

DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings
From: Mohnish Pabrai, Managing Partner
Date: October 14, 2020
Re: **Q3 2020 Results etc.**

Dear Partners:

For the quarter ended September 30, 2020, a total of \$1.2 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$0.2 million
Dhandho Junoon Zero Fee US Fund:	\$1.0 million

Total: \$1.2 million

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is January 1, 2021. Funds and subscription docs must be in by December 31, 2020 to make the January 1st opening date. The minimum initial investment is \$1.5 million for the India Zero Fee Funds and \$500,000 for the Junoon Zero Fee Funds. Existing partners can add as little as \$25,000; for IRA investors the minimum is \$5,000. If you are interested or would like more information, please nudge either Fahad Missmar at fm@dhandhofunds.com or me at mp@dhandhofunds.com.

The Dhandho Zero Fee Funds are open to US Accredited Qualified Purchasers (net worth over \$1 million with gross investments over \$5 million) and non-US investors who are Professional Investors (net worth over \$1 million).

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

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

	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 - 9/30/20	5.5%	5.1%	-15.2%
Annualized	12.2%	-6.4%	-13.5%
Cumulative	41.3%	-18.0%	-35.3%

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 - 9/30/20	5.5%	5.1%	-15.9%
Annualized	12.2%	-6.4%	-13.6%
Cumulative	41.3%	-18.0%	-35.6%

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

Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:

	S&P 500	Junoon US (net to investors)
7/1/16 - 12/31/16	7.8%	12.9%
1/1/17 - 12/31/17	21.8%	15.6%
1/1/18 - 12/31/18	-4.5%	-16.2%
1/1/19 – 12/31/19	31.5%	14.6%
1/1/20 – 9/30/20	5.5%	-10.3%
Annualized	13.9%	2.8%
Cumulative	74.0%	12.4%

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

	S&P 500	Junoon Offshore (net to investors)
7/1/16 - 12/31/16	7.8%	12.6%
1/1/17 - 12/31/17	21.8%	17.8%
1/1/18 - 12/31/18	-4.5%	-16.2%
1/1/19 – 12/31/19	31.5%	13.9%
1/1/20 – 9/30/20	5.5%	-10.4%
Annualized	13.9%	3.0%
Cumulative	74.0%	13.4%

2020 Annual Meeting Presentation

Due to Covid, the Pabrai Funds/Dhandho Annual Meeting was held virtually for the first time via video conference on September 12. This was also the first meeting that was only open to investors. I was surprised by how seamless it was and several investors preferred the digital meeting to the live ones in the past! As a result, going forward we'll be switching from two live meetings to just one live meeting in California and one digital meeting.

I got an earful from our Aussie and New Zealand based investors that the time difference made it very impractical for them to attend. It is hard to come up with a time that works for all of Europe and all of Asia Pacific, but perhaps the answer is to change the start time every year. We started at 10 AM Pacific this year and will plan to start at noon next year – and so on.

The Annual Meeting presentation slides and transcript are posted on our website. Here is the link to the transcript:

<http://dhandho-holdings.com/2020-annual-meeting-transcript/>

The transcript is best read in conjunction with the presentation slides (the password to the video is “Munger”):

<https://vimeo.com/457923174>

Dhandho Holdings

Dhandho Holdings’ estimated NAV at 9/30/20 was \$2.00 per unit, down 2.5% from the 6/30/20 final NAV of \$2.05 per unit. Year to date, Dhandho Holdings’ NAV is down 6% if you add back the distribution of \$1.50 per unit made to all investors in Q1. Approx. 70% of the pie at Dhandho Holdings is now made up of a concentrated portfolio of 4 stocks, and the other 30% is invested in a venture capital fund, Tandem. No value is currently ascribed to the interest in Dhandho Funds.

Short-term changes in the Dhandho Holdings NAV are driven by fluctuations in the values of the 4 publicly traded businesses. We love Dhandho’s public stock portfolio and expect it to do very well. We plan to not touch it for a few years. We have so far returned \$114 million of the \$152 million we had raised in 2014. We expect to return \$40 million in the next few years, but no future distributions are scheduled at this time.

While I do not recommend that anyone sell their Dhandho units, we do have mechanism to sell units for those who want to move on. Several folks have expressed an interest in buying Dhandho units and insiders (excluding me) will have preference to further align interests. Please email Fahad Missmar (fm@dhandhofunds.com) if this is of interest.

Our Dhandho Holdings legal docs were drafted in 2014 and require some changes now. First, we propose extending the term to be perpetual (it currently expires in 2024). Dhandho Holdings owns stocks in India and SEBI (India’s SEC) is rolling out some changes to the way foreign funds can invest in India in 2021. These changes require us to make a couple of changes to make us fully compliant with the new SEBI rules.

The General Partner of Dhandho Holdings is an entity called Dhandho GP LLC, which is owned by Dalal Street, LLC, which is in turn owned by me. To simplify our structure, we propose removing the Dhandho GP layer and having Dalal Street serve as GP directly; this will not change any of the terms between the funds and the GP. Finally, the current docs require the holdings of Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP to be virtually identical. While this was important when we bought whole private companies, it is not practical with our current public securities portfolio and we propose to remove this provision. You will receive a ballot to vote on these amendments in the next few weeks.

India Zero Fee Funds

We made several tweaks to the India Funds portfolio in the midst of the Covid sell-off earlier this year, and those seem to be paying off quite well. The Funds are up 33-36% since April 1, 2020, without any exposure to the high-flying big tech names in the US. Despite this however, the India Funds are still down 15-16% for the year, vs. the India Small Cap Index which is up 5% and the S&P 500 which is up 5.5%. The Funds continue to trade well below their intrinsic value, but we own high-quality compounders that is likely to give us a great ride for years to come. Keep the faith.

Junoon Zero Fee Funds

Junoon rebalanced on 4/1/20 and has since delivered a 30% return through 9/30/20, vs. 31% for the S&P 500. Year to date, Junoon is down 10%, vs. the S&P 500 which is up 5.5%.

Most humans would like to purge 2020 from history. They'd like to go straight from 2019 to 2021. I don't blame them. Covid has upended all our lives in myriad unimaginable ways. However, on balance, I think 2020 has been an awesome year for me. I am very grateful for the incredible learnings in 2020. The only other year in my life when the learnings exceeded 2020 was 1994, when I first learned of Warren Buffett. I was drinking from a fire hydrant in '94 and '95.

The core value investing model I have followed for over two decades is to buy a dollar bill for fifty cents or less and sell it for ninety cents or more. When Pabrai Funds started in 1999, I was aware that large swaths of stocks were overvalued and that the broad indices were going to do terribly until 2016 or so.

This assessment was correct. The S&P 500 and Dow delivered zero returns from 2000-2012 while the Nasdaq was flat from 2000 to 2016. In this environment, buying at 50 cents or less and selling at 90 cents or more worked exceptionally well. Our oldest fund, PIF2, crushed it during this period. From inception in 1999 through 2017, PIF2 was up more than 17x (after all fees) while the best index was up less than 3x.

This approach has worked so well for so long that I forgot to switch back to the highly successful model I had used from 1994-1999, which was to buy and hold great compounders. In that period, that approach had helped me capture a couple of hundred baggers in my personal portfolio. Ideally, I should have switched back to that approach in the 2016-2018 timeframe. Better late than never.

The great learning of 2020 will appear rather lame to most of you: if you have the good fortune of being the part-owner of a great compounder or cannibal, do not sell it when it gets fully priced or even overpriced. Only sell it when it gets *egregiously* overvalued. The holy grail is not to buy dollar bills for fifty cents and sell at ninety cents. At least not till the broad indices get to egregiously overvalued levels again.

Optically, a compounder at an elevated valuation may appear expensive or even risky to own. This is usually a mirage. I discussed this during our virtual Annual Meeting last month, when I showed Pabrai investors all the hundreds of millions of dollars I left on the table by selling two compounders: Ferrari and Moutai.

The first rule of compounding is to never interrupt it unnecessarily.

- Charlie Munger

I took a close look at Junoon and realized that Junoon's algorithms were biased towards selling positions as the gap to intrinsic value diminished. Junoon's algorithms are awesome at identifying great cannibals and compounders. The problem was Junoon doesn't hold on to them for long enough for the full benefits of long-term compounding or buybacks to kick in.

A glaring example in our backtests was NVR, a homebuilder on the east coast. NVR has a stable, and relatively low-risk business model. They build homes on a pre-sold basis on land that they do not own. At NVR, buybacks are the gospel truth; every penny they do not need is plowed into buying back shares. This has been a consistent focus for 25 years, during which they've bought back a mind-blowing 75% of their shares outstanding. In the last two decades NVR has bought back 56% of shares outstanding and the stock has gone up *55 fold!* Junoon identified NVR as a great cannibal at the outset in 2000 in our backtests. It would then bounce it in and out of the portfolio every few years. Not good.

Junoon's algorithms are smart enough to pick an NVR, but a human needs to be there to control the exits. As a result of our introspection, this quarter we implemented an important change to Junoon. We no longer rely on Junoon to do the stock-picking and stock-selling on auto pilot. Instead, we use Junoon as an invaluable tool to generate a subset of high-quality Cannibals, Cloned Ideas and Spin-Offs that we choose from at the rebalance date each April. On that date, we have full discretion to remove existing businesses in the portfolio and replace them with any of the new kids on the block suggested by Junoon, though we are not obligated to make any changes. We are focused on finding compounders, and we will replace an existing portfolio name only if the new one coming in is a superior compounder. We also have discretion to adjust weights if necessary. The number of stocks held in Junoon has also changed from 22 to a range of 15 – 22, providing us with additional flexibility to allocate to compounders.

As a result of this strategy shift, we made changes to the portfolio as of October 1st to bias it more towards compounders and businesses we know. The next time we intend to evaluate the portfolio for potential changes will be on April 1, 2021, when Junoon will generate its new draft picks.

While a key part of Junoon's algorithms remains identifying Cannibals, Spin-Offs, and Cloned Ideas, we no longer target having a certain number of each type of business or a certain weight for each bucket. So at any given time, Junoon may be overweight in any one of these three buckets. This is fine. Junoon's focus is on compounders, not buckets. If we remain as obsessively focused on this over the long-run, which we intend to do, Junoon's broad index should do quite well.

Junoon now owns a nice collection of compounders and cannibals that it will likely hand on to for a while. This bodes well for Junoon to trounce the S&P 500 in the years ahead. I am very excited about *Junoon 4.0*. This dog will hunt!

Alignment of Interests

My investment in Dhandho Holdings was worth about \$6.3 million at the 9/30/20 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 Zero Fee Structure

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

Dhandho Funds did not earn a performance fee for this quarter for its management of the India Zero Fee Funds or Junoon Zero Fee Funds.

Updated Investor Presentations

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

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

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

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

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

Online Portal for Investment Statements

All of you should have received an email from Liccar Fund Services with instructions to set up your own online portal to access your investor statements moving forward. Your 9/30 investor statement will be uploaded to your portal later this month and you will receive an email alerting you when it is available.

If you have not yet set your investor portal password, please contact Valerie Magursky at vm@dhandhofunds.com for assistance.

Estimated K-1's (for US Investors)

For Dhandho Junoon LP and Dhandho India Zero Fee Fund LP investors, we provide estimated K-1's through September 30th if significant taxable gains are anticipated. Our current estimates do not show significant taxable gains in 2020 so no K-1 estimates will be prepared. Your final K-1's are issued in March 2021.

For Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP investors, we will provide estimated K-1's which will give estimated gains through September 30th. These will be uploaded to the online portal by the end of October by our Administrator, Liccar, so please check your portal then. Your final K-1's are issued in March 2021.

Redemptions

Please note that if you plan to redeem funds, we must have the request in writing by November 2, 2020. Funds go out approximately 20 business days after year end based on the December 31 NAV. To get the redemption form emailed to you, please nudge Valerie Magursky at vm@dhandhofunds.com.

The redemptions forms are also on our website (id is **dhandho** and password is **zerofee**):

[Dhandho India Zero Fee Fund LP Redemption Form 2020](#)

[Dhandho India Zero Fee Fund Offshore Ltd Redemption Form 2020](#)

[Dhandho Junoon LP Redemption Form 2020](#)

[Dhandho Junoon Offshore Ltd Redemption Form 2020](#)

As a reminder to our older IRA investors, keep in mind that redemptions are paid in January when submitting a redemption for any Required Minimum Distribution (RMD). If you are turning 72 in 2021, you may need to submit your redemption form this year to satisfy the RMD. If you elect to delay your first RMD as allowed by the IRS until April 1, 2022 and submit your redemption form in 2021, then you will need to also include your second RMD distribution in that total.

We also have an annual redemption date on September 30th only for retirement accounts invested in the PIFs in which the beneficial owner is 72 years or older to assist in meeting RMD requirements. The maximum amount that these folks can redeem on September 30th is 25% of the value of their balance on that date. These investors can also still redeem whatever they wish on 12/31 with 60 days' advance notice.

The redemptions at September 30 totaled \$412,145 from Dhandho Junoon Offshore Ltd.

Suggestion Box

We are always interested in hearing how we can better serve you. Please feel free to email me any suggestions/feedback you may have at mp@dhandhofunds.com.

2021 Annual Meetings – Tentative Dates

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

Prior to the California meeting, we will have the 7th Annual Gran Fondo Dhandho Bike Ride. It's a scenic ride around the Newport Estuary with views of the Pacific Ocean in Newport Beach, California. Biking can be a dangerous activity; we only want folks who are experienced road bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers.

Here is a link to the Starbucks location:

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

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

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

The **California** meeting is tentatively scheduled to be on **Saturday, September 11th, 2021** at 4:00 PM at:

Soka University

Performing Arts Center

1 University Drive, Aliso Viejo, California 92656

Tel. +1949.480.4000

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

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

Marriott Renaissance ClubSport

50 Enterprise

Aliso Viejo, CA 92656

Reservations: 800-468-3571

Phone: 949-643-6700

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

<https://www.soka.edu/hotels-near-soka>

Agenda for the California meeting:

4:00 – 4:30 PM: Meet and Greet
4:30 – 6:30 PM: Presentation and Q&A
6:30 – 7:15 PM: Cocktail Hour

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

The **Virtual** meeting is tentatively scheduled to be held via video conference on **Saturday, September 18th, 2021** at 12:00 PM Pacific Time. Confirmed guests will receive instructions via email on how to attend the virtual meeting.

Agenda for the virtual meeting:

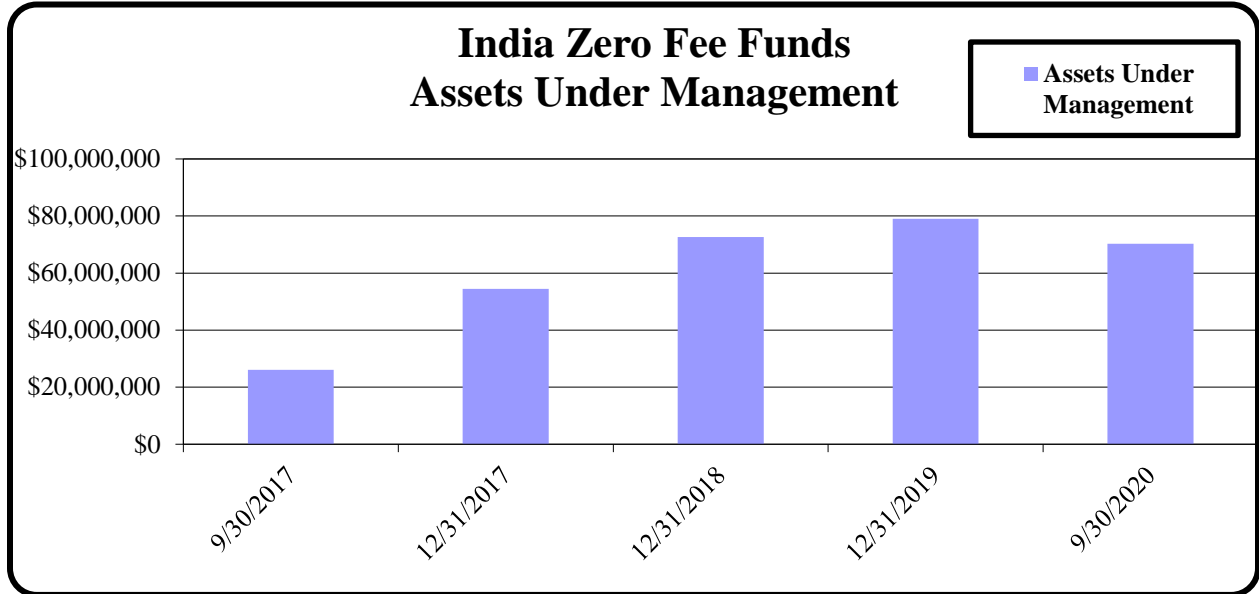
12:00 – 2:00 PM Pacific Time: Presentation and Q&A

The invites will go out electronically via email in July 2021. Look for it in your inbox! If you don't receive it, please contact invite@pabraifunds.com. Your significant other and young kids are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests must be "accredited investors," which includes your adult kids (22 years or older). The invitation is non-transferable.

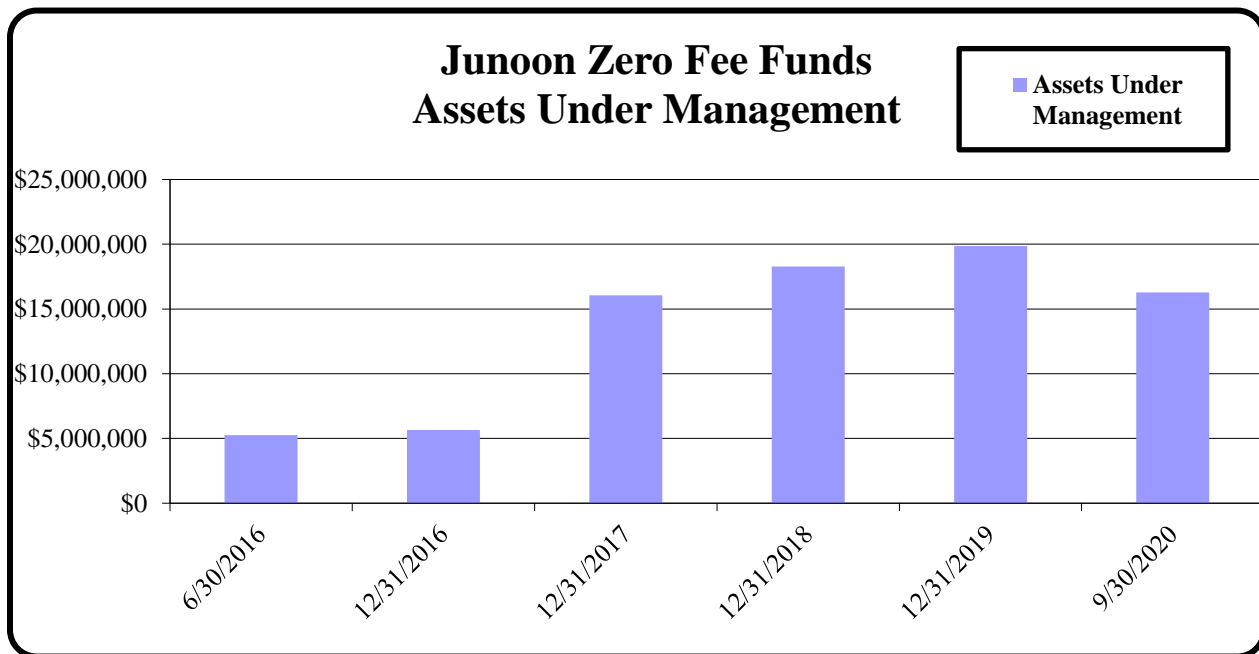
I look forward to seeing you in September.

Assets Under Management

There is \$70.3 million in assets under management in the India Zero Fee Funds as of October 1, 2020.



There is \$15.8 million in assets under management in the Junoon Zero Fee Funds as of October 1, 2020.



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

Warm regards,

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

Mohnish Pabrai

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

Dhandho Funds uses the Vanguard 500 Index Admiral Fund (VFIAX) with reinvested dividends to depict the S&P 500 returns. VFIAX is an investable mutual fund product by Vanguard mimicking the S&P 500 Total Return Index with reinvested dividends.

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Appendix A

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

No. of Units	Date	NAV
1,830,217	10/1/2017	\$10.00
3,183,760	12/31/2017	\$10.11
5,334,464	12/31/2018	\$7.97
5,601,158	03/31/2019	\$8.64
5,848,319	06/30/2019	\$8.01
5,852,592	09/30/2019	\$7.28
5,758,774	12/31/2019	\$7.63
5,932,677	03/31/2020	\$4.75
6,022,846	06/30/2020	\$6.17
6,053,778	09/30/2020	\$6.47

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
4,184,409	03/31/2019	\$8.64
4,347,454	06/30/2019	\$8.03
4,347,454	09/30/2019	\$7.32
4,586,341	12/31/2019	\$7.66
4,836,675	03/31/2020	\$4.85
4,836,675	06/30/2020	\$6.19
4,836,675	09/30/2020	\$6.44

Appendix B

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

No. of Units	Date	NAV
425,000	07/1/2016	\$10.00
400,000	12/31/2016	\$11.29
582,360	12/31/2017	\$13.05
849,508	12/31/2018	\$10.94
857,455	03/31/2019	\$12.58
920,966	06/30/2019	\$12.60
867,624	09/30/2019	\$12.00
853,033	12/31/2019	\$12.53
841,080	03/31/2020	\$8.66
824,765	06/30/2020	\$10.56
916,396	09/30/2020	\$11.24

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
816,339	03/31/2019	\$12.66
820,101	06/30/2019	\$12.66
811,813	09/30/2019	\$12.07
724,336	12/31/2019	\$12.65
594,019	03/31/2020	\$8.75
519,186	06/30/2020	\$10.65
482,830	09/30/2020	\$11.34

Appendix C

Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV ¹
14,837,687	03/31/2014	\$10.00
15,218,640	12/31/2014	\$9.93
15,288,640	12/31/2015	\$8.36
15,218,640	12/31/2016	\$8.73
15,217,801	12/31/2017	\$4.92 ²
15,215,635	12/31/2018	\$4.12
15,215,635	03/31/2019	\$4.39
15,214,731	06/30/2019	\$3.58 ³
15,214,731	09/30/2019	\$3.37
15,193,811	12/31/2019	\$3.73
15,171,441	03/31/2020	\$1.61 ⁴
15,171,441	06/30/2020	\$2.05
15,171,441	09/30/2020	\$2.00* <i>estimate</i>

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

² A distribution of \$5.00/unit was made to all investors effective December 31, 2017.

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

⁴ A distribution of \$1.50/unit was made to all investors in Q1 2020.