expenses | | 52,027 |
| Net investment gain | | 70,261 |
| **Net realized and unrealized gain/(loss) on investments** | | |
| Net realized (loss) on investments | | (612,404) |
| Net realized gain on foreign currency transactions | | 1,777 |
| Net change in unrealized appreciation on investments | | 1,780,089 |
| Net realized and unrealized gain/(loss)on investments | | 1,169,462 |
| Net increase in net assets resulting from operations | $ | 1,239,723 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon Offshore Ltd.
## Statement of Changes in Net Assets
## For the year ended December 31, 2019
*(expressed in United States dollars)*

| | | |
|---|---|---|
| **Increase in net assets from operations** | | |
| Net investment gain | $ | 70,261 |
| Net realized (loss) on investments | | (612,404) |
| Net realized gain on foreign currency transactions | | 1,777 |
| Net change in unrealized appreciation on investments | | 1,780,089 |
| Net increase in net assets resulting from operations | | 1,239,723 |
| **Capital transactions** | | |
| Subscriptions of common shares (56,659 shares) | | 647,620 |
| Redemptions of common shares (95,765 shares) | | (1,206,653) |
| Net change in net assets resulting from capital transactions | | (559,033) |
| Net increase in net assets for the year | | 680,690 |
| **Net assets at:** | | |
| Beginning of year | | 8,482,811 |
| End of year | $ | 9,163,501 |

The accompanying notes are an integral part of these financial statements.

# Dhandho Junoon Offshore Ltd.
## Condensed Schedule of Investments
## December 31, 2019
*(expressed in United States dollars)*

| Number of Shares | | Value as Percentage of Net Assets | Cost | Fair Value |
|---|---|---|---|---|
| | **Common Stocks** | | | |
| | **United States** | | | |
| | Consumer Discretionary | 3.59% | 332,803 | 328,710 |
| | Financials | | | |
| 3,016 | Credit Acceptance Corporation | 14.56% | 1,323,456 | 1,334,067 |
| 10,413 | Globe Life | 11.96% | 1,102,451 | 1,095,968 |
| 6,105 | Primerica Inc | 8.70% | 811,553 | 797,069 |
| | Other* | 10.36% | 952,274 | 949,276 |
| | Industrials* | 7.45% | 490,649 | 682,747 |
| | Information Technology | | | |
| 12,636 | Keysight Technologies Inc Com | 14.15% | 1,315,744 | 1,296,833 |
| 22,920 | Knowles Corp | 5.29% | 498,287 | 484,758 |
| | Other* | 7.18% | 535,610 | 658,320 |
| | Total United States | 83.24% | 7,362,827 | 7,627,748 |
| | **Bermuda** | | | |
| | Financials | 3.91% | 360,545 | 358,416 |
| | Total Bermuda | 3.91% | 360,545 | 358,416 |
| | **Canada** | | | |
| | Real Estate | | | |
| 5,280 | Firstservice Corp | 5.36% | 496,326 | 491,251 |
| | Consumer Discretionary | 3.18% | 280,017 | 291,174 |
| | Total Canada | 8.54% | 776,343 | 782,425 |
| | **China** | | | |
| | Consumer Discretionary | | | |
| 138,637 | BYD Co. LTD SER H | 7.54% | 965,953 | 691,244 |
| | Total China | 7.54% | 965,953 | 691,244 |
| | **Turkey** | | | |
| | Financials | 1.52% | 129,556 | 139,467 |
| | Real Estate | 4.63% | 365,767 | 424,188 |
| | Total Turkey | 6.15% | 495,323 | 563,655 |
| | **United Kingdom** | | | |
| | Consumer Discretionary | 2.49% | 208,767 | 227,754 |
| | Total United Kingdom | 2.49% | 208,767 | 227,754 |
| | **Total Common Stocks** | 111.87% | $ 10,169,758 | $ 10,251,242 |

* No one security represents greater than 5%.

The accompanying notes are an integral part of these financial statements.

## 1. Organization

Dhandho Junoon Offshore Ltd. (the “Fund”), a British Virgin Islands Corporation, was organized on February 3, 2016 and commenced operations on July 1, 2016. The Fund will continue indefinitely until wound up in accordance with the provisions of the Fund’s Articles of Association.

The Fund has been recognized as a professional fund under the Securities and Investment Business Act, 2010 (British Virgin Islands) (the “Funds Act”). The shares of a “professional fund” as defined in the Funds Act may be made available (including issued or transferred) to persons who are “professional investors” within the meaning of the Funds Act and on the basis that investment in the Fund by each investor is not less than $100,000.

Dhandho Funds, LLC serves as the Fund’s Investment Manager (the "Investment Manager") and is responsible for the management of the Fund’s assets. The Fund will seek to earn above market returns and long-term appreciation by investing in common equity securities pursuant to a rules-based algorithm named the Dhandho Junoon Algorithm (the “Algorithm”). The Investment Manager reserves the right to modify any and all parameters of the Algorithm no more frequently than on a quarterly basis. Since the launch of the fund, the Investment Manager has reduced the number of stocks from 100 to 23.

The Fund utilizes UBS Financial Services Inc. (“UBS”) as its principal broker-dealer and maintains its cash and investments with UBS. All subscriptions and proceeds from investors are received into the Northbrook Bank & Trust – Wintrust Funds Group (“Wintrust”) account, and all redemptions and disbursements are made from the Wintrust account. Additionally, the Fund utilizes UBS Securities LLC.

The Fund has also entered into an agreement with Liccar to perform all general administrative tasks of the Fund, including keeping the financial records, preparation of reports to shareholders and approval of all disbursements.

## 2. Significant Accounting Policies

### Method of Reporting
The Fund’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Investment Manager has evaluated the structure, objectives and activities of the Fund and determined that the Fund meets the characteristics of an investment company.

### Use of Estimates
The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

### Contingencies and Commitments
In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Investment Manager expects the risk of material loss to be remote.

**Security Valuation**

Securities that are listed on an exchange and are freely transferable shall be valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the "bid" price on such exchange at the close of business on such day and if sold short at the "asked" price at the close of business on such day. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the Investment Manager. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net assets value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Fund, in its sole discretion, the listed price for any security held by the Fund does not accurately reflect the value of such security, the Fund may value such security at a price which is greater or less than the quoted market price for such security.

**Security Transactions and Income and Expense Recognition**

Investment transactions are recorded on the trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

**Foreign Currency Transactions**

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

**Income Taxes**

The Fund has conducted and intends to conduct its operations so that it will not be engaged in a United States trade or business and, therefore, will not be subject to United States federal income tax on its net income from United States sources, except for United States withholding tax at a 30% rate on United States source dividend income received. Generally, there is no withholding on portfolio interest income and capital gains derived from United States securities.

Under the current British Virgin Islands legislation, the Fund is not required to pay taxes in the British Virgin Islands on income or capital gains. Because the Fund is not subject to taxation in the British Virgin Islands and it is management's opinion that its method of operations does not result in its being subject to income taxes, no provision for taxes has been made in these financial statements.

Management has continued to evaluate the application of Accounting Standards Codification ("ASC") 740, "Income Taxes", and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2019, open tax years include the tax year from January 1, 2017 through December 31, 2019. The Fund is not aware of any examinations in progress. The Fund has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Fund's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2019. The Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

**Redemptions Payable**
The Fund accounts for subscriptions, allocations and redemptions on a per share basis.

**Subscriptions received in advance**
Subscription received in advance represents the amount of subscriptions received in advance.

**Statement of Cash Flows**
The Fund has elected not to provide a Statement of Cash Flows as permitted by the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 230-10-15, “Statement of Cash Flows-Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale.”

## 3. Fair Value Measurement

The Fund complies with financial reporting rules that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Manager's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The Investment Manager does not adjust the quoted price for such instruments, even in situations where the Investment Manager holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the Investment Manager in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Investment Manager in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Investment Manager due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations.

For the year ended December 31, 2019, the Fund had no investments classified within Level 3. There were no transfers in or out of either Level 1 or Level 2 as of or during that period as well.

The following table presents the financial instruments carried on the Statement of Assets and Liabilities by level:

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Common stock | $ 10,251,242 | $ - | $ - | $ 10,251,242 |
| | $ 10,251,242 | $ - | $ - | $ 10,251,242 |

## 4. Share Capital

**Non-Voting Common Shares**
The Fund is authorized to issue an unlimited number of non-voting shares without a par value (the “Shares”). The Shares were offered at an initial price of $10 per share, and are thereafter offered at the then net asset value of such shares. The Shares have no voting rights, but do participate in all profits and losses of the Fund, including net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expense (including the investment management fee as described in Note 5). Such profits and losses are generally allocated at least annually and each time new Shares are issued and redeemed.

The net asset value of a Share is determined by dividing the net assets attributable to the Shares by the total number of Shares outstanding.

The initial investment by each investor may not be less than $1,000,000. The Investment Manager may, at its discretion, allow initial investments of lower amounts. Minimum additional amounts are determined by the Investment Manager at its discretion but not less than the statutory minimum, currently $100,000 for initial subscriptions.

**Management Shares**

The Fund has authorized 100 shares of voting, non-participating Management Shares without par value. The Management Shares, which are the sole voting shares, are not entitled to participate in any profits or income of the Fund. The Management Shares are redeemable at $0.01 and are owned by the Investment Manager.

**Redemptions**

Subsequent to 90 days after an investor's initial investment in the Fund, an investor may, once a quarter, effective on the last day of the corresponding quarter, request the redemption of all or a portion of his Shares, upon at least 60 days prior written notice to the Investment Manager; provided that no partial withdrawal which would reduce an investor's capital account below $100,000 will be accepted. The Fund, in its discretion, may at any time redeem all or a portion of the Shares of any investor. Redemptions may be paid in cash or, at the discretion of the Investment Manager, in marketable securities of the Fund at their fair market value. Withdrawals made with effective dates other than December 31st will be made based on the unaudited Net Asset Value as of the last business day prior to the effective date, and true-ups will be made as promptly as possible once the audited net asset value is available to the extent of any differences between the unaudited and audited net asset value.

**Transfers**

Interests are not transferable without the consent of the Investment Manager.

**Distributions**

The Fund does not intend to make distributions of income to its Shareholders.

## 5. Investment Management Fee

An investment management fee will be payable to the Investment Manager from time to time, but no less frequently than quarterly, in an amount equal to 25% of the amount by which the increase, if any, in the net asset value of the Fund at the time such investment management fee becomes payable exceeds 1.5%, on a quarterly basis, of the net asset value of the Fund at the time such investment management fee was most recently paid to the Investment Manager, except that no investment management fee will be paid unless at the time such investment management fee becomes payable the net asset value of a Share is at its historic highest value after giving effect to distributions, if any, to investors by the Fund and any share split or share dividends with respect to Shares of the Fund.

An Investment Management Fee will become payable to the Investment Manager on the last day of each quarter and on the final trading day immediately preceding (i) any investment in Shares of the Fund by a new or existing investor and (ii) any redemption by an investor of all or any portion of such investor's Shares of the Fund (or transfer of ownership of such investor's Shares of the Fund not solicited by the Investment Manager).

## 6. Principal Shareholders

At December 31, 2019, six shareholders held 73% of the net asset value of the total Common Shares issued.

## 7. Risks

**Market and Credit Risks**

The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of security prices and interest rates. As recent events have demonstrated, unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in the U.S. or global markets in which the Fund may directly or indirectly hold positions could impair the Fund's ability to carry out its business and could cause the Fund to incur substantial losses.

The Fund’s trading activities expose the Fund to both market risk, the risks from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract.

Market risk is the potential for changes in fair value of financial instruments from market changes, including fluctuations in market prices. Market risk is directly affected by the volatility and liquidity in the markets in which the related underlying assets are traded.

Credit risk exists from the possibility of loss from the failure of the counterparty to perform according to the terms of a contract.

The Fund has a substantial portion of its assets on deposit with brokers in connection with its trading of certain investments and its cash management activities. In the event of a financial institution’s insolvency, recovery of the Fund assets on deposit may be limited.

**Currency Risks**

The Fund invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

**Algorithm Risks**

The Fund’s investments are driven largely through investment decisions generated by a rules-based algorithm. This differs from a traditional “actively managed fund.” As a result, the Fund will generally hold constituent securities identified by the Algorithm regardless of the current or projected performance of a specific security or a particular industry or market sector. Maintaining investments in securities regardless of market conditions or the performance of individual securities could cause the fund’s return to be lower than if the Fund employed a traditional active strategy. Furthermore, limited historical performance is available for the Algorithm and the Fund. The Investment Manager reserves the right to modify any and all parameters of the Algorithm on a quarterly basis. While the Investment Manager will not intentionally make any modifications that it believes will adversely impact the performance of the Algorithm and/or the Fund, no assurances can be given that some or all of the modifications made by the Investment Manager will not turn out to adversely (or materially adversely) impact the performance of the Algorithm and/or the Fund.

### 8. Financial Highlights

Financial highlights are calculated for a Share outstanding for the year ended December 31, 2019. An individual investor's return and ratios may vary based on the timing of capital transactions. Ratios are computed based on average monthly net assets and have not been annualized.

| | | | |
|---|---|---|---|
| **Selected per share data** | | | |
| Net asset value, beginning of year | $ | 11.11 | |
| Income from investment operations[1] | | | |
| Net investment gain | | 0.09 | |
| Net realized gain/(loss) and net change in unrealized depreciation | | 1.45 | |
| Investment management fee | | - | |
| Net asset value, end of year | $ | 12.65 | |
| **Total return** | | | |
| Total return before investment management fee | | 13.86 | % |
| Investment management fee | | (0.00) | |
| Total return after investment management fee | | 13.86 | % |
| **Ratios to average net assets** | | | |
| Operating expenses | | 0.54 | % |
| Investment management fee | | - | % |
| Total operating expenses and investment management fee | | 0.54 | % |
| Net investment gain | | 0.73 | % |

(1) Calculated using the average number of shares outstanding during the year.

### 9. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the Fund's financial statements on March 26, 2020.

From January 1, 2020 through March 26, 2020 the Fund received capital contributions of approximately $25,000 of which $0 was received in advance.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Fund's performance.

# Team Dhandho

**MOHNISH PABRAI**
*Chairman & Chief Executive Officer*

## Irvine, California

**FAHAD MISSMAR,** *Chief Financial Officer*
**JAYA BHARATH VELICHERLA,** *Vice President, Quantitative Analysis*
**BETSY HARKER,** *Office Manager,* **VALERIE MAGURSKY,** *Senior Administrative Assistant*
**JULIE ANNO,** *Administrative Assistant,* **KELLY FORD,** *Administrative Assistant*

## Dhandho Advisory Board

**TERRY ADAMS,** *Irvine, California*
**NAVNEET CHUGH,** *Fullerton, California*
**SRINI PULAVARTI,** *Los Angeles, California*

## Auditor

**PRICEWATERHOUSECOOPERS**

## Broker & Custodian

**UBS AG,** *The Desai Group*
**KOTAK MAHINDRA BANK LIMITED,** *India*

## General Counsel

**DENTONS US LLP,** *Chicago*
**CONYERS DILL & PEARMAN,** *British Virgin Islands*
**FINSEC LAW ADVISORS,** *India*

## Tax, Accounting & Administration

**MICHAEL J. LICCAR & CO., LLC**

## Tax

**BDO**
**PIETRANTONI MENDEZ & ALVAREZ LLC (PMA)**

Dhandho

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