Pabrai Investment Funds/ Dhandho
2023 Annual Meeting Transcript

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Note: This is the transcript of the meetings held in Austin, Texas on September 9, 2023, and a virtual meeting on September 23, 2023. Transcripts of the meetings have been merged to produce this single document. The transcript has been edited for readability. The transcript should be read in conjunction with the Annual Meeting presentation slides (password: Munger): 2023 Annual Meeting Presentation

Mohnish: Welcome everyone and thank you for joining our 24th Annual Meeting of Pabrai Funds and 10th Annual Meeting of Dhandho Holdings.

Introduction (Slides 1-2):

We will start today with an approximately four-minute video. The video is a song produced by Coke Studio in Pakistan. One of our holdings in Turkiye is Anadolu Efes and it's the dominant beer brand in Turkiye. It has more than a 50% market share in Turkiye and a number one or number two market share in about 8 or 10 other countries in the region, including Russia and Ukraine. Anadolu Efes owns 50% of Coca-Cola Icecek, the Coke bottler in Turkiye and about a dozen other countries. Coca-Cola Icecek in-turn owns 100% of Coca-Cola Pakistan. They used to own 50%, but they recently bought the other 50% from The Coca-Cola Company. I love this investment. It has an extremely high-quality management team and is promoted by a high-quality family in Turkiye with a very strong reputation. We'll start with that video by Coca-Cola Atlanta for the benefit of Coca-Cola Pakistan and then we'll get going.

Slides 3-5:

We have the same agenda that we normally have every year. I'll go over Pabrai Funds first, then Dhandho Holdings, followed by Dhandho Funds, and finally, what I like the most, we will have a Q&A so that I can hear from you. I want to go over some performance numbers. We've had some years where we didn't do so well. From the first quarter of 2018 to 2021, we were well behind the markets. The funds turned a corner in the first quarter of 2022, and it looks like we are on a very good path. This quarter so far may be one of our strongest quarters in a quarter century. PIF2 is up about 38% so far this quarter, PIF3 is up about 45%, and PIF4 is up about 31%. They're all very undervalued even after that run, but we've got a lot of things going on.

Slides 6-8:

If you look at PIF2, which is our oldest fund, and you look at any of the numbers from inception until the first quarter of 2018, we've always outperformed the index by a significant margin. From inception, we've outperformed by 11% a year, after fees. If you look at PIF3, it's a similar story where it has outperformed since its inception in 2002 by about 7% per year versus the S&P500. If you look at PIF4, it has outperformed much less than the other funds. But again, since inception through the first quarter of 2018, it's about 1.3% better than the index.

Slides 9-11:

If we look at the numbers from the first quarter of 2018 to the first quarter of 2022, it's a huge delta with the S&P 500. The three funds were down 9 - 13%, and the S&P was up 16%. That's a massive delta to make up for but we are likely on the cusp of meaningful outperformance. When I look at it from April 2022 through just recently in early September 2023, all three funds are up very strongly - between 16% and 100% - and the S&P 500 is up 1.6% in the last 18 months or so. If you look at it in 2023, the S&P 500 has had a strong run of about 18.5%, but the three funds are up 37%, 50% and 27%. Of course, this particular quarter is also strong so far.

Slides 12-13:

I like the composition of the funds. They have some concentrated positions because some positions have run up. But when I look at the types of things we own, from my vantage point, they look very good. The frictional costs are really important. At Pabrai Funds, we don't charge any management fees. The only costs you pay are direct third-party costs like audit, accounting, tax, and third-party administration. We're at between five and eight basis points for the three funds, which is lower than where we were a year ago. The value proposition is that if we were a 2 and 20 fund, I would be getting $15 million a year regardless of performance. My family is the second largest investor in the fund. The fees are subject to high watermarks, so we have to get past the previous highs and then 6% annualized. I make money when you make money, it's a good alignment of interest. There's no leverage, no margin loans, no short positions, no options or derivatives or anything. It's a stable group of investors, about 335 families around the world, and it's a long-term group, and they "get it." We have a good set of families in the fund.

Slide 14:

I'm going to play another video. This is shorter than the last one. Our largest position is in a Turkish company called Reysas which we invested in about four years ago. One of the big businesses Reysas is in is trucking. It's not their largest business, but they're the largest truck operator with the largest truck fleet in Turkiye. They've had a 34-year-old relationship with Ford in Turkiye. Ford created an ad that highlighted their relationship with Reysas. I want to play that ad for you.

That is Egemen Doven. He is the son who runs the company. The first time I met Egemen in 2019 he said to me, "I know what you're thinking. I know you think I'm the silver spoon, the second generation. I'm not the second generation. I'm generation 1.5. My father founded the company, but without me, it wouldn't have gotten to where it got to. I started when I was 21." He's in his late thirties now.

Slides 15-16:

In 2019, when I met them for the first time, their market cap was $16 million. It's hovering north of about $700 million now. The Lira meanwhile has collapsed. In Lira, we are up some infinite amount but that's not relevant to us, we measure in dollars. In dollars, the investment has gone up quite a bit. We own one-third of the business. The founding family owns low forties. Over the years, I met them many times. I've encouraged them to think of me as their partner, a silent partner. I don't like to tell them what to do. They are pretty smart and can figure it out. We have differing percentages of Reysas in the different funds, which is a kind of accident of history in terms of where the cash was at the time. That's kind of a double-edged sword. When Reysas does well, which it'll do, the funds with the highest ownership will do well. PIF3, which has almost about $300 million in assets, had half of the fund in Reysas. About one-fifth of the company, 20% of the entire company is in PIF3. PIF2 has about a third of the fund in Reysas. PIF4, which had the lowest amount going in, has about 10% of the fund in Reysas. I always want investors to be very aware that PIF3 is very concentrated. I'm very happy with the Reysas investment. Even at these valuations, it's significantly undervalued. However, there are uncertainties, and we should always keep that in mind. The business was very simple to understand. Even in 2019, I ignored a lot of their other businesses because the main business, which is their warehouse business, was extremely easy to value. The other businesses had virtually no debt on them. There was some net positive value, which I said was above zero. However, even if you didn't calculate it, it was a huge delta. When we invested in 2019, Reysas' liquidation value would've been around $600 million. I would say Reysas REIT, which owns all the warehouses, probably has a liquidation value north of $1.5 billion today - 62% of that is owned by Reysas Logistics, which we own. Approximately $1 billion, maybe a little less, is coming through from the warehouses in value. They have a few other businesses which are very nice businesses like trucking, rail, and vehicle inspections. The company has a value of at least a billion. Today it has a market cap of about $700 million. It’s still undervalued. The father-son team that runs it is very likely to keep increasing intrinsic value. I have not seen them do anything stupid ever. They're really smart about the way they go about capital allocation decisions.

Slides 17-18:

Then we have a position in TAV Airports, which is about $94 million in current value. All the funds have a full allocation, or 10% of assets at cost. TAV operates 15 airports in eight countries. And it expects to serve about 80 million passengers this year, and about 115 million a couple of years from now. It has an exceptional management team. I'm impressed with them. The airport business can be very good. Privately run airports perform better than state-owned airports. Most airports around the world are state-owned. In the US, we used to have zero private airports. Now we just have one. We have LaGuardia Airport, which as you might have noticed, is vastly improved because of the change to private ownership. These are BOT models. In the case of LaGuardia Airport, there's a private operator who puts in a bunch of CapEx. They get to run the airport for a finite number of years and collect the revenues from that and then it passes back to the state. The problem with the BOT model is that these tend to go to auctions, so if you overpay or overbid you can end up with a white elephant where you've paid too much for an asset. Usually, animal spirits get released when these airports come up for bid because they're so rare. Generally speaking, one of the big risk factors is whether they will do a deal in the future which ends up being not so good for shareholders. The good news is that TAV has already done a bunch of bonehead deals in the past. Three of the airport deals that they did were not good; they either spent too much CapEx or their projections didn't materialize. The good news was that even in those three deals, they were able to go back and renegotiate the deal, which would seem surprising, but because these airports are such critical infrastructure for the countries and they don't want an unhappy operator, they were able to salvage some economics from the three airports that didn't work out so well. From our point of view, it didn't matter because those were much smaller deals. It didn't even matter if they had not redone those deals. They've been able to do a good job. During the pandemic in 2020 and 2021, they purchased the Almaty International Airport in Kazakhstan, which is the one I visited. We visited a number of their properties, but Kazakhstan was the only one I visited outside Turkiye. That transaction took place when passenger volume was zero. At the time the deal was done, there was no passenger volume because of COVID. Moreover, Almaty is very unusual because it's not a BOT; it was an outright purchase. TAV owns that property forever and that's extremely rare. There are very few airports around the world that are of significant size. They invested $120 million of equity in the Almaty Airport, and by 2025, they would've received $120 million back in dividends. We estimate that in a few years, Almaty will be producing well north of $120 million a year in profits for TAV. That will be paid out as dividends. It may be even be higher than that. The benchmark used in airports is: how are they doing versus 2019 because that was the last normal year before the pandemic. We can't use 2020, 2021 or 2022. If we look at the Almaty Airport statistics, it's running at about 40% higher than 2019. It has blown the doors off. It's very profitable. They got a great deal. When they purchased the airport, it was a $300-odd million dollar deal. If they were to put it on the block to sell today, they would not do that, but it would go for $1-2 billion. It's a very valuable property, and they're building a new terminal. All their fees are going to go up. It looks great.

Slides 19-20:

We've had a position in Edelweiss Group for a while in India, and they've just done the first spinoff of their wealth management business. Nuvama hasn't started trading yet. It will probably start trading in the next few weeks. Edelweiss has a bunch of businesses that have very strong growth trajectories because India has a lot of tailwinds. Historically, all the wealthy Indian families had either gone into real estate or gold or stuffed money under the mattress, but never really got properly invested. There's a huge movement taking place to financial assets in India. Edelweiss is at the epicenter of that. They have a mutual fund business, a wealth management business, a life insurance business and they have alternative assets, kind of like Blackstone. This is a business we hope to own for a long time. It can compound for a very long time, and we think it's quite mispriced.

Slide 21:

Just so that you're aware, I already mentioned that Reysas is a big position. If you look at our Turkiye exposure, we have three bets in Turkiye. We have Reysas, which is the largest bet. We have TAV, and then we showed you the video on Efes, which is the beer company and the Coke bottler. All three are run by great families and very good managers. Turkiye is 71% of PIF3, where I said Reysas itself was 50%, and it's 57% of PIF2, and it's 37% of PIF4. Turkiye is a significant allocation across the three. It's not a Turkiye allocation because two of the businesses are very international. The Coke bottler and Efes, the beer company, have a lot of revenue streams coming from outside Turkiye. Also with TAV, a lot of their airports are outside Turkiye. Even though they're kind of traded there, they're not getting all of their revenues from Turkiye. Then we have some bets in India, like Edelweiss, which make up between 20-30% of the funds. More recently, we've invested in two US companies, which I was very happy with. You saw some pictures of our field trips to CONSOL Energy in Pennsylvania and Alpha Metallurgical Resources in West Virginia. With these two businesses, one of the dangers we run into when I discuss current positions is commitment and consistency bias. If I say, these are great businesses, and I later discover things that are not so great, the public commitment can sometimes make it difficult to make a rational decision on the business. In the case of these two cannibals not only do we have the commitment and consistency bias, but all three funds will get hurt if the price moves up. I want the price of these two stocks to stay as low as possible, and I want the companies to be extremely hated and unloved. We don't have much interest in describing today why we invested in these businesses. What you may notice if you look at the businesses is that they trade at extremely low multiples. Three or four times earnings. Both companies surprised me when they canceled their dividend. I was thrilled about that. They're plowing every dime of their cash flows into buybacks. I have never seen public companies in the US have the ability to buy back 20-30% of their business in a single year. We want a very low price for them to buy back as many shares. They're both in the coal business. Everyone hates the coal business. I want them to hate it with all their heart. One of the sad things about our position in these companies is that is up 50% since we invested. That's very unfortunate. Our NAV is up, but we get hurt. Anyway, great management, and very good assets. I don't want to talk about them that much. Please do not buy the stock.

Slide 22:

The year 2023 was a great year because we found three ideas. If you can find even one or two ideas in a year, it is a very good year. Even though we have these concentrations, there's not that much correlation. Three Turkiye bets that don't correlate that much with each other. Certainly, the two US bets may have some correlation with each other, but one is thermal coal and one is metallurgical. They also are very different from each other. I've only once in the last 24 years asked investors outside of the quarterly letters to send more capital. I only did that in June 2023. Some of you sent money, which was good, and you got an immediate pop on that, which is also good. But we need more cash, and we could put probably a hundred million or more to work quite effectively. The funds are open, and if we get more cash, we'll do very well with it. It'll also help in the case of PIF3 as it would move the Reysas position and the Turkiye bets down. Those are good things.

Slide 23:

We are completely out of Micron. We had an investment with Micron for about five years, and it did not play out the way I thought it would. We invested about $70 million and we exited about $114 million. It's not a great return over the five years, about 11.5%. However, I concluded that my original thesis was not going to play out. One of the things about the original thesis was that it was an oligopoly of three rational players. They were not going to chase market share. We saw Samsung go off the reservation on that. The second is that I didn't expect a lot of the headwinds that Micron is facing with bans in China and the US-China trade wars and all the intellectual property issues and all of that. That has hurt Micron. Of course, we had the opportunity cost of other bets that we were very interested in, so it was a very easy decision to move on.

Slide 24:

We also made a recent investment in Brookfield, which is also a very good company. It'll do well over the long haul, but without saying too much, it cannot hold a candle to our coal plays. We had a $34 million investment and took a $4 million loss. We put that into two US cannibals. We have made many more times than the $4 million. It just blew past that. We'll do much better with the plays we have than we would have with Brookfield.

Slides 25-28:

I'll go through a quick overview of Dhandho Holdings. Dhandho Holdings is a mistake. I had raised about $152 million in 2014, and I realized almost before the ink was dry that it was a mistake. We are unwinding it, and the unwinding is going quite well. We've already returned 80% of the capital to investors. Putting the toothpaste back in the tube is not always easy. The odds are very high that investors will not lose money, and in the long run, might come out okay with the overall situation. Dhandho has a few listed positions that it owns, and it has a position in a venture fund that is fully invested and now in harvest mode. Of course, it's midnight in the venture business, so it's not the greatest place to be, but it should still work out okay for us. We have 47% of the pie invested in the Tandem Fund. Their largest likely winner is Outdoorsy, which is the Airbnb of the RV business. They have an insurance business in there. And it is profitable and scaling very well. Even after the pandemic, they've continued to grow extremely well. The pandemic gave them a lot of tailwinds. We don't have much value ascribed to Dhandho Funds today, which has about $100 million under management. Dhandho Funds could have some value some day. If it scales we might have $50-70 million in equity value there. Investors have already gotten 80% of the money back, and they'll probably get the rest and have some upside long term.

Slide 29:

What we've also been doing is that if people wanted to exit, we facilitated that other investors buy their stake. Not me - the management team, Fahad and Jaya, have been buying Dhandho shares. Insiders have a decent ownership but if I were you and owned Dhandho units, I would just keep them.

Slides 30-31:

We have two specialized funds in the Dhandho Funds. The first is the India Zero Fee funds, which have a mandate to have at least two-thirds invested in India. They had terrible timing. They started in 2017 when the India small-cap index lost half its value in the first two and a half years. The COVID dislocations actually were helpful to the fund. We made some changes and pivoted. Those pivots are working, and the funds have been doing well. They are ahead of the S&P 500 this year. These are some of the positions in the India Fund. As I said, about two-thirds is in India and the rest is outside, mainly in Turkiye and the US.

Slides 32-33:

Junoon is our fund that is an index-like product. It's sub-scale in the sense that the total assets in Junoon are under $20 million or so which makes it a challenge. We put it on kind of an autopilot and it's working out fairly well. You'll notice, for example, that Micron is still there. Junoon only does a rebalance once a year every April. It doesn't have changes happening throughout the year.

Slides 34-36:

This is our Austin team. When we moved from California, we moved some of the back office to India. We have a good team in India with three wonderful ladies. It's the best team we've ever had. Both the Austin team and the India team are wonderful to work with, and I enjoy that a lot. It worked out well. These are some of our service providers. We've got a few law firms and then a few custodians and brokers, and again a great set of folks we've worked with. Many of these relationships go back far. With that, I can open up to questions.

Question: Hi. Thanks for hosting this. I have a couple of questions. One is that you said you are looking for another $100 million investment. Is that going to be in the new US companies that you're looking at - the three companies you mentioned in 2023 - or is it going to be in the existing fund?

Mohnish: When investors invest money, they invest in the fund. Let's say our offshore fund has $300 million and $10 million comes in, that $10 million would go and it would become $310 million. In effect, that $10 million owns everything that the fund owns. Now, that $10 million may get invested, for example, in the US, but that doesn't mean that the investors who send that money have only US exposure. They would have exposure to what the funds have.

Question: My second question is a lot of your funds have investments in other countries where there is currency risk, especially in Turkiye and other places, as well as political risk and other relationship risk with the US. You briefly mentioned last year in the meeting that you were looking for some investment in the US. Are you planning to make more investments in US companies or stay with international investments?

Mohnish: That's a good question. All things being equal, we prefer to be in the US but in the last few years, we have found it difficult to find opportunities in US markets. The only way you would've done well in the last few years in US markets would've been to own the big seven tech companies. If you invested in those, you did well, and if you did anything else, you would almost certainly have lagged the index. Those seven tech companies are extremely good, but we don't see much meat on the bone. At least with my understanding of those businesses, I wouldn't be too excited about having a large allocation to them. It would've been a great time to invest in them 10 years ago, probably not today from my vantage point. Investors tend to stereotype and maybe sometimes don't appropriately weigh the risks. For example, when we were investing in Turkiye in 2018 and 2019, there was a mass exodus. Foreign investors were just leaving. I remember that we bought a 5% stake in Reysas as a block trade from Templeton Funds. Templeton Funds sold us 5% of Reysas for what was a valuation of $20 million. They knew the business was worth $600-700 million, and they still sold it for $20 million. They sold it at 2.5% of liquidation value. That's extreme irrationality. One has to kind of correlate and consider the risk with the reward. Our Turkiye bets are exceptional. Our India bets are exceptional. People will also hate our US bets. The ESG crowd is going to hate it, and anyone who's a tech investor or any kind of investor will hate it. That's just the story of my life. People always hate what I invest in. In this case, I hope that hatred continues for a long time. I would say the funds are the way I presented them. It may work for some families but not for others, and we have windows every year for folks to exit. One of the reasons I present all this stuff is that if you have discomfort, which would be very understandable, you can always exit. You should know what is in the funds and where we are headed. I try to do the best job I can. I don't like to talk about current positions. I do that just so that investors have a very good idea. When we release our annual reports and our audit reports, all our positions that are over 5% are listed. You can see that in there as well.

Question: What is a cannibal bet?

Mohnish: This is a Munger term. Cannibal is a company that is buying back a lot of shares. In his language, companies that are eating themselves. We've made some bets in heavily out-of-favor industries, the coal industry. I want them to stay hated and unloved, so I don't want to talk a whole lot about them. It hurts us when the price goes up and these companies are buying back massive amounts of their shares because they have huge cash flows. That's a cannibal bet.

Question: Earlier on in your investment letters, you had focused on opportunities where you picked up a dollar for 20 cents, or maybe 50 cents, but in recent years, you have focused more on long-term growth compounders. What do you think about the new cannibal investments, which are in industries with long-term secular pressure? Does this indicate a shift back to investing in discount value opportunities versus growth?

Mohnish: Well, the problem I have is that my hands are tied, and I don't want to talk about our cannibal investments. I will just mention that there is a headline perspective on these businesses and coal. That headline perspective is completely wrong, and our bets are not in industries with secular decline. As I said, I don't want to discuss these. I just think we will make a lot of money in the long term, and at some point, I can maybe talk a little bit more freely to you about it, but please don't buy these stocks.

Question: Why was there a 50% drawdown in Reysas earlier this year?

Mohnish: There was no 50% drawdown. In July, the stock dropped 50% because they did a rights issue. The stock was trading at about 20 Turkish lira per share and the rights issue was at 1 Turkish lira per share. The share count doubled. Anyone who held it individually hopefully fully participated in the rights issue; we did. You ended up with an investment of 21 Turkish lira and two shares, which then became about 10.5 lira per share, which is now approximately 24 or 25 lira per share. It wasn't volatility, it was the rights issue.

Question: What insurance do Reysas and TAV have regarding earthquake exposure?

Mohnish: Turkiye had a large earthquake as it is in a zone prone to earthquakes. A lot of the Reysas footprint is in Istanbul, which is a particularly dangerous seismic zone. There was a large earthquake in Istanbul some years back. The Reysas buildings had no damage. In the more recent dual earthquakes in Eastern Turkiye, which were pretty large hits, Reysas did have some warehouses in that area, in Adana. A few items flew off the racks, but there wasn't structural damage. Those were very large earthquakes. I would say that in general, their construction quality meets the code and beyond. It's been tested twice in two different regions with very significant quakes with no damage. Unless you have a very large quake in Istanbul that goes beyond what they've had in the past, I can't see them having an impact. I haven't discussed the insurance issue with them. I will bring it up next time I interact with them. I assume they are well covered insurance-wise. They are pretty careful about these things. With TAV, we have much less of a concern because they don't have a concentration of assets in one geography. If we had an earthquake hit, it would be hitting maybe 5, 10, or 15% of their asset base. Again, the same thing, these are very high-quality structures, and they are probably built to the highest standards. We have not seen anything major happen to any of the TAV properties or any of the Reysas properties anywhere in the region from any of the earthquakes in the last several decades.

Question: Concerning Reysas in Turkiye, I know the country well. You mentioned that $32/sq.ft was the construction cost of the warehouse, and $5/sq.ft as the leasing rate. That is an incredible yield if you compare that to where warehouse assets trade here in the United States. Do you think they can continue to replicate that? You mentioned liquidation value. That's a subjective assessment of value, but in terms of free cash flow yield, can you give us some insights into the free cash flow yield of the business on a consolidated basis?

Mohnish: First of all, in terms of how they think about their business, if they cannot see the money they put out coming back to them in two or three years in dollars, because they know the lira is kind of moving around, they generally don't have an interest in putting the money out. Historically, the way they've achieved that in real estate is it's mostly been leveraged. They've had relatively high leverage historically. Also, they're not very interested in speculating anything. For example, about 40% of one of the warehouses you saw has been leased to Mercedes. They started construction after the lease was signed. Mercedes gave them a 10-year lease. One of the issues that we have in Istanbul is that there is a very severe shortage of appropriate land available for large warehouses. The second is that there are very few kinds of professional companies that rent these warehouses on a large scale. They tend to have these relationships with DuPont, Mercedes, or Carrefour, which are not looking for one warehouse. They're looking for many. They have a comfort level with these guys. In some cases what has happened is that they've had land at historically low prices, which has risen in value, which makes the economics work for them. In the Mercedes case, they had that land for a long time. When you look at the construction cost versus the land cost, the cost of the land was very low. Those economics work for them, and their cash flows are north of $60 or $70 million a year from their footprint. Their debt is down to close to zero now. The bank stopped lending in the last few years, so they were not able to build new warehouses. They just used the cash flows and brought the debt down. The company is going to be debt-free within a year. It's quite conservatively run from our vantage point. I'll give you an example of kind of how they think about things. What's remarkable about Reysas is the way they enter new businesses where they have no competence. A German guy came to them a few years back and said that they wanted to lease the rooftops of their warehouses. They told them, "Listen, you've leased the warehouses, but you haven't leased the rooftops. We want to lease the rooftops." They asked the German guy, "What do you want to do with the rooftops?" He says, "I'm going to put solar panels on the rooftop." Turkiye had just changed its net metering laws where they must pay what they charge for electricity, just like California's net metering laws. Reysas told them, "We'll get back to you." They ran the numbers themselves and they realized it would be quite a remarkable business. The way that it worked for them at that time was that they were going to be investing a total of about $40 million or so, and cash flows would be about $10 million. It was a little bit outside the edges of what they would like to do, but they went for it. They said, "It's fine. It's been a very stable business for a long time. We'll drop our hurdle a little bit." Turkiye has so much heavy fossil fuel imports that have gone up. What they've done is they've re-engineered their leases where they are the electricity provider to their tenants. They do the metering and do the billing and all of that. They're not even sending it back to the grid and they save on the taxes and everything else the government charges. That business which took in maybe $40-50 million of capital probably has a value about three times that today if they just separate it. I don't have a concern about their warehouse business because they are in an ecosystem almost by themselves. For many of the other parties that these large multinationals will want to deal with, the quality is not there. Sometimes the scale is not there. Their ability to execute, build, and deliver a warehouse is not there. For many of those reasons, those relationships stay for a long time, so it has worked out.

Question: Are there corporate governance issues in Turkiye?

Mohnish: We had a lot of questions on Turkiye last year and I recommend reading through the 2022 Annual Meeting transcript. Every question under the sun you can think of about Turkiye was asked last year and some of you, who were here, might remember and I don't want to bore the audience, but we can come back to you. I just want to make sure I get a diversity of opinions. But, we don't have any governance issues with Reysas. We haven't seen any kind of actions by the family that would give me concern or pause on any front. One of the things they have realized over the years is that the corporate relationships that they have are extremely important to them. For example, Ford used them for the ad. Their relationships with Carrefour, DuPont, Amazon, and all of that have been extremely good. It will be a long discussion, but Turkiye has very strange laws regarding the way you can evict a tenant; very strange laws about the way the inflation escalators apply and all of that. A lot of that can lead to litigation. They only have one lawsuit against a tenant, initiated about 13 or 14 years ago, which has still not been resolved. This is the nature of the court system there, and they realize that. They say, "When we have issues, we find an out-of-court way to fix it, where we may not get a hundred percent of what we want, but the parties are still talking and on good terms."

Question: How do you mitigate the currency risk of investing in Turkiye and India? I understand that Reysas receives its revenues in dollars and Euros but aren't the shares that are traded in Reysas denominated in Turkish lira? Similarly, how do you factor in the risk of doing business in countries like Kazakhstan and Pakistan?

Mohnish: TAV doesn't have currency exposure. Reysas does not have all its leases in dollars and Euros. There is a law in Turkiye that only multinationals, that are more than 50% foreign-owned, can have dollar or Euro leases. Turkish companies must have their leases in lira. In the case of Reysas, at least half their revenue or more is denominated in lira, and they have exposure to the local currency. For Anadolu Efes beer, and the Coke business, a large portion of their revenues and profits are coming from outside Turkiye in several different currencies. If you look at Coke bottlers around the world, they are effectively inflation indexed in the sense that if they have a rational duopoly with Pepsi or whoever else is the dominant competitor, both will make money and both will earn a decent return on capital. If prices go up with inflation, then they can raise prices as well.

One of the big reasons why we invested in Reysas is that the assets are sitting in land, in cement, in concrete, and steel. That is what a warehouse is. And all of those have a global value. They have very prime real estate in one of the largest metro areas in the world. Long-term industrial real estate real estate in that area has very strong value. In the US we are having a lot of trouble with different classes of real estate. Industrial real estate, if you look over the last several decades in the US and elsewhere, has been the most resilient class of real estate. It doesn't go through a lot of peaks and valleys. You don't get over-building and you don't get depression and so on. It is a very good asset class. In the US, if you look at the publicly traded warehouse industrial real estate operators, they trade at a significant premium to book value. They typically trade at two times book value. I have always talked about Reysas in terms of liquidation value, which would be book value or adjusted book value to a kind of real underlying value. If Reysas has ever traded at anything like the peers in the rest of the world, we would be looking at a valuation of something like $3 billion and we own a third of that. The shares being traded in lira are irrelevant from my point of view. The business will get valued based on the cash flows that are produced; where it's traded, and the currency of that trading is not relevant. This has been proven in the last several years, and it will continue to be proven. For example, when we invested in Reysas for the first time in 2019, the Turkish lira was 5 liras to the dollar. Today it is around 28 liras to the dollar. The lira in the last four years has lost almost all of its value, 80% of its value. When we invested, the market cap was $16 million in dollar terms. In dollars, the market cap today is kind of north of $600 million. It moved from $16 million to $600 million. If you look at that move in lira, it is like an infinite move because you would need to do another 5x on that. I don't think the currency being used on our shares is very relevant in the end, even in a place like Turkiye. Even in the last four years with all the turmoil, the markets have become more rational in how Reysas is being valued today than it was four years ago.

Question: You mentioned the attractiveness of privately owned airport companies. Are there others besides TAV that are attractive investment candidates?

Mohnish: Well, we are not in the stock tip business. I would say that if you study the area, you will find there are several different private airport operators around the world. There are a couple in India, and there are some in Mexico, and Spain. Heathrow in London is privately owned. Frankfurt as well. There are several of them.

Generally speaking, there are two issues with these investments. The first is that they tend to be fully priced or overpriced because these can be very desirable assets. The biggest risk we run into with all of them, including with TAV, is animal spirits. When an airport comes up for bid, for example, we had LaGuardia Airport that went up for bid, these are rare events because 97% of airports around the world are still owned by the government. Over time that ratio will increase very heavily toward private operators. The problem is that you have many people interested in those assets. You can make anything work on a spreadsheet, so you are making assumptions on future passenger traffic, duty-free revenues, food and beverage, parking, etc. You are just making a lot of assumptions about the future. Those assumptions may or may not come to pass. Even with TAV, they have had several instances in the past where they have bid and won concessions for airports, and they have ended up upside down. TAV, for example, has three problem children airports. They have an airport in Medina, in Saudi Arabia. They have two airports in Tunisia and the third is Izmir in Turkiye.

They made projections about what would be future passenger traffic and cash flows and all of that. Based on that, they bid on these things and they were upside down. Now, the good news is that they were able to go back to the governments and redo the deals. The governments were willing to redo the deal because these are very critical infrastructure assets. The governments don't want an operator who is upside down because then that operator may cut corners or whatever else. What governments are looking for is for the operators to make some reasonable return and run the airports well. TAV was able to renegotiate these deals to the point where they would not hurt the business. I am hoping that these arrows in the back that they took in the past have generated some institutional memory for future deals, but that is one of the big risk factors I see. I don't see risk factors with Turkiye and currency and earthquakes and all the other things you bring up. The risk factor with TAV is they bid for an airport, they get overly excited about it, and they pay too much, and then that hurts the future cash flows. They are bidding for a very large airport deal in Nigeria. We don't know what the terms are. We don't even know whether they will win that or not, but I have talked to them quite a bit about that. They say that they have tried to learn a lot from their past mistakes. We will see.

Question: With interest rates going up in Turkiye, would the cost of building new warehouses go up? The value of existing warehouses goes down due to higher discount rates.

Mohnish: The issue Turkiye has had for several years is that there has been severe underinvestment and underbuilding of warehouses because bank financing was not available for several years. When Reysas was looking at projects in the last few years, even though they had a pristine balance sheet, they were not able to convince banks to lend to their projects. If Reysas cannot borrow, then nobody can borrow. What ended up happening in the last few years is that there was no building of new warehouses. We are seeing some impact of that now when we see the new leases being signed. The new leases are being signed at eye-popping rates. For Mercedes to pay, $15 or $18 per square foot on a warehouse where the construction cost is like less than $40 just makes no sense. The reason they did that is because Mercedes cannot find warehouse space, and no one can build warehouses because there is no bank financing available. I don't think the interest rates work the same way in Turkiye that we are used to seeing them work. The situation in Turkiye, specifically in the warehousing business, is that there is significantly more demand than available supply. Two structural factors are causing it. One is this whole bank financing issue. Bank lending is tight. The second is that there is no land available. Reysas repeatedly complains to us that they are not able to find suitable land to build these warehouses even when they are willing to pay for them. The good news with the company is they do have about 20 or so parcels of land available. The company is not interested in speculation. For example, the Mercedes deal was done on raw land. Reysas put the first shovel in the ground after the lease was signed and they told Mercedes in a year, we will deliver a portion of the warehouse to you. It is still being constructed, but they have delivered a portion of it. What Reysas always wants is they want no downside. They have got this land, and they can start building after they sign a contract with someone with a pristine credit like Mercedes, Carrefour, or Amazon. They don't need the financing because they are going to be debt free pretty soon. They have strong cash flows. They are just selectively doing these deals. I have seen the different things they have done, but I haven't seen them do anything stupid in the four years we have interacted with them. They will play the game appropriately.

Question: This is my first annual meeting. Thanks for inviting me and for your kindness. I have one and a half questions sort of. The first question is that I'm very new to value investing. Everything I've learned in the last 12 months is that you should look for great compounders - look for companies that can go on for a bit like Costco or Netflix. Do you feel the same way about the US companies that you invested this year? What about Brookfield? That's a great company, but it may not have the compounding potential that a value investor will look for some time.

Mohnish: Well, Brookfield has been a great compounder for a long period, and all indications are that it'll continue to be a great compounder for a long period. Bruce Flatt is a great manager. He built a great team. We just made a decision based on our opportunity cost. Whatever period we choose to measure it, the switch we made will work better than Brookfield will. But Brookfield will also do well.

Question: India and Turkiye, what I learned in the last two, or three years is that the value of a stock is intrinsic. That's a great determinant. In India, the demand and supply of capital can affect pricing quite a bit. It happens here too, but in some of those economies, do you worry that if the demand or need for that asset or that company changes, you could be in this trough of valuation for a long period and that could affect what the fund will earn or be valued at for a long period?

Mohnish: Well, there's only one metric a person ought to use when valuing a business, which is that the future cash flow discounted to present value. Sentiment is irrelevant. I've never been concerned about capital flows or what people are interested in or whether it will be in favor or out of favor or any of that. What I've always focused on is if we can figure out the range of cash flows in the future and how that compares to what we are paying for the business today. That's how we've always done it. I've never really paid attention to this type of flow and what goes in and out.

Question: Why is your focus on Turkiye and India? Are there no other opportunities in other Western countries which are considered more stable?

Mohnish: Well, people don't like it when I make investments in the US because then it is in coal. They always have a problem with something. So, we recently made investments in the US which is great. I would like to do more investments in the US, governance is great here. I would never have predicted that we would end up in a portfolio that was so heavy in Turkiye. We are going to end up with Turkiye, coal, and India. That is kind of what the portfolio is going to end up being. They all look extremely good to me. Even if we have some error rate on them, we will still do okay. The reason we have these investments in these places is that I can only invest in things that I can understand, and I can say that the valuation makes sense. Let us say we have had businesses like Microsoft, Alphabet, or Apple that have done well in the last few years. If we had invested in those companies, we would have done well as well. The reality has been that when I looked at those businesses, to me it was difficult to get to a valuation that made sense. Now, I was wrong. So, for good or bad, that one of the common things about Pabrai Funds and me is that we are just not wired to pay up a lot. If I am not wired to pay a lot, then I am going to look in different kinds of holes and crevices where some things are overlooked and everything that we have invested in is either overlooked or misunderstood. That is why we end up where we end up. But I would say this, I haven't been this excited about what we own in a very long time, and I would be really surprised if, in the next 10 years, we didn’t heavily trounce the S&P. That is my best guess of what is likely to happen, but we will see. There are no guarantees.

Question: Can you go through the thesis for Sunteck Realty?

Mohnish: Sunteck is a builder of apartments mainly in Mumbai. What happened is that India passed the GST Goods and Services tax a few years ago, and they passed RERA, which regulated the way real estate is bought, sold, and developed. These two changes in the law led to a very sharp exodus of most of the Mickey Mouse developers in the country because they had so much liability when they didn't deliver. In Mumbai what has happened is you are left with very few players and you have a severe kind of shortage of high-quality housing. Sunteck has a very good reputation. Their projects are doing well, they have got good margins, and they've recently gone capital-light, where they don't buy land. What they do is they do a joint venture with the landlord, where the deal with the landlord is that the landlord gets 20-25% of the top-line revenue and Sunteck gets the rest. The landlord gets paid for the land over time and it is a win-win for everyone. Sunteck has not done much for us so far but they likely have a decent return going forward. We would love to see it.

Question: Does Pabrai Funds have an allocation to the Indian Energy Exchange? How do you see that business progressing from the recent speed bump?

Mohnish: We do have an investment in the India Funds, and we do have an investment in Pabrai Funds. Indian Energy Exchange is an incredible business. It is effectively a monopoly. About 7% of all the electricity used in India is transacted on their platform and the way to think about it is 7% of the total volume or dollar value of electricity is traded through their platform, approximately 1% of that comes to them as a fee for that service. Of that 1% fee, approximately 70 or 80% of that is net income. So, it is an insanely profitable business. It is an extremely well-run, very high-quality management team. Because India's electricity demand is growing so much and is going to continue to grow a lot, their portion of the pie is going to keep increasing.

The speed bump he is referring to is that there are two other exchanges in India, power exchanges, which have close to zero volume, and these two exchanges keep going to the regulator saying, "It is not an even playing field, you need to change the rules. We are suffering, we are losing money." You have a monopoly and the regulator can see the annual and quarterly filings and earnings of IEX. They can see that 80% is dropping to the bottom line and they can see that it is a monopoly and the regulators anywhere in the world would prefer to see a different situation. But exchanges are a natural monopoly. What the regulator proposed recently is a bizarre thing called market coupling, where they are saying that they want all the price discovery that happens on the IEX servers to take place in a manner so that that price discovery is available to all three participants. In effect, they want to take away the IEX crown jewel and they want to give it so that the other two players get market share. It is a proposal at this point. There is some talk that some format of this could become the law. India benefits a lot from the high-quality manner in which IEX runs its platform. When they do something like this, it would take away innovation. It may even take away the quality of that platform. It would crimp their cash flows. Even if competing head-to-head with this scenario came to pass, they might still have 70% of the market or something. They may not have 95%, so we don't know. The business also has other spinoffs. They have a coal exchange; they have a carbon trading credits exchange and so on. They are spawning some other businesses. There is some murkiness about what might happen. I don't have a clear idea of what is going to happen.

Question: Why are you still in Rain? Every year you say this great capital allocator is going to come back, but it hasn't. Why not get out and consider new and growing defense related or aerospace related companies in India?

Mohnish: I do think Rain is a good business. It's not a great business, but it does have exceptional management. The unfortunate thing with Rain is that they got hit with two very large force majeure-type events, which were completely outside the control of management, and it hurt the business quite a bit. They're still trying to recover from them. One of them was that India suddenly banned the import of Petcoke in 2018, and then later they restricted it. Petcoke is a key input. Rain had just built a new plant, spent about $80 million of that in India, and they couldn't run that plant. They couldn't even run the other existing plant. They're working through all these issues that still haven't been resolved. We can't blame management for that, but that has been a big drag for them. In Europe, they had come up with a new resin plant in Germany, which was also about $80 million of CapEx. Then we had these huge spikes in natural gas prices with the Ukraine war.

Especially in Europe, energy became very tight and they were forced to shut down some of their European operations because it was just not sustainable. Some of that situation in Europe has abated and those plants are ramping back up. Rain is a business where we invested about $20 million eight years ago, and we got about 10% of the business at that time. That was the most we could buy. Less than three years after that, the $20 million was changing hands at $200 million. It had gone up 10x and by then I had gained a great appreciation for the management and quality of the business. One of my big issues historically has been selling too early. I decided to stay with it. Then we had COVID, and the $200 million went down to $30 or $40 million. At this point, Rain is about approximately a 3x from where we bought. That $20 million sitting at about $60 odd million. We do consider it very carefully in terms of what you're saying, and we will try to as objectively as possible figure out what makes the most sense. We do have exceptional opportunities here in the US. I do have a big shortage of cash. Nothing that I can think of that Rain can do, can match what our US bets will do. We'll look at it based on that.

Question: Is there any significant insider buying or corporate share repurchases going on with Reysas or TAV?

Mohnish: I tried many times to get Reysas to do stock buybacks and it just went straight over their heads. Most management teams are not going to get buybacks, but they did understand that they kind of blew it and that they should have bought for themselves personally a lot of stock a while back, but they are making amends. They have been buying recently at current prices. They participated fully in the rights issue and they have been growing their portion of their ownership. They see Reysas as undervalued. In the case of TAV, TAV leveraged up their balance sheet to do a few of the deals they did like for example, the Almaty deal, then a few other transactions where they had to take on non-recourse debt. In the case of TAV, they are very open to buybacks, but right now their leverage is higher than they want it to be. It's at about five or six times EBITDA, and they want to be less than three times. They will probably get to less than three times EBITDA in maybe 2-3 years with EBITDA being a lot higher and debt being lower. After that they certainly will be a large dividend payer, but they are open to a conversation on buyback. We will talk to them about that at that time. The worst case with TAV would be that there would be dividends.

Question: What ultimately changed your mind from being very excited about Micron and Sanjay Mehrotra and now exiting the business?

Mohnish: We had a specific thesis on Micron when we made the investment and facts emerged that challenged the thesis. A core part of the Micron thesis was that this was a rational oligopoly where there were three players. Micron had a 50% market share, and the other two had approximately 25%. None of them were going to reduce prices in order to take market share and end up in a race to the bottom. That was a core part of the thesis. Before we invested, we met with Samsung twice in Seoul, and they swore up and down on the Bible to us that they do not want to have more than 50% market share because "bad things happen to them" and they just attract a lot of attention, which they don't want. The other players, Micron and Hynix expressed similar perspectives. What happened in 2022 is that Samsung went off the reservation. They decided to drop prices and go for more market share, exactly the opposite of what they told us they would not do. That kind of pulled the rug out from under us, where we now have irrational competition. Samsung took so much pain and suffering from doing that, so they backed off now. The second thing with Micron is that they have become the poster child of the tensions between the US and China. China has done several things with Micron in retaliation to various injustices they perceive from the US in the trade relationship. They have banned things with Micron, they have done a whole bunch of other things.

So we had two negative data points that were very significant with the Micron. We had a gain, we had other opportunities and we decided to move on. If we are right half the time or 60% of the time, we are doing very well.

Question: The PIF funds have exited Micron and Brookfield. To the extent these are held in Junoon, should we expect that Junoon will exit these as well?

Mohnish: Junoon is an index-like product, and we don't have the discretion to kind of run it actively. It goes through a rebalance once a year. The next rebalance date for Junoon is in April. Brookfield, as I said, is a long-term compounder. We just had better opportunities. However, when we look at it in April, we will look at what makes sense for Junoon and we look at these businesses and all the businesses in the portfolio to see what makes sense.

Question: Should we expect to see Junoon invest in coal companies? I would prefer that it not invest in coal companies.

Mohnish: Junoon has no investment in coal companies today because I mentioned that their rebalance date is April. On the April rebalance date we will look at the coal companies. If you are allergic to coal, then you might want to consider exiting before then. We will have to see what the prices or opportunities are then, but certainly, we would not exclude coal.

Question: Hello Mohnish. This is my first meeting. Could you talk about the India Fund? It started in October 2017, almost six years, and it's down about 26-27%. I haven't heard really bad news about the companies. You have good news and still, we're down so much.

Mohnish: When I look back in hindsight, it was a mistake to start the India Funds. The reason is that it repeatedly restricted us on what we could do. For example, over the last several years, the best opportunities I found were in Turkiye and more recently in the US. The India Funds are not allowed to have more than a third outside India. I was handcuffed. We were constantly hitting this one-third limit. It’s a mistake to do a fund with any kind of a specific mandate. It's better to just have a go-anywhere fund. That's one issue. I've noticed, especially when I look at markets like Turkiye, is that India is a country that has tremendous opportunities, and tremendous growth. Two issues come up. One is there are about 5,000 listed companies in the country, so it's a very large number but when you do the first layer of governance, which are the companies that have great governance, you may be down to a few hundred. The 5,000 may go down to 300 or something like that. The investor base in India is probably amongst the smartest investor base in the world. I have met extremely high-quality, very smart investors. I have a lot of friends in India who are extremely good investors. What I notice is that when there are companies that we encounter, that have extremely favorable prospects, extremely good governance, and very strong tailwinds, the valuations are stratospheric, so they tend not to be hated, unloved, or discarded. That makes it hard because we are limited to this pool. We don't want to go outside the pool in terms of governance and so on. Generally, those businesses tend to be overvalued relative to where the rest of the world is valued. I have to find a solution. It may be that we may end the funds, we may just liquidate the funds and return the capital, or we'll figure out what we do with that. Probably in the next few months, we'll figure out what we are doing because it has not worked. We found US plays but they just can't participate to the extent we would like them to participate because they have these restrictions on how much money can go to different places.

Question: I thought this was my 20th anniversary of being a member of Pabrai Investment Funds, but actually, it is my 21st meeting.

Mohnish: Congratulations!

Question: Thank you. We have been attending annual meetings for 21 years, and I want to thank you for the ride. I would like to go back to Reysas and something you said at last year's annual meeting. I am not positive, but I thought you were concerned that the father and son might be trying to push you out because you own approximately one-third of the company.

Mohnish: No, they are not trying to push me out. We always have a good time with them. It is always unusual when some Indian guy with a big mustache shows up with one-third of their company. They have never had any large outside investors. Turkiye is just a bunch of traders going in and out of the stock. So I asked them a few years back, “Are you comfortable that we own a third of the business?” The son said, “We are not fully comfortable.” I replied, “Well, I want you to be comfortable. What can I do to make you comfortable?” I asked them several times if they would be okay with us buying more. We wanted to buy more. And they said, “Look there is no law against you buying more, and we are not going to tell our outside investors what they should be buying or selling, but, if we can whisper, we would say, ‘please don't buy more.’” I said, “We are not going to buy more.” We don't want to do anything which would make them uncomfortable. What I suggested to them was something that Buffett had done a few times. Warren ran into this issue several times with companies where he had a large take and the companies were uncomfortable. Even with Warren Buffett, they were uncomfortable. These were companies like American Express and The Washington Post. With Kay Graham at the Washington Post, Buffett owned 20% of the business. They were buying back shares, so it was rising. He turned over the voting rights of his shares to Kay Graham. He did the same with American Express. When Harvey Golub was running it, he said that as long as Harvey Golub ran it, he could deal with our shares the way he wanted. What I proposed to Reysas unilaterally, I said, “One of our funds has about 11% or so interest. What we can do is give you the voting rights for that fund. You can vote for anything, and that would give you more than 50% control, absolute control of the business.” I said, “No one is going to tell you what to do.” They were surprised and I said, “I am not asking for anything in return. That is just one way to make you comfortable.” We gave them a letter to that effect. From my point of view, they already have control. They run the business; they own more than 40%. If I am going to disagree with them on something of fundamental importance, I am better off selling the stock rather than sitting there and messing with it. We have never really had any issues before or after because we have always voted exactly the way they are voting. Even the shares that we haven't given them, we have voted the same way. I noticed that their comfort level went up, so that was good. What I did is, I went to God Google, and pulled up Warren's letters to The Washington Post and American Express. A cut and paste of that, I sent it to them, and that was the end of that. I didn't even use a lawyer to do that. We were done. That is how we addressed that, and it seems to be fine.

Question: Sorry, I have a depressing question. Everybody here follows you. You are the leader and we are the fans. How is the group set up if something happens to you tomorrow?

Mohnish: That is a good question. The funds are set up to liquidate. We have got a setup in place, where there are people who would come in and oversee the liquidation of the fund. The funds would stop making new investments, and they would do an orderly liquidation of everything that we owned. We would then send all the money back and that would be the end of it. There is no real succession today at Pabrai Funds. It would just be a liquidation. That is how it is set up.

Question: I am from Calgary, Alberta, Canada. It’s kind of obvious most of your investments are external to the US and the two companies you invested in the US probably get most of their revenue from outside the US. Given Biden's stimulus plan in the US and all, is that an indictment against the US economy?

Mohnish: Not at all. I don't think in macro terms. Even the fact that the two US companies are getting their revenues from outside the US just happens to be the case. It wasn't something we went looking for. When I look back on the kind of investor I am, and I look back at the things I have invested in, there is a general theme that I have come to recognize who Mohnish is. One of the themes is that I tend to go where things are hated and unloved. Generally speaking, in equity markets, when we have extremes of hate of certain businesses or countries or certain categories of businesses there is likely mispricing. If we look at a business like Alphabet or a business like Apple, we would be the 101st analyst looking at that business and trying to come up with some kind of a view on what their earnings would be in the future. Then, discounting those back and having a differentiated view than the rest of the planet on that. I don't think I can bring anything to the party to those businesses where I would have some insight that the rest of the world hasn't already figured out. What I have instead found a lot of comfort in is to focus where there are no-brainers because of the hate and unloved nature of these geographies of businesses. If I look at a place like Turkiye, it is a very difficult place to invest in. We must have visited maybe 50-60 businesses in Turkiye over the years, and I don't think most of them are investible because of the headwinds they would face with inflation and all of that. I just thought, “What are the businesses in Turkiye where inflation is either a tailwind or doesn't matter, and where governance of the country doesn't matter.” We found a few great businesses that fit. The world had thrown everything out. They just threw the whole country out. We were able to pick through two or three things that to me, made sense. When I look at the US markets, we have so much money chasing equities and all of that. In Turkiye, there is irrational hate and seven moons line up on the irrational hate, and we can do something. That is kind of how we end up where we end up. But I am not looking at Biden's plans or what is happening with stimulus or any of that. That is just not part of the equation.

Question: I'm also from Calgary, Alberta. I have a question and a request Mohnish. My question is, I am curious as to what learnings over the past decade have made you a better fund manager today than 10 years ago. In 2019 when this question had come up at a meeting, you mentioned something about avoiding leveraged financials and not cutting the flowers to water the weeds. I am not sure if that would have helped you with not selling Rain Industries or Fiat. My question is what else do you think makes you a better investor today than 10 years ago? I am sure with your focus on compounding, you are also compounding learnings and you are in this business to learn.

Mohnish: That is a good question. One of the advantages we have in the investing business is that all knowledge is cumulative. For example, I made a lot of investments in 2009 in the commodity space, and at that time the whole sector was decimated. A lot of things were decimated in 2009, but commodities were especially decimated. These ideas were coming at me so fast that I didn't even have enough time to dig into the companies as much as I wanted to. I normally make 10% bets. I made 2% bets on a bunch of different companies in the space because they just looked so off and every single one worked. One of the larger ones over there at that time was a company called Teck Cominco, which was in the metallurgical coal mining space. I spent a lot of time with Teck because it was like the IBM of metallurgical coal mining. Its stock went from $40 to like $4 in two months during the financial crisis. I loaded up at the $4 price, and it was back at 40 in about six months. I studied the metallurgical coal business 14 years ago, and now when these companies came on the radar, it just made the analysis a lot faster because there was so much stuff that I would work on at that time. Knowledge is cumulative. One of the things I try to do is I try to reflect on kind of what worked, what didn't work, and what things happened. I'll talk about the Fiat Chrysler bet we made. I knew that Ferrari was inside Fiat Chrysler. At the time we invested, Ferrari was earning maybe $200 million a year after tax. It is probably worth $3-4 billion or something. I didn't pay a lot of attention to Ferrari at that time. It was a $3-4 billion play, but there were Ram Trucks and Jeep, and they were going to make like $4-5 billion a year on each of those. The market cap of Fiat was about $5 billion. To me, Ferrari didn't matter. It was really about Jeep and Ram Trucks where I said that if these things start making $4-5 billion, the company is going to be worth $50, $60, and $70 billion at some point. We were buying at a market cap of $5 billion, and they brought Ferrari public. We invested in 2012, and about 2017, they brought Ferrari public. It was $8-9 billion valuation when Ferrari came public. I looked at the numbers and it looked fully priced. The $200 million earnings had gone up to $300 million or so. I said, "Okay, this looks like a fully priced asset here. Ferrari now has a market cap of north of $50 billion, and I never saw it. I was just doing the math, and we captured some of the upside because we kept it till it went public. I also kept it beyond that. When I invested in Fiat Chrysler, Ferrari's per share value was about $14. It's north of $300 today, in the last 12-year period. You invest in some businesses for a reason X and reason Y is why you make the money. That is the nature of capitalism. Sometimes things like that happen. Many of the reasons I invested in Fiat Chrysler were correct. We had a very gifted manager and that worked. The other thing is that the investing business is very forgiving, and thank God for that because we make so many mistakes. I was reading about the Davis family. Chris Davis is now on the board of Berkshire Hathaway, and he is the third generation. The Davis family has done well. The grandfather used to be an insurance actuary and made a lot of investments in insurance companies because he understood the business from an actuarial perspective. Almost all of his investments didn't work. More like 95% of what he invested in didn't work. But he had made a 2% bet on AIG when AIG was nothing. It was a very tiny company in Shanghai. The only thing that he did was that he never sold anything. He never sold all the good stuff, and he never sold all the bad stuff. Only about 4% was good, and 96% was bad, but the 4% included AIG and the family became incredibly wealthy because of that. In the case of the Davis family, the error rate was something like 98%, but that 98% error rate did not stop them from becoming an extremely wealthy New York family. It needed them to not do anything, which they did. They didn't do anything, and one of the big lessons that came up is that, try not to do too many things and try to hold onto these things because, in the business world, things can come from left field. When I look at a business like Reysas, they didn't know they would be in the solar business a few years back. They told me they were going to manufacture containers, these 40-foot containers in Turkiye. I told them, "You have no manufacturing expertise. You are not manufacturers." The father is a maverick, and I appreciate his creativity. He said, "Look, the thing is that container prices have gone through the roof." If you remember, at that time, to buy a container was something like $15,000. What used to be $2,000-$3,000 went to like $15,000 or something. The father explained to me, "A container is mostly air. When we ship it from China to here, the air costs a lot. I want to get these panels and I want to put the air inside it in Turkiye." That was his idea. They kept noodling with this for a while, and finally, they decided not to go into the container manufacturing business. Almost every time I meet them, they have some new business idea that they are noodling. The last time I met them, they said that they wanted to go into tomato farming. I asked why and said that they knew nothing about tomatoes and farming. The Turkish government is under a lot of pressure. Public opinion is against them because tomato prices have gone through the roof. They want to somehow bring the price of tomatoes down because it affects a lot of stuff in the economy in terms of how the government is perceived. They came up with a scheme where they said that if you invest 5 million lira in a tomato farm, the government will give you 50 million lira interest-free for 10 years. Now Turkiye is like a 70-80% inflation economy. If someone gives me 50 million lira for 10 years with no interest, I am going to return to them one lira after 10 years. That's the equivalent of what is going to happen. Basically, it is a grant, not a loan. They said that if we get the 50 million from them and we put in our 5 million, we can get our money back in three years. We get our 5 million back in like a year. Turns out, the tomato farming business looks great! I don't know what they found out after that, but they never went to the tomato farming business. Every time I meet them, there is some idea from the left field coming out. Who knows what they end up doing, whether we end up with some Davis family-like thing; they try something and something hits. They hit it big with warehouses. They figured that out. That worked well. They hit it big with these vehicle inspection stations, and they have had a bunch of businesses that just haven't scaled, but they have never lost capital because they just put so little in to begin with. The learnings are that so much comes from left field and so much can come from patience, and then, beyond that, keep putting one foot in front of the other and keep going. It is the best I can do.

Question: One of the commandments of Warren is not to get close to the management of the companies. He says it will prevent him from making objective decisions. Do you disagree with that asking since I saw a lot of photos with the management of invested companies?

Mohnish: Well, I hope you enjoyed the pictures. This is a very good question. One of the big mistakes I made through most of my investing career is I followed that rule, which is to not meet management. Ben Graham said that the advantage of meeting management is you might get some information; not necessarily insider information, but industry insights and other things that could be helpful in your thesis. The disadvantage is that you could be swayed because the average public company CEO typically comes through sales or marketing team, and they are good at that with great charisma. Ben Graham felt that the disadvantage of being swayed by their charisma would outweigh any information advantage. I took that to be the gospel truth coming from Ben Graham. I stayed away for a very long time from meeting management. I made a change when I was starting to invest outside India, outside the US. I was not interested in investing in Turkiye without really understanding the ethos, the quality of the families, and all of that. I don't think we could make those investments. What I would say at this point is that in all the businesses we are invested in, we have had a good amount of interaction meetings and site visits with management. It has been very helpful in getting a better long-term view of the business. No one has shared anything with us, like what is happening next quarter or next year or any of that. We don't dwell on those types of things, but I want to understand kind of industry dynamics and kind of where things are going.

We spent five days this year in coal mines and coal terminals, and we are going to spend another five days in coal mines and coal terminals in November. I spent two days at a conference just meeting with coal companies and all of it was fantastic. The kind of long-term perspective I have on these businesses has been enhanced and it has been very helpful to visit the Almaty airport, to visit the Antalya airport, and to visit Havas, which is the ground handling facility in Istanbul. We met with the Coke bottler and the beer management a few times, but the next time I am going to Turkiye they have promised to take us to the market and I am looking forward to that.

One of the things I am most interested in doing is making a trip to Uzbekistan. Many of you may not know that on the old Silk Road were two big cities which are Samarkand and Tashkent. These are very old cities. We have a little bit of time so I can take a little detour on Uzbekistan to try to explain why I am so excited about Uzbekistan. I am hoping next year, maybe next summer, I can visit Uzbekistan. Let me explain to you what is going on in Uzbekistan, which is so exciting. There is a Coke bottler in Uzbekistan that was a 50-50 joint venture between the Coca-Cola company and the Uzbek government. Uzbekistan used to be part of the former Soviet Union, and whenever Coke entered that area, they had to do a joint venture with the government. The bottling partner in Uzbekistan used to be the Uzbek government. The Uzbek government's approach to bottling Coke was that they had an old bottling plant. If you wanted Coke products, you showed up at the factory gate to pick them up. No trucks, no branded anything, no coolers, nothing. The Coke products they were willing to sell were just a small sliver of the Coke portfolio. There was no Coke Zero. There is none of the newer things that Coke is doing with Costa Coffee. The Coca-Cola company was very unhappy. If you look at it from the Coca-Cola company's perspective in Atlanta, they have bottling relationships in the US and all over the world. Some of these relationships go back 50, 70, 80 years, a long time. The Coca-Cola company is very good at honoring the contracts that they have signed but they are unhappy in many cases with the bottler. The Uzbek government decided a few years ago that they were going to exit the bottling business. Coke said, "Great, we would love to buy it." The Government said "We are not going to sell it to you, and we are not going to sell it to anyone you want us to sell it to. We are going to do an auction and we are going to sell it to the highest bidder, and that is the way it is going to be." Coke was very unhappy about that because they did not want the bottler to be an entity that they did not select. They own 20% of Coca-Cola Icecek in Turkiye. They sit on the board. Coca-Cola Icecek is their blue-eyed boy. They love Coca-Cola Icecek. They love the family for the same reason I love them. Extremely high-quality family and management, so they told Coca-Cola Icecek to please bid on the 50% that the Uzbek government owns, pay whatever ridiculous price you have to pay to win the auction, and what we as a Coca-Cola whole company will do for you is that we are going to give you the other half of the bottler that we own for almost nothing to make the whole deal work. Coca-Cola Icecek bid on the business, they won the contract, they paid a very high multiple, something like 25 or 30 times EBITDA, and then Coke gave them their half at a very small price, low single-digit EBITDA. But, even when you blended the two numbers, it was still a high multiple. The analysts were upset with them for doing this deal. The company said, "Listen, they sell everything at the factory gate. They are making $20, $30 million a year. Let us go in, roll up our sleeves and take over the business. In the second year of their ownership of the bottler, they quadrupled the earnings. It went from $20-$30 million to something like $90 million. And I asked him, "What did you do?" He said, "We haven't done a whole lot yet. All we did was we hired a bunch of drivers, we painted a bunch of trucks red, we went and met a bunch of merchants in town, and we just shook their hand and said, hello. That is all we have done so far. We haven't expanded the portfolio. We need to upgrade and update the bottler. And there is a long runway." What is the Coke Uzbek business going to look like five or 10 years from now? I don't know. I have no idea, but I want to know.

So I am going to make a trip next year, and I am going to go meet the people running the Uzbek bottler, and I am going to go into the marketplace in Samarkand on the old Silk Road and go see what's happening. Do they have the Coke signage everywhere? What are they doing? What is going on? And the thing with Coke is that it appears to be a simple company and a mature company. It is 135 years old. It is anything but simple. It is an extremely complex business to optimize Coke consumption in the different geographies. I look at the per capita consumption numbers in Uzbekistan, and I compare that to the per capita consumption numbers in Mexico, Rome, Georgia, or Kazakhstan, for example, it is night and day. It's crazy. It is like a 20:1 delta; 5% of the consumption. That business has a lot of tailwinds that they effectively paid like 4 times EBITDA or something based on what they are doing right now. This is one of the most exciting things about running Pabrai Funds. It is being able to go to Uzbekistan, not to be a stupid tourist, but to be able to spend three or four days immersing myself in the Coke Uzbek business, nothing could be better. I am getting paid for it. What a country and what a life.

Question: This isn't a question about predicting the future, but rather a statement. Let us say AI has self-driving cars and Reysas has to replace a bunch of their workforce – like the drivers or the human capital with robots or whatever, or they have self-driving trucks - do you see any big risks to that? Not saying it will happen or not, just if it does happen.

Mohnish: Disruptive innovation is always happening around us, and it affects different companies, in different ways. It's hard to predict. Particularly for Reysas with trucks, it is a small piece of the pie. Probably those who get hurt more are the drivers, not the capitalists. The son was joking with me. Turkiye has had a big shortage of truck drivers. They are facing a lot of wage pressures and also retention of drivers. Reysas have been able to retain their drivers. But the son was joking with me. He said, "You know, I always need to be so polite with the drivers and greet them. How are you doing? Are you doing well?" We went on a tour with him, and one of the things about Reysas is the father and son, they think of many of their assets, like works of art. If you look at their warehouses, they have put a lot of thought into the way they are painted. They always look nice and clean and all of that. Their aesthetic is very important to them. They love to see their trucks very clean. You saw in the video that they are clean. We were driving somewhere, and he saw one of his trucks was very dirty, and the drivers are supposed to take care of that. He said, "What am I supposed to do here? In the old days, I would go to the driver and yell at him, to keep the truck clean. The guy would quit in five minutes now because he has got like 10 other offers. I just have to grin and bear it." That bothered him. When we have a disruptive innovation, it becomes hard to tell exactly how things will play out. One of the things I always felt about self-driving is I felt it would happen first with trucks before cars. I thought what would happen is that they would have the technology where the last mile on both sides would be done by human drivers, and the rest would just be done automatically. The problem with self-driving is the last mile. That is where all the complications come in. You can get a truck up to a ramp, then the driver leaves, and then it can go across the country, no problem. On the other end, someone can pick it up at a ramp and bring it to where it needs to be, and that's going to save a lot of money. Trucking is a huge industry in the US and that would be subject to disruption. Probably the technology is already there today to do something like that. I see a lot of cars, Cruise, and others in Austin with no drivers in them. They only allow them to move around in the evening in the streets where the speed limit is low. The other day we were driving, there was one in front of us and one behind us. We still haven't been able to crack self-driving properly. The last mile is still an issue. We'll see how it plays out.

Question: Buffett has talked in his letters to shareholders for the last 25 years, about capital allocation decisions. From time to time, he talks about it, and he never really talks about his obligation to sort of not always support management in certain situations. He's been very polite about his criticism.

In America, we tend to lecture the world about democratic ideas and ideals, but in the S&P 500, there are still many companies that have staggered boards that are run autocratically in some instances. A case in point is Disney today where somebody bought a billion dollars in stock recently. They brushed him off and were going to spend almost a hundred million dollars to fight him. That's just shameful and appalling. I'm wondering, in terms of your portfolio in India and Turkiye, do you see things in those countries where American companies can learn something from?

Mohnish: Well, I have a little bit of a different take. Buffett has a saying that we don't go into companies with the idea of affecting a lot of change. It doesn't work very well in marriages or companies. I've always been the opposite of an activist. I don't want to go into a situation where we are going to do arm twisting. Some funds are set up just to do that. I also have a second viewpoint that benevolent dictatorships are the best way to run things. An example of a benevolent dictatorship is Singapore. Churchill used to say that democracy is the worst system except for all the others. In my opinion, companies need to be dictatorships. I assume they are dictatorships when I invest because there needs to be somebody at the top running the place. Most companies run that way. They're not run by the board and the shareholders; they're run by the dictator. We hope and pray that the dictator is benevolent, and that it works out. For the most part, I have a lot of respect for CEOs and capitalists because they're in the fight. They're in the arena, bloodied and everything and it's not easy. In the example of Disney, I don't know a lot of details of what you're talking about, but if you just put a gun to my head, I'm with the CEO. My take is that the board only has one job, and that is to pick the leader. It has no job telling the leader what to do from my point of view. That's the way Buffett runs and thinks about investing. His board used to be three people and two family members for the longest time. His board would meet, in person, once a year. I remember when Berkshire acquired General Re, it was the largest acquisition they ever did; $20 billion on a $70-80 billion market cap. They ran into problems later. Someone in the interview asked Charlie Munger, "What were you thinking when you approved the General Re acquisition?" His response was, "I didn't know it was happening till the night before it was announced." He's on the board, he's the vice chairman of a huge American company but he didn't know about a huge acquisition that they were doing. That is the way it should be, but I have an extreme view on that. I don't think that one should be looking at the board when investing and expecting some kind of democracy. I want league one-type leaders running these places and running them well. When we invested in Fiat Chrysler, we invested because Sergio Marchionne was running the place, John Elkann was a chairman, and the family had control. That was good for me. That's why I invested in Brookfield. I don't even know who the board members are. When we looked at these coal companies, we were heavily looking at the leader. That's what we've kind of tried to do.

Question: Do you still love bike riding?

Mohnish: Actually, Austin is unfortunately not safe for bike riding. We had a great setup in California. That was like utopia in Newport Beach; you couldn't beat that. I wanted to make sure that the longevity of my life expectancy for my investors didn't get cut. I sold all my bikes a few months after coming to Austin because I felt it was too dangerous. It's a dangerous activity if you are with cars. The second issue was that the food was not so good last year. It should be better this year. We have Zaviya Grill doing the catering today. They are a Pakistani restaurant here in Austin. We all went for a tasting a few months back and had a great time. I hope you enjoy the food. We had very good food in California. Hopefully, we'll do a little better this year.

Question: I have 3 more questions. What is your opinion about these – the first one being the acquisition of Elon Musk of Twitter, I know they are fighting with Facebook for their ad spend. Second, about the US-China relationship and Alibaba, and third, about ChatGPT vs. Bard.

Mohnish: Musk doesn't think he's serious. We've got the biography coming out for Elon. It's already out on Audible. I read some excerpts and am looking forward to that. Who knows how that plays out?

About the US-China relationship, it's very unfortunate where it is today. Both are very large economies and I hope they get along well, but they don't. There's zero history in the past in the world of a new power rising benignly. China wants to flex, and the US is not used to anyone flexing, especially since it has become a single, unipolar world. It's very troubling what's going on there.

And on the AI ChatGPT, it is a game changer, but I don't think I will bring anything to the party. It's amazing and there are a lot of businesses that will be created around that. It'll change a lot of things in them, like the cost structures for a lot of companies. So, a lot of good coming out of it. My crystal ball is no better than yours.

Question: This is on behalf of investors like me who are invested in both PIF2 and PIF3 combined. Our concentrations are relatively higher and live the fear of a double whammy while a lucky pair can be one way to look at it. Could you share your insights into your motivation to have identical investments in both funds? Have you considered diversifying investments across PIF2 and PIF3?

Mohnish: That is not possible or practical without hurting the funds. We have very few good investment ideas. I made so many trips to Turkiye. I must have met with like maybe 60 or 70 companies. After meeting these 60 or 70 companies, we have three investments and that is it. We don't even have a possible fourth candidate that I would be excited about buying in Turkiye. A big part of that filter was the quality of the business and the families and management. We have two or three companies in the US that are of interest, and we have thousands of companies listed here, and we have maybe a couple of businesses in India that are of interest, maybe two or three, and that is it. It is difficult to come across a lot of investment ideas. If you have a very large portion of your net worth in PIF2 and PIF3 combined, and that is uncomfortable for you, it may make sense to reduce that exposure. Put some of it in the S&P. Our last date to send in redemption requests is the end of October, or early November, like November 1st. The largest portion of your net worth or a significant portion of your net worth is likely your future earnings power. If you look at your assets, maybe there are a lot of your assets that are in Pabrai Funds, but if you look at your assets plus your future cash flows from your earning power then it may not be so strange. This is an individual judgment you have to make. I would certainly not be offended if you are redeeming or reducing exposures or any of that.

That applies to all of you. One of the reasons I am trying to highlight our investments in Turkiye, our investments in coal, our investments in India, and so on, is that it is a very bizarre allocation. I do not want you to be invested if you don't agree with the allocations. There is an exit window every year to partially or fully exit. You can lighten up or completely exit. I would understand even though we would like more money to come in, but I want to make sure that we are in sync with you. All I can say is that almost all of my net worth is invested in these companies, and I couldn't be happier about it. I am very comfortable with it, but you have to decide for yourself.

Question: For the benefit of LPs in this room, can we have access to your reasoning for purchasing the sale of stocks after 13F filings before it goes on podcasts?

Mohnish: Well, I get paid for running Pabrai Funds and I am not in the business of stock tips. I am not in the business of people tailing or making individual bets or any of that. We don't have a choice on our 13F filings. What they decide to do is their business. I am not interested in people buying what we are buying. It is not part of the equation. Especially now with our Uber Cannibal bets, we don’t want people to buy what we are buying because it would hurt us. Anyone interested in those companies will make those companies buy those shares at higher prices, which in the long run is worse for us.

Question: The S&P 500 index right now is quite concentrated in a few top positions. What is your opinion about the next 5, 10, and 15 years performance of the S&P 500? Can these highly valued, high multiple companies affect the overall performance of the S&P 500 if one is to dollar cost average?

Mohnish: I wish I knew the answer. It's a great question. There's a lot of concentration among the larger tech names, but those businesses are also exceptional. I don't feel comfortable personally investing in those businesses, but those businesses could be worth a lot more in the future. To me, it falls in the too hard pile, and I don't think it's a no-brainer today to invest in the S&P unless one has a very long timeframe. My best answer would be that if you are dollar cost averaging over a long period, the S&P 500 is a great place to be. But I would say that if you were going to put everything in today, I don't know if that's probably the right thing to do, but it's a difficult call. I'm not an expert on that, but that's my best guess.

Question: I want to thank you for the advice earlier. My question right now is going back to your thoughts on the S&P 500. When I get started earlier in my career, I won't have the capital to invest in a privately managed fund like yours. I was wondering what the best option for maximizing returns is early in your career when you don't have access to millions of dollars of capital.

Mohnish: Well, for someone like you, the S&P is a great choice because it is not going to go in one day. You are going to have money coming in every two weeks or every month, and you will keep adding that in, and over a few decades as you dollar cost average you will be in a tremendous place. You may be getting in at too high a value or fair value, we don't know, but it won't matter because you are investing over time. The frictional costs are low, and taxes are low. The more important thing is spending less than you earn to maximize your savings rate while having a good life. Putting in something like the S&P is a great way to go. That is a good answer for you.

Question: Good afternoon, Mohnish. This is my first annual event here, and I just wanted to say thank you for having us here. I'm here with my son who is sitting in the back. He's currently a junior at Indiana University. My question is, what is the life advice you have for him and me who will be empty nesters soon?

Mohnish: I don't know if I'm the right guy to ask life advice for kind of a barbell situation here. I'm an empty nester and it was a benign change from my point of view. My heroes are Warren and Charlie, and what I learned from them is that purpose in life and meaning in life are important. When I observe them and I see the way Charlie lives his life and the way Warren lives his life, they have a very strong sense of purpose, and they are very excited about life. That's the key to their long life and great health. For your son, he's at a great age. He's at a great school. Where is he? Can you raise your hand? Oh, there you are. I would just say that it is a great place to be. One of the things that Buffett says is when you want to go to work, don't go for the brand names, don't go for the highest offer, go for the people that you like, admire, and trust the most; the highest quality people that you can work under and work within an area that you are deeply interested in. That's the key. It's difficult at 21 for most people to know what their calling in life is. I know I had some ideas that were wrong at that time. So whenever you get a good idea of what your calling in life is, you should pursue that. When you need other people to pursue that, focus on the ones who are of the highest quality. That's probably a good roadmap.

Question: Does Pabrai Funds still hold the Prosus position and what do you think about investing in China in the future?

Mohnish: We exited the Prosus position. From an opportunity cost point of view, we had so many more compelling, no-brainer ideas like the US cannibals that I had to pivot hard. I'm still trying to do that pivot. We are looking at anything that's not bolted down. We are not going to touch our Turkiye bets, we're not going to touch Edelweiss, we're not going to touch Nuvama. A few other things are not so bolted down. We are going to move as much and pivot as much as we can to where the opportunity is.

Question: Would you consider releasing the in-person annual meeting recordings, and is it an SEC issue possibly?

Mohnish: We don't release the video, but we do release a very detailed transcript of both meetings. What we do is we take the two meetings and we combine them into a single transcript. There are repeated questions. We kind of combine those answers. Pretty much anything that has transpired in our annual meetings this year or in the past is all on the website. We'll also release the slide video. Even that will be online soon. We have not chosen to release the recordings and we may do that at some point, but from an information point of view, everything is available.

Question: In all your podcasts and your past talks, you have mentioned that you're a shameless cloner. If you were to stop managing the fund today, and if you were to clone two people and Warren Buffett and Munger don't count, who would that be?

Mohnish: You're saying that who would I turn over the money to be managed? Well, I have several friends in the investment business, and I haven't thought about that issue much, but I would look for someone with very high integrity and smart about the way they went about it. I just look for people who invested in a way that I felt I was in alignment with, and I would go with them. I don't know if I can come up with names for you right now, but that's how I would go about it. Several people are very thoughtful and good at this game. Not that many, but there are a few that are good at it, and I could look at them and take it from there.

Question: You have mentioned in one of the podcasts about finding good quality friends. The question is how do you define good quality friends and how do you find them?

Mohnish: Well, you will know it when you have it. One of the things Buffett recommends is that if you hang out with people better than you, you are going to get better. And if you hang out with people worse than you, you are going to get worse. There is a magnetic pull in both directions. If we are friends with someone, we can figure out what their positive and negative qualities are. If we know them, we will know that. The difficulty a lot of humans run into is you must take a deliberate step in reducing or eliminating interaction with the ones that are worse than you. For example, one of the things I started doing in Austin when I moved here is one or two times a month, I invited someone I didn't know to have tea with me in the afternoon. I make good Assam tea, a kind of chai with Pabrai in real life, and I would meet them at three o'clock in the afternoon and interact for an hour. Some people would reach out to me wanting to meet, and some were in Austin, some were willing to come in and I would just look at kind of who they were, what they were saying, and whether it was worth exploring this or not. I have been in Austin for about 18 months or so now, and I must have met maybe 25-30 people or so in that period. These are people I didn't know. One of these folks that came for this tea has become a good friend and I don't think I am going to be meeting the other 25 again. They weren't bad people. The bar was high. I was looking for fun, high-quality relationships, and these were pretty decent people, but it just never got there from my point of view.

The other thing is that one time I had asked Buffett at a lunch, "How are you and Charlie so good at judging people?" He said that he was not. He said, "You are mistaken, Mohnish. I am not a good judge of people. If you put me in a cocktail party with a hundred people and I got to spend two or three minutes with each one, I could probably tell you three or four people were exceptional. I could also probably tell you three or four people were useless and the other 92 or 93 I couldn't have any opinion on." But what he also said is he would eliminate the 96 or 97 who were either unknown or poor quality. He was a harsh grader, and he gave no credit to someone that he didn't know about. When I met these 25-30 people, there was probably more than one good person. I just couldn't tell in one hour. But I could tell with one exceptional person. All the meetings have been fun so far. I continue having this one or two Chai with Pabrai. I don't need too many friends. I already have so many great friends around the world, and if I have a few in Austin, that would be kind of fun. The quest continues.

Question: Would you recommend learning Bridge by playing in-person games or is online a similar skill?

Mohnish: Well, I would say that probably the best way to come up to speed on a duplicate bridge is to have a coach. If you play online with a coach, it is just fine. It is probably very efficient, and that way you can look for coaches that can be anywhere. Bridge Base is a very good online platform to play Bridge. When you play on Bridge Base, they charge a dollar or $2 per game. They give you the option of paying for your partner, and usually, these people are only going to play with you if you pay their fee. You can see their ratings and they tend to be much better players. Sometimes what I do is I just pay for the other guy and I have found a coach that way. Playing with better players is going to help you. Watching experts play is going to help you. Reading some of the books on Bridge is going to help you. I don't think you need to do much in person.

Question: Given the pain that you and your investors felt with Dhandho Holdings and then the India Funds, I wonder if you commit to never doing anything new again, and just focus on Pabrai Funds and this idea of being able to invest anywhere within that one vehicle.

Mohnish: That to me would be a life not well lived. We want to be thoughtful about doing things. You can't make an omelet unless you break some eggs. In all of these things, there are asymmetric possibilities. At Dhandho Holdings at the end of the day, even if we lost everything else that we have, if a loser is an 80% return on capital, I'll take that all day long. I learned a lot from Dhandho Holdings and, unfortunately, it didn't work, but a lot of things that we would want to do in capitalism by their nature may not work. Also, there is asymmetry when things do work. It's hard to know in advance, and it would be very hard for me to conclude that everything new I would try in the future is guaranteed to fail. I couldn't make that statement. I would say that if I'm going to try something in the future, it comes with some experience from the past. It might even have slightly better odds because we've taken some bullets in the back. I don't think people should resign themselves. Buffett felt when he was 47 that there was nothing more left to accomplish. He didn't feel that good, because his wife had left him and he felt he had accomplished everything he had set out to accomplish in the investing world, and there was nothing more that he could do. He then reflected and said, "You know, that was so dumb. Most of the exciting stuff happened after the age of 47." When he looked back, he said, "It was a post-47 period. That was the more interesting stuff." We are always going to have things that don't work in investments. We think everything will work when we invest. We know that if we are good, one-third won't, and if we are even average, half won't, and if we're senior Davis, 98% won't. I don't think one should just go into a bomb shelter saying, "Okay, I don't want to do anything more and just want to keep doing this." We want to be thoughtful. We want to try to minimize risk. I like the way the Reysas guys look at risk. I learned a lot from them. Every time they look at something new, they always look at it in a very small way; they try to keep the bet small. They try to learn, and once they find that it's working, it's amazing to watch them step on the accelerator and then they just go. That's a good model. Thank you very much.

Mohnish: Thanks a lot and great hanging out with you. See you next year.

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