

DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings
From: Mohnish Pabrai, Managing Partner
Date: January 21, 2021
Re: **Q4 2020 Update**

Dear Partners:

Happy New Year! For different reasons, Dhandho Holdings as well as the Zero Fee Funds encountered significant challenges from the get-go. As a result of some luck and bold actions these headwinds have mostly dissipated, and all entities are no longer on the back foot. Perhaps I am too optimistic, but the future looks good. Let's dive in.

Dhandho Holdings

The formation of Dhandho Holdings was a mistake. Once I realized it was a mistake the focus changed to minimizing the downside and returning your precious capital to you. You'll recall that most of you invested in Dhandho Holdings at \$10/unit. So far, we have returned \$7.50/unit to you. Dhandho Holdings' estimated NAV at 12/31/20 was \$2.33/unit, an increase of approximately 18% in Q4 2020. It has increased a bit more in January. The estimated NAV currently is around \$2.45/unit – almost at par. This NAV ascribes no value to the GP interest in the Zero Fee Funds, which may be meaningful in the years ahead.

Around 70% of Dhandho's NAV is in a concentrated stock portfolio and 30% is invested in a venture fund, Tandem Fund III. One of Tandem's larger investments, Outdoorsy, is slated to go public via a SPAC sometime in 2021. Outdoorsy is the AirBnB of RV Rentals and the market leader. Check it out at Outdoorsy.com. Covid has given Outdoorsy plenty of tailwinds.

SPACs and marketplaces are red hot presently. Tandem III owns about 5% of Outdoorsy. Thus we own 0.5% of Outdoorsy. I have no idea what Outdoorsy's value will be by the time our shares can be freely sold. For example, if Outdoorsy ends up with a \$1 billion market cap, assuming no further dilution, we'll get about 50% of our Tandem investment back from this one deal. The plan is to distribute the proceeds from Outdoorsy and any other meaningful Tandem exits to you as we get liquidity. We will also evaluate our public stock portfolio at that time and probably increase our cash distribution beyond what we receive from Tandem. The next distribution is probably no later than mid-2022.

While we keep an eye on our investment portfolio, our attention at Dhandho Holdings continues to be focused on managing and growing its subsidiary, Dhandho Funds, the General Partner of the Zero Fee Funds. Both funds had strong quarters in Q4. The Junoon Funds were up 25-28% and the India Funds up 20-22%. The India Funds are still well under their high water marks, but Junoon is approaching fee earning territory. Stay tuned!

Although I do not recommend that anyone sell their Dhandho units, we do have a mechanism to get you liquidity by helping you sell units if you want to move on. Several folks have expressed an interest in buying Dhandho units and insiders (excluding me) will have a preference to further align interests. Please email Fahad Missmar (fm@dhandhofunds.com) if this is of interest. Units can probably be sold at around \$2.50/unit at this time.

India Zero Fee Funds

The updated performance numbers of the 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 - 12/31/20	18.3%	28.8%	3.4%
Annualized	15.2%	0.2%	-7.0%
Cumulative	58.5%	0.5%	-21.1%

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 - 12/31/20	18.3%	28.8%	1.2%
Annualized	15.2%	0.2%	-7.5%
Cumulative	58.5%	0.5%	-22.5%

It would be an understatement to say that the performance of the India Funds has been quite disappointing since inception. Covid did not help and has aggravated our performance. A large portion of the headwinds we encountered since inception is that the Indian Small Cap index lost over 36% of its value in 2018 and 2019. The Indian Small Cap Index did well in 2020. As Covid unfolded and the world started to lock down, I looked at our portfolio and exited positions that looked especially vulnerable to lockdowns.

Most businesses are fragile entities and would not survive 50-80% drops in revenues for just a few months. For example, we owned Healthcare Global Enterprises, which runs a number of private cancer treatment centers. India has an extreme scarcity of hospital beds and ICU facilities. In a Covid world the government could mandate that they treat Covid patients regardless of the patients' ability to pay, etc. It went into the too hard pile and we exited. Our fears did not play out. HCG stock, which had collapsed, has rallied strongly. By September, the India Funds had about 1/5th of our assets in cash. The combination of a few sales at market lows coupled with holding cash led to subpar results in 2020.

The India Funds have not had a good journey so far. A combination of a few new investments and redemptions amounting to 15% of AUM have righted the ship. I love the portfolio and what we presently own. 2020 was a year of tremendous learning for me. You may enjoy reading the [Pabrai Funds January 2021 Letter to Partners](#) (to access, the id: **pabraifunds** and pw: **charlie**) where I delved into these epiphanies. These learnings are beginning to get reflected in the Pabrai Funds and India Funds portfolio. Our holdings are trading at wide discounts to underlying intrinsic value. There are no guarantees, but I fully expect the India Funds to trounce the indices and then some in the years ahead. Keep the faith! We own some truly exceptional businesses run by exceptional leaders. Covid helped to dramatically improve the quality of the businesses we own.

The latest India Funds [Investor Presentation](#) is on the website.

Why are we benchmarking The India Funds against two indices?

We consider the S&P 500 to be the best benchmark for the India Funds. It is the easiest and lowest cost alternative that our investors can realistically consider as a home for their capital. Although the Funds

focus on India, they have plenty of investments outside of India. The Funds have the option to invest up to 1/3 of assets in non-Indian stocks, which they are currently exercising. However, given the meaningful exposure to Indian small cap stocks, we provide the India Small Cap Index as an additional benchmark for your reference.

Junoon Zero Fee Funds

The updated performance numbers of the 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 – 12/31/20	18.3%	15.1%
Annualized	16.0%	8.5%
Cumulative	95.1%	44.2%

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 – 12/31/20	18.3%	11.3%
Annualized	16.0%	7.9%
Cumulative	95.1%	40.8%

For the year 2020, Junoon was up 12-15%, vs. 18% for the S&P 500.

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

- Charlie Munger

The Junoon algorithms have gone through several tweaks over the years. The most significant, *Junoon 4.0*, went live on October 1, 2020. The funds no longer rely on the algorithm to automatically make buy and sell decisions. We use it only as a tool to find high-quality businesses. As much as we tried in the past, the algorithms were too trigger happy and active. Thus, we leverage the algorithms fully to serve up the businesses it thinks we should add and sell, but we make the actual decisions with human input. I discussed the upgrades we made to *Junoon 4.0* in more detail in my [October 2020 Dhandho Letter to Partners](#).

Every idea in Junoon is a Cannibal, a Spawner or a Cloned Idea of a value manager we admire. Most of the businesses fall into more than one of these categories. Junoon's focus is to buy superior businesses that should be held indefinitely. We consider making changes in April of every year only if the algorithm presents us with a better idea to add.

Although the S&P 500 is a great choice for most investors, Junoon is a safer bet at present levels. The S&P 500 has averaged 5.9% per year over the last 90 years. But the devil is in the details. The S&P 500 delivered zero returns for long stretches during that time. Here's how it breaks down:

Period	Annualized Return	
October 1929 - June 1954	0%	Zero returns for 25 years
July 1954 - December 1972	7.8%	
January 1973 - September 1982	0%	Zero returns for 10 years
October 1982 - March 2000	15.5%	
April 2000 - December 2012	0%	Zero returns for 12 years
January 2013 - December 2020	12.9%	
2021 - 2030?	Unknown, but the S&P 500 is unlikely to deliver double digit returns	

Although timing the market is an impossible task, the above chart does make it clear that it matters when you invest in the S&P 500:

Period	Trailing 12 Month P/E	Good Time to Invest?
October 1, 1929	17.8	Terrible
July 1, 1954	11.1	Great
January 1, 1973	19.1	Terrible
October 1, 1982	8.5	Great
April 1, 2000	28.9	Terrible
January 1, 2013	14.4	Great

The trailing P/E of the S&P 500 today is 29. Although the largest businesses in the S&P 500 are the most overheated, even the smallest names are trading at rich valuations. The trailing P/E of the Top 10 positions is 38.5, of the Top 25 positions it is 34.4, and of the Bottom 75 it is 18.6. None of these buckets is cheap by historical standards.

The S&P 500 invests in 500 businesses, but big tech continues to dominate. More than ¼ of the S&P 500 is in these 11 businesses: Tesla, Facebook, Amazon, Apple, Alphabet, Netflix, Microsoft, Salesforce, Adobe, Paypal, and Nvidia. The weight of these 11 is equal to the 384 smallest market cap businesses in the index. Tesla, the latest entry into the S&P 500, is deep into bubble territory. Future returns in the index will be weighed down unless these high-flyers soar to even higher highs. I'd rather be in Junoon.

The latest Junoon [Investor Presentation](#) is on the website.

Redemptions and Subscriptions

December 31st was the annual redemption date. A total of \$16 million was redeemed from the various funds. The redemptions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$3.8 million
Dhandho India Zero Fee Offshore Fund:	\$10.5 million
Dhandho Junoon Zero Fee US Fund:	\$1.7 million

Total: \$16 million

For the quarter ended December 31, 2020, a total of \$1.5 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 India Zero Fee Offshore Fund:	\$1.2 million
Dhandho Junoon Zero Fee US Fund:	\$0.1 million

Total: \$1.5 million

Alignment of Interests

My investment in Dhandho Holdings was worth about \$7.4 million at the 12/31/20 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.

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. For investors in the India Funds and Junoon, your 12/31 investor statement has been uploaded to the portal. For Dhandho Holdings investors, your final 12/31 investor statement will be uploaded once we receive financials from our private investment in Tandem and following the completion of our audits, which is typically in April.

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

Final K-1's (for US Investors)

For Dhandho Holdings LP, Dhandho Holdings Qualified Purchaser LP, Dhandho Junoon LP and Dhandho India Zero Fee Fund LP investors, we expect your final K-1s to be uploaded to the portal in March 2021 by our Administrator, Liccar.

Annual Report – Will be out in Q2 2021

Our modus operandi now is to provide expansive commentary in the annual reports and the annual meetings. The quarterly letter will continue to provide updated performance numbers and announcements, but minimal commentary. The annual report is slated to be published in Q2 2021.

Chai With Pabrai Blog

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

Columbia Business School Podcast on The Value of Continuous Learning

In December 2020, I had a wonderful discussion with Professor Tano Santos of Columbia Business School for the *Value Investing with Legends* Podcast. We discussed my learnings from my father's entrepreneurial ventures and the need for investors to think like entrepreneurs. We also talked about compounders, spawners and the future of value investing.

<http://www.chaiwithpabrai.com/blog/cbsdec2020>

My Annual Talk at Boston College

I very much enjoyed my discussion with Prof. Arvind Navaratnam's class on Fundamental Analysis & Value Investing at the Carroll School of Management (Boston College) in October 2020. We discussed a few investing frameworks, the importance of investment mistakes, and how to look for businesses that transcend geography and currency.

<http://www.chaiwithpabrai.com/blog/mohnish-pabrai-lecture-at-boston-college-carroll-school-of-mgmt-october-8-2020>

My talk at Boston College is also available as a podcast on Apple Podcasts:

<https://tinyurl.com/applepabrai>

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@pabraifunds.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 decent bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers.

Here is a link to the Starbucks location:

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

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

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

The **California** meeting is 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.

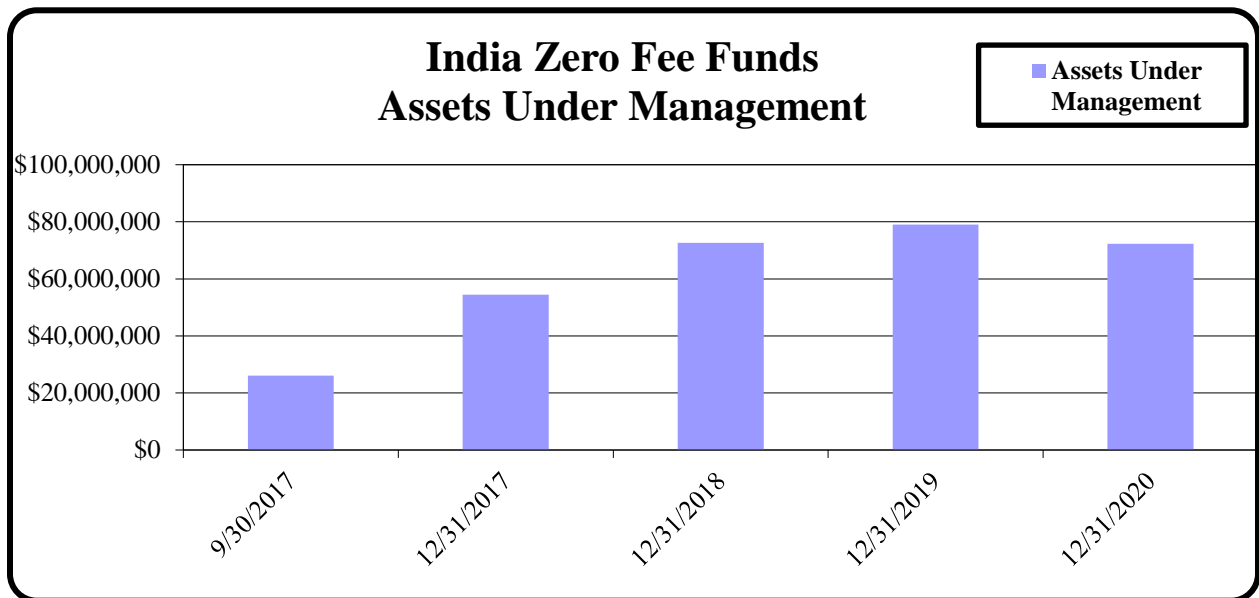
Stay healthy and safe. I look forward to seeing you in September.

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is April 1, 2021. The minimum initial investment is \$1 million for the India Zero Fee US Fund, \$600,000 for India Zero Fee Offshore Fund, \$300,000 for Junoon Zero Fee US and \$200,000 for Junoon Zero Fee Offshore.

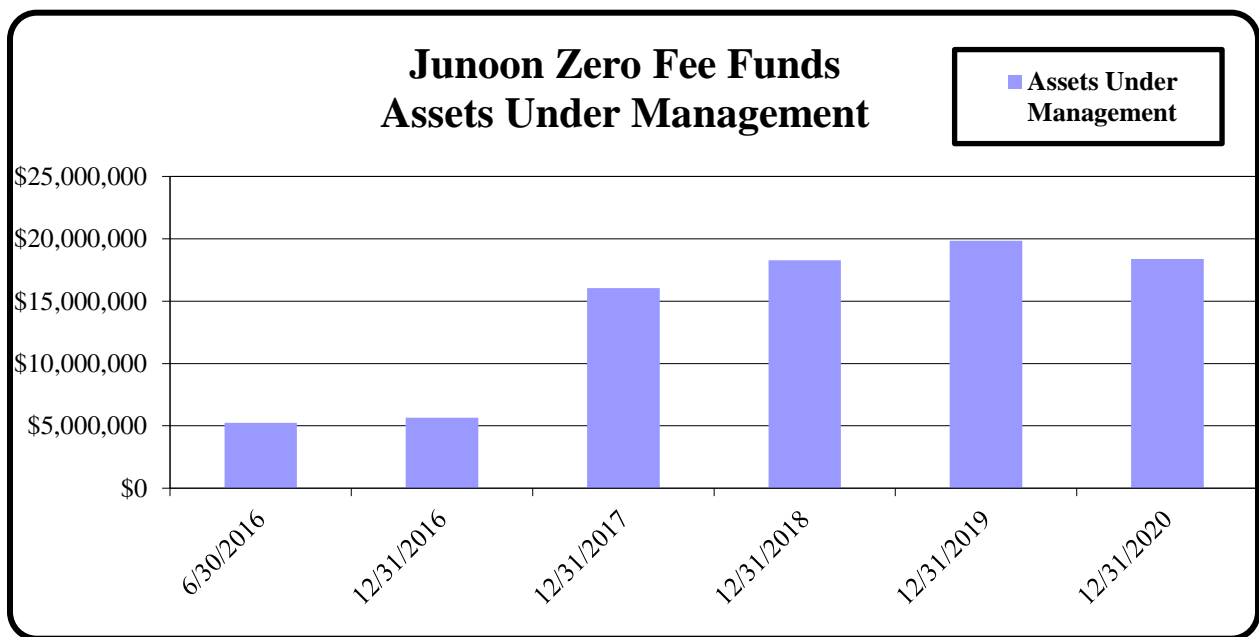
Existing partners can add as little as \$25,000; for IRA investors the minimum is \$5,000. You can find the deposit slips for the India Funds [here](#) and for Junoon [here](#). If you are interested or would like more information, please nudge either Fahad Missmar at fm@dhandhofunds.com or me at mp@dhandhofunds.com.

Assets Under Management

There is \$72.3 million in assets under management in the India Zero Fee Funds as of January 1, 2021.



There is \$18.3 million in assets under management in the Junoon Zero Fee Funds as of January 1, 2021.



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
5,589,506	12/31/2020	\$7.89

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
3,642,747	12/31/2020	\$7.75

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
801,139	12/31/2020	\$14.42

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
482,830	12/31/2020	\$14.08

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	\$1.98
15,171,441	12/31/2020	\$2.33* <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.