

# DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings  
From: Mohnish Pabrai, Managing Partner  
Date: July 21, 2021  
Re: **Q2 2021 Results etc.**

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Dear Partners:

Hope all is well. This is our usual quarterly update on the ongoing at Dhandho Holdings and Dhandho Funds.

## **Dhandho Holdings**

Dhandho Holdings' estimated NAV at 6/30/21 was \$2.62 per unit, down 1.9% from the 3/31/21 final NAV of \$2.67 per unit. About 70% of Dhandho Holdings' assets are in public stocks and the remainder in the venture capital fund Tandem. I would not read too much into quarterly fluctuations in the NAV as they are driven primarily by fluctuations in our handful of stocks, which are long-term bets. We own fractions of a few incredible businesses at Dhandho Holdings whose collective value is likely to be meaningfully higher in the years ahead.

Dhandho Holdings continues to be focused on managing the Zero Fee Funds, and both funds are doing very well. Between 4/1/20 and 7/19/21<sup>1</sup>, the two India Zero Fee Funds are up a whopping 101-104% and the two Junoon funds are up 80-88%, vs. 68% for the S&P 500. The 4/1/20 date is important because we made changes to both funds at the onset of Covid that fundamentally biased their portfolios towards buying and holding high quality compounders. All the Zero Fee Funds finally have strong tailwinds propelling them forward.

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<sup>1</sup> All performance numbers between 6/30/21 – 7/19/21 in this letter are based on internally generated estimates.

The Junoon US Fund crossed fee earning territory this quarter, and earned \$27,877 in performance fees. This number is small, but as these assets scale, the fees will follow. Across Junoon and the India Funds, we presently have over \$110 million in AUM. With a combination of performance and inflows, our AUM should continue to rise. Both funds own exceptional assets that should continue to do well for many years to come. It is an excellent time to join both funds.

If Dhandho Funds has north of \$200 million in AUM in a few years, even at an annual 10% gross return, Dhandho Holdings would earn fees of over \$2 million a year. That fee stream is incredibly valuable. A portion of these fees will go to run the ship and incent the team, but there will be significant sums left over for the owners of Dhandho Holdings. We have ascribed virtually zero value in the Dhandho Holdings NAV for its ownership of Dhandho Funds. The India Funds are beginning to hit their stride. Today they have over \$90 million in AUM. It would not surprise me to see the India Funds routinely getting millions in fees on a recurring basis in a few years.

We continue to target our next distribution to be in mid-2022. This is somewhat contingent on a distribution we expect from our venture capital investment in Tandem Fund III, through which we own 0.5% of Outdoorsy. Outdoorsy is the “Airbnb of RV rentals” and is expected to go public later this year at a valuation of \$1.7 billion or more. I discussed Outdoorsy on pages 1-2 of the [April 2021 Dhandho Letter to Partners](#).

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](mailto:fm@dhandhofunds.com)) if this is of interest. Units can be sold at the 6/30/21 estimated NAV.

### 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%
1/1/21 - 6/30/21	15.2%	37.0%	13.3%
<b>Annualized</b>	<b>17.4%</b>	<b>8.9%</b>	<b>-3.0%</b>
<b>Cumulative</b>	<b>82.6%</b>	<b>37.6%</b>	<b>-10.7%</b>

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

	<b>S&amp;P 500</b>	<b>India Small Cap Index</b>	<b>India Offshore (net to investors)</b>
10/1/17 - 12/31/17	<b>6.6%</b>	<b>22.1%</b>	<b>0.5%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-29.9%</b>	<b>-20.2%</b>
1/1/19 - 12/31/19	<b>31.5%</b>	<b>-8.9%</b>	<b>-4.5%</b>
1/1/20 - 12/31/20	<b>18.3%</b>	<b>28.8%</b>	<b>1.2%</b>
1/1/21 - 6/30/21	<b>15.2%</b>	<b>37.0%</b>	<b>14.5%</b>
<b>Annualized</b>	<b>17.4%</b>	<b>8.9%</b>	<b>-3.1%</b>
<b>Cumulative</b>	<b>82.6%</b>	<b>37.6%</b>	<b>-11.2%</b>

The India funds had a rough start and underperformed the S&P 500 significantly from inception through 3/31/20. This was mostly due to small and mid-cap stocks in India performing poorly as a group during that period. The tide has turned. From April 2020 through July 19, 2021, both the India funds are up 101-104% vs. 68% for the S&P 500. They own fractions of some wonderful businesses including large stakes in Indian Energy Exchange (IEX) and Edelweiss Group, two businesses we intend to hold on to for a long time. I discussed IEX on pages 6-7 of the [2020 Dhandho Annual Report](#).

Despite the impressive run-up over the past 15 months, the India Funds are still meaningfully undervalued. The Funds are also approx. 30% from fee earning territory, so new investors get a “free ride” and pay no management fees until we breach that threshold. It is a great time to join or add to the India Funds. This dog will hunt! The latest India Funds [Investor Presentation](#) is on the website for your perusal.

The India funds are allowed to have up to 1/3 of their assets (at cost) invested in businesses outside India. From an AUM perspective, well over 40% of assets are non-Indian. This is one reason for the divergence in our performance versus the India Small Cap Index.

**Dhandho India Zero Fee Fund LP Recent Performance:**

	<b>S&amp;P 500</b>	<b>India Small Cap Index</b>	<b>India US (net to investors)</b>
4/1/20 – 12/31/20	47.2%	94.3%	65.9%
1/1/21 – 3/31/21	6.2%	13.9%	6.7%
4/1/21 – 6/30/21	8.5%	20.2%	6.1%
7/1/21 – 7/19/21	-0.9%	3.7%	8.3%
<b>4/1/20 – 7/19/21</b>	<b>68.2%</b>	<b>175.9%</b>	<b>103.6%</b>

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

	<b>S&amp;P 500</b>	<b>India Small Cap Index</b>	<b>India Offshore (net to investors)</b>
4/1/20 – 12/31/20	47.2%	94.3%	59.7%
1/1/21 – 3/31/21	6.2%	13.9%	6.6%
4/1/21 – 6/30/21	8.5%	20.2%	7.4%
7/1/21 – 7/19/21	-0.9%	3.7%	9.7%
<b>4/1/20 – 7/19/21</b>	<b>68.2%</b>	<b>175.9%</b>	<b>100.7%</b>

**Junoon Zero Fee Funds**

The updated performance numbers of the funds are:

**Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:**

	<b>S&amp;P 500</b>	<b>Junoon US (net to investors)</b>
7/1/16 - 12/31/16	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%
1/1/21 – 6/30/21	15.2%	12.2%
<b>Annualized</b>	<b>17.6%</b>	<b>10.1%</b>
<b>Cumulative</b>	<b>124.9%</b>	<b>61.7%</b>

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

	<b>S&amp;P 500</b>	<b>Junoon Offshore (net to investors)</b>
7/1/16 - 12/31/16	<b>7.8%</b>	<b>12.6%</b>
1/1/17 - 12/31/17	<b>21.8%</b>	<b>17.8%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-16.2%</b>
1/1/19 – 12/31/19	<b>31.5%</b>	<b>13.9%</b>
1/1/20 – 12/31/20	<b>18.3%</b>	<b>11.3%</b>
1/1/21 – 6/30/21	<b>15.2%</b>	<b>10.9%</b>
<b>Annualized</b>	<b>17.6%</b>	<b>9.3%</b>
<b>Cumulative</b>	<b>124.9%</b>	<b>56.2%</b>

In late 2020, Junoon made a series of bold pivots to compounders, including adding a “human assist” feature that prevents us from automatically selling compounders if the algorithm recommends it. After five years of work on Junoon’s algorithms we realized that a hybrid approach works best. We found out the hard way that a few key aspects of human judgment are too hard to automate.

On April 1, 2021, Junoon had its first annual portfolio assessment date reflecting the full 2020 changes. Not surprisingly, we left the majority of the portfolio untouched. The results since the 2020 tweaks are impressive. Between 4/1/20 and 7/19/21, the two Junoon funds are up 80-88%, vs. 68% for the S&P 500.

The businesses that Junoon picks are chosen among cannibals, cloned ideas and spawners. Most of the businesses fall into more than one of these buckets. For example, Starbucks and Marriott International are each a cannibal, a cloned idea and a spawner. But the common denominator among all of Junoon’s businesses is their high potential to be “set it and forget it” long-term compounders. We evaluate Junoon’s portfolio once per year, in April, when we use the algorithm to identify a potential set of new businesses. After that human judgment takes over on the actual buys and sells.

Buying the S&P 500 index is an excellent choice for most investors. Junoon is an excellent alternative or supplement to the S&P 500. It is concentrated in 15-22 stocks and not only gives you exposure to exceptional growth businesses in the US like Chipotle and Alphabet, but also undervalued compounders like Coca Cola Icecek in Turkey, Edelweiss Financial in India, and Alibaba in China. It is a wonderful collection of businesses to own. Junoon is well positioned to trounce the S&P 500 in the years ahead. The latest Junoon [Investor Presentation](#) is on the website for your perusal.

**Dhandho Junoon LP (US Qualified Purchasers) Recent Performance:**

	<b>S&amp;P 500</b>	<b>Junoon US (net to investors)</b>
4/1/20 – 12/31/20	<b>47.2%</b>	<b>66.5%</b>
1/1/21 – 3/31/21	<b>6.2%</b>	<b>5.3%</b>
4/1/21 – 6/30/21	<b>8.5%</b>	<b>6.5%</b>
7/1/21 – 7/19/21	<b>-0.9%</b>	<b>0.7%</b>
<b>4/1/20 – 7/19/21</b>	<b>68.2%</b>	<b>88.1%</b>

**Dhandho Offshore Limited (Offshore/IRA Investors) Recent Performance:**

	<b>S&amp;P 500</b>	<b>Junoon Offshore (net to investors)</b>
4/1/20 – 12/31/20	<b>47.2%</b>	<b>60.8%</b>
1/1/21 – 3/31/21	<b>6.2%</b>	<b>3.6%</b>
4/1/21 – 6/30/21	<b>8.5%</b>	<b>7.1%</b>
7/1/21 – 7/19/21	<b>-0.9%</b>	<b>1.0%</b>
<b>4/1/20 – 7/19/21</b>	<b>68.2%</b>	<b>80.2%</b>

**Subscriptions**

For the quarter ended June 30, 2021, a total of \$2.0 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

Dhandho India Zero Fee Offshore Fund:	\$1.8 million
Dhandho Junoon Zero Fee US Fund:	\$0.2 million
<b>Total:</b>	<b>\$2.0 million</b>

**Alignment of Interests**

My investment in Dhandho Holdings was worth about \$8.0 million at the 6/30/21 NAV and The Dakshana Foundation's interest is worth \$0.8 million. My family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation own about 25% 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 and Junoon Offshore.

Dhandho Funds received a performance fee of \$27,877 for Junoon. Dhandho Funds has reinvested its fee back into Junoon US.

## **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 6/30/21 investor statement has been uploaded to the portal.

If you have not yet set your investor portal password, please contact Kimberly Engleman at [ke@dhandhofunds.com](mailto:ke@dhandhofunds.com) for assistance.

## **2020 Annual Report**

The [2020 Annual Report](#) of Dhandho Funds is on the website for your perusal.

## **Annual Redemption Date Only for Retirement Account RMDs**

Last year the Coronavirus Aid, Relief and Economic Security (CARES) Act temporarily waived 2020 required minimum distributions (RMDs) from tax-deferred 401(k)s and individual retirement accounts (IRAs). In addition, the RMD age threshold was permanently increased from 70.5 to 72.

There is no longer an RMD waiver for 2021. As a result, everyone age 72 and older as of December 31, 2021 must take their RMD by year end to avoid the 50% penalty. If this is their first RMD then they have until April 1, 2022.

We have an annual redemption date on September 30<sup>th</sup> only for retirement accounts invested in the PIFs in which the beneficial owner is 72 years or older. The purpose of this is to allow folks who are 72 years or older and who are invested in the PIFs with retirement assets to meet their annual RMDs. These investors can also still redeem whatever they wish on 12/31 with 60 days' advance notice.

We recommend that these folks make their first redemption request with the next 5 years in mind and redeem 20% of their balance. They can then keep those retirement funds in cash or a low-cost index fund with daily liquidity (e.g., an S&P 500 index fund with their broker/custodian) and tap that annually

for RMDs as needed. Then, each year, they can redeem an additional 3.5% - 7% to make sure that they have sufficient funds for RMDs at all times.

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

### **Chai With Pabrai Blog**

Please check out my blog [www.ChaiWithPabrai.com](http://www.ChaiWithPabrai.com) which I try to keep updated. With zero travel due to Covid, I have reduced my decline rate on speaking to students. I try to do 1-2 Zoom sessions with students every month. This is about the max. of what I am interested in doing. Here are some recent additions to the blog:

### **Q&A Session with London Business School MBA Students - May 19, 2021**

I very much enjoyed my Q&A session with the LBS (London Business School) Investment Management Club. I talked about cloning Buffett and Munger, investing in India and the advantage to investors to think like entrepreneurs.

[Q&A Session with London Business School MBA Students - May 19, 2021 - Chai with Pabrai \(chaiwithpabrai.com\)](http://chaiwithpabrai.com)

### **Q&A Session with The Kolkata Value Hunters Club - May 12, 2021**

I enjoyed my banter with The Kolkata Value Hunters Club for the Knowledge Speakers Series. We talked about the book *Richer, Wiser, Happier* and how my investment philosophy changed over the years. We also discussed Dakshana Foundation and approaching philanthropy with an investor's mindset.

[Q&A Session with The Kolkata Value Hunters Club - May 12, 2021 - Chai with Pabrai \(chaiwithpabrai.com\)](http://chaiwithpabrai.com)

### **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](mailto:mp@dhandhofunds.com).

### **2021 Annual Meeting – Save the Date**

Given the continuing realities of Covid, there will be just one annual meeting in 2021. It will be held digitally 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.

This meeting will be a combined meeting for Pabrai Funds and all Dhandho entities.



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](mailto: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.

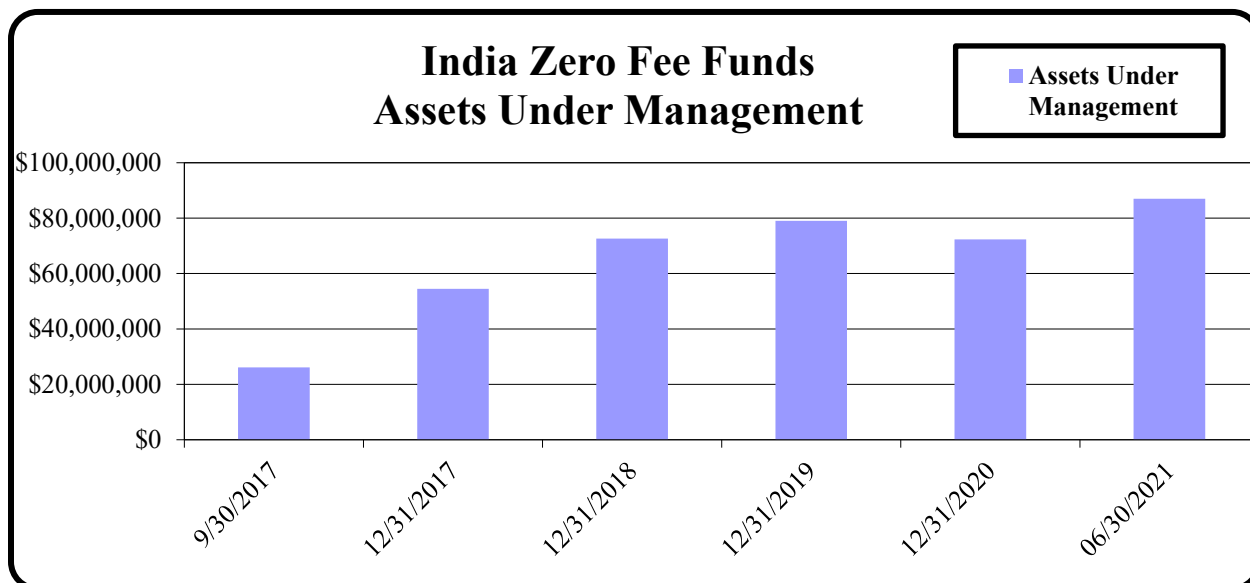
Stay healthy and safe. I look forward to e-meeting you in September.

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is October 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.

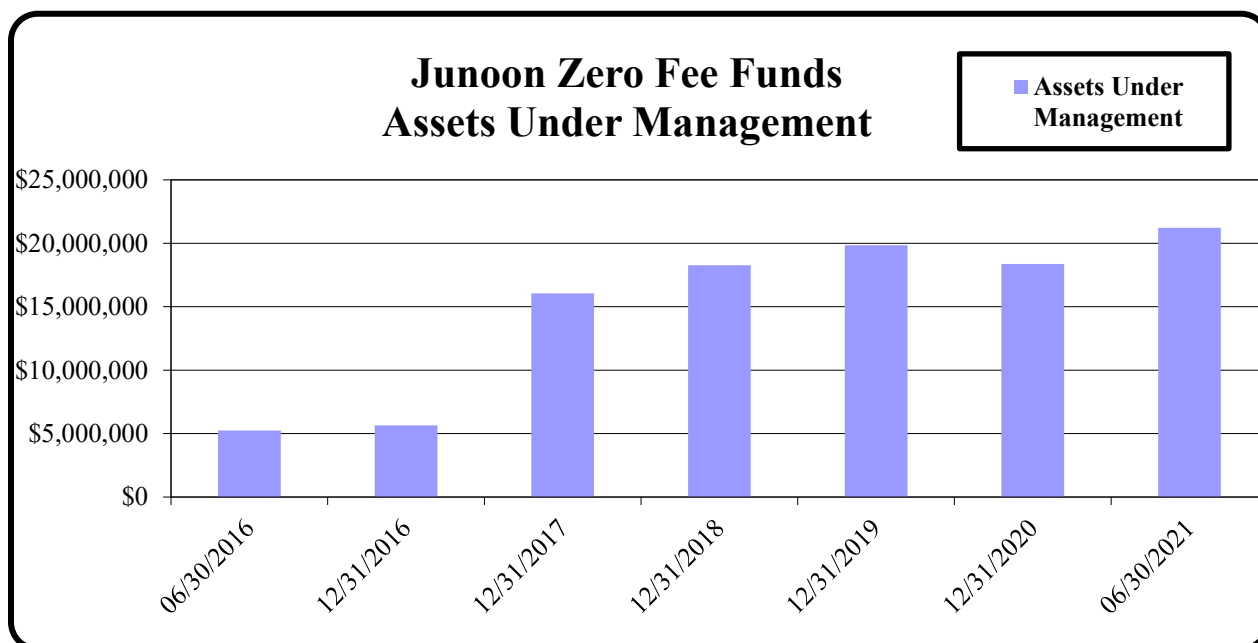
Existing partners can add as little as \$25,000; for IRA investors the minimum is \$5,000. You can find the deposit slips for the India Funds [here](#) and for Junoon [here](#). If you are interested or would like more information, please nudge either Fahad Missmar at [fm@dhandhofunds.com](mailto:fm@dhandhofunds.com)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

### Assets Under Management

There is \$85.3 million in assets under management in the India Zero Fee Funds as of July 1, 2021.



There is \$20.9 million in assets under management in the Junoon Zero Fee Funds as of July 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](mailto:mp@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.*

*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	10/01/2017	\$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
5,589,506	12/31/2020	\$7.89
5,732,076	03/31/2021	\$8.42
5,732,076	06/30/2021	\$8.93

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

No. of Units	Date	NAV
780,489	10/01/2017	\$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
3,642,747	12/31/2020	\$7.75
3,649,036	03/31/2021	\$8.27
3,846,110	06/30/2021	\$8.88

## 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
853,033	12/31/2019	\$12.53
801,139	12/31/2020	\$14.42
829,456	03/31/2021	\$15.19
845,401	06/30/2021	\$16.17

### 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
482,830	12/31/2020	\$14.08
464,443	03/31/2021	\$14.58
464,443	06/30/2021	\$15.62

## Appendix C

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

No. of Units	Date	NAV <sup>2</sup>	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	12/31/2020	\$2.64	\$7.50	\$10.14
15,171,441	03/31/2021	\$2.67	\$7.50	\$10.17
15,171,441	06/30/2021	\$2.62* <i>estimate</i>	\$7.50	\$10.12

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<sup>2</sup> The NAV listed in this chart represents the NAV of Dhandho Holdings LP (“DHLP”), in which the majority of investor’s interests are held. The NAV of Dhandho Holdings Qualified Purchaser LP (“DHQP”) may differ slightly.